

**Market Feasibility Study**

**Proposed Boutique Hotel**

**Crescent City, Florida**

**Prepared By:**

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**Prepared For:**

Mr. Patrick Kennedy, City Manager  
City of Crescent City  
3 N. Summit Street  
Crescent City, FL 32112

October 1, 2019

## Nichols Hospitality Consulting, Inc.

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Jan L. Nichols, CHA  
President

October 1, 2019

Mr. Patrick Kennedy, City Manager  
City of Crescent City  
3 N. Summit Street  
Crescent City, FL 32112

Re: Proposed Boutique Hotel  
Crescent City, FL

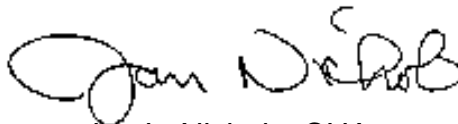
Dear Patrick:

Pursuant to your request, I herewith submit a market feasibility study with a forecast of operating income pertaining to the above-captioned property. I have inspected the site and analyzed the hotel market conditions in the market area.

I hereby certify that I have no undisclosed interest in the property, and my employment and compensation are not contingent upon these findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

It has been a pleasure to assist you on this assignment.

Sincerely,

A handwritten signature in black ink, appearing to read "Jan Nichols", with a stylized flourish at the end.

Jan L. Nichols, CHA  
President

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# 1. Executive Summary

## Identification of the Subject Property

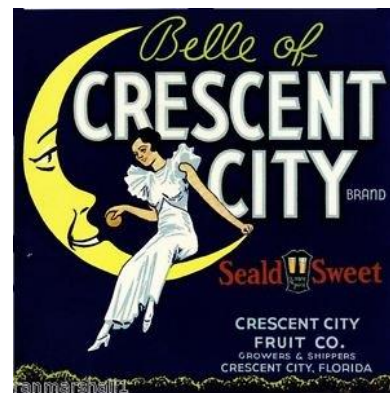
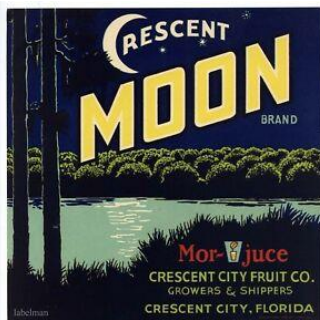
The subject of this report is a proposed  $\pm 40$ -room, independent boutique hotel. The  $\pm 2.16$ -acre hotel site ("the Subject"), with frontage on Summit Street (US Hwy 17) and Central Avenue, is located within the Community Redevelopment Area (CRA) in downtown Crescent City, Putnam County, Florida. The address is 301 Central Avenue, Crescent City, Florida 32112. The Subject is described in Section Three of this report.

## Market Area Summary

The greater market area is defined as Putnam County. The direct market area is defined as the Palatka/Crescent City Micropolitan Statistical Area. Putnam County has a population of about 79,000 in 2019; nearly 39% of this population is 55 years of age and older. Population is growing at the rate of 0.5% per year, with population estimated to reach about 81,000 in 2024, and seniors are projected to reflect 40% of the total.

Crescent City is a small town nestled between two beautiful lakes in rural Putnam County, approximately 28 miles north of Deland and 23 miles south of Palatka. Crescent City is known as the "Bass Capital of the World" and offers outstanding recreational fishing. It is also a proud "Tree City USA" with canopies of live oaks and Spanish moss evoking Olde Florida charm and nostalgia. The city of Crescent City is the second most populous city after Palatka, with about 1,555 residents.

Crescent City was founded in 1876. It was marketed as a semi-tropical location for winter residents to wealthy Northerners. By 1877, a dozen families had settled there and daily steamship service was established between Crescent City and Jacksonville. Prior to the 1870s, agriculture and livestock were the two major industries, but newly established orange groves helped establish a thriving citrus industry. However, the "Great Freeze" of 1894-95 devastated both the groves and the City's population, from 554 people to 352 at the turn of the century. By 1909 the citrus industry began to prosper again, and by 1915 there were some 90 growers shipping fruit from packing houses in Crescent City.



However, disaster struck again in the form of the Mediterranean fruit fly which decimated the local citrus industry, followed by the real estate bust that occurred throughout the entire state in

the late 1920s. The citrus industry continued to a lesser degree until a major freeze in the 1980s and has ceased to exist. Ferns for the ornamental flower industry are now the major agricultural crop in the area.

Today, the area is home to a growing number of retirees, artists, and small businesses. Its downtown historic district contains more than two dozen historic buildings, highlighted on a Historic Walking Tour Guide. There are several restaurants, including the popular Three Bananas waterfront restaurant on Lake Crescent, whose success highlights the popularity of Crescent City as a destination for a variety of leisure travelers who are potential lodging guests, including senior adventure/history travelers, fisherman, nature/hiking/kayaking adventurers, special event attendees, and group/family events.

The Crescent City Community Redevelopment Area (CRA) was established in 1995 and updated in 2018 pursuant to the State of Florida's Community Redevelopment Act, which enables the City Commission, acting as the Community Redevelopment Agency, to make public improvements that will encourage private investment and facilitate neighborhood revitalization. The City's vision for the downtown CRA District is to create a more vibrant, livable, walkable and workable downtown supporting a diverse mix of uses that recognize the historic, rural character of the community, creating both entrepreneurial and employment opportunities.

In 2011, the City retained Real Estate Research Consultants and the University of Florida, College of Architecture to develop a vision for redevelopment of the Subject and the downtown CRA, recognizing the City's key assets as the "4 A's" – Aquatics (situated between two lakes), Architecture (more than 2 dozen historic buildings), Arts (artists' presence in the area is growing), and Antiques (several antique shops and/or museums).

Building on the visioning process, the CRA has focused on several areas for improvement:

**Marina Development:** The City owns Margary Neal Nelson Sunrise Park on Crescent Lake, with a boat ramp and boat trailer parking, and completed a \$375,000 improvement to the shoreline and pier with boat slips in 2019. Additional plans call for the incorporation of a pedestrian experience through a boardwalk, a "lookout" on Crescent Lake in the marina area, and restoring the old jail and water wheel station as an historic trail for visitors and residents to enjoy. Future planned improvements include a support building with restrooms, bait and tackle, fuel and marine supplies, along with pedestrian connections to Central Avenue.

**Historic Based Tourism:** The CRA has identified public assets suitable for developing historic-based tourism opportunities and improved connections between the water and the business district. The CRA recently produced a glossy brochure, "Crescent City Historic Walking Tour Guide", funded by the Putnam County Tourist Development Council. It promotes the more than two dozen historic homes, churches, and commercial buildings from the 1870s through the 1920s. The City also participates in Putnam County's promotion of the world famous naturalist William Bartram's travels through Florida along the St Johns River in 1765 and 1774. The

County publishes and distributes maps and literature promoting “Bartram Trail in Putnam County” with hiking, biking, and paddling routes that include Crescent City.

Anecdotal evidence from area merchants, visitor counts at several festivals and events, actual occupied room nights and restaurant patron counts obtained by the consultant suggest that over 200,000 visitors annually explore Crescent City as ‘day-trippers’ and some could be converted to overnight hotel guests if appealing accommodations were available. FDOT reports an average daily traffic count of 9,900 vehicles in Crescent City, which reflects an annual total of 3.6 million vehicles. An unknown portion of the total traffic reflects leisure travelers; 200,000 reflects about 5.6% of the total traffic. This is a small percentage of the mostly through-traffic utilizing 17 as the primary north-south artery in Putnam County, which provides access to the only county access to crossing the St. Johns River, in Palatka.

According to Three Bananas Restaurant owner Pam Calder, during 309 days of operation from July 2018 to July 2019, a very high volume of guests (actual numbers were shared with the consultant, but Ms. Calder wishes to keep them private) walked through the door of her establishment, with over 99% from out-of-town (Crescent City’s population is only 1,550). During Daytona’s Bike Week in March 2019 (with a total of 500,000 attendees), Ms. Calder stated that bikers attending the 10-day Daytona event filled her restaurant on a daily basis; in April the Catfish Festival brought thousands of people to the area and filled her restaurant; Daytona’s Biketoberfest in October (with a total of 100,000 attendees) drew hundreds of patrons each day over 5 days; in November and December fishing groups brought 75 to 150 guests per each fishing tournament. *Ms. Calder reports that on weekends she usually has anywhere from 5 to 20 diners asking where to stay the night in Crescent City, either on a current trip or planning to come back again.*

## Summary of Putnam County Tourism Trends

Putnam County attributes 13.2% of its total jobs to the leisure & Hospitality Industry, a higher percentage than most FL counties, but well below the top tourist markets in Florida. Of the state’s 1.2 million leisure & hospitality employees, about 1,700 are in Putnam County. Tourism is Florida’s 5<sup>th</sup> largest industry, attracting over 126 million visitors in 2018. Putnam County does not track attendance at all of its many festivals, events, and tournaments held throughout the year, but hotels report increased occupancy in 2019, and the four primary hotels in Palatka accommodated over 70,000 room nights in 2018, increasing to an estimated 84,000 by year end 2019. The Palatka Blue Crab Festival in May 2019 attracted more than 75,000 people during the three-day event, according to its organizers, the Palatka Young Professionals. It is likely that Putnam County attracts hundreds of thousands of visitors annually to its attractions and events, but they are mostly ‘day trippers’ from nearby metropolitan areas or from out-of-state.

A 2019 report by Rockport Analytics for Visit Florida indicates that a total of \$110.2B was spent in FL counties in 2017, with Putnam County garnering 60% to 70% of its tourism revenue from out-of-state visitors, or “inter-state” travelers.

In addition to “inter-state” travel, “intra-state” travel is increasing also, fueled by a growing senior population that enjoys travel. A December 2018 report by the Florida Legislature Office of Economic and Demographic Research indicates that baby boomer populations are increasing across the state, especially in central Florida. Baby boomers have a strong interest in overnight ‘leisure getaway’ trips within a few hours’ drive of their homes, and major population centers in Orlando, Jacksonville, Tampa/St. Pete and the Villages are metro areas that reflect a growing market of millions of seniors who represent potential adventure/history travelers for Crescent City to tap.

Crescent City is located 70 miles north of Orlando, the most visited destination in the United States. A record breaking 75 million tourists traveled to Central Florida in 2018, the first in the US to pass 70 million visitors in one year, according to Visit Orlando, up from 72 million in 2017, 68 million in 2016 and 66 million in 2015. If only 1/4 of 1% or .0025% of these visitors desire a nature/history travel experience and seek out Putnam County as an overnight destination that reflects a potential 187,500 visitors; the 14,600 total annual room-nights available at the Subject hotel reflects only a small fraction of this potential Orlando demand.

Domestic leisure travelers, the majority of which travel *via personal vehicle* to the Orlando area, reflect the vast majority or 83% of total domestic overnight visitors. These out-of-state visitors may also be inclined to take the scenic US Hwy 17 route between Orlando and North Florida and spend a night in Crescent City enroute to their final destination, if desirable lodging was available and visitors are made aware of this option as they make their travel plans to Orlando.

## Lodging Supply and Demand Summary

The subject hotel site is located in historical downtown Crescent City. There is currently no direct midscale or upper midscale lodging competition in Crescent City. The comp set selected by the consultant for this analysis for the purpose of yielding the most reliable data for the basis of forecasting the subject’s occupancy performance includes four Palatka properties. The subject’s occupancy performance will rely on penetrating existing leisure demand, and to a lesser extent, commercial and meeting/group demand, so the occupancy performance of the Palatka properties is most relevant to projecting occupancy penetration and likely ADR performance.

Relevant lodging performance indicators are reflected by Smith Travel Research (STR), a leading, independent research firm that compiles data on the lodging industry; its published data is routinely used by typical hotel investors and industry experts. A custom STR Trend report was ordered by Nichols Hospitality Consulting, Inc. for this study. The custom STR includes the only two upper midscale properties in the Putnam County/Palatka market (69-room **Hampton Inn Palatka** and 72-room **Holiday Inn Express & Suites Palatka**), considered to be most comparable to the proposed upper midscale subject hotel. The set also includes two midscale inns (54-room **Best Western of Palatka** and 118-room **Quality Inn & Suites Riverfront Palatka**). These properties provide an indication of the ADR and occupancy potential for the Subject, since it is expected to compete for some of the leisure demand and small groups that are currently accommodated in Palatka. The custom STR data for the selected hotels reveals

greatly improved operating results in 2019. Based on actual YTD performance through June, 2019 is shaping up to be a year of record high local lodging performance in all three indicators – ADR, occupancy, and RevPAR.

1. No new lodging supply has been added to Palatka since the Hampton Inn in 2016. Other local competitive lodging product ranges in age from 9 years (Holiday Inn Express & Suites), 25 years (Best Western), to 41 years old (Quality Inn Riverfront). The addition of the Hampton in late 2016 created a temporary oversupply, with the absorption of new rooms exerting downward pressure on both occupancy levels and room rate growth in 2017 and 2018; the Hampton appears to have achieved stabilization in 2019 and both occupancy and ADR are showing strong growth in the market area for the year-to-date.

2. For year-to date through June 2019, the selected custom STR Trend Palatka properties reflect occupancy *up 17.3%* from 70.0% to 82.1%. High annual occupancy levels have fueled strong ADR increases, resulting in RevPAR growth that exceeds national averages. *With increasing lodging demand, the market is enjoying record high performance benchmarks.*

3. Average daily rate (ADR) for the selected properties increased 4.8% for the year-to-date, from \$100.95 to \$105.77. ADR was \$99.38 for YE 2018, and is on track to increase *4.0% to 6.0%* over YE 2018 by YE 2019, *reflecting consistent growth in recent years.*

4. RevPAR (rooms revenue per available room, an industry standard performance indicator which takes into account both occupancy and ADR) increased a healthy 9.3% in 2018, and has increased 22.9% through June 2019, from \$70.62 to \$86.83, reflecting continued positive growth, *well above national average rates of RevPAR growth.*

In the trailing 12 months, the market reflected a low of 53.3% occupancy in August 2018 to a high of 92.5% in March 2019. There is a year-round stabilizing influence of a commercial lodging demand base in Palatka, augmented by weekend leisure demand, special event leisure demand, and/or targeted SMERF (social, military, education, religious or fraternal) meetings and groups. The market exhibits distinct weekly fluctuations. By day of the week, Sunday is historically the lowest occupancy, averaging 53.7% over the past twelve months. Tuesday and Wednesday reflect weekly peak occupancy of 75% to 77%% over the past 12 months, followed by Saturday at 73%. *Strong occupancy at midweek generally indicates a reliable base of commercial lodging demand, and strong weekend occupancy indicates high leisure demand.*

## Occupancy Forecast Summary

The Subject's occupancy was forecasted by estimating the proposed hotel's occupancy penetration by market segment (i.e., commercial, leisure, group & meeting) for each year of the forecast period. Penetration rates for the Subject and competitive hotels were projected based upon historical performance and/or the conditions foreseen in the marketplace going forward. Considerations such as brand, location, facilities and amenities offered, age or condition, and management have been weighed.



The consultant has analyzed the competitive strengths and weaknesses of the Subject proposed hotel in order to forecast market penetration levels by market segment, with the following primary considerations:

1. Independent Hotel Status: The Subject, as an unaffiliated hotel, will likely be at a competitive disadvantage to the branded hotels within the comp set. At only 40 rooms, it is unlikely to qualify for either a soft or hard brand affiliation. However, operating as an independent gives the Subject freedom from rigid franchise design standards and a 'cookie cutter' look. A strong marketing presence on the Internet will be essential to a successfully promoting the hotel, due to the lack of brand franchise system marketing.
2. Crescent City Location: This is a strength for drawing leisure travelers, and a weakness for drawing commercial travelers. The Subject will be at a competitive disadvantage to the hotels located in Palatka due to the existence of a strong commercial lodging demand base there, which provides a steady year round source of lodging demand and accounts for over half of total accommodated demand. However, the Crescent City location is a competitive advantage as a desirable destination for leisure travelers seeking an authentic Olde Florida or adventure/history/nature experience.
3. Meeting Space: The Subject is expected to become a preferred location for Putnam County weddings, social events, and meetings. Meeting and banquet facilities will include approximately +1,500 square feet under air conditioning. There are numerous additional nearby lakefront outdoor event venues available, which are extremely popular with wedding parties at Florida hotels, and greatly increases the subject's ability to host wedding groups and other social groups.
4. Latest Technology/Social Media: It is recommended that the Subject hotel offer the latest in hotel technology (including high speed WiFi) for ease of check in, safety and convenience for its guests, and embrace social media and smartphone technology to build loyalty, attract and retain customers. Social media sites like Facebook, Twitter, and TripAdvisor are commonly used by travelers to select hotels. Hoteliers are using apps to help guests manage bookings and offering interactive maps/GPS to increase occupancy and enhance the guest experience.
5. New Guest Rooms: Hotel guests prefer to stay at the newest accommodations they can find to suit their travel budget. The Subject will offer the newest rooms in the market, some with lake views, which should help the hotel to ramp up its occupancy and ADR and give it a competitive 'newness' advantage for several years.
6. Accessibility: The Subject site is located directly on US Hwy 17, the major north-south artery in Putnam County, with an average daily vehicle count in Crescent City of 9,900 in 2018. US Hwy 17 averages about 6,100 vehicles per day south of Crescent City, and 8,000 vehicles per day north of Crescent City (population 1,555). In comparison, the bridge over

the St. Johns River in Palatka averages about 32,500 vehicles per day. Palatka provides east-west routes connecting with St. Augustine and I-95 to the east and Gainesville and I-75 to the west, and provides the closest east-west routes for Crescent City.

Based on the consultant's analysis summarized in this report, the subject's occupancy is projected by estimating the hotel's occupancy penetration by market segment for each year of the forecast period. The results are used as a basis for the forecast of occupancy penetration rates for the subject. This analysis results in the following projected occupancy levels for the Subject Property. The 2022 projected growth actually reflects three years, 2019 to 2022.

### Subject Property's Projected Occupancy

Lodging Market Segment	2019	2022	2023	2024	2025*
<b>Leisure</b>					
Potential Demand	28,074	31,385	31,699	32,016	32,336
Subject Property Market Share		17.7 %	18.9 %	20.3 %	20.8 %
Subject Property Capture		5,564	5,999	6,497	6,715
Subject Property Penetration		156.4 %	167.0 %	179.1 %	183.3 %
<b>Commercial</b>					
Potential Demand	45,032	47,734	48,212	48,694	49,181
Subject Property Market Share		4.9 %	5.0 %	5.1 %	5.2 %
Subject Property Capture		2,333	2,413	2,493	2,575
Subject Property Penetration		43.1 %	44.2 %	45.2 %	46.2 %
<b>Meeting &amp; Group</b>					
Potential Demand	10,714	11,357	11,471	11,586	11,701
Subject Property Market Share		6.4 %	6.9 %	7.4 %	8.0 %
Subject Property Capture		723	792	861	931
Subject Property Penetration		56.2 %	60.9 %	65.6 %	70.2 %
<b>Total Room Nights Captured</b>		<b>8,620</b>	<b>9,203</b>	<b>9,851</b>	<b>10,221</b>
Available Room Nights		14,600	14,600	14,600	14,600
<b>Subject Property Projected Occupancy</b>		<b>59 %</b>	<b>63 %</b>	<b>67 %</b>	<b>70 %</b>
Marketwide Available Room Nights	114,245	128,845	128,845	128,845	128,845
<b>Subject Property Fair Share</b>		<b>11 %</b>	<b>11 %</b>	<b>11 %</b>	<b>11 %</b>
Marketwide Occupied Room Nights	84,399	90,477	91,382	92,295	93,218
<b>Subject Property Market Share</b>		<b>10 %</b>	<b>10 %</b>	<b>11 %</b>	<b>11 %</b>
<b>Marketwide Average Occupancy</b>	<b>74 %</b>	<b>70 %</b>	<b>71 %</b>	<b>72 %</b>	<b>72 %</b>
Subject Property Market Penetration %		84 %	89 %	94 %	97 %

\*Stabilized Year

Source: Nichols Hospitality Consulting, Inc.

Based on this analysis, the subject property is projected to achieve occupancy of 59% in Year One, 63% in Year Two, 67% in Year Three and stabilized occupancy of 70% in Year Four. This is based on market penetration of 84% in year one, 89% in year two, and stabilizing at 97% in year four, or slightly below its fair share, occupancy wise.

Based on analysis of local lodging demand generators, it is anticipated that the subject property will generate approximately **66%** of its accommodated demand from the leisure segment, **25%** from the commercial segment, and **9%** from the meeting & group segment.

## Average Daily Rate Summary

Average daily rate (ADR) is calculated by dividing the total room revenue achieved during a specified period by the number of rooms sold or occupied during the same period. The property's average rate was projected using a competitive positioning method. These rates establish a range that reflects certain characteristics of both the brand and the specific market, such as price sensitivity, demand orientation, and occupancy.

The following table summarizes projected average rates and room revenue by market segment for the Subject proposed hotel.

### Projected ADR by Market Segment for Proposed Hotel

	Base Year 2019	2022	2023	2024	2025
<b>Leisure</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		5,564	5,999	6,497	6,715
Rooms Revenue		\$721,687	\$809,253	\$902,709	\$956,308
Subject Hotel Average Rate	\$119.00	\$129.71	\$134.90	\$138.95	\$142.42
<b>Commercial</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		2,333	2,413	2,493	2,575
Rooms Revenue		\$277,241	\$298,130	\$317,321	\$335,919
Subject Hotel Average Rate	\$109.00	\$118.81	\$123.56	\$127.27	\$130.45
<b>Meeting &amp; Group</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		723	792	861	931
Rooms Revenue		\$77,982	\$88,845	\$99,555	\$110,362
Subject Hotel Average Rate	\$99.00	\$107.91	\$112.23	\$115.59	\$118.48
<b>Total</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.1 %	2.4 %
Captured Room Nights		8,620	9,203	9,851	10,221
Rooms Revenue		\$1,076,910	\$1,196,228	\$1,319,586	\$1,402,589
Subject Hotel Average Rate	\$114.62	\$124.93	\$129.98	\$133.95	\$137.22
Subject Hotel ADR Penetration		110.1 %	111.2 %	111.3 %	111.2 %
Marketwide Average Rate Growth	—	9.0 %	3.0 %	3.0 %	2.5 %
Marketwide Average Rate	\$104.12	\$113.49	\$116.89	\$120.40	\$123.41

Note: 2022 rate growth reflects 3 years, 2019 - 2022.

Source: Nichols Hospitality Consulting, Inc.

Based on market segment analysis, Nichols Hospitality Consulting, Inc. has projected an ADR for the proposed hotel of \$114.62 if it were open and stabilized today, in 2019 dollars. This is bracketed slightly below the Hampton Inn and Holiday Inn Express & Suites Palatka, which are both in the range of \$115-\$120, currently the highest ADR achieved in the local area.

## Financial Forecast Summary

Based on the analysis contained herein, a forecast of income and expense has been formulated for the Subject Property for ten operating years, beginning January 1, 2022, expressed in inflated dollars for each year. The Subject is expected to stabilize in Year Four.

Number of Rooms:	40				40				40					40			
Occupancy:	59%				63%				67%					70%			
Average Rate:	\$124.93				\$129.98				\$133.95					\$137.22			
RevPAR:	\$73.71				\$81.89				\$89.75					\$96.05			
Days Open:	365				365				365					365			
Occupied Rooms:	8,614	%Gross	PAR	POR	9,198	%Gross	PAR	POR	9,782	%Gross	PAR	POR	10,220	%Gross	PAR	POR	
REVENUE																	
Rooms	\$1,076	77.0 %	\$26,900	\$124.91	\$1,196	77.6 %	\$29,900	\$130.03	\$1,310	78.0 %	\$32,750	\$133.92	\$1,402	78.2 %	\$35,050	\$137.18	
Food & Beverage	291	20.8	7,282	33.81	313	20.3	7,826	34.03	336	20.0	8,393	34.32	356	19.8	8,889	34.79	
Other Income (Net)	30	2.1	748	3.47	32	2.1	795	3.46	34	2.0	845	3.46	36	2.0	889	3.48	
Total	1,397	100.0	34,929	162.20	1,541	100.0	38,521	167.52	1,680	100.0	41,988	171.70	1,793	100.0	44,828	175.45	
DEPARTMENTAL EXPENSES *																	
Rooms	264	24.5	6,591	30.60	281	23.5	7,027	30.56	295	22.5	7,369	30.13	308	22.0	7,711	30.18	
Food & Beverage	215	73.7	5,369	24.93	226	72.3	5,656	24.60	238	70.9	5,953	24.34	249	70.0	6,222	24.35	
Total	478	34.2	11,960	55.54	507	32.9	12,682	55.15	533	31.7	13,322	54.48	557	31.1	13,933	54.53	
DEPARTMENTAL INCOME	919	65.8	22,969	106.66	1,034	67.1	25,839	112.37	1,147	68.3	28,666	117.22	1,236	68.9	30,895	120.92	
OPERATING EXPENSES																	
Administrative & General	193	13.8	4,813	22.35	200	13.0	5,012	21.80	208	12.4	5,210	21.31	216	12.0	5,393	21.11	
Marketing	162	11.6	4,054	18.82	169	11.0	4,236	18.42	177	10.5	4,416	18.06	183	10.2	4,580	17.92	
Property Operations & Maintenance	56	4.0	1,397	6.49	68	4.4	1,695	7.37	101	6.0	2,518	10.30	105	5.8	2,622	10.26	
Utilities	90	6.4	2,253	10.46	94	6.1	2,346	10.20	98	5.8	2,439	9.97	101	5.6	2,524	9.88	
Information & Telecommunications	16	1.1	397	1.84	17	1.1	418	1.82	18	1.0	438	1.79	18	1.0	456	1.78	
Total	517	36.9	12,913	59.96	548	35.6	13,707	59.61	601	35.7	15,022	61.43	623	34.6	15,575	60.96	
GROSS OPERATING PROFIT	402	28.9	10,056	46.70	485	31.5	12,132	52.76	546	32.6	13,645	55.79	613	34.3	15,320	59.96	
Management Fee	42	3.0	1,048	4.87	46	3.0	1,156	5.03	50	3.0	1,260	5.15	54	3.0	1,345	5.26	
INCOME BEFORE FIXED CHARGES	360	25.9	9,008	41.83	439	28.5	10,977	47.74	495	29.6	12,385	50.64	559	31.3	13,975	54.70	
FIXED EXPENSES																	
Property Taxes	69	4.9	1,725	8.01	71	4.6	1,768	7.69	72	4.3	1,812	7.41	74	4.1	1,858	7.27	
Insurance	17	1.2	431	2.00	18	1.1	442	1.92	18	1.1	453	1.85	19	1.0	464	1.82	
Reserve for Replacement	14	1.0	349	1.62	31	2.0	770	3.35	42	2.5	1,050	4.29	54	3.0	1,345	5.26	
Total	100	7.1	2,505	11.63	119	7.7	2,980	12.96	133	7.9	3,315	13.55	147	8.1	3,666	14.35	
NET OPERATING INCOME	\$260	18.8 %	\$6,503	\$30.20	\$320	20.8 %	\$7,997	\$34.78	\$363	21.7 %	\$9,070	\$37.09	\$412	23.2 %	\$10,309	\$40.35	
Note: Revenue and expense whole dollar amounts expressed in thousands (,000).																	
*Departmental expenses are expressed as a percentage of departmental revenues.																	
Source: Nichols Hospitality Consulting, Inc.																	

## Marketing Recommendations

It is recommended that the Subject hotel target leisure 'getaway' travel, small meeting and social groups, and regional business travel. The unique small town historic location of the Subject will provide guests with the experience of 'getting away from it all' but within a short driving distance of the Orlando, Daytona Beach, Jacksonville and Gainesville/Ocala/The Villages metro areas.

Today's getaway travelers consider experiences a new form of social currency. The typical getaway guest looks for unique details, intuitive service, and unforgettable, immersive experiences when they travel. The marketing strategy should guide the hotel's design elements and intentionally create appeal to all of the senses to immerse guests in a desirable and unique hotel experience, with examples below.

**Sights.** Lake views, sunrises and sunsets from the covered balconies. Unique historic design elements unavailable in cookie cutter brand name hotels. Local arts and crafts from area artists. Walking tour to see and experience the extensive historic architecture in Crescent City. Birds flying over the lake, boats on the water, the morning fog burning off, a rainstorm over the lake. Fresh flowers in the gardens, full moon over Lake Crescent. Marketing images should capture the sights for potential guests to visualize the memorable experiences awaiting them.

**Touch.** Soft, luxurious bed and bath linens, spa-like bath amenities. Comfortable seating in guestrooms and public areas.

**Taste.** The hotel's banquet space should offer exquisite meals and refreshing beverages. Guests enjoying their morning coffee in a rocking chair overlooking the lake or gardens, or afternoon tea. Taste sensations await guests with an easy walk to area restaurants like 3 Bananas Waterfront Bar & Grille, The Waters Edge (in the Sprague House), and El Amigo Mexican Restaurant, or a mile to Hallie's Landing on Lake Stella, for burgers and wings.

**Sounds.** Happy people celebrating special occasions, local musicians playing, the quiet and solitude of the peaceful setting. The sounds of nature, birds calling in the old Live oaks draped in Spanish moss, an osprey calling from high over the lake, or frogs singing in the evening.

**Smell.** Fresh brewed coffee in the lobby, delicious meals and fresh baked goods wafting in the air, fresh breezes from the lake, flowers and plants blooming in the gardens.

The proposed hotel is expected to become a focal point in the community, hosting many local events year-round, and creating seasonal events that will attract both locals and overnight guests, that could include the following experiential themes: lake, nature, fitness, Oktoberfest, December and other holiday events, historic architecture tours, gardening, cooking, etc. It is recommended that the subject property contain about  $\pm 1,500$  square feet of meeting space, plus opportunities for outdoor functions at nearby lakefront parks or historic buildings. A 1,500-square-foot meeting room would have the following capacities: 150 people for receptions; 125 for banquets using 5' round tables; and 62 for classroom style seating.

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It is the consultant's recommendation that more detailed and thorough listings of the tourism attractions in Crescent City be created for all print and online information. For example, in the *Visitor and Newcomers Guide*, "Historic Places of Putnam County" should present more of the City's historic architecture, and include pictures of the many historic homes in Crescent City, which are more interesting to visitors than commercial buildings. Under the "Crescent City Historic District" listing on page 5, it should indicate the following: "there are more than 2 dozen historic buildings to see via the *Crescent City Historic Walking Tour Guide*, available at City Hall, 3 N Summit Street (US 17), Crescent City, FL 32122." It is important to provide addresses for every destination, as most people use GPS to find places. Under the Guide's listings for "Museums, Galleries, and Parks" on page 6, no Crescent City lakefront parks are included, and they should be, along with addresses so places can be found via GPS. Most visitors will have quit reading by page 24, where "Parks, recreational areas and public facilities" are listed, the only place where Crescent City's unique and desirable lakefront parks are briefly mentioned, but addresses, detailed descriptions, or attractive pictures are lacking. On page 26, "Places to go, things to do outdoors" there is no mention of the many outdoor recreation opportunities in the City of Lake Crescent, including Hallie's Landing and its glass bottom boat tour, paddle boarding and kayaking on Lake Stella (used by outfitters from Palatka because it is superior for paddle boarding and kayaking than the St. Johns which is too rough), and paddling to Bear Island on Lake Crescent.

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The city's web site, [crescentcity-fl.com](http://crescentcity-fl.com), has a link to "Walking Tour Guide", but the historic building photographs are not easily accessible and only seen when hovering a mouse over each number. More pictures need to be fully displayed without hovering, to entice visitors to visit. There is a treasure trove of interesting nostalgic pictures accessed via the link Crescent City Historical Archive, but visitors need to be given easier and more direct access to the best and most interesting of the historical pictures. The City's history and historical architecture, and recreational offerings, need to be much more visible and strongly promoted at the City website. A redesign is recommended to give visitors easier access to information. As an example to emulate, the Palatka website, [palatka-fl.gov](http://palatka-fl.gov), has a "Visitor" tab at the top of its home page which takes visitors to places to easily find attractions, community events, and details on downtown Palatka.



Putnam County's Chamber of Commerce has online and print information available for visitors, detailing the many recreational opportunities, events, and attractions for visitors to experience. Its web site does have the Crescent City Historic Walking Tour Guide on its "Brochures" page, but it has been placed at the bottom of the list instead of alphabetical order. It should be listed as "Historic Walking Tour Guide of Crescent City" right after "Historic Churches Tour Guide" at the site, since the same visitors would probably be interested in both and more likely to see if grouped. Also at the site, the Putnam County Bicycle Route map brochure includes only one route in Crescent City, but does not have Lake Stella on the map at all! It should be shown, as the scenic bike route runs alongside Lake Stella and no one would know that from looking at the map. Plus, more scenic bike routes that feature Crescent City should be added. Bicyclists would like to know about places to stop along the way in Crescent City, like Hallie's Landing on Lake Stella, to take a break and enjoy great burgers and wings.

## 2. Nature of the Assignment

### Subject of the Study

The subject of this report is a proposed  $\pm 40$ -room, boutique hotel. The  $\pm 2.16$ -acre hotel site ("the Subject"), with frontage on Summit Street (US Hwy 17) and Central Avenue, is located within the Community Redevelopment Area (CRA) in downtown Crescent City, Putnam County, Florida. The address is 301 Central Avenue, Crescent City, Florida 32112.

### Objective of the Study

The objective of this study is to evaluate the supply and demand factors affecting transient accommodations in the subject market area and determine the market feasibility of the proposed hotel; make brand and facility recommendations; estimate the occupancy, average rate, and net operating income for the first ten years of operation.

### Use of the Study

This study is confidential and contains proprietary information. It has been provided for exclusive use by the City of Crescent City and/or its investors, in connection with business decision-making purposes. It is not to be quoted in part, copied, or disseminated to any third parties without the expressed knowledge and written consent of Nichols Hospitality Consulting, Inc. The reader is advised to refer to the Statement of Limiting Conditions presented at the conclusion of this report.

### Scope of the Study

All information was collected and analyzed by the staff of Nichols Hospitality Consulting, Inc. Information such as site data was supplied by representatives of Crescent City. The market conclusions herein are based on an independent, unbiased investigation and analysis of the competitive market by the consultant.

### Method of Study

The methodology used to develop this market study is based on the market research and valuation techniques set forth in the textbooks entitled *Hotels, Motels and Restaurants: Valuations and Market Studies*,<sup>1</sup> and *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*.<sup>2</sup>

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<sup>1</sup>Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

<sup>2</sup>Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*. (Chicago: Appraisal Institute, 1992).



1. The subject site has been evaluated from the viewpoint of its physical utility for the operation of a hotel, as well as access, visibility, and other relevant locational factors.
2. The surrounding economic environment has been reviewed to identify specific lodging-related economic and demographic trends that may have an impact on future demand for hotel accommodations.
3. Dividing the market for transient accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
4. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness.
5. Documentation for occupancy and average rate projections are derived utilizing the market penetration and/or build-up approach based on an analysis of lodging activity.
6. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for Hotels reflects the anticipated economic benefits of the subject property and provide the forecast of net operating income for the first ten years of operation.
7. Income capitalization methodology was applied to estimate the prospective value of the Subject Property for investment decision making purposes only (this does not constitute an appraisal), utilizing discounted cash flow analysis and market-oriented rates.

## **Brand and Management Assumptions**

Based on the analysis and recommendations contained herein, this report assumes that the subject proposed  $\pm 40$ -room hotel will be developed and operated as an independent, upper midscale boutique hotel; and that the hotel will operate under competent, professional hotel management throughout the projection period, with pre-opening marketing to commence no less than six months prior to opening. It is also assumed that the Subject will be granted a liquor license by the City to allow the operation of a lobby bar and/or catering operation serving alcoholic beverages.

## **Pertinent Dates**

This report reflects fieldwork and research conducted in July and August 2019. The proposed subject hotel is assumed to open in 2022, be operational throughout the period of these projections, and stabilized as of January 1, 2025.

### 3. Description of the Proposed Boutique Hotel

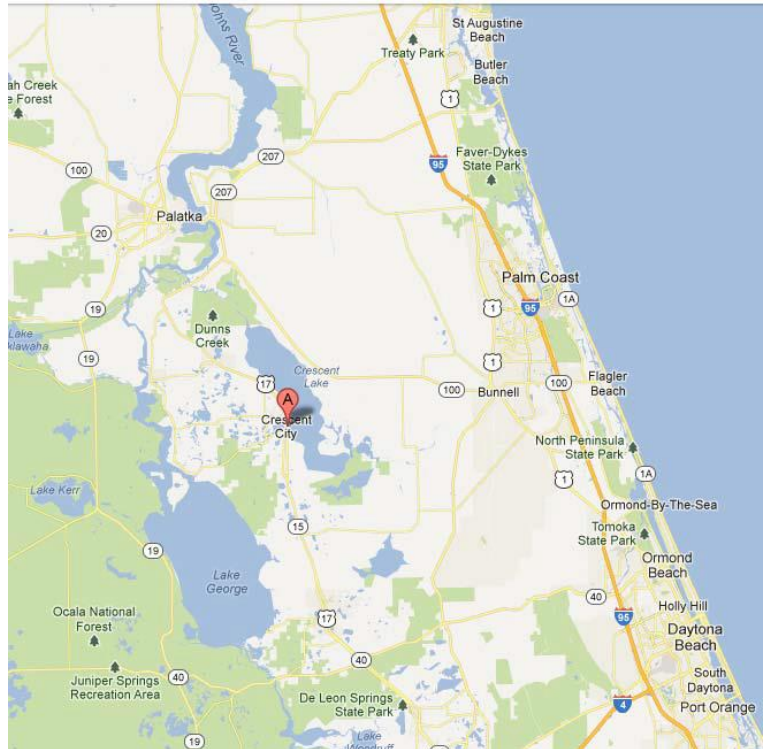
#### Subject Property

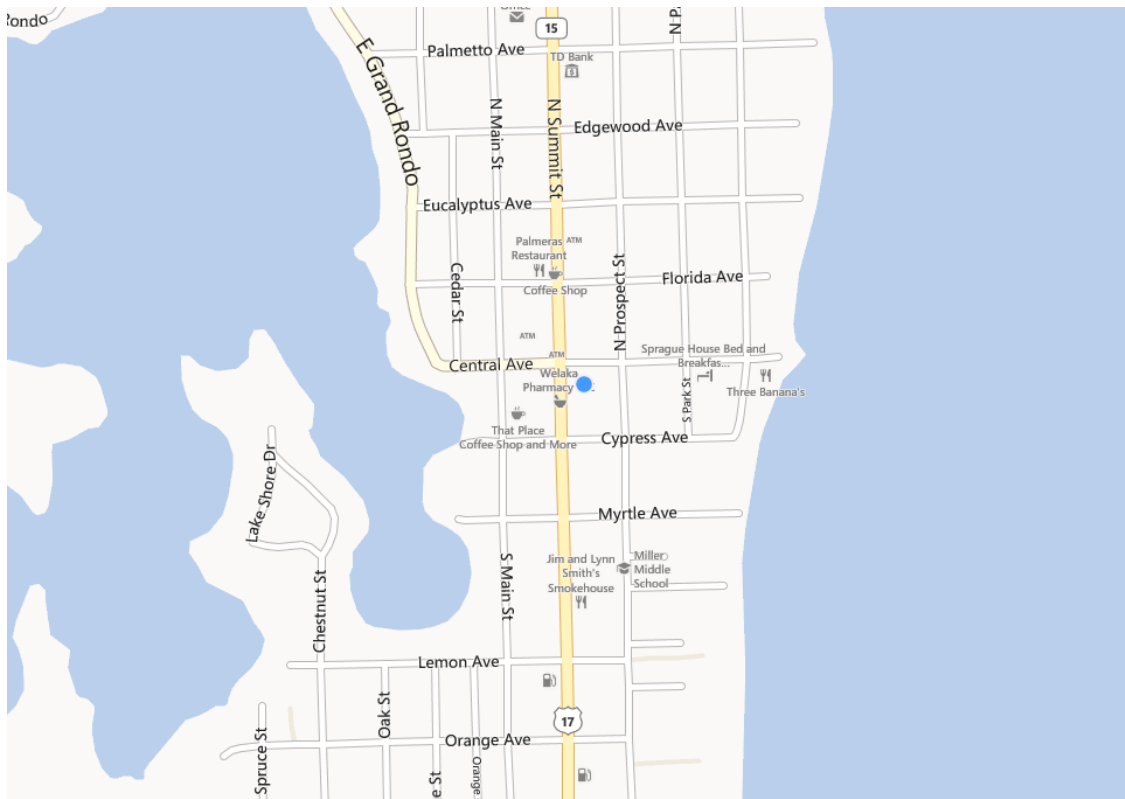
The subject of this report is a proposed ±40-room, independent boutique hotel. The ±2.16-acre hotel site ("the Subject"), with frontage on Summit Street (US Hwy 17) and Central Avenue, is located within the Community Redevelopment Area (CRA) in downtown Crescent City, Putnam County, Florida. The address is 301 Central Avenue, Crescent City, Florida 32112.

#### Site Accessibility and Visibility

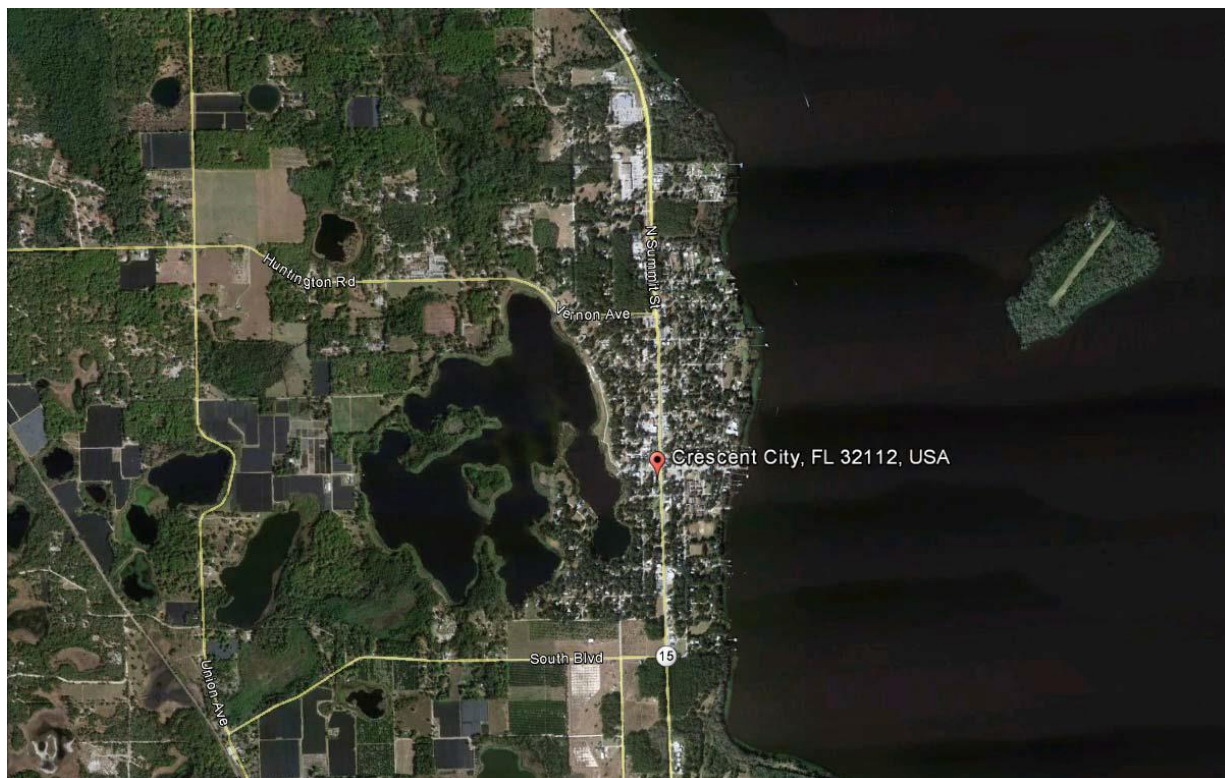
The subject hotel will enjoy excellent visibility and accessibility from US Hwy 17, the major north-south artery (considered a Florida scenic backroad) in Putnam County, which connects the Orlando area with the Jacksonville area. The Subject hotel's location in a mixed low density commercial/residential area features excellent accessibility to downtown Crescent City and its historic buildings, restaurants, lakes, and shops.

FDOT reports an average daily traffic count of 9,900 vehicles in Crescent City, which reflects an annual total of 3.6 million vehicles. Nearly all guests are expected to arrive via personal vehicle, so proximity to airports is not considered an important locational attribute. The nearest major airports are Sanford International Airport, located 60 miles and about 1.5 hours to the south; Orlando International Airport, about 2 hours or 88 miles to the south; and Gainesville Regional Airport, located about 67 miles or 1.5 hours to the northwest. US Hwy 17 provides connections with Interstate 4 (linking the east and west coasts of Florida) and to Interstate 95 near Daytona Beach, providing interstate highway access along Florida's east coast and connecting Florida to the rest of the United States.

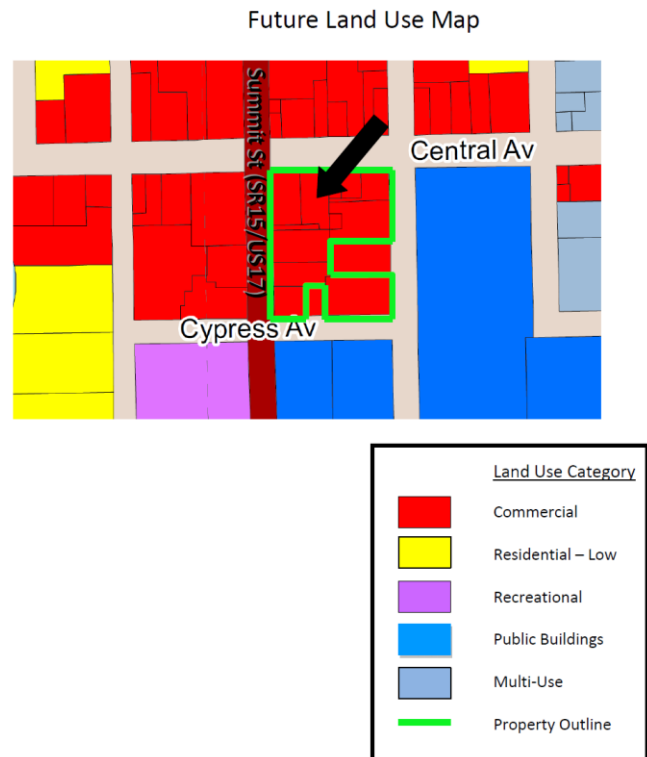




Known as the “City Between the Lakes,” Crescent City is situated on both Lake Stella to the west and Crescent Lake to the east. Crescent Lake is one of the largest lakes in Florida at 30 square miles, and offers navigable connections to the St. Johns River via Dunn’s Creek.



The following diagrams present a 2017 aerial of the Subject and Future Land Use Map.



The Subject site is currently used for open air markets and special events. Between 2010 and 2013 the City and its Community Redevelopment Area Board spent more than \$200,000 to purchase the Subject, conduct a hazardous materials survey, demolish dilapidated structures, clean up, improve and maintain the Subject. The City seeks to redevelop the Subject, zoned Commercial (GC-1), through the use of an innovative public/private partnership, providing a private developer with development support and financial incentives. Crescent City is within a designated Opportunity Zone, available for Tax Credits; developer may be eligible for US Department of Agriculture Rural Development Grants or Department of Economic Opportunity CDBG. As owner of the Subject, the City has flexibility over the cost of the land to a potential developer, and also controls the cost of utility hookup fees for water, sewer, and natural gas, which could be abated.

## Hotel Design Guidelines

The CRA's 2014 visioning process produced design guidelines for the development of the Subject site. In the early 1900s, visitors to Crescent City were accommodated at the Grove Hall Hotel (pictured at right), a three-story hotel with views over the citrus groves to Crescent Lake. It no longer exists, but early photographs provide an indication of the type of historic character the town would like to reintroduce.





The City would like new hotel construction to provide some of the historical architectural elements present in the former Grove Hall Hotel, and also the Sprague House (pictured below in the 1920s and today), still in operation as a bed & breakfast inn. The CRA also references the historic 1859 Island Hotel in Cedar Key (at right) as the type of architecture considered compatible with the downtown vision.



The amended CRA Plan approved by the CRA Board in 2018 presents the following guidelines for development of the Subject site and downtown Crescent City:

*Proposals to develop this property will be reviewed to a concept that includes a covered promenade that will shade sidewalks by a commercial arcade on the first floor (i.e. retail space), a hotel lobby and the restaurant room or event room concept. It will need to take full advantage of the lake views using verandas will allow such views from the hotel rooms, which will be located in the second and third floor. The hotel will also provide off street parking, a pool and 21st Century amenities. It will contain a minimum 36 rooms and off-street parking for 36 cars. Additionally, the building might contain in its volume, a fully equipped apartment(s) and/or a conference/event space.*



Illustration 2. Miller Property Redevelopment Site Plan

*Maintaining the historic character of the town and the connections to the water and the rest of Central Avenue is critical to any development proposal for this location. The height will be limited to 3 stories, but the height restrictions in the Land Development Code of 35 feet may be too restrictive with modern building codes, fire separation requirements and even the location of HVAC equipment. Variances up to a maximum of 40 feet may be considered for the proper design that is consistent with this plan proposal.*

***Downtown Streetscape Program:*** The Community Redevelopment Agency will devise and implement the theme for streetscaping of the downtown in accordance with this Plan. This will involve developing a design concept for Central Avenue that addresses parking, utility infrastructure, storm-water,

*aesthetics including signage, lighting, pedestrian access, vegetation for shade, pervious surfaces and street landscaping, and access to Crescent Lake and Lake Stella. The redesign will link the existing Lake Stella boat ramp and a linear park that includes a multi-use trail and a bird watching pavilion. It will also integrate the development of the Marina at Sunrise Park and the trail that links the historical artifacts along the waterfront with new observations and fishing piers that can become a destination.*

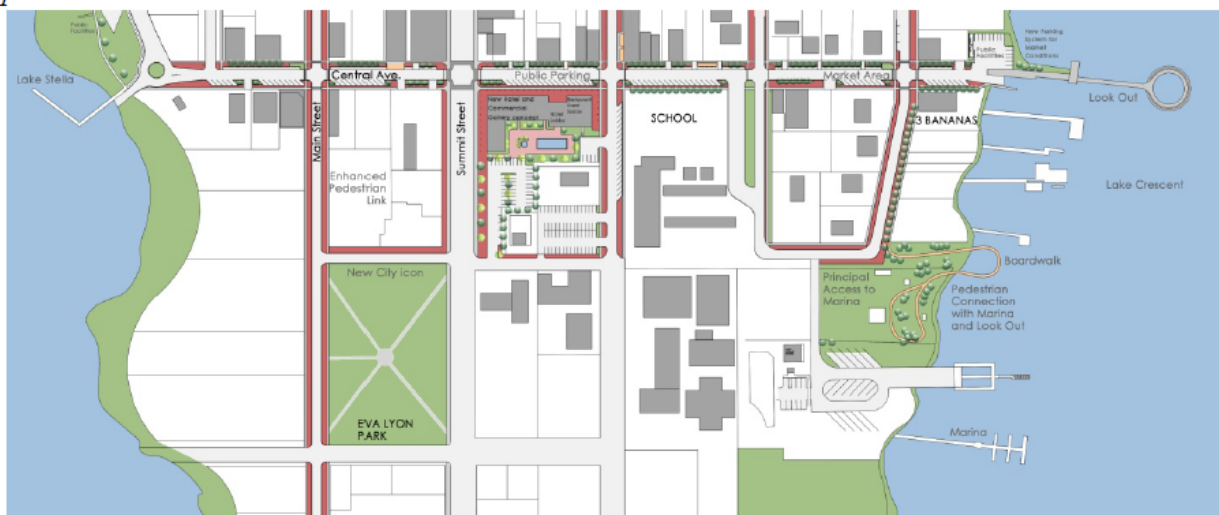


Illustration No.3 – Overview of Entire Streetscape Design incorporating the marina, the waterfront parks at each end of Central Avenue, the Miller property and Eva Lyon Park.

*The basic design concept will incorporate the current grassed areas into street parking using permeable paving that brings back the historic layout of diagonal parking on one side and/or parallel on another. It will incorporate pavers, landscaped bump outs and even “parklets”.*

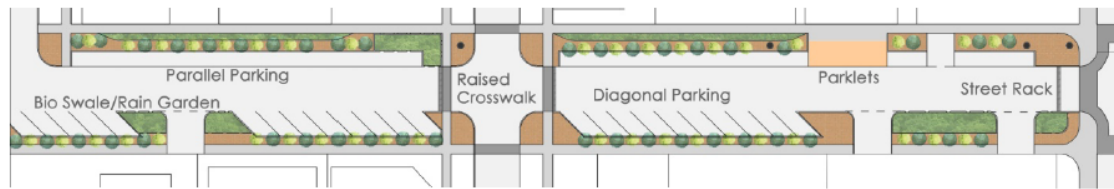


Illustration No.4 – Typical view of streetscape design.

### Site Legacy & History

The Property was once the headquarters for Miller Enterprises. The Miller Family was a part of the early establishment of Crescent City and turned their family run grocery store into a chain of grocery stores and convenience stores throughout northeast Florida. The Miller family sold the operation to The Pantry and closed its offices around 1995. Eventually the property lapsed into a vacant and blighted property. The City purchased the property in 2010 and immediately proceeded to clean it up and get it ready for reuse and redevelopment.

### Single Use and Mixed Use Redevelopment Proposals Are Welcome

Single or mixed-use proposals will be considered. Partial redevelopment schemes that only require portion of the Property will be considered. The City will consider all reasonable development proposals. The CRA Plan emphasized a hotel/retail mixed use for this location but the City Commission has expressly stated it would like to keep the door open for a wide array of possible redevelopment schemes and the City will consider any proposal that promotes Crescent City as a place to live, work, create, build, shop, dine, visit and recreate.

### Phasing

Phased development proposals will need to provide the number of phases, the scope of work to be completed at each phase and the timeline for completion of each phase. Given the size of the property and the desire to see it returned to productive use in the near term, the City will give preference to projects with limited or short term phasing.

In addition to the preceding development guidelines, the consultant recommends that the City grant a liquor license via a Conditional Use Permit so the Subject could operate a lobby bar and/or catering operation that offers full alcoholic beverage service.

The consultant recommends that the Subject contain about  $\pm 1,500$  square feet of meeting space, plus market opportunities for outdoor functions at nearby lakefront parks or historic buildings. A 1,500-square-foot meeting room would have the following capacities: 150 people for receptions; 125 for banquets using 5' round tables; and 62 for classroom style seating. The proposed hotel is expected to become a focal point in the community, hosting many local events year-round, and creating seasonal events that will attract both locals and overnight guests, that could include the following experiential themes: lake, nature, fitness, Oktoberfest, December and other holiday events, historic architecture tours, gardening, cooking, etc.

## Chain Scale and Branding Recommendations

Smith Travel Research, Inc. (STR), the nation's leading lodging industry research firm, annually presents its "STR U.S. Chain Scales" which ranks hotel brands or chains based on the previous year's annual system wide (global) Average Daily Rate (ADR), with the highest ADR achieved by hotels categorized as Luxury. There are six chain classifications, with the lowest ADR reflected by Economy properties. The STR Chain Scales reflect mostly 'hard' franchise brands. 'Soft' brand or marketing affiliations like Marriott's Autograph Collection, Preferred Hotels and Resorts, and Hilton's Curio are primarily independent and/or historic hotels that are usually luxury or upscale properties that seek to increase access, exposure, credibility and profitability through a soft brand affiliation. The STR Chain Scales list is presented in Section 5 of this report.

Average Daily Rate (ADR) reflects a measure of room rate achieved, reflected by total rooms revenue divided by total room nights accommodated (including complimentary room nights). This statistic provides a much truer picture of a hotel's operating performance than its published or "rack" rates, which are often heavily discounted. ADR is the industry standard room rate statistic for performance comparison purposes, along with Revenue per Available Room (RevPAR). RevPAR is calculated by multiplying occupancy by ADR, and provides an indication of how well rooms revenue is being maximized; RevPAR is a standard industry performance measure which is widely utilized by hotel managers and investors.

Within Putnam County, there are two upper midscale chain hotels (AAA ranked as 2.5-star hotels), several midscale chain hotels (2.5- and 2-star lodgings), several independent and chain economy lodging facilities (2-star lodgings), and several small (under 8 rooms, unrated) bed & breakfasts or fish camps. The largest number of travelers patronize midscale and upper midscale properties; they are affordable to the widest range of the traveling public, and provide a strong perceived price/value relationship to consumers.

The subject hotel could be operated in one of three ways: independent of a brand; with "soft branding"; or with a "hard flagged" brand; all three options were studied and considered in this analysis by the consultant.

Factors considered important to help ensure a high level of hotel market penetration include the following: the strength and/or distribution of a potential soft or hard brand, or internet presence as an independent; average daily rate, occupancy, RevPAR, yield and occupancy penetration statistics; average reservation contribution from brand or other channels; number of members in guest reward program and/or strength of reward program in attracting guests.

The availability of brands and the current distribution of brands in the market area was considered. The top "flags" internationally are offered by Hilton and Marriott. There are several brands that would be available for the subject site from either company, according to conversations the consultant has had with brand representatives. However, no major hotel company will franchise hotels smaller than a minimum of 60 or 70 rooms.

Several soft brands were considered by the consultant; soft brands are preferred by owners who can benefit from an affiliation and marketing partnership with a global brand, as opposed to the cookie-cutter approach of hard-flagged brands. Examples of soft brands include Preferred Hotels



& Resorts, and Leading Hotels of the World, which offer sales and reservation support at a fraction of the cost of the greater marketing and reservation support offered by a hard-flagged brand.

Soft branding is exploding, with every major hotel company offering several; one of the newest is Starwood's Tribute Portfolio (now owned by Marriott) in the upscale category. Also available are Curio Collection by Hilton, Loews OE Collection, Marriott's Autograph Collection, Alliance Resorts from IHG, Ascend Collection from Choice Hotels, and several Best Western offerings, including BW Premier Collection and BW Signature Collection. A soft brand from a major hotel company helps hotel owners by connecting them to the brand's frequent guest program, tapping into travelers in those programs.

Soft brand affiliations cost much less than a hard brand franchise. For example, Preferred charges about 2.5% to 3.7% of Gross Rooms Revenue (GRR) for its brand affiliation, and hotels typically will have to spend additional marketing dollars to attract groups, as well. Major hard-flagged brands charge between 10% and 14% (total of all mandatory brand marketing and franchise-related fees) of GRR. A franchise fee for one of Hilton or Marriott's soft brands like Curio or Autograph is usually about half that amount. According to data collected by STR Analytics, hard-branded hotels in general report higher occupancy, while upscale independent and soft-branded hotels garner a higher average daily rate, and overall higher revenue per available room. STR Analytics reports that chain-affiliated hotels spend an average 11.2% of their operating expense budget on combined marketing and franchise fees, compared to independent and soft-branded hotels spending an average of 7.1% of their operating expense budget on affiliation fees and marketing.

Soft branding would offer the option of a five-year contract, at such time brand status could be re-evaluated depending upon the hotel's operating performance. Hard branding would essentially be a minimum 20-year commitment, given high termination fees. If the hard brand is found to not be contributing sufficiently to revenues, exiting would be cost prohibitive and probably not economically possible.

Operating as an independent hotel often reflects the greatest risk and potentially lower market penetration levels, but every situation is different. As an independent, a hotel could take three to five years to ramp up and achieve the desired market penetration and stabilization; franchised hotels typically ramp up to stabilization within two to three years. Independent status give the developer the most flexibility in design and operations, and allows a smaller room count.

It is recommended that the proposed hotel be developed as an upper midscale, or 2- to 3-star hotel. Most hotel franchise companies such as Marriott or Hilton have a minimum number of rooms, usually 60 or 70, and the Subject will not meet this threshold. Best Western has a lower threshold; it sometimes allows approximately 50 rooms.

Therefore, the 40-room proposed Subject is assumed to be developed and operated as an independent hotel.

## Marketing Recommendations

It is recommended that the Subject hotel target leisure 'getaway' travel, small meeting and social groups, and regional business travel. The unique small town historic location of the Subject will provide guests with the experience of 'getting away from it all' but within a short driving distance of the Orlando, Daytona Beach, Jacksonville and Gainesville/Ocala/The Villages metro areas.

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The *Bartram Trail in Putnam County* is another excellent example that promotes paddling, hiking and biking routes that include Crescent City in its paddling map, but Crescent City's hiking and biking route offerings should be expanded. Crescent City is not even named nor included on the *Bartram Hiking & Biking Routes Map*. Bicyclists are a growing and important niche for Palatka inns and hotels, and could be drawn to Crescent City if desirable accommodations and mapped routes were made available.

Tripadvisor.com is used by many travelers to check consumer reviews for lodgings, restaurants, and attractions. Currently, the "Things to Do in Crescent City" tab shows very little, and none of the top attractions. It shows the Simpson-Reed Trail as a major attraction – this trail is in Crescent City, California! The consultant reported the error to Tripadvisor, and added the Historic Walking Tour as a Crescent City attraction, along with a 5-star review. The Tripadvisor site for Crescent City needs much more information added, and reviews.

The city's web site, [crescentcity-fl.com](http://crescentcity-fl.com), has a link to "Walking Tour Guide", but the historic building photographs are not easily accessible and only seen when hovering a mouse over each number. More pictures need to be fully displayed, to entice visitors to visit. There is a treasure trove of interesting nostalgic pictures accessed via the link Crescent City Historical Archive, but visitors need to be given easier and more direct access to the best



and most interesting of the historical pictures. The City's history and historical architecture, and recreational offerings, need to be much more visible and strongly promoted at the City website. A redesign is recommended to give visitors easier access to information. As an example to emulate, the Palatka website, palatka-fl.gov, has a "Visitor" tab at the top of its home page which takes visitors to places to easily find attractions, community events, and details on downtown Palatka.

Putnam County's Chamber of Commerce has online and print information available for visitors, detailing the many recreational opportunities, events, and attractions for visitors to experience. Its web site does have the Crescent City Historic Walking Tour Guide on its "Brochures" page, but it has been placed at the bottom of the list instead of alphabetical order. It should be listed there as "Historic Walking Tour Guide of Crescent City" right after "Historic Churches Tour Guide" at the site, since the same visitors would probably be interested in both and more likely to see if grouped. Also at the site, the Putnam County Bicycle Route map brochure includes only one route in Crescent City, but does not have Lake Stella on the map at all, it should be shown as the scenic bike route runs alongside Lake Stella and no one would know from looking at the map. Plus, more scenic bike routes that feature Crescent City should be added. Bicyclists would love to know about places like Hallie's Landing on Lake Stella, a lovely place to take a break and enjoy great burgers and wings, or 3 Bananas on Crescent Lake.

## 4. Market Area Analysis

### Market Area Definition

The subject of this report is a proposed  $\pm 40$ -room, boutique hotel. The  $\pm 2.16$ -acre hotel site (“the Subject”), with frontage on Summit Street (US Hwy 17) and Central Avenue, is located within the Community Redevelopment Area (CRA) in downtown Crescent City, Putnam County, Florida. The address is 301 Central Avenue, Crescent City, Florida 32112.

The greater market area is defined as Putnam County. The direct market area is defined as the Palatka/Crescent City Micropolitan Statistical Area. Putnam County has a population of about 79,000 in 2019; nearly 39% of this population is 55 years of age and older. Population is growing at the rate of 0.5% per year, with population estimated to reach about 81,000 in 2024, and seniors are projected to reflect 40% of the total. The Putnam County FY 2018-19 Budget Book presents the following brief history.

#### Brief History of Putnam County

Putnam County is located in north central Florida between the Atlantic Ocean and the Gulf of Mexico, and encompasses approximately 827 square miles. In January 1849, the County was established, and the County Seat formed at Palatka in January 1853. Palatka is located on the St. John’s River. Palatka used this major water transportation and commerce center until a fire in 1884 destroyed the majority of the downtown/riverfront area. Today, the river has changed for recreational boating and fishing, as are the numerous large and small lakes located throughout the County.

Putnam County is a rural county with an estimated population of 74,364 (per the Census Bureau 2016) and 73,176 (per the 2017 estimate from the state’s office of Economic and Demographic Research). It is located in between major cities of St. Augustine to the east and Gainesville to the west. The County is growing very slowly and quite recently has lost population, but nonetheless, it is expected to accelerate its growth pattern with increased economic development and some spill-over from the surrounding counties. As testimony to its rural nature, approximately 79% of the population continues to live outside of the five incorporated areas. Volunteer Fire Departments, along with one regional full-time fire department, provide fire protection (except for the City of Palatka). A second regional full-time fire department will be constructed in 2019 and a third is planned for the future. Of the nearly 1,640 miles of roads in the County, approximately 65% remain unpaved.

The following pages present economic and demographic information for Putnam County.



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>Population Summary</b>	
2000 Total Population	70,423
2010 Total Population	74,364
2019 Total Population	78,829
2019 Group Quarters	1,407
2024 Total Population	80,834
2019-2024 Annual Rate	0.50%
2019 Total Daytime Population	74,254
Workers	21,564
Residents	52,690
<b>Household Summary</b>	
2000 Households	27,839
2000 Average Household Size	2.48
2010 Households	29,409
2010 Average Household Size	2.48
2019 Households	30,900
2019 Average Household Size	2.51
2024 Households	31,591
2024 Average Household Size	2.51
2019-2024 Annual Rate	0.44%
2010 Families	19,737
2010 Average Family Size	2.97
2019 Families	20,557
2019 Average Family Size	3.01
2024 Families	20,951
2024 Average Family Size	3.03
2019-2024 Annual Rate	0.38%
<b>Housing Unit Summary</b>	
2000 Housing Units	33,870
Owner Occupied Housing Units	65.7%
Renter Occupied Housing Units	16.4%
Vacant Housing Units	17.8%
2010 Housing Units	37,337
Owner Occupied Housing Units	59.8%
Renter Occupied Housing Units	19.0%
Vacant Housing Units	21.2%
2019 Housing Units	39,153
Owner Occupied Housing Units	55.2%
Renter Occupied Housing Units	23.7%
Vacant Housing Units	21.1%
2024 Housing Units	39,951
Owner Occupied Housing Units	56.1%
Renter Occupied Housing Units	23.0%
Vacant Housing Units	20.9%
<b>Median Household Income</b>	
2019	\$34,110
2024	\$36,280
<b>Median Home Value</b>	
2019	\$103,123
2024	\$113,066
<b>Per Capita Income</b>	
2019	\$19,268
2024	\$22,002
<b>Median Age</b>	
2010	43.3
2019	45.2
2024	46.0

**Data Note:** Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by the total population.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>2019 Households by Income</b>	
Household Income Base	30,900
<\$15,000	19.9%
\$15,000 - \$24,999	15.6%
\$25,000 - \$34,999	15.6%
\$35,000 - \$49,999	17.3%
\$50,000 - \$74,999	13.7%
\$75,000 - \$99,999	5.8%
\$100,000 - \$149,999	8.0%
\$150,000 - \$199,999	3.1%
\$200,000+	1.0%
Average Household Income	\$48,943
<b>2024 Households by Income</b>	
Household Income Base	31,591
<\$15,000	18.9%
\$15,000 - \$24,999	14.9%
\$25,000 - \$34,999	14.2%
\$35,000 - \$49,999	16.9%
\$50,000 - \$74,999	12.6%
\$75,000 - \$99,999	6.7%
\$100,000 - \$149,999	9.6%
\$150,000 - \$199,999	4.8%
\$200,000+	1.3%
Average Household Income	\$56,092
<b>2019 Owner Occupied Housing Units by Value</b>	
Total	21,629
<\$50,000	19.6%
\$50,000 - \$99,999	29.5%
\$100,000 - \$149,999	13.9%
\$150,000 - \$199,999	11.7%
\$200,000 - \$249,999	6.7%
\$250,000 - \$299,999	5.8%
\$300,000 - \$399,999	5.3%
\$400,000 - \$499,999	1.7%
\$500,000 - \$749,999	3.2%
\$750,000 - \$999,999	0.7%
\$1,000,000 - \$1,499,999	1.2%
\$1,500,000 - \$1,999,999	0.0%
\$2,000,000 +	0.6%
Average Home Value	\$177,245
<b>2024 Owner Occupied Housing Units by Value</b>	
Total	22,413
<\$50,000	17.0%
\$50,000 - \$99,999	29.3%
\$100,000 - \$149,999	14.3%
\$150,000 - \$199,999	10.3%
\$200,000 - \$249,999	4.9%
\$250,000 - \$299,999	4.4%
\$300,000 - \$399,999	7.5%
\$400,000 - \$499,999	2.8%
\$500,000 - \$749,999	6.0%
\$750,000 - \$999,999	1.2%
\$1,000,000 - \$1,499,999	1.7%
\$1,500,000 - \$1,999,999	0.0%
\$2,000,000 +	0.7%
Average Home Value	\$209,858

**Data Note:** Income represents the preceding year, expressed in current dollars. Household income includes wage and salary earnings, interest dividends, net rents, pensions, SSI and welfare payments, child support, and alimony.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>2010 Population by Age</b>	
Total	74,364
0 - 4	6.3%
5 - 9	6.1%
10 - 14	6.3%
15 - 24	12.1%
25 - 34	10.4%
35 - 44	10.7%
45 - 54	14.8%
55 - 64	14.4%
65 - 74	10.7%
75 - 84	6.2%
85 +	2.0%
18 +	77.4%
<b>2019 Population by Age</b>	
Total	78,829
0 - 4	5.7%
5 - 9	5.8%
10 - 14	5.8%
15 - 24	10.4%
25 - 34	11.7%
35 - 44	10.3%
45 - 54	11.6%
55 - 64	15.7%
65 - 74	13.6%
75 - 84	7.0%
85 +	2.3%
18 +	79.6%
<b>2024 Population by Age</b>	
Total	80,834
0 - 4	5.6%
5 - 9	5.6%
10 - 14	5.9%
15 - 24	10.2%
25 - 34	10.5%
35 - 44	11.1%
45 - 54	11.0%
55 - 64	14.4%
65 - 74	14.8%
75 - 84	8.5%
85 +	2.4%
18 +	79.5%
<b>2010 Population by Sex</b>	
Males	36,884
Females	37,480
<b>2019 Population by Sex</b>	
Males	39,155
Females	39,674
<b>2024 Population by Sex</b>	
Males	40,218
Females	40,616

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

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## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>2010 Population by Race/Ethnicity</b>	
Total	74,364
White Alone	77.3%
Black Alone	16.2%
American Indian Alone	0.5%
Asian Alone	0.6%
Pacific Islander Alone	0.1%
Some Other Race Alone	3.6%
Two or More Races	1.7%
Hispanic Origin	9.0%
Diversity Index	47.9
<b>2019 Population by Race/Ethnicity</b>	
Total	78,829
White Alone	76.3%
Black Alone	16.0%
American Indian Alone	0.6%
Asian Alone	0.6%
Pacific Islander Alone	0.1%
Some Other Race Alone	4.3%
Two or More Races	2.1%
Hispanic Origin	10.7%
Diversity Index	50.8
<b>2024 Population by Race/Ethnicity</b>	
Total	80,834
White Alone	75.7%
Black Alone	15.8%
American Indian Alone	0.6%
Asian Alone	0.6%
Pacific Islander Alone	0.2%
Some Other Race Alone	4.7%
Two or More Races	2.3%
Hispanic Origin	11.9%
Diversity Index	52.7
<b>2010 Population by Relationship and Household Type</b>	
Total	74,364
In Households	98.1%
In Family Households	82.0%
Householder	26.5%
Spouse	18.6%
Child	29.7%
Other relative	4.1%
Nonrelative	3.1%
In Nonfamily Households	16.1%
In Group Quarters	1.9%
Institutionalized Population	1.6%
Noninstitutionalized Population	0.3%

**Data Note:** Persons of Hispanic Origin may be of any race. The Diversity Index measures the probability that two people from the same area will be from different race/ethnic groups.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>2019 Population 25+ by Educational Attainment</b>	
Total	57,033
Less than 9th Grade	6.4%
9th - 12th Grade, No Diploma	12.4%
High School Graduate	32.4%
GED/Alternative Credential	8.1%
Some College, No Degree	19.6%
Associate Degree	7.4%
Bachelor's Degree	8.6%
Graduate/Professional Degree	5.0%
<b>2019 Population 15+ by Marital Status</b>	
Total	65,223
Never Married	28.0%
Married	47.1%
Widowed	8.6%
Divorced	16.3%
<b>2019 Civilian Population 16+ in Labor Force</b>	
Civilian Employed	94.2%
Civilian Unemployed (Unemployment Rate)	5.8%
<b>2019 Employed Population 16+ by Industry</b>	
Total	25,967
Agriculture/Mining	5.1%
Construction	12.1%
Manufacturing	8.2%
Wholesale Trade	2.5%
Retail Trade	14.6%
Transportation/Utilities	4.6%
Information	1.1%
Finance/Insurance/Real Estate	4.1%
Services	43.3%
Public Administration	4.5%
<b>2019 Employed Population 16+ by Occupation</b>	
Total	25,967
White Collar	44.6%
Management/Business/Financial	8.1%
Professional	12.8%
Sales	10.7%
Administrative Support	13.0%
Services	22.6%
Blue Collar	32.8%
Farming/Forestry/Fishing	4.0%
Construction/Extraction	8.5%
Installation/Maintenance/Repair	5.6%
Production	7.7%
Transportation/Material Moving	7.0%
<b>2010 Population By Urban/ Rural Status</b>	
Total Population	74,364
Population Inside Urbanized Area	0.0%
Population Inside Urbanized Cluster	43.8%
Rural Population	56.2%

Source: U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

	Putnam County...
<b>2010 Households by Type</b>	
Total	29,409
Households with 1 Person	26.8%
Households with 2+ People	73.2%
Family Households	67.1%
Husband-wife Families	47.1%
With Related Children	16.0%
Other Family (No Spouse Present)	20.0%
Other Family with Male Householder	5.6%
With Related Children	3.2%
Other Family with Female Householder	14.4%
With Related Children	9.4%
Nonfamily Households	6.1%
All Households with Children	29.2%
Multigenerational Households	5.0%
Unmarried Partner Households	8.0%
Male-female	7.3%
Same-sex	0.7%
<b>2010 Households by Size</b>	
Total	29,409
1 Person Household	26.8%
2 Person Household	37.3%
3 Person Household	15.0%
4 Person Household	10.7%
5 Person Household	6.0%
6 Person Household	2.4%
7 + Person Household	1.9%
<b>2010 Households by Tenure and Mortgage Status</b>	
Total	29,409
Owner Occupied	75.9%
Owned with a Mortgage/Loan	40.5%
Owned Free and Clear	35.4%
Renter Occupied	24.1%
<b>2010 Housing Units By Urban/ Rural Status</b>	
Total Housing Units	37,337
Housing Units Inside Urbanized Area	0.0%
Housing Units Inside Urbanized Cluster	41.2%
Rural Housing Units	58.8%

**Data Note:** Households with children include any households with people under age 18, related or not. Multigenerational households are families with 3 or more parent-child relationships. Unmarried partner households are usually classified as nonfamily households unless there is another member of the household related to the householder. Multigenerational and unmarried partner households are reported only to the tract level. Esri estimated block group data, which is used to estimate polygons or non-standard geography.

**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019



## Community Profile

Putnam County, FL 6  
Putnam County, FL (12107)  
Geography: County

Prepared by Esri

Putnam County...	
<b>Top 3 Tapestry Segments</b>	
1.	Senior Escapes (9D)
2.	Rooted Rural (10B)
3.	Small Town Simplicity (12C)
<b>2019 Consumer Spending</b>	
Apparel & Services: Total \$	\$37,483,674
Average Spent	\$1,213.06
Spending Potential Index	57
Education: Total \$	\$22,851,862
Average Spent	\$739.54
Spending Potential Index	46
Entertainment/Recreation: Total \$	\$61,302,826
Average Spent	\$1,983.91
Spending Potential Index	61
Food at Home: Total \$	\$99,248,585
Average Spent	\$3,211.93
Spending Potential Index	62
Food Away from Home: Total \$	\$64,568,915
Average Spent	\$2,089.61
Spending Potential Index	57
Health Care: Total \$	\$118,050,835
Average Spent	\$3,820.42
Spending Potential Index	64
HH Furnishings & Equipment: Total \$	\$37,702,193
Average Spent	\$1,220.14
Spending Potential Index	57
Personal Care Products & Services: Total \$	\$15,420,550
Average Spent	\$499.05
Spending Potential Index	56
Shelter: Total \$	\$298,289,864
Average Spent	\$9,653.39
Spending Potential Index	52
Support Payments/Cash Contributions/Gifts in Kind: Total \$	\$46,757,796
Average Spent	\$1,513.20
Spending Potential Index	61
Travel: Total \$	\$36,869,663
Average Spent	\$1,193.19
Spending Potential Index	53
Vehicle Maintenance & Repairs: Total \$	\$21,478,997
Average Spent	\$695.11
Spending Potential Index	61

**Data Note:** Consumer spending shows the amount spent on a variety of goods and services by households that reside in the area. Expenditures are shown by broad budget categories that are not mutually exclusive. Consumer spending does not equal business revenue. Total and Average Amount Spent Per Household represent annual figures. The Spending Potential Index represents the amount spent in the area relative to a national average of 100.

**Source:** Consumer Spending data are derived from the 2016 and 2017 Consumer Expenditure Surveys, Bureau of Labor Statistics. Esri.

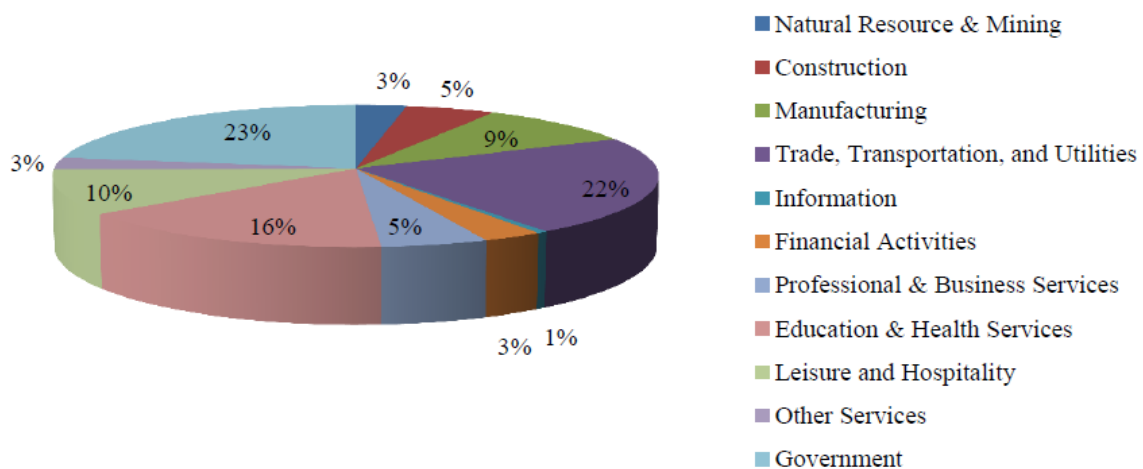
**Source:** U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2019 and 2024 Esri converted Census 2000 data into 2010 geography.

July 22, 2019

## Employment & Income

In 2018, the total employment of the county sat at 25,724, with a 4.1% unemployment rate. The total labor force rests at 26,812. The three largest employers of the county are: 1) government services; 2) trade, transportation, and utilities; and 3) education and health services. The labor force (ages 18 and older) makes up about 48% of the total population. The average annual wage is about \$36, 868. The top three numbers of establishments are composed of: 1) trade, transportation, and utilities (22.0%), 2) professional and business services (13.2%), and 3) education and health services (13.2%). In 2017, personal income in Putnam County was at \$2.28 million, up 16.6% from 2012. Per capita personal income was about \$31,057, up 15.7% from 2012. The median household income was around \$33, 003, while the median family income is near \$41,155. The percentage of poverty for all ages is at 21.5%, those under 18 is at 36.1%, and ages 5-17 is at 36.6%.

### Employment by Industry



### Putnam County Top Ten Tax Payers

Prepared from the 2017 Final TaxRoll—December 20,2017

Name	Total Taxable Value	Percent (%) of Total Taxable Value
Georgia Pacific, Corp.	326,139,894	9.3
Seminole Electric Coop, Inc.	276,780,676	7.9
Florida Power & Light Co.	154,868,399	4.4
Continental Palatka (aka Lafarge Gypsum)	107,115,151	3.1
Clay Electric Cooperative	47,739,449	1.4
Putnam Community Medical Center	17,890,593	0.5
Wal-Mart Stores East LP	14,234,980	0.4
CSX Transportation, Inc.	12,870,193	0.4
9520 Bonita Beach Road LLC	12,581,810	0.4
Bellsouth Telecommunications	10,014,966	0.3
<b>Total</b>	<b>980,236,111</b>	<b>27.9</b>

*Putnam County Total Taxable Value*  
3,510,663,594

### MAJOR EMPLOYERS IN PUTNMAN COUNTY

Organization	Industry	Number of staff
Putnam County School Board	Education	1,680
Georgia Pacific Corp., Palatka	Pulp & Paper Mill	800
St. Johns River Water Management	Water Preservation & Management	550
Putnam Community Medical Center	Healthcare	520
Walmart Supercenter	Retail	480
Health Services of Palatka	Healthcare	300
St. Johns River State College	Education	280
Seminole Electric Cooperative	Utilities	280
Veritas Steel	Structural Steel Fabrication	150
Continental Building Products	Building Products	120

In Putnam County and Palatka, commercial lodging demand is mostly generated by Georgia Pacific, the St. Johns River Water Management District office, Seminole Electric Cooperative, Veritas Steel, Continental Building Products, and numerous small businesses.

## Crescent City

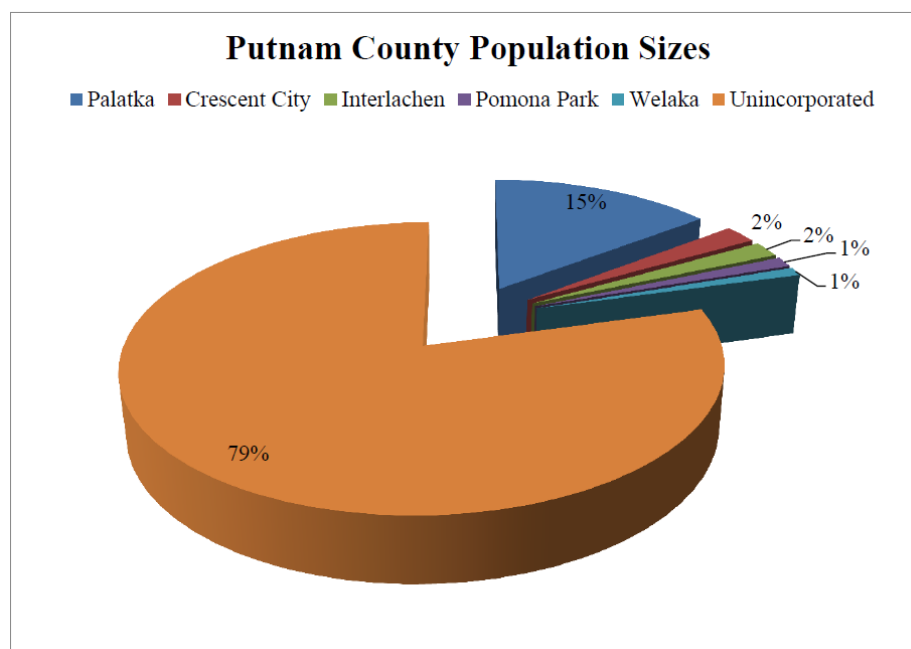
Crescent City is a small town nestled between two beautiful lakes in rural Putnam County, approximately 28 miles north of Deland and 23 miles south of Palatka. Crescent City is known as the “Bass Capital of the World” and offers outstanding recreational fishing. It is also a proud “Tree City USA” with canopies of live oaks and Spanish moss evoking Olde Florida charm and nostalgia.

The city of Crescent City is the second most populous city after Palatka, with about 1,555 residents, as shown in the graphic below:

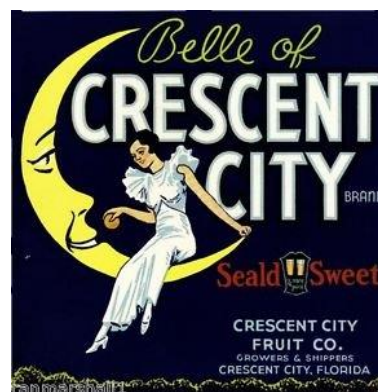
Estimated population sizes of the incorporated areas of the County:

Palatka (10,662), Crescent City (1,555), Interlachen (1,334), Pomona Park (873), Welaka (717).

Unincorporated area of the County: 58,025.

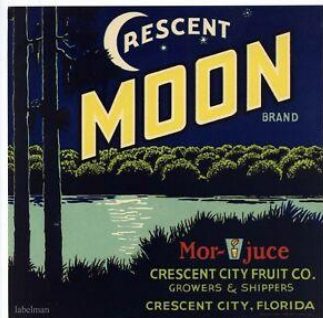


Crescent City was founded in 1876 by Charles R. Griffing, a real estate developer, who laid out 63 city blocks and 172 grove lots on the northern boundary of the city. The former Dunn's Lake was renamed Crescent Lake and the development named Crescent City. It was marketed as a semi-tropical location for winter residents to wealthy Northerners. Beginning in 1876, the steamship Euphemia made three round trips into Crescent City from Jacksonville each week up the St. Johns River via Dunn's





Creek. By 1877, a dozen families had settled there and daily steamship service was established between Crescent City and Jacksonville. Prior to the 1870s, agriculture and livestock were the



two major industries, but the new grove lots helped establish a thriving citrus industry. However, the “Great Freeze” of 1894-95 marked the end of the newly established citrus industry and devastated the City’s population, from 554 people to 352 at the turn of the century. By 1909 the citrus industry began to prosper again, and by 1915 there were some 90 growers shipping fruit from packing houses in Crescent City.

However, disaster struck again in the form of the Mediterranean fruit fly which decimated the local citrus industry, followed by the real estate bust that occurred throughout the entire state in the late 1920s. The citrus industry continued to a lesser degree until a major freeze in the 1980s and has ceased to exist. Ferns for the ornamental flower industry are now the major agricultural crop in the area.

Today, the area is home to a growing number of retirees, artists, and small businesses. Its downtown historic district contains more than two dozen historic buildings, highlighted on a Historic Walking Tour Guide. There are several restaurants, including the popular Three Bananas waterfront restaurant on Lake Crescent, which according to its owner Pam Calder, attracts a very high volume of diners per year, with over 99% from out-of-town. The restaurant’s success highlights the popularity of Crescent City as a destination for a variety of leisure travelers who are potential lodging guests, including senior adventure/history travelers, fisherman, nature/hiking/kayaking adventurers, special event attendees, and group/family events.

The Crescent City Community Redevelopment Area (CRA) was established in 1995 and updated in 2018 pursuant to the State of Florida’s Community Redevelopment Act, which enables the City Commission, acting as the Community Redevelopment Agency, to make public improvements that will encourage private investment and facilitate neighborhood revitalization. The City’s vision for the downtown CRA District is to create a more vibrant, livable, walkable and workable downtown supporting a diverse mix of uses that recognize the historic, rural character of the community, creating both entrepreneurial and employment opportunities.

In 2011, the City retained Real Estate Research Consultants and the University of Florida, College of Architecture to develop a vision for redevelopment of the Subject and the downtown CRA, recognizing the City’s key assets as the “4 A’s” – Aquatics (situated between two lakes), Architecture (more than 2 dozen historic buildings), Arts (artists’ presence in the area is growing), and Antiques (several antique shops and/or museums).

Building on the visioning process, the CRA has focused on several areas for improvement:

**Marina Development:** The City owns Margary Neal Nelson Sunrise Park on Crescent Lake, with a boat ramp and boat trailer parking, and completed a \$375,000 improvement to the shoreline and pier with boat slips in 2019. Additional plans call for the incorporation of a pedestrian experience through a boardwalk, a “lookout” on Crescent Lake in the marina area, and restoring



the old jail and water wheel station as an historic trail for visitors and residents to enjoy. Future planned improvements include a support building with restrooms, bait and tackle, fuel and marine supplies, along with pedestrian connections to Central Avenue.

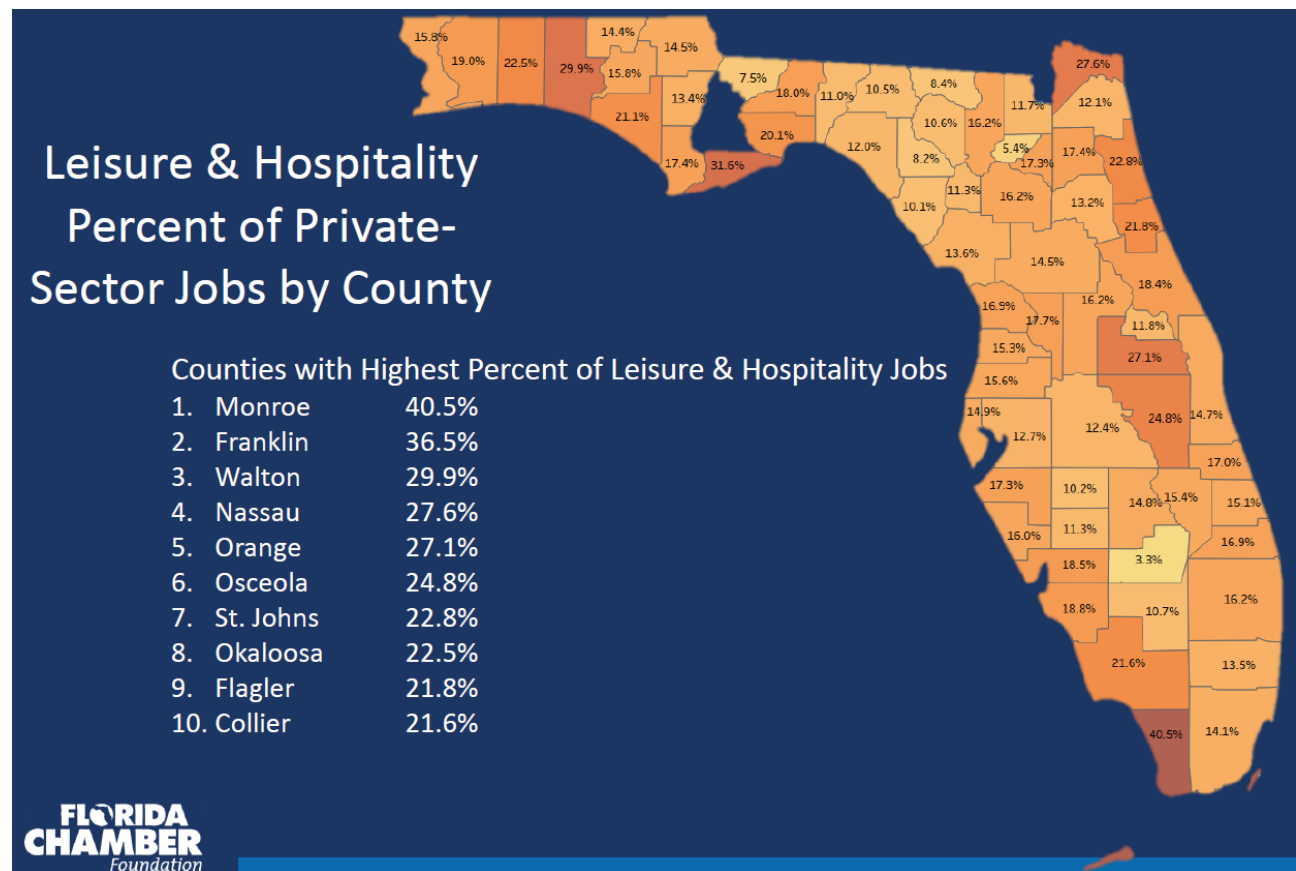
**Historic Based Tourism:** The CRA has identified public assets suitable for developing historic-based tourism opportunities and improved connections between the water and the business district. The CRA recently produced a glossy brochure, “Crescent City Historic Walking Tour Guide”, funded by the Putnam County Tourist Development Council. It promotes the more than two dozen historic homes, churches, and commercial buildings from the 1870s through the 1920s. The City also participates in Putnam County’s promotion of the world famous naturalist William Bartram’s travels through Florida along the St Johns River in 1765 and 1774. The County publishes and distributes maps and literature promoting “Bartram Trail in Putnam County” with hiking, biking, and paddling routes that include Crescent City.

Anecdotal evidence from area merchants, visitor counts at several festivals and events, hotel occupied room nights, and actual 3 Bananas restaurant patron counts obtained by the consultant suggest that over 200,000 visitors annually explore Crescent City as ‘day-trippers’ and some could be converted to overnight hotel guests if appealing accommodations were available. FDOT reports an average daily traffic count of 9,900 vehicles in Crescent City, which reflects an annual total of 3.6 million vehicles. An unknown portion of the total traffic reflects leisure travelers; 200,000 reflects about 5.6% of the total traffic. This is a small percentage of the mostly through-traffic utilizing 17 as the primary north-south artery in Putnam County, which provides access to the only county access to crossing the St. Johns River, in Palatka.

According to Three Bananas Restaurant owner Pam Calder, during 309 days of operation from July 2018 to July 2019, a very high volume of guests (actual numbers were shared with the consultant) walked through the door of her establishment, with over 99% from out-of-town (Crescent City’s population is only 1,550). During Daytona’s Bike Week in March 2019 (with a total of 500,000 attendees), Ms. Calder stated that bikers attending the 10-day Daytona event filled her restaurant on a daily basis; in April the Catfish Festival brought thousands of people to the area and filled her restaurant; Daytona’s Biketoberfest in October (with a total of 100,000 attendees) drew hundreds of patrons each day over 5 days; in November and December fishing groups brought 75 to 150 guests per each fishing tournament. *Ms. Calder reports that on weekends she usually has anywhere from 5 to 20 diners asking where to stay the night in Crescent City, either on a current trip or planning to come back again.*

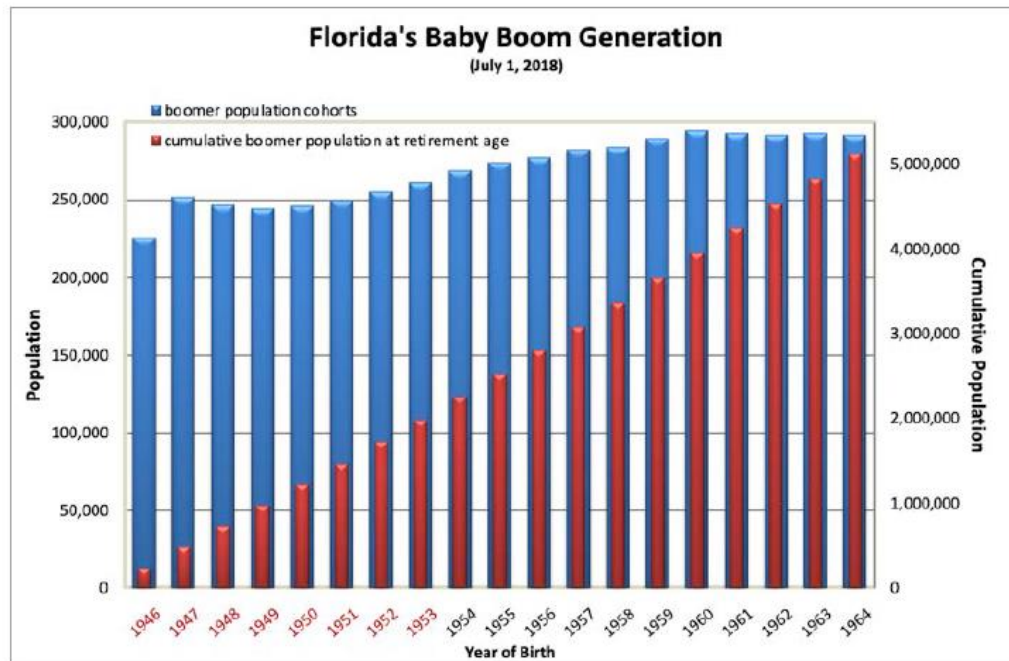
## Putnam County Tourism Trends

Putnam County attributes 13.2% of its total jobs to the leisure & Hospitality Industry, a higher percentage than most FL counties, but well below the top tourist markets in Florida. Of the state’s 1.2 million leisure & hospitality employees, about 1,700 are in Putnam County.



In addition to “inter-state” travel, “intra-state” travel is increasing also, fueled by a growing senior population that enjoys travel. A December 2018 report by the Florida Legislature Office of Economic and Demographic Research indicates that baby boomer populations are increasing across the state, especially in central Florida. Baby boomers have a strong interest in overnight ‘leisure getaway’ trips within a few hours’ drive, and major population centers in Orlando, Jacksonville, Tampa/St. Pete and the Villages are metro areas that reflect a growing market of millions of seniors who represent potential adventure/history travelers for Crescent City to tap.

# Baby Boomers in Florida Today...



Crescent City is located 70 miles north of Orlando, the most visited destination in the United States. A record breaking 75 million tourists traveled to Central Florida in 2018, the first in the US to pass 70 million visitors in one year, according to Visit Orlando, up from 72 million in 2017, 68 million in 2016 and 66 million in 2015. If only 1/4 of 1% or .0025% of these visitors desire a nature/history travel experience and seek out Putnam County as an overnight destination that reflects a potential 187,500 visitors; the 14,600 total annual room-nights available at the Subject hotel reflect only a small fraction of this potential demand.

Domestic leisure travelers, the majority of which travel via personal vehicle to the Orlando area, reflect the vast majority or 83% of total domestic overnight visitors. These out-of-state visitors may also be inclined to take the scenic US Hwy 17 route between Orlando and North Florida and spend a night in Crescent City enroute to their final destination, if desirable lodging was available and visitors are made aware of this option as they make their travel plans to Orlando.

## 5. Lodging Supply and Demand Analysis

### Market Area Supply and Demand Trends

This section presents a summary of the consultant's analysis of the competitive lodging supply and demand characteristics of the local market.

While factors such as location, brand (or lack of), amenities, property age, and management all factor into determining hotel competitiveness, the industry generally recognizes the concept of "chain scales" as one of the most relevant competitive ranking factors. Smith Travel Research, Inc. (STR), the nation's leading lodging industry research firm, annually presents its "STR U.S. Chain Scales" which ranks hotel brands or chains based on the previous year's annual system wide (global) Average Daily Rate (ADR), with the highest ADR achieved by hotels categorized as Luxury. There are six chain classifications, with the lowest ADR reflected by Economy properties. The STR Chain Scales reflect mostly 'hard' franchise brands. 'Soft' brand or marketing affiliations like Marriott's Autograph Collection, Preferred Hotels and Resorts, and Hilton's Curio are primarily independent and/or historic hotels that are usually luxury or upscale properties that seek to increase access, exposure, credibility and profitability through a soft brand affiliation.

Average Daily Rate (ADR) reflects a measure of room rate achieved, reflected by total rooms revenue divided by total room nights accommodated (including complimentary room nights). This statistic provides a much truer picture of a hotel's operating performance than its published or "rack" rates, which are often heavily discounted. ADR is the industry standard room rate statistic for performance comparison purposes, along with Revenue per Available Room (RevPAR). RevPAR is calculated by multiplying occupancy by ADR, and provides an indication of how well rooms revenue is being maximized; RevPAR is a standard industry performance measure which is widely utilized by hotel managers and investors.

Within Putnam County, there are two upper midscale chain hotels (AAA ranked as 2.5-star hotels), several midscale chain hotels (2.5- and 2-star lodgings), several independent and chain economy lodging facilities (2-star lodgings), and several small (under 8 rooms) bed & breakfasts or fish camps. The largest number of travelers patronize midscale and upper midscale properties; they are affordable to the widest range of the traveling public, and provide a strong perceived price/value relationship to consumers. It is recommended that the proposed hotel be developed as an upper midscale hotel, with a soft brand affiliation, or as an independent. In order to obtain a soft brand affiliation, franchise companies such as Marriott or Hilton have a minimum number of rooms, usually 60 or 70, and the subject will not meet this threshold at 40 rooms. Best Western has a lower threshold; it sometimes allows approximately 50 rooms.

The table below presents the current STR Chain Scales and brands represented within each.



## STR Chain Scales – North America and Caribbean

Luxury					Economy
21c Museum Hotels	Hyatt Regency	Hotel Indigo	OHANA	Affordable Suites	
AKA	Joie De Vivre	Hyatt House	Oxford Suites	of America	
Andaz	Kimpton	Hyatt Place	Park Inn	America's Best Inn	
Belmond	Le Meridien	Larkspur Landing	Phoenix Inn	America's Best Value Inn	
Conrad	Magnolia Hotel	Legacy Vacation Club	Ramada Plaza	Budget Host	
Dorchester Collection	Marriott	Melia	Red Lion Hotels	Budget Suites of America	
Edition	Marriott Conference	Miyako Hotels	Silver Cloud	Budgetel	
Fairmont	Center	Novotel	Sonesta ES Suites	Country Hearth Inn	
Four Seasons	Millennium	NYLO Hotel	Tryp by Wyndham	Crestwood Suites	
Grand Hyatt	Omni	Prince Hotel	TownePlace Suites	Crossland Suites	
InterContinental	Outrigger	Radisson	Westmark	Days Inn	
JW Marriott	Pan Pacific Hotel Group	Residence Inn	Wyndham Garden Hotel	Econo Lodge	
Langham	Pestana	Room Mate	Xanterra	Extended Stay America	
Loews	Pullman	Shell Vacations Club		E-Z 8	
Luxury Collection	Radisson Blu	Sonesta Hotel	<b>Midscale</b>	Family Inns of America	
Mandarin Oriental	Renaissance	Springhill Suites	3 Palms Hotels & Resorts	Good Nite Inn	
Montage	Sheraton	Staybridge Suites	A Victory Hotels	GuestHouse Inn	
Palace Resorts	Starhotels	Stoney Creek	AmericInn	Home-Towne Suites	
Park Hyatt	Swissotel	Vacation Condos by	Baymont Inn & Suites	Howard Johnson	
Ritz-Carlton	Tribute Portfolio	Outrigger	Best Western	InTown Suites	
RockResorts	Warwick Hotels		Candlewood Suites	Jameson Inn	
Rosewood	Westin	<b>Upper Midscale</b>	ClubHouse	Key West Inn	
Sixty Hotels	Wyndham	Ayres	Crossings by GrandStay	Knights Inn	
Sofitel		Aqua Hotels	Crystal Inn	Lite Hotels	
St Regis	<b>Upscale</b>	Best Western Plus	FairBridge Inn	Masters Inn	
Taj	AC Hotels by Marriott	Boarders Inn & Suites	GrandStay	Microtel Inn &	
The Peninsula	aloft Hotel	Centerstone Hotels	Residential Suites	Suites by Wyndham	
Thompson Hotels	Ascend Collection	Chase Suites	Hawthorn Suites	Motel 6	
Trump Hotel Collection	Aston Hotel	Clarion	by Wyndham	National 9	
Valencia Group	Best Western Premier	Cobblestone	InnSuites Hotel	Passport Inn	
Viceroy	Cambria Suites	Comfort Inn	Lakeview	Pear Tree Inn	
W Hotel	Canad Inn	Comfort Suites	Distinctive Hotels	Red Carpet Inn	
Waldorf Astoria	CitizenM Hotels	Country Inn & Suites	La Quinta Inn & Suites	Red Roof Inn	
	Club Med	Doubletree Club	MainStay Suites	Rodeway Inn	
<b>Upper Upscale</b>	Coast Hotels & Resorts	Drury Inn	Oak Tree Inn	Savannah Suites	
Ace Hotel	USA	Drury Inn & Suites	Quality Inn	Scottish Inn	
Affinia	Courtyard	Drury Plaza Hotel	Ramada	Select Inn	
Autograph Collection	Crowne Plaza	Drury Suites	Red Lion Inn & Suites	Studio 6	
Club Quarters	Disney Hotels	Fairfield Inn	Settle Inn	Suburban Extended Stay	
Curio Collection	Double Tree	Golden Tulip	Shilo Inn	Sun Suites Hotels	
Delta	element	Hampton Inn	Sleep Inn	Super 8	
Dolce	EVER Hotels	Hampton Inn & Suites	Vagabond Inn	Travelodge	
Embassy Suites	Four Points	Holiday Inn	Vista	Value Place	
Gaylord	Graduate Hotels	Holiday Inn Express	Wingate by Wyndham	WoodSpring Suites	
Hard Rock	Grand America	Home2 Suites by Hilton	Yotel		
Hilton	Great Wolf Lodge	Isle of Capri			
Hyatt	Hilton Garden Inn	Lexington			
Hyatt Centric	Homewood Suites	MOXY			

Brands/Chains are slotted by Chain Scale based on the previous year's annual system wide (global) Average Daily Rate. Rate ranges defining each Chain Scale are determined by STR. The STR Chain Scales – North America and Caribbean is a subset of the larger Global Chain Scale list. Brand Chain Scale pairings are consistent with each list. Brands listed above are located in U.S., Mexico, Caribbean and Canada. If you have any questions about the Chain Scales, please email support@str.com. Copyright 2016 STR, Inc. Publishing or reproducing this information is strictly prohibited. www.str.com +1 (615) 824 8664. Last updated May 2016.

Relevant lodging performance indicators are reflected by Smith Travel Research (STR), a leading, independent research firm that compiles data on the lodging industry; its published data is routinely used by typical hotel investors and industry experts. A custom STR Trend report was ordered by Nichols Hospitality Consulting, Inc. for this study. The custom STR includes the only two upper midscale properties in the Putnam County/Palatka market (69-room **Hampton Inn Palatka** and 72-room **Holiday Inn Express & Suites Palatka**), considered to be most comparable to the proposed upper midscale subject hotel. The set also includes two midscale inns (54-room **Best Western of Palatka** and 118-room **Quality Inn & Suites Riverfront Palatka**). These properties provide an indication of the ADR and occupancy potential for the Subject, since it is expected to compete for some of the leisure demand and small groups that are currently accommodated in Palatka. The custom STR data for the selected hotels reveals greatly improved operating results in 2019. Based on actual YTD performance through June, 2019 is shaping up to be a year of record high local lodging performance in all three indicators – ADR, occupancy, and RevPAR.

1. No new lodging supply has been added to Palatka since the Hampton Inn in 2016. Other local competitive lodging product ranges in age from 9 years (Holiday Inn Express & Suites), 25 years (Best Western), to 41 years old (Quality Inn Riverfront). The addition of the Hampton in late 2016 created a temporary oversupply, with the absorption of new rooms exerting downward pressure on both occupancy levels and room rate growth in 2017 and 2018; the Hampton appears to have achieved stabilization in 2019 and both occupancy and ADR are showing strong growth in the market area for the year-to-date.

2. For year-to date through June 2019, the selected custom STR Trend Palatka properties reflect occupancy *up 17.3%* from 70.0% to 82.1%. High annual occupancy levels have fueled strong ADR increases, resulting in RevPAR growth that exceeds national averages. *With increasing lodging demand, the market is enjoying record high performance benchmarks.*

3. Average daily rate (ADR) for the selected properties increased 4.8% for the year-to-date, from \$100.95 to \$105.77. ADR was \$99.38 for YE 2018, and is on track to increase *4.0% to 6.0%* over YE 2018 by YE 2019, *reflecting consistent growth in recent years.*

4. RevPAR (rooms revenue per available room, an industry standard performance indicator which takes into account both occupancy and ADR) increased a healthy 9.3% in 2018, and has increased 22.9% through June 2019, from \$70.62 to \$86.83, reflecting continued positive growth, *well above national average rates of RevPAR growth.*

5. In the trailing 12 months, the market reflected a low of 53.3% in August 2018 to a high of 92.5% in March 2019. There is a year-round stabilizing influence of a commercial lodging demand base in Palatka, augmented by weekend leisure demand, special event leisure demand, and/or targeted SMERF (social, military, education, religious or fraternal) meetings and groups. The market exhibits distinct weekly fluctuations. By day of the week, Sunday is historically the lowest occupancy, averaging 53.7% over the past twelve months. Tuesday and Wednesday reflect weekly peak occupancy of 75% to 77% over the past 12 months, followed by Saturday at 73%. *Strong occupancy at midweek generally indicates a reliable base of commercial lodging demand, and strong weekend occupancy indicates high leisure demand.*

## Custom STR Trend Operating Performance - Trailing Twelve Month Moving Average

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										62.7	62.9	63.2
2018	64.1	64.8	65.7	64.7	64.4	64.8	64.9	65.0	64.5	64.1	64.3	64.5
2019	65.4	65.9	66.5	67.6	69.4	70.5						

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										92.21	92.54	92.80
2018	92.97	93.72	94.62	95.28	95.88	96.81	97.52	98.31	98.19	98.64	99.06	99.38
2019	99.77	100.70	101.37	101.47	101.97	102.30						

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										57.85	58.20	58.67
2018	59.59	60.72	62.21	61.65	61.77	62.73	63.32	63.90	63.34	63.27	63.66	64.11
2019	65.21	66.38	67.38	68.59	70.76	72.15						

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										114,245	114,245	114,245
2018	114,245	114,245	114,245	114,245	114,245	114,245	114,245	114,245	114,245	114,245	114,245	114,245
2019	114,245	114,245	114,245	114,245	114,245	114,245						

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										71,669	71,854	72,222
2018	73,224	74,017	75,109	73,926	73,605	74,029	74,173	74,257	73,697	73,280	73,424	73,700
2019	74,665	75,305	75,934	77,232	79,279	80,576						

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2017										6,608,602	6,649,624	6,702,506
2018	6,807,962	6,937,115	7,106,947	7,043,388	7,057,178	7,166,892	7,233,444	7,300,041	7,236,638	7,228,349	7,273,251	7,324,515
2019	7,449,483	7,583,073	7,697,378	7,836,607	8,084,449	8,242,704						

High value is boxed.

Low value is boxed and italicized.

Source: STR, Inc.



## Custom STR Trend Operating Performance – Day of Week Analysis

Occupancy (%)								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jul - 18	38.0	61.1	59.4	63.3	54.9	51.4	58.1	55.0
Aug - 18	36.8	62.2	64.3	63.9	48.4	46.6	51.3	53.3
Sep - 18	40.9	56.4	64.9	68.3	61.1	50.5	59.4	56.9
Oct - 18	52.1	72.4	75.7	75.7	75.2	70.5	70.9	70.8
Nov - 18	38.3	61.3	62.9	66.9	70.0	66.2	67.7	62.3
Dec - 18	45.1	57.7	62.5	65.3	57.3	52.8	58.7	56.7
Jan - 19	54.5	77.4	71.2	76.6	71.4	68.8	65.3	69.7
Feb - 19	71.2	86.5	87.5	90.3	89.6	88.3	94.2	86.8
Mar - 19	78.8	93.8	95.5	95.4	93.6	96.1	95.8	92.5
Apr - 19	60.9	81.8	86.9	87.7	78.1	82.0	89.3	81.2
May - 19	69.3	77.2	86.3	88.0	85.9	89.5	90.9	84.3
Jun - 19	60.1	83.7	87.4	86.7	81.8	74.8	79.3	78.5
Total Year	53.7	72.3	75.2	77.2	72.0	70.2	73.4	70.5

ADR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jul - 18	95.52	101.26	102.30	99.73	92.79	96.67	94.07	97.95
Aug - 18	95.77	104.40	105.77	105.71	94.73	95.30	93.92	100.10
Sep - 18	92.76	98.58	101.21	98.98	95.92	95.73	98.35	97.59
Oct - 18	94.14	101.46	100.48	99.68	97.58	98.43	98.67	99.01
Nov - 18	95.64	95.01	96.02	100.24	97.29	96.81	96.77	96.95
Dec - 18	88.90	93.98	95.49	96.79	93.42	94.92	91.56	93.60
Jan - 19	92.08	98.87	98.64	98.40	97.10	96.28	97.63	97.29
Feb - 19	101.96	106.25	108.93	109.65	108.79	116.16	120.18	110.61
Mar - 19	101.31	104.17	106.65	106.82	103.39	120.35	122.06	110.06
Apr - 19	95.85	101.60	103.35	101.61	96.52	103.78	106.79	101.74
May - 19	103.04	102.17	104.59	104.09	102.47	112.63	118.34	107.00
Jun - 19	102.01	107.30	106.56	107.78	105.07	108.17	105.80	106.13
Total Year	97.35	101.56	102.83	102.77	99.46	105.09	105.79	102.30

RevPAR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jul - 18	36.26	61.85	60.79	63.17	50.92	49.73	54.70	53.82
Aug - 18	35.26	64.96	68.01	67.54	45.82	44.39	48.16	53.37
Sep - 18	37.93	55.59	65.64	67.59	58.61	48.33	58.38	55.49
Oct - 18	49.03	73.46	76.02	75.42	73.34	69.42	69.98	70.05
Nov - 18	36.59	58.28	60.36	67.09	68.13	64.08	65.55	60.42
Dec - 18	40.10	54.23	59.64	63.24	53.50	50.12	53.77	53.11
Jan - 19	50.16	76.52	70.22	75.39	69.30	66.29	63.71	67.78
Feb - 19	72.56	91.91	95.35	98.97	97.49	102.52	113.17	96.00
Mar - 19	79.88	97.76	101.88	101.87	96.78	115.66	116.91	101.79
Apr - 19	58.42	83.09	89.81	89.11	75.39	85.13	95.36	82.61
May - 19	71.44	78.83	90.22	91.59	88.07	100.83	107.56	90.15
Jun - 19	61.34	89.81	93.11	93.49	85.93	80.87	83.90	83.30
Total Year	52.29	73.42	77.33	79.38	71.62	73.74	77.65	72.15

Source: STR, Inc.

## Custom STR Trend Performance Indicators October 2016 – June 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Oct 16	67.7		91.84		62.19		9,703		6,570		603,418		4	313	100.0
Nov 16	58.8		87.17		51.27		9,390		5,523		481,413		4	313	100.0
Dec 16	50.1		84.58		42.38		9,703		4,862		411,208		4	313	100.0
Jun YTD 2016 Total 2016															
Jan 17	49.4		89.14		44.03		9,703		4,793		427,263		4	313	100.0
Feb 17	70.4		93.73		66.02		8,764		6,173		578,570		4	313	100.0
Mar 17	74.8		97.00		72.51		9,703		7,253		703,530		4	313	100.0
Apr 17	80.0		93.22		74.55		9,390		7,509		699,996		4	313	100.0
May 17	66.5		95.07		63.18		9,703		6,449		613,083		4	313	100.0
Jun 17	60.2		91.03		54.76		9,390		5,649		514,231		4	313	100.0
Jul 17	53.5		87.84		46.97		9,703		5,188		455,704		4	313	100.0
Aug 17	52.4		88.66		46.50		9,703		5,089		451,205		4	313	100.0
Sep 17	62.8		99.07		62.24		9,390		5,899		584,429		4	313	100.0
Oct 17	75.0	10.8	94.48	2.9	70.90	14.0	9,703	0.0	7,282	10.8	687,970	14.0	4	313	100.0
Nov 17	60.8	3.3	91.53	5.0	55.64	8.5	9,390	0.0	5,708	3.3	522,435	8.5	4	313	100.0
Dec 17	53.9	7.6	88.74	4.9	47.83	12.9	9,703	0.0	5,230	7.6	464,090	12.9	4	313	100.0
Jun YTD 2017 Total 2017	66.8 63.2		93.50 92.80		62.43 58.67		56,653 114,245		37,826 72,222		3,536,673 6,702,506				
Jan 18	59.7	20.9	91.93	3.1	54.90	24.7	9,703	0.0	5,795	20.9	532,719	24.7	4	313	100.0
Feb 18	79.5	12.8	101.60	8.4	80.75	22.3	8,764	0.0	6,966	12.8	707,723	22.3	4	313	100.0
Mar 18	86.0	15.1	104.66	7.9	90.01	24.1	9,703	0.0	8,345	15.1	873,362	24.1	4	313	100.0
Apr 18	67.4	-15.8	100.61	7.9	67.78	-9.1	9,390	0.0	6,326	-15.8	636,437	-9.1	4	313	100.0
May 18	63.2	-5.0	102.30	7.6	64.61	2.2	9,703	0.0	6,128	-5.0	626,873	2.2	4	313	100.0
Jun 18	64.7	7.5	102.74	12.9	66.45	21.3	9,390	0.0	6,073	7.5	623,945	21.3	4	313	100.0
Jul 18	55.0	2.8	97.95	11.5	53.82	14.6	9,703	0.0	5,332	2.8	522,256	14.6	4	313	100.0
Aug 18	53.3	1.7	100.10	12.9	53.37	14.8	9,703	0.0	5,173	1.7	517,802	14.8	4	313	100.0
Sep 18	56.9	-9.5	97.59	-1.5	55.49	-10.8	9,390	0.0	5,339	-9.5	521,026	-10.8	4	313	100.0
Oct 18	70.8	-5.7	99.01	4.8	70.05	-1.2	9,703	0.0	6,865	-5.7	679,681	-1.2	4	313	100.0
Nov 18	62.3	2.5	96.95	5.9	60.42	8.6	9,390	0.0	5,852	2.5	567,337	8.6	4	313	100.0
Dec 18	56.7	5.3	93.60	5.5	53.11	11.0	9,703	0.0	5,506	5.3	515,354	11.0	4	313	100.0
Jun YTD 2018 Total 2018	70.0 64.5	4.8 2.0	100.95 99.38	8.0 7.1	70.62 64.11	13.1 9.3	56,653 114,245	0.0 0.0	39,633 73,700	4.8 2.0	4,001,059 7,324,515	13.1 9.3			
Jan 19	69.7	16.7	97.29	5.8	67.78	23.5	9,703	0.0	6,760	16.7	657,687	23.5	4	313	100.0
Feb 19	86.8	9.2	110.61	8.9	96.00	18.9	8,764	0.0	7,606	9.2	841,313	18.9	4	313	100.0
Mar 19	92.5	7.5	110.06	5.2	101.79	13.1	9,703	0.0	8,974	7.5	987,667	13.1	4	313	100.0
Apr 19	81.2	20.5	101.74	1.1	82.61	21.9	9,390	0.0	7,624	20.5	775,666	21.9	4	313	100.0
May 19	84.3	33.4	107.00	4.6	90.15	39.5	9,703	0.0	8,175	33.4	874,715	39.5	4	313	100.0
Jun 19	78.5	21.4	106.13	3.3	83.30	25.4	9,390	0.0	7,370	21.4	782,200	25.4	4	313	100.0
Jun YTD 2019	82.1	17.3	105.77	4.8	86.83	22.9	56,653	0.0	46,509	17.3	4,919,248	22.9			

Source: STR, Inc.

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**Custom STR Trend Selected Market Area Hotels**


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STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms
29777	Best Western Inn Of Palatka	East Palatka, FL	32131	Midscale Class	Jan 1994	Jan 1994	54
64188	Hampton Inn Palatka	Palatka, FL	32177	Upper Midscale Class	Sep 2016	Sep 2016	69
60532	Holiday Inn Express & Suites Palatka Northwest	Palatka, FL	32177	Upper Midscale Class	Jan 2010	Jan 2010	72
720	Quality Inn & Suites Riverfront Palatka	Palatka, FL	32177	Midscale Class	Jul 2006	Aug 1978	118
Source: STR, Inc.				Total Properties:		4	313

Several bed & breakfast inns offer unique accommodations in historical buildings in Palatka and Crescent City, but the small number of rooms offered and limited advertising budgets make it difficult for these properties to achieve over 50% occupancy on an annual basis. In Crescent City, the 4-room **Sprague House Bed & Breakfast** has thirteen 5-star reviews from Tripadvisor travelers, but they range from May 2011 to nothing more recent than November 2018; guests prefer to see recent reviews. Further, the consultant found numerous calls to the reservations number went unanswered; it is unclear if this inn is still operating full time. No one from the Inn responded to the consultant's emailed and telephone requests for information.

In Palatka, the 4-room, 1884 **Grand Gables Inn** advertises rack rates from \$139 up to \$159 during peak demand periods, but online booking sites offer its rooms from \$114 to \$127. Green Gables earned 25 excellent traveler reviews on Tripadvisor out of 26 total reviews, and is popular with leisure travelers, especially couples on getaway vacations. Some travelers noted that they liked the proximity to St. Augustine while avoiding the higher lodging prices there.

The 4-room **Bartram Inn Bed & Breakfast** offers views of the St. Johns River. It promotes itself to cycling groups, who have made Palatka a "hub" for cycling in NE Florida via the Putnam Blueways and Trails network. However, the Bartram Inn does not operate year-round; it is closed from June 15 to September 1. *This Inn does an extraordinarily good job of marketing local events and activities to potential guests.*

The Bartram Inn presents a well-crafted market positioning strategy in its selected name. John Bartram is a well known historical figure, a naturalist and author who explored the St. Johns River in the 1700s. This Inn references the Bartram Trail in Putnam County in its marketing information, noting that "modern explorers can follow in his footsteps and river wake." Putnam County provides a wealth of online resources to enhance visitors with planning adventures within the pristine rural areas of the County by hiking, cycling, paddling, and driving tours.

The following Calendar of Events is presented at its web site:

### *The Bartram Inn*

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#### TYPE OF EVENTS:

- BARTRAM "NIGHTS" – meetings, talks/lectures, art displays
- MUSIC – house concerts, porch pickin', Larimer concerts
- FESTIVALS – holidays, parades, special events, River City Players, Events nearby from St. Augustine to Gainesville
- KAYAK & BIKE EVENTS – Putnam Blueways & Trails events, Bartram Saturday hikes/bikes/paddles, Bartram Adventure Tours "Bartram days on the River" - by pontoon or row/sail boat, all by special reservation (fees based upon outings).

## Calendar of Events:

- Jan. 1st – Dunn’s Creek – hike, paddle, and bike for New Years  
 12 – Mushroom Festival, Ravine Gardens State Park  
 18- Start of Bartram Adventure Tour – January weekend Tour  
     18th Fri. around town bike – Historic Homes, Murals, Ravines  
     19th Sat. Salt Springs paddle, Dinner in St. Aug or Welaka  
     20th Sun. Paddle Mud Springs to Mr. Royal & back  
 23rd- Silver Springs OGT meeting & Trail Town presentation  
 25th- Pilots arrive  
 26th – Saturday – Palatka airport “FLY IN”
- Feb. 1-5th – INN CLOSED – Apalachicola “Spam cook-off” & Sopchoppy  
 Feb. 14th – Valentines Day “Love songs” HOUSE CONCERT AT THE INN  
 15th- Fri - Bartram Adventure Tour – February weekend tour  
     15th- Bike ride -Historic Homes & murals, Riverfront Park & Ravine Gardens.  
     16th- Sat. – Bike Ride on East Palatka trail to Federal Point St Pauls
- Feb. 25th Mon. 8:00pm “Rascals” biking performing group – Riverfront  
 26th tues. 9:00 am bike tour for Rascals group
- March 2-3 Sat.-Sunday – AZALEA FESTIVAL – Palatka riverfront  
 March 16th Sat.- St. Patricks Day – Palatka, parade and party  
 22-24th – Bartram Adventure Tour – March weekend tour  
     TBD (paddling to Bartram Sites)  
 29th- April 3rd – INN CLOSED – BIKE FLORIDA EVENT - 25th anniversary -
- April 5th – fri. Palatka – St. Johns River-to-Sea Summit & reception  
 6th- Sat. - Hastings – Trail ribbon cutting ceremony & ride  
 13-14th Sat.-Sunday – Palatka Bike Weekend  
 19,20,21 EASTER weekend  
 26th- Fri. Bartram Adventure Tour (full tour) starts – Bartram Inn  
 27th – Sat.- Dunns Creek State Park – Earth Day celebration-  
 music,  
 bike & hike.  
 28th Sunday – Drayton Island (boat & paddle)  
 29th Mon.- Welaka Springs & area springs – paddle  
 30th Tues.- Palatka area – Bike ride on trail & Riverfront tour  
 31st Wed.- Hike Ravine Gardens and Waterworks – farewell lunch.
- May 12th Mother’s day ride- Mother/Daughter weekend special  
 25-27th Memorial Day weekend
- June 15th BARTRAM INN CLOSED FOR SEASON

The Bartram Inn’s focus on presenting recreational activities and special events to attract leisure guests is a strategy that the subject hotel should utilize in Crescent City.

## Competitive Lodging Supply

The subject hotel site is located in historical downtown Crescent City. There is currently no direct midscale or upper midscale lodging competition in Crescent City. The comp set selected by the consultant for this analysis for the purpose of yielding the most reliable data for the basis of forecasting the subject's occupancy performance includes four Palatka properties: the Holiday Inn Express & Suites; the Best Western; the Hampton Inn; and the Quality Inn & Suites Riverfront. The subject's occupancy performance will rely on penetrating the existing leisure demand, and to a lesser extent, commercial and meeting/group demand, so the occupancy performance of the Palatka properties is most relevant to projecting occupancy penetration and likely ADR performance.

The consultant has estimated year end 2019 performance based on actual year-to-date performance through June, weighted to reflect annual increases based on 2018 actual performance.

The following table summarizes the important operating characteristics of the selected comp set; however, operating statistics for individual properties are confidential and not presented in this report.

## Selected Comp Set Hotel Performance Data

Property	Number of Rooms	Estimated 2019 Market Segmentation			Estimated 2018			Estimated 2019				
		Leisure	Commercial	Meeting & Group	Occ	ADR	RevPAR	Occ	ADR	RevPAR	Occupancy Penetration	Yield Penetration
Primary Competitors												
Hampton Inn Palatka	69	30 %	60 %	10 %								
Best Western Palatka	54	40	55	5								
Holiday Inn Express & Suites Palatka	72	30	60	10								
Quality Inn & Suites Palatka	118	35	45	20								
<b><u>Totals/Averages</u></b>	<b><u>313</u></b>	<b><u>33 %</u></b>	<b><u>54 %</u></b>	<b><u>13 %</u></b>	<b><u>65 %</u></b>	<b><u>\$99</u></b>	<b><u>\$65</u></b>	<b><u>74 %</u></b>	<b><u>\$104</u></b>	<b><u>\$77</u></b>	<b><u>100.0 %</u></b>	<b><u>100.0 %</u></b>

Source: Nichols Hospitality Consulting, Inc.

Note: Operating data for individual properties is confidential.



No discussion of hotel competitiveness is complete without a review of TripAdvisor and its impact. In recent years, hotel customers are shaping a brand or a property's online reputation by commenting and sharing experiences. A recent study by Ypartnership/Harrison Group reports that 77% of travelers consult TripAdvisor's hotel reviews before booking a hotel reservation, and nearly half visited an online community, travel forum or blog in the past 12 months to check out a destination or travel supplier. While hoteliers are sometimes subjected to vindictive or fake reviews, this is rare and generally reflects less than 1% of reviews. TripAdvisor reviews should be viewed by hotel management as an opportunity to "sell" the property and highlight the hotel's attributes, or address negative reviews in a positive constructive manner. For example, if a guest complains that furniture looks worn or outdated, management can use the opportunity to announce and promote upcoming hotel renovations.

TripAdvisor offers a fairly reliable indicator of customer satisfaction that is widely used by the traveling public. Information on the notable competitive advantages and disadvantages of each selected competitive property is presented below. Because of its relevance to potential hotel guests, each property's TripAdvisor ranking has been included, and guest reviews were considered in this analysis.

The 69-room **Hampton Inn Palatka** opened in September 2016 and is the newest hotel in the comp set. It is classified by Smith Travel as an upper midscale hotel, or a 2.5-star accommodation, and achieves the highest room rates among the Palatka hotels. It is ranked #1 out of 5 hotels in Palatka by Tripadvisor guest reviews. Of 258 reviews, 87% are excellent and very good. Positive recent guest comments named the friendly staff, complimentary breakfast, quiet and clean, proximity to downtown restaurants, river park, fenced well lighted free parking, and nice place to walk. Many guests also liked the close proximity to St. Augustine, 35 minutes away, favoring hotel prices that are much lower in Palatka, up to half the cost. Negative comments included lack of microwave in all but king suites, no pets are allowed (except service animals), and some guests felt the rooms were small. Rack rates (prior to discounts) range from \$103 - \$159. This hotel is currently very popular with business travelers, especially Hilton Honors members. The Hampton Inn has one 483-square-foot meeting room for catered banquets or classroom seating for up to 25 people and theater seating for up to 50 people.

The 72-room **Holiday Inn Express & Suites** opened in 2010 and is classified by Smith Travel as an upper midscale hotel, or a 2.5-star accommodation. It is ranked #2 out of 5 hotels in Palatka by Tripadvisor guest reviews, and achieves room rates similar to the Hampton. Of 122 reviews, 93% are excellent and very good. Positive recent guest comments named the friendly staff, recent renovations, complimentary breakfast, quiet and clean, proximity to restaurants and shopping. Many guests also liked the easy access to St. Augustine, 35 minutes away, and lower hotel prices in Palatka, compared to St. Augustine. Negative comments included difficult to access from divided highway, shady people hanging around parking lot at night, workout equipment broken, low water pressure in shower. Rack rates (prior to discounts) range from \$115 - \$155. This hotel is currently very popular with business travelers, especially IHG Rewards members. The hotel has one 250-square-foot board room for up to 12 people.

The 54-room **Best Western of Palatka** opened in 1994 and is the oldest and smallest hotel in the comp set. It is classified by Smith Travel as a midscale hotel, or a 2.5-star accommodation. Of 196 TripAdvisor reviews, 84% are excellent and very good. Positive recent guest comments named the friendly staff, complimentary breakfast, quiet and clean. Negative comments included late night noise problems from long term Georgia-Pacific workers housed there, and the older building has exterior corridors. In addition to GA-Pacific, this hotel houses long term employees of Seminole Electric, FP&L, and St. Johns Ship Building. Rack rates (prior to discounts) range from \$80 - \$115. The Best Western has a no meeting room available for guest use.

The 118-room **Quality Inn & Suites Riverfront Palatka** opened in 1978 and has been affiliated with Choice brands since July 2006. It is classified by Smith Travel as a midscale hotel, or a 2.5-star accommodation, and is the largest among the Palatka hotels. It is ranked #5 out of 5 hotels in Palatka by TripAdvisor guest reviews, but has very few reviews. Of 8 reviews, 74% are excellent and very good. It is the only hotel in Palatka offering a full service restaurant and lounge. Also offers on-site catering, 21-slip boat dock with electrical hook-ups, fishing dock and boat rentals. Positive recent guest comments named the friendly staff, renovations, complimentary breakfast, river views, riverfront pool and deck, Beef O'Brady's restaurant in the hotel. Negative comments included bad outdoor smell from river or local pulp mill; not enough reviews at TripAdvisor to be informative. Rack rates (prior to discounts) range from \$93 - \$132. The meeting room will accommodate up to 200 people, the largest meeting space among the Palatka hotels.

Our investigation indicates no new supply is planned in the market area. While reasonable steps have been taken to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the operating performance of the Subject Property may be positively or negatively affected.

## Lodging Demand Analysis

Lodging demand analysis is performed by dividing the overall demand accommodated by the competitive hotels into individual segments based on the type of travel classification. The three primary classifications occurring in the subject market area are commercial, leisure, and group/meeting. Market segmentation is a useful procedure because individual classifications often exhibit unique characteristics in terms of growth potential, seasonality of demand, average length of stay, double occupancy, facility requirements, price sensitivity, and so forth. By quantifying the room night demand by market segment and analyzing the characteristics of each segment, lodging demand can be projected.

Based on fieldwork, area analysis, and knowledge of the local lodging market, the distribution of accommodated room night demand is estimated as follows.

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## Competitive Set Accommodated Demand

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Market Segment	Estimated Marketwide	
	Accommodated Demand	Percentage of Total
Leisure	28,074	33 %
Commercial	45,032	54
Meeting & Group	10,714	13
<b>Total</b>	<b>83,821</b>	<b>100 %</b>

Source: Nichols Hospitality Consulting, Inc.

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The characteristics of each market segment have been analyzed in order to forecast room night demand, and summarized in the following paragraphs.

### Commercial Demand

The commercial demand segment reflects approximately 54% of the accommodated demand within the competitive set. The commercial segment consists of vendors, sales representatives, consultants, corporate executives, and other business professionals visiting area business establishments, as discussed earlier in the *Market Area Analysis* section of this report. Some commercial travelers like to add a day or two to their itinerary in the area for leisure, and Putnam County offers a convenient location to St. Augustine and its beaches, 30 miles east of Palatka.

Palatka is the largest city in Putnam County, and serves as the county seat of government. The hotels there serve a concentration of commercial business demand. Palatka serves as home to Seminole Electric Cooperative, one of the largest generation and transmission cooperatives in the country. Putnam County is also home to Georgia-Pacific Corporation, the St. Johns River Water Management headquarters, VA Medical Center, Veritas Steel, Continental Building Products, Putnam Community Medical Center, St. Johns River State College, and numerous small businesses.

Commercial demand is usually accommodated within a few miles of the place of business, unless the business traveler is seeing numerous clients throughout the region; then any central location could be considered, including Crescent City. However, it is unlikely that much of the existing Palatka based commercial lodging demand can be captured by the proposed subject hotel in Crescent City, located 25 miles south of Palatka. Crescent City does have some local businesses that generate lodging demand and this could be captured.

Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday. The typical length of stay for commercial guests ranges from one to three days, and the rate of double occupancy is a low 1.2 to 1.3 people per room. The commercial segment includes numerous smaller classifications; however, the primary categories considered in this analysis are individual business travelers and

corporate accounts. Their lodging choices are influenced by brand loyalty (and frequent traveler programs in particular), as well as location and convenience with respect to businesses and amenities. Corporate accounts are generated by local companies; demand in this sub-segment may include employees of the firm or its affiliates, and often consists of training groups. These companies typically designate hotels as “preferred” accommodations; in return, the selected lodging facilities generally offer a significant discount from their published rates. Typically, these rates are negotiated on an annual basis, and the size of the discount is tied to the number of room nights produced. It is important to note that Marriott, IHG, and Hilton offer the most popular frequent guest programs, preferred by most commercial travelers.

Economic and demographic trends influence commercial lodging demand; the trends that have the most direct correlation are changes in FIRE, service, wholesale trade, and total employment; occupied office space; and air passenger and/or highway counts. The Putnam County market area is enjoying commercial growth, which is generating increased commercial lodging demand.

## **Leisure Demand**

The leisure demand segment reflects individuals and families seeking accommodations in the area for non-business purposes, which may include sports tourism, sightseeing, shopping, outdoor recreation, attending festivals or events in Putnam County, visiting friends and relatives, visiting nearby St. Augustine attractions, or numerous other non-business activities. Leisure demand is strongest Friday and Saturday nights and all week during holiday periods and the peak spring months.

Adventure/history travel has strong appeal to baby boomers, whose populations are growing in Florida. 55Places.com lists the 25 most popular active adult communities in Florida, 20 of which are located within a two-hour drive of Crescent City, presenting an opportunity to market adventure/history travel to this growing demand segment. Latitude Margaritaville in Daytona (located 45 miles from Crescent City) tops the list as the most popular new 55+ Active Adult Community in Florida, with 6,900 new homes planned and the first phase quickly selling 412 homes in 2018 and 578 in 2017 when the project was first announced. With 10,000 homes, On Top of the World in Ocala is one of the largest 55+ communities in Florida, and is located 63 miles from Crescent City. The Villages spans three counties, and is located about 70 miles from Crescent City. Over 60,000 households and 125,000 55+ residents comprise the Villages, one of the largest 55+ communities in the nation. It continues to grow at the rate of 200 to 250 new home sales per month in 2019. These active adult communities provide a growing source of hundreds of thousands of potential adventure/history travelers for Putnam County to attract. Reviews posted at tripadvisor.com for hotels in Palatka often indicate leisure travelers enjoying the history or recreational opportunities in Putnam County from within a two-hour radius of Crescent City.

Putnam County attributes 13.2% of its total jobs to the leisure & Hospitality Industry, a higher percentage than most FL counties, but well below the top tourist markets in Florida. Of the state's 1.2 million leisure & hospitality employees, about 1,700 are in Putnam County. Tourism is Florida's 5<sup>th</sup> largest industry, attracting over 126 million visitors in 2018. Putnam County does not track attendance at most of its many festivals, events, and tournaments held throughout the year, but hotels report increased occupancy in 2019, and the four primary hotels in Palatka accommodated over 70,000 room nights in 2018, increasing to an estimated 84,000 by year end 2019. The Palatka Blue Crab Festival in May 2019 attracted more than 75,000 people during the three-day event, according to its organizers, the Palatka Young Professionals. It is likely that Putnam County attracts hundreds of thousands of visitors annually to its attractions and events, but they are mostly 'day trippers' from nearby metropolitan areas. Other Putnam County festivals include the Florida Azeala Festival, St. Johns River Catfish Festival, Blueberry Festival, and numerous fishing tournaments.

Putnam County's Chamber of Commerce has online and print information available for visitors, detailing the many recreational opportunities, events, and attractions for visitors to experience. The Putnam County Courier Journal publishes an annual *Visitors and Newcomers Guide*, with 20,000 copies distributed free of charge by the Putnam County Chamber of Commerce, Palatka Welcome Center, Crescent City Hall, real estate agents, tour operators, festivals, lodgings, and other entities whose goal is bringing visitors to Putnam County. The *Crescent City Historic Walking Tour Guide* is an excellent resource that should be widely distributed, including Palatka and County tourism information centers.

It is the consultant's recommendation that more detailed and thorough listings of the tourism attractions in Crescent City be created for all print and online information. For example, in the *Visitor and Newcomers Guide*, "Historic Places of Putnam County" should present more of the City's historic architecture, and include pictures of the many historic homes in Crescent City, which are more interesting to visitors than commercial buildings. Under the "Crescent City Historic District" listing on page 5, it should indicate the following: "there are more than 2 dozen historic buildings to see via the *Crescent City Historic Walking Tour Guide*, available at City Hall, 3 N Summit Street (US 17), Crescent City, FL 32122." It is important to provide addresses for every destination, as most people use GPS to find places. Under the Guide's listings for "Museums, Galleries, and Parks" on page 6, no Crescent City lakefront parks are included, and they should be, along with addresses so places can be found via GPS. Most visitors will have quit reading by page 24, where "Parks, recreational areas and public facilities" are listed, the only place where Crescent City's unique and desirable lakefront parks are briefly mentioned, but addresses, detailed descriptions, or attractive pictures are lacking. On page 26, "Places to go, things to do outdoors" there is no mention of the many outdoor recreation opportunities in the City of Lake Crescent, including Hallie's Landing and its glass bottom boat tour, paddle boarding and kayaking on Lake Stella (used by outfitters from Palatka because it is superior for paddle boarding and kayaking than the St. Johns which is too rough), and paddling to Bear Island on Lake Crescent.

The *Bartram Trail in Putnam County* is another excellent example that promotes paddling, hiking and biking routes that include Crescent City in its paddling map, but Crescent City's hiking and biking route offerings should be expanded. Crescent City is not even named nor included on the *Bartram Hiking & Biking Routes Map*. Bicyclists are a growing and important niche for Palatka inns and hotels, and could be drawn to Crescent City if desirable accommodations and mapped routes were made available.

Tripadvisor.com is used by many travelers to check consumer reviews for lodgings, restaurants, and attractions. Currently, the "Things to Do in Crescent City" tab shows very little, and none of the top attractions. It also shows the Simpson-Reed Trail as a major attraction – this trail is in Crescent City, California! The consultant reported the error to Tripadvisor, and added the Historic Walking Tour as a Crescent City attraction, along with a 5-star review. The Tripadvisor site for Crescent City needs much more information added, and reviews.

The city's web site, [crescentcity-fl.com](http://crescentcity-fl.com), has a link to "Walking Tour Guide", but the historic building photographs are not easily accessible and only seen when hovering a mouse over each number. More pictures need to be fully displayed without hovering, to entice visitors to visit. There is a treasure trove of interesting nostalgic pictures accessed via the link Crescent City Historical Archive, but visitors need to be given easier and more direct access to the best and most interesting of the historical pictures. The City's history and historical architecture, and recreational offerings, need to be much more visible and strongly promoted at the City website. A redesign is recommended to give visitors easier access to information. As an example to emulate, the Palatka website, [palatka-fl.gov](http://palatka-fl.gov), has a "Visitor" tab at the top of its home page which takes visitors to places to easily find attractions, community events, and details on downtown Palatka.



The Putnam County Chamber of Commerce web site does have the Crescent City Historic Walking Tour Guide on its "Brochures" page, but it has been placed at the bottom of the list instead of alphabetical order. It should be listed there as "Historic Walking Tour Guide of Crescent City" right after "Historic Churches Tour Guide" at the site, since the same visitors would probably be interested in both and more likely to see if grouped. Also at the site, the Putnam County Bicycle Route map brochure includes only one route in Crescent City, but does not have Lake Stella on the map at all, it should be shown as the scenic bike route runs alongside Lake Stella and no one would know from looking at the map. Plus, more scenic bike routes that feature Crescent City should be added. Bicyclists would love to know about Hallie's Landing on Lake Stella, a lovely place to take a break and enjoy great burgers and wings.

## 6. Projection of Occupancy and Average Rate

This section presents a summary of the consultant's forecast of occupancy and average daily rate (ADR) for the Subject property, based on market research conducted in the course of this study, and application of market penetration and/or build up methodology. The forecast presented herein reflects an operating strategy that would be implemented by a competent hotel management team to achieve an optimal mix of occupancy and ADR (i.e., yield management) as measured by Revenue per Available Room (RevPAR).

### National Lodging Highlights

Through mid-2019, the US lodging industry's up cycle momentum that began in 2010 continues, albeit at a slower pace, buoyed by growth in the US economy. CBRE Hotels reports that, if growth continues as projected into 2020, it will mark a 10-year period of uninterrupted RevPAR growth, something US hoteliers have never experienced in the past 90 years of record keeping. Smith Travel Research (STR) presents the following operating statistics for the US lodging industry for 2019 through June, continuing the record run, with RevPAR higher:

12 MMA June 2019: Annualized Occupancy Peaked Last Month

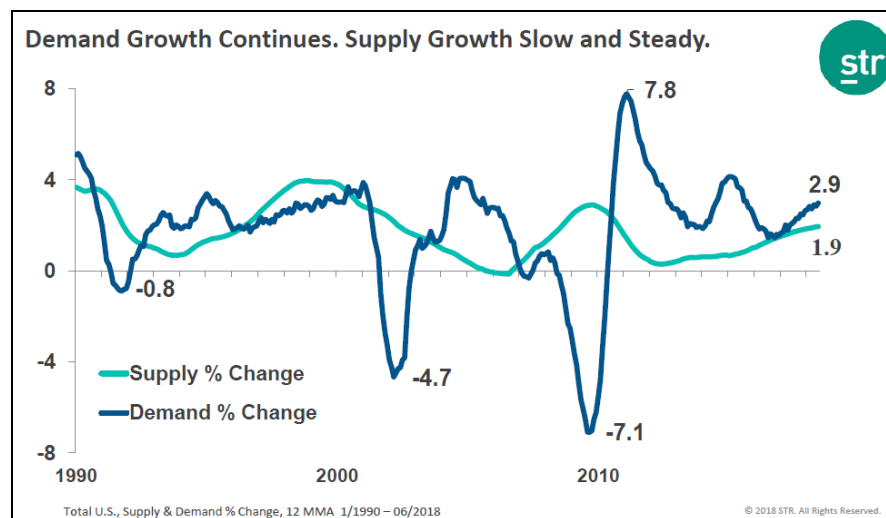
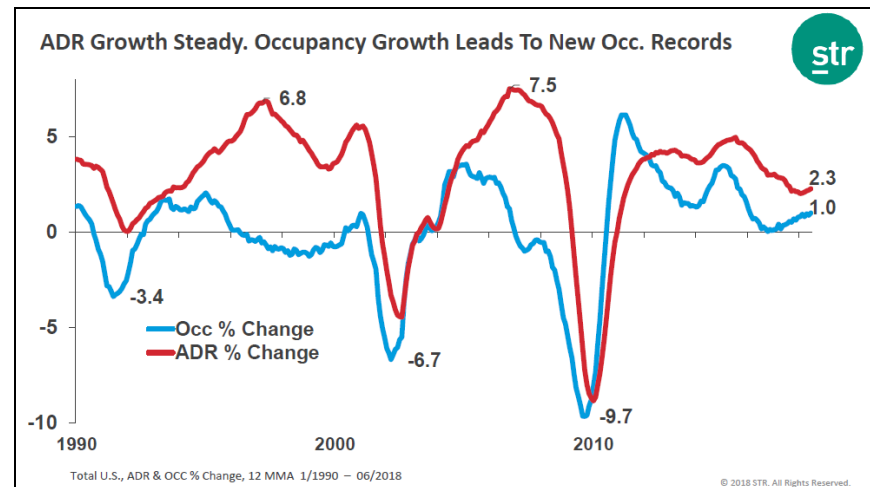
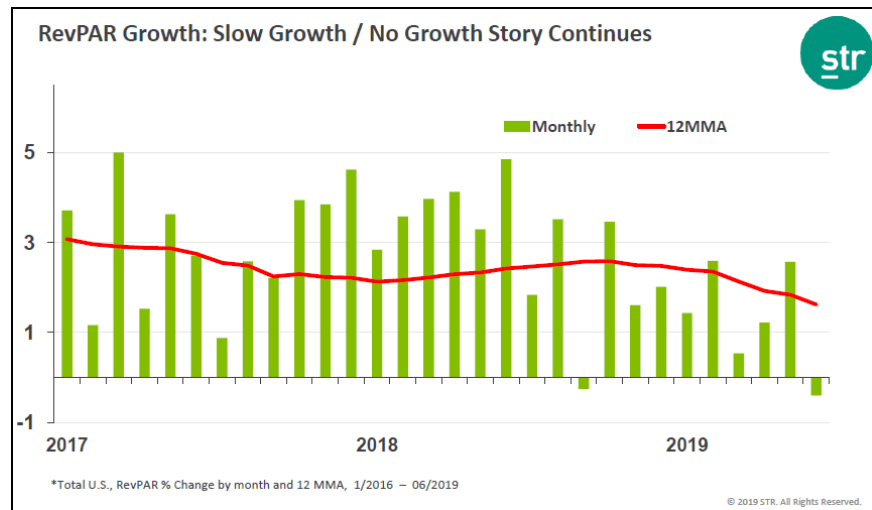
	Highest Ever?		% Change
Room Supply	<input checked="" type="checkbox"/>		2.0%
Room Demand	<input checked="" type="checkbox"/>		2.0%
Occupancy	<input checked="" type="checkbox"/>	66.2%	0.0%
ADR	<input checked="" type="checkbox"/>	\$131	1.6%
RevPAR	<input checked="" type="checkbox"/>	\$87	1.7%
Room Revenue	<input checked="" type="checkbox"/>		3.7%

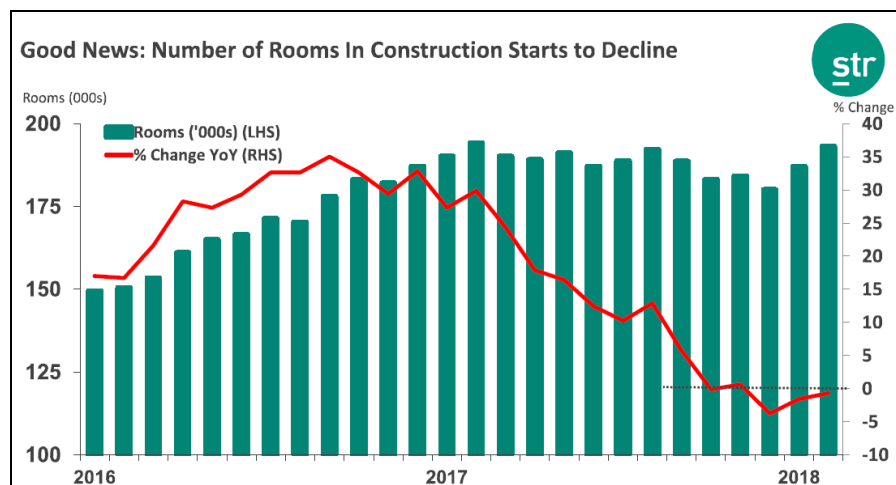
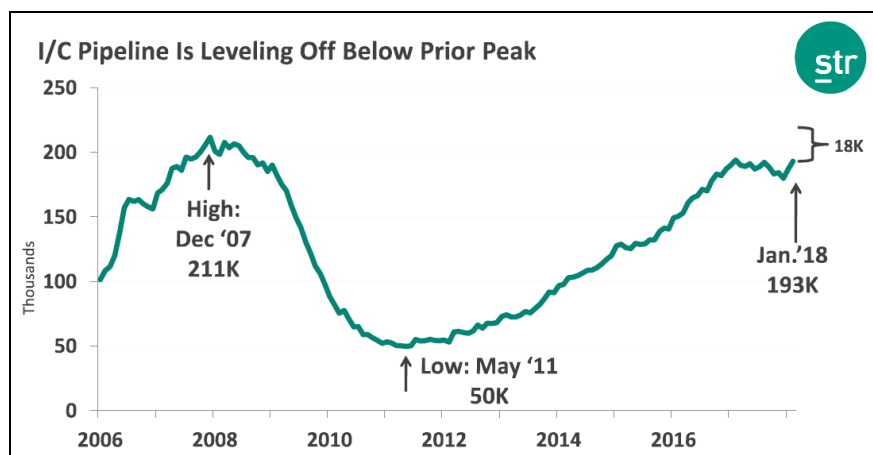
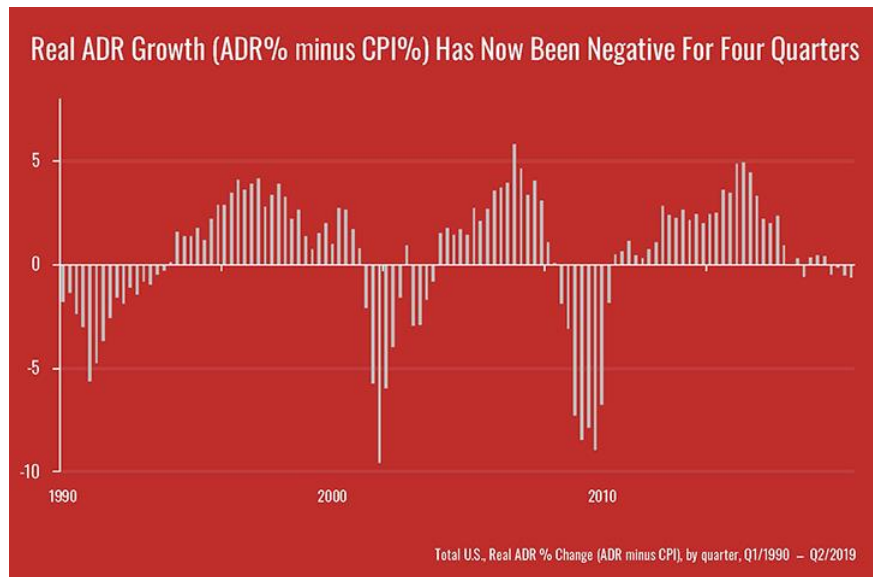
Total US Results, 12 MMA June 2019

Outlook		
Metric	2019 Forecast	2020 Forecast
Supply	1.9%	1.9%
Demand	2.0%	1.7%
Occupancy	0.1%	-0.2%
ADR	1.9%	2.2%
RevPAR	2.0%	1.9%

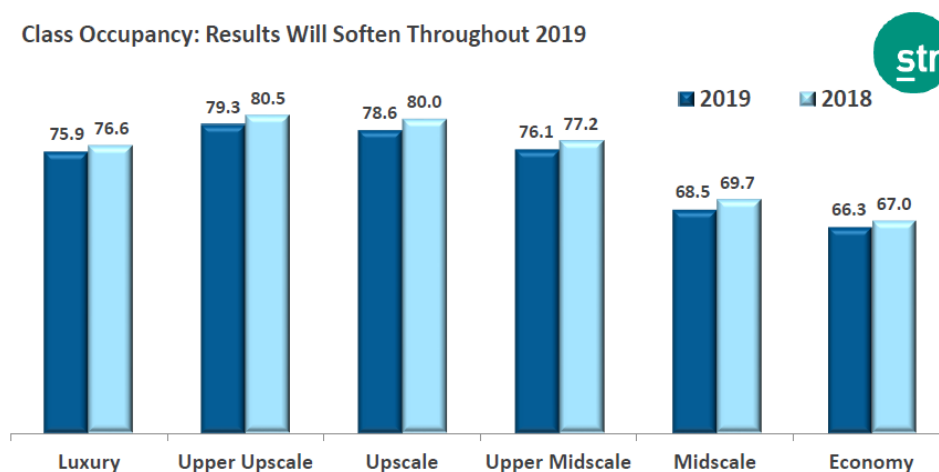
However, in August 2019, geopolitical and macroeconomic issues are causing concern for large international corporations, with a drop in transient business travel noted during the second quarter of 2019, which was offset by continued strong leisure demand. STR's lodging forecast anticipates supply growth increasing 1.9% in 2019, the long term average, and 2019 occupancy of about 66%, largely unchanged from 2018. Demand growth is expected to be highest in the Midscale and Upper Midscale sectors. ADR growth is expected to match the year-end 2018 annual inflation rate of 1.9%, with a resulting 2.0% growth in RevPAR. The following tables present a summary of US lodging activity compiled by Smith Travel Research, Inc. (STR).







## Class Occupancy: Results Will Soften Throughout 2019



\*OCC %, by Class, YTD June 2019 &amp; 2018

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Airbnb poses a threat to hotel operations in some markets, and its ability to erode market share, as well as book hotels from its platform, is likely to increase in the future, with seven new categories for booking.



CBRE cautions that despite record occupancy levels, ADR growth continues to challenge hoteliers, due to increased supply growth, low inflation, the sharing economy (Airbnb), revenue management beyond RevPAR and book-direct, best-price guarantees that all exert downward pressure on the ability of operators to raise rates. However, CBRE research indicates that US gross domestic product, employment, and income growth for the next two years should support lodging demand growth of two percent or more per year, with occupancy levels expected to remain near their peak.

US hotel industry revenue topped an estimated \$208 billion in 2017, with gross operating profit of \$77 billion. On a per-available-room basis, house profit reached an all-time high, exceeding the previous peak in 2007.

## Occupancy Penetration Forecast

Occupancy is forecasted by estimating the subject proposed hotel's occupancy penetration by market segment (leisure, commercial, and meeting & group) for each year of the forecast period. Penetration rates for the subject hotel have been determined based on the historical performance of similar hotels in the micro and macro marketplace, and taking into account the competitive advantages and disadvantages as outlined previously in this report.

The subject's forecasted market share and occupancy levels are based upon its anticipated competitive position within the designated competitive set, as quantified by the occupancy penetration rate. The occupancy penetration rate is the ratio of a property's market share to its fair share of market demand accommodated by its competitive set. In this equation, market share represents that portion of total market demand accommodated by a property and fair share represents each subject hotel's portion of the total supply (calculated as the subject's room count divided by the total supply of the market at large). A property achieving 100% of its fair share will achieve occupancy on par with that achieved by its competitive set; if its market share falls above or below its fair share, its corresponding market penetration rate will be above or below 100%. Penetration rates can be calculated for each market segment of a property, and for the property as a whole.

Penetration rates for the subject hotel and the selected competitive hotels have been forecasted based upon the historical performance of each property and the changes foreseen in the marketplace going forward. The following tables set forth, by market segment, the projected stabilized penetration rates for the subject property and each hotel in the competitive set. The subject hotel is projected to be open as of January 1, 2022, and stabilized as of January 1, 2025. The table below presents the current estimated lodging demand in the area.

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### Estimated Market Area Accommodated Demand by Segment

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Market Segment	Estimated Marketwide	
	Accommodated Demand	Percentage of Total
Leisure	28,074	33 %
Commercial	45,032	54
Meeting & Group	10,714	13
<b>Total</b>	<b>83,821</b>	<b>100 %</b>

Source: Nichols Hospitality Consulting, Inc.

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### Leisure Segment Occupancy Penetration Forecast (Stabilized Year 4)

Property	Number of Rooms	Fair Share	Projected Penetration	Projected Market Share	Projected Capture
Hampton Inn Palatka	69	19.5 %	90.0 %	18.4 %	5,957
Best Western Palatka	54	15.3	100.0	16.0	5,180
Holiday Inn Express & Suites Palatka	72	20.4	95.0	20.3	6,561
Quality Inn & Suites Palatka	118	33.4	70.0	24.5	7,923
<b>Crescent City Boutique Hotel</b>	40	11.3	175.0	20.8	6,715
<b>Totals</b>	<b>353</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>32,336</b>

Source: Nichols Hospitality Consulting, Inc.

The Subject proposed hotel is projected to achieve a stabilized leisure segment penetration rate of 175%, yielding about 6,715 annual room nights, or 65% of total accommodated demand. This high penetration level, well above 100%, reflects the fact that the proposed hotel will cater extensively to the leisure segment, due to the lack of a strong commercial demand base in Crescent City; this segment comprises the majority of the Palatka lodging market. Commercial demand is most often site specific, as commercial travelers prefer accommodations located in close proximity to local businesses that generate business travel demand. Commercial-oriented hotels are less dependent upon leisure demand, which in the market area can be weaker during weekdays, but very strong on weekends, along with extreme seasonal fluctuations as presented earlier in this report.

Leisure guests are expected to be attracted to the appeal of the subject's historic themed architecture, small town charm, lake proximity and views, as well as desirable all-new guest rooms and suites. Its location within walking of downtown Crescent City's restaurants, shopping, and history, as well as both Lake Stella and Crescent Lake, will appeal to leisure guests.

Putnam County attributes 13.2% of its total jobs to the leisure & Hospitality Industry, a higher percentage than most FL counties, but well below the top tourist markets in Florida. Of the state's 1.2 million leisure & hospitality employees, about 1,700 are in Putnam County.

A December 2018 report by the Florida Legislature Office of Economic and Demographic Research indicates that baby boomer populations are increasing across the state, especially in central Florida. Baby boomers have a strong interest in overnight getaway trips within a few hours' drive of their residence, and reflect a growing market for a hotel in Crescent City to attract.

The proposed hotel's management team will also want to consider capturing leisure demand through participation in organizations, programs and grants offered by entities such as Visit Florida, the state's official tourism industry marketing corporation. For example, Putnam County has produced marketing literature and web information highlighting the Bartram Trail in Putnam

County with a grant from the Florida Humanities Council, with funds from the National Endowment for the Humanities and Visit Florida.

Crescent City is located 70 miles north of Orlando, the most visited destination in the United States. A record breaking 75 million tourists traveled to Central Florida in 2018, the first in the US to pass 70 million visitors in one year, according to Visit Orlando, up from 72 million in 2017, 68 million in 2016 and 66 million in 2015. If only 1/4 of 1% or .0025% of these visitors desire a nature/history travel experience and seek out Putnam County as an overnight destination that reflects a potential 187,500 visitors. The 40-room Subject would have 14,600 total available room-nights to fill. The proximity of Crescent City to one of the world's most popular leisure destinations should be addressed in the proposed hotel's marketing plan.

Domestic leisure travelers, the majority of which travel via personal vehicle to the Orlando area, reflect the vast majority or 83% of total domestic overnight visitors. These visitors may also be inclined to take the scenic US Hwy 17 route through Florida and spend a night in Crescent City enroute to their final destination, if made aware of lodging available there and are made aware of this option as they make their travel plans.

As noted earlier, 82% of prospective leisure travelers use the Internet as the primary destination and travel information source; it is important that a strong Internet presence underpin the proposed subject hotel's marketing strategy. However, care must be taken not to allow OTA channels (like Expedia and Priceline) to dominate too large a share of room revenue via booking commissions.

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#### Commercial Segment Occupancy Penetration Forecast (Stabilized Year 4)

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Property	Number of Rooms	Fair Share	Projected Penetration	Projected Market Share	Projected Capture
Hampton Inn Palatka	69	19.5 %	120.0 %	25.2 %	12,396
Best Western Palatka	54	15.3	95.0	15.6	7,680
Holiday Inn Express & Suites Palatka	72	20.4	115.0	25.2	12,396
Quality Inn & Suites Palatka	118	33.4	80.0	28.7	14,133
<b>Crescent City Boutique Hotel</b>	40	11.3	43.0	5.2	2,575
<b>Totals</b>	<b>353</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>49,181</b>

Source: Nichols Hospitality Consulting, Inc.

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The Subject proposed hotel is projected to achieve a stabilized commercial segment penetration rate of 43%, yielding about 2,575 annual room nights, or 25% of total accommodated demand. The commercial market segment is strong in the Palatka market area, accounting for nearly half of the accommodated demand within the competitive set. The commercial market segment consists of vendors, sales representatives, corporate executives, and other business professionals visiting area business establishments, as discussed earlier in the *Market Area Analysis* section of this report. In Putnam County and Palatka, commercial

lodging demand is mostly generated by Georgia Pacific, the St. Johns River Water Management District office, Seminole Electric Cooperative, Veritas Steel, Continental Building Products, and numerous small businesses. Some business travelers, especially sales representatives covering large regional territories, may prefer Crescent City as a central location to make sales calls from Palatka (30 minutes to the north) to Deland (30 minutes to the south) along US Hwy 17.

Most corporate travelers prefer to stay close to their business destination, and many prefer major brand hotels that offer rewards programs. Thus, the hotels in Palatka will enjoy a much stronger commercial penetration rate than the Subject.

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**Meeting & Group Segment Occupancy Penetration Forecast (Stabilized Year 4)**

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<b>Property</b>	<b>Number of Rooms</b>	<b>Fair Share</b>	<b>Projected Penetration</b>	<b>Projected Market Share</b>	<b>Projected Capture</b>
Hampton Inn Palatka	69	19.5 %	45.0 %	8.8 %	1,033
Best Western Palatka	54	15.3	45.0	6.9	808
Holiday Inn Express & Suites Palatka	72	20.4	45.0	9.2	1,078
Quality Inn & Suites Palatka	118	33.4	200.0	67.1	7,851
<b>Crescent City Boutique Hotel</b>	40	11.3	70.0	8.0	931
<b>Totals</b>	<b>353</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>11,701</b>

Source: Nichols Hospitality Consulting, Inc.

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The Subject proposed hotel is projected to achieve a stabilized meeting & group segment penetration rate of 70%, yielding about 931 annual room nights, or 9% of total accommodated demand. The proposed hotel is forecasted to achieve a stabilized meeting & group segment penetration rate of 70%. This penetration estimate, while low in comparison to the larger hotels in Palatka with some meeting space, reflects the positive impact of the subject property's recommended  $\pm 1,500$  square feet of meeting space, plus opportunities for outdoor functions at nearby lakefront parks or historic buildings. A 1,500-square-foot meeting room would have the following capacities: 150 people for receptions; 125 for banquets using 5' round tables; and 62 for classroom style seating.

This analysis results in the following projected market penetration levels for the Subject Property.



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**Overall Projected Occupancy Penetration Rates (Stabilized Year 4)**


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<b>Property</b>	<b>Number of Rooms</b>	<b>Fair Share</b>	<b>Projected Market Share</b>	<b>Adjusted Penetration</b>	<b>Projected Capture</b>
Hampton Inn Palatka	69	19.5 %	20.8 %	106.4 %	19,386
Best Western Palatka	54	15.3	14.7	95.9	13,669
Holiday Inn Express & Suites Palatka	72	20.4	21.5	105.4	20,035
Quality Inn & Suites Palatka	118	33.4	32.1	96.0	29,907
<b>Crescent City Boutique Hotel</b>	40	11.3	11.0	96.8	10,221
<b>Totals</b>	<b>353</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>93,218</b>

Source: Nichols Hospitality Consulting, Inc.

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The proposed independent hotel is expected to achieve overall stabilized occupancy penetration of about 97%, slightly below its “fair share” of 100%, and lower than the major brand hotels in the comp set, due to the competitive advantages enjoyed by the Palatka properties as presented earlier in this report.

## **Occupancy Penetration Forecast for the Subject Proposed Hotel**

The subject’s occupancy was forecasted by estimating the proposed hotel’s occupancy penetration by market segment (i.e., commercial, leisure, group & meeting) for each year of the forecast period. Penetration rates for the subject and competitive hotels were projected based upon historical performance and/or the conditions foreseen in the marketplace going forward. Considerations such as brand, location, facilities and amenities offered, age or condition, and management have been weighed.

Based on the consultant’s analysis summarized in this report, the subject’s occupancy is projected by estimating the hotel’s occupancy penetration by market segment for each year of the forecast period. The results are used as a basis for the forecast of occupancy penetration rates for the subject.

This analysis results in the following projected occupancy levels for the Subject Property. The 2022 projected growth actually reflects three years, 2019 to 2022.

The consultant has analyzed the competitive strengths and weaknesses of the Subject proposed hotel in order to forecast market penetration levels by market segment, with the following primary considerations:

1. Independent Hotel Status: The Subject, as an unaffiliated hotel, will likely be at a competitive disadvantage to the branded hotels within the comp set. At only 40 rooms, it is unlikely to qualify for either a soft or hard brand affiliation. However, operating as an

independent gives the Subject freedom from rigid franchise design standards and a 'cookie cutter' look. A strong marketing presence on the Internet will be essential to a successfully promoting the hotel, due to the lack of brand franchise system marketing.

2. Crescent City Location: This is a strength for drawing leisure travelers, and a weakness for drawing commercial travelers. The Subject will be at a competitive disadvantage to the hotels located in Palatka due to the existence of a strong commercial lodging demand base there, which provides a steady year round source of lodging demand and accounts for over half of total accommodated demand. However, the Crescent City location is a competitive advantage as a desirable destination for leisure travelers seeking an authentic Olde Florida or adventure/history/nature experience.

3. Meeting Space: The Subject is expected to become a preferred location for Putnam County weddings, social events, and meetings. Meeting and banquet facilities will include approximately +1,500 square feet under air conditioning. There are numerous additional nearby lakefront outdoor event venues available, which are extremely popular with wedding parties at Florida hotels, and greatly increases the subject's ability to host wedding groups and other social groups.

4. Latest Technology/Social Media: It is recommended that the Subject hotel offer the latest in hotel technology (including high speed WiFi) for ease of check in, safety and convenience for its guests, and embrace social media and smartphone technology to build loyalty, attract and retain customers. Social media sites like Facebook, Twitter, and TripAdvisor are commonly used by travelers to select hotels. Hoteliers are using apps to help guests manage bookings and offering interactive maps/GPS to increase occupancy and enhance the guest experience.

5. New Guest Rooms: Hotel guests prefer to stay at the newest accommodations they can find to suit their travel budget. The Subject will offer the newest rooms in the market, some with lake views, which should help the hotel to ramp up its occupancy and ADR and give it a competitive 'newness' advantage for several years.

6. Accessibility: The Subject site is located directly on US Hwy 17, the major north-south artery in Putnam County, with an average daily vehicle count in Crescent City of 9,900 in 2018. US Hwy 17 averages about 6,100 vehicles per day south of Crescent City, and 8,000 vehicles per day north of Crescent City (population 1,555). In comparison, the bridge over the St. Johns River in Palatka averages about 32,500 vehicles per day. Palatka provides east-west routes connecting with St. Augustine and I-95 to the east and Gainesville and I-75 to the west, and provides the closest east-west routes for Crescent City.

## Subject Property's Projected Occupancy

Lodging Market Segment	2019	2022	2023	2024	2025*
<b>Leisure</b>					
Potential Demand	28,074	31,385	31,699	32,016	32,336
Subject Property Market Share		17.7 %	18.9 %	20.3 %	20.8 %
Subject Property Capture		5,564	5,999	6,497	6,715
Subject Property Penetration		156.4 %	167.0 %	179.1 %	183.3 %
<b>Commercial</b>					
Potential Demand	45,032	47,734	48,212	48,694	49,181
Subject Property Market Share		4.9 %	5.0 %	5.1 %	5.2 %
Subject Property Capture		2,333	2,413	2,493	2,575
Subject Property Penetration		43.1 %	44.2 %	45.2 %	46.2 %
<b>Meeting &amp; Group</b>					
Potential Demand	10,714	11,357	11,471	11,586	11,701
Subject Property Market Share		6.4 %	6.9 %	7.4 %	8.0 %
Subject Property Capture		723	792	861	931
Subject Property Penetration		56.2 %	60.9 %	65.6 %	70.2 %
<b>Total Room Nights Captured</b>		<b>8,620</b>	<b>9,203</b>	<b>9,851</b>	<b>10,221</b>
Available Room Nights		14,600	14,600	14,600	14,600
<b>Subject Property Projected Occupancy</b>		<b>59 %</b>	<b>63 %</b>	<b>67 %</b>	<b>70 %</b>
Marketwide Available Room Nights	114,245	128,845	128,845	128,845	128,845
<b>Subject Property Fair Share</b>		<b>11 %</b>	<b>11 %</b>	<b>11 %</b>	<b>11 %</b>
Marketwide Occupied Room Nights	84,399	90,477	91,382	92,295	93,218
<b>Subject Property Market Share</b>		<b>10 %</b>	<b>10 %</b>	<b>11 %</b>	<b>11 %</b>
<b>Marketwide Average Occupancy</b>	<b>74 %</b>	<b>70 %</b>	<b>71 %</b>	<b>72 %</b>	<b>72 %</b>
Subject Property Market Penetration %		84 %	89 %	94 %	97 %

\*Stabilized Year

Source: Nichols Hospitality Consulting, Inc.

Based on this analysis, the subject property is projected to achieve occupancy of 59% in Year One, 63% in Year Two, 67% in Year Three and stabilized occupancy of 70% in Year Four. This is based on market penetration of 84% in year one, 89% in year two, and stabilizing at 97% in year four, or slightly below its fair share, occupancy wise. The subject property's projected occupancy performance is considered to be appropriate given local lodging dynamics, its independent status versus major brand competitors, facilities, rate structure, location, and market orientation.

The proposed hotel is expected to stabilize at 70% occupancy in Year Four of the projection period. Stabilized occupancy is intended to reflect the anticipated results of the Subject over its remaining economic life, given any and all changes in its life cycle. The stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the Subject may operate at occupancies above this stabilized level, it is equally possible for new

competition and temporary economic downturns to force the occupancy below this selected point of stability.

Based on analysis of local lodging demand generators, it is anticipated that the subject property will generate approximately 66% of its accommodated demand from the leisure segment, 25% from the commercial segment, and 9% from the meeting & group segment.

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### Subject Property's Projected Market Segmentation

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	2022	2023	2024	2025
Leisure	65 %	65 %	66 %	66 %
Commercial	27	26	25	25
Meeting & Group	8	9	9	9
<b>Total</b>	100 %	100 %	100 %	100 %

Source: Nichols Hospitality Consulting, Inc.

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## Average Daily Rate Analysis

Average daily rate (ADR) is calculated by dividing the total room revenue achieved during a specified period by the number of rooms sold or occupied during the same period. A hotel's average room rate is the weighted average of the various amounts charged to different market segments, such as rack rates, published rates, commercial rates, government per diem rates, contract rates, and complimentary rooms are factored in as well. The average rate also takes into account differentials during peak and off-peak periods, including various seasons of the year, holidays, and weekends. Different types of rooms may also command varying rates, and thus have an impact on the overall average rate.

The property's average rate was projected using a competitive positioning method. The average rates achieved by the subject property and/or its competitors were analyzed. These rates establish a range that reflects certain characteristics of both the brand and the specific market, such as price sensitivity, demand orientation, and occupancy. The subject property's average rate is then projected based on analysis of such factors as size, quality, facilities, amenities, market orientation, location, management, image, and affiliation, in comparison to its competitors.

The following table summarizes projected average rates and room revenue by market segment for the subject proposed hotel.

## Projected ADR by Market Segment for Proposed Hotel

	Base Year 2019	2022	2023	2024	2025
<b>Leisure</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		5,564	5,999	6,497	6,715
Rooms Revenue		\$721,687	\$809,253	\$902,709	\$956,308
Subject Hotel Average Rate	\$119.00	\$129.71	\$134.90	\$138.95	\$142.42
<b>Commercial</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		2,333	2,413	2,493	2,575
Rooms Revenue		\$277,241	\$298,130	\$317,321	\$335,919
Subject Hotel Average Rate	\$109.00	\$118.81	\$123.56	\$127.27	\$130.45
<b>Meeting &amp; Group</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.0 %	2.5 %
Captured Room Nights		723	792	861	931
Rooms Revenue		\$77,982	\$88,845	\$99,555	\$110,362
Subject Hotel Average Rate	\$99.00	\$107.91	\$112.23	\$115.59	\$118.48
<b>Total</b>					
Average Rate Growth	—	9.0 %	4.0 %	3.1 %	2.4 %
Captured Room Nights		8,620	9,203	9,851	10,221
Rooms Revenue		\$1,076,910	\$1,196,228	\$1,319,586	\$1,402,589
Subject Hotel Average Rate	\$114.62	\$124.93	\$129.98	\$133.95	\$137.22
Subject Hotel ADR Penetration		110.1 %	111.2 %	111.3 %	111.2 %
Marketwide Average Rate Growth	—	9.0 %	3.0 %	3.0 %	2.5 %
Marketwide Average Rate	\$104.12	\$113.49	\$116.89	\$120.40	\$123.41

Note: 2022 rate growth reflects 3 years, 2019 - 2022.

Source: Nichols Hospitality Consulting, Inc.

Based on market segment analysis, Nichols Hospitality Consulting, Inc. has projected an ADR for the proposed hotel of \$114.62 if it were open and stabilized today, in 2019 dollars. This is bracketed slightly below the Hampton Inn and Holiday Inn Express & Suites Palatka, both in the range of \$115-\$120, currently the highest ADR achieved in the local area.

The STR custom Trend report indicates that annual ADR growth averaged 7.1% in 2018, and 4.8% for the year-to-date 2019. Going forward, conservatively forecasting approximately 3.0% annual average growth results in a total increase of 9.0% for the market between 2019 and 2022 (three years). The compound average annual growth by segment, as shown in the previous table, based on the calculated ADR by market segment, yields a blended total ADR in Forecast Year One (commencing January 1, 2022) of \$124.93 ADR is forecast to increase 4.0% in Year Two and 3.1% in Year Three. A base underlying inflation rate of 2.5% has been applied upon stabilization and thereafter.

Based on the consultant's analysis, the following table presents the forecast of occupancy and average rate for the subject.

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**Forecast of Occupancy and Average Rate, Proposed Hotel**

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Year	Occupancy	Average Rate		RevPAR
		Forecast	Average Rate Increase	
1	59 %	\$124.93	--- %	\$73.71
2	63 %	\$129.98	4.0 %	\$81.89
3	67 %	\$133.95	3.1 %	\$89.75
Stabilized	70 %	\$137.22	2.4 %	\$96.05
5	70 %	\$140.65	2.5 %	\$98.46

Source: Nichols Hospitality Consulting, Inc.

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## 7. Financial Forecast

### Premise of the Forecast

This analysis presents an operating pro forma for the proposed Subject independent  $\pm$ 40-room upper midscale boutique hotel located in Crescent City, Florida. The opening date is assumed to be January, 2022. It is assumed that the hotel will be granted a liquor license via Conditional Use Permit by the City; and operated and marketed by a professional hotel management company throughout the period of these projections. This forecast assumes that pre-opening marketing will commence at least six (6) months prior to the opening of the hotel.

In order to prepare statements of income and expense for the subject, actual income and expense statements for comparable hotel properties were analyzed by the consultant, along with selected data from the *Smith Travel Research HOST Almanac: US Hotel Operating Statistics Study*. Hotel operating statistics as similar as possible to the projected ADR and occupancy for the subject were analyzed, as the projected revenue stream provides the basis for most expense calculations. The STR data was cross-checked by the consultant with actual hotel operating statements for comparable properties (which are proprietary and cannot be identified herein) to determine reasonableness and appropriateness of each line item.

For comparability purposes, whole dollar amounts (presented in thousands) have been analyzed and presented as PAR (Per Available Room) and POR (Per Occupied Room). Differing line items require different comparative analysis; some are best analyzed as a percentage of revenue, some line items are compared PAR, and some POR. The consultant has selected the appropriate methods of comparison for each line item in the following forecast.

The forecast of income and expense reflects the consultant's subjective estimate of how a knowledgeable hotel investor would project the Subject Property's future operating results, including consideration of the dynamics of the local market and national economy.

The forecast is based on Base Year 2019, and inflated each year. Year One reflects 2022, with three years of inflationary and real economic growth considered between the Base Year and Year One.

### Fixed and Variable Component Analysis

A fixed and variable component model is used to project a lodging facility's revenue and expense levels (excluding room revenue, which is based on projected occupancy and average rates). This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then held constant, while the variable component is adjusted for the



percent change between the projected occupancy and facility usage and that which produced the known level of revenue or expense.

The following table illustrates the revenue and expense categories that can be projected using this fixed and variable component model.

### Range of Fixed and Variable Ratios

Category	Percent Fixed	Percent Variable	Index of Variability	Selected Fixed Ratio
<b>Departmental Expenses</b>				
Rooms	30 - 50	50 - 70	Occupancy	60
Food & Beverage	35 - 60	40 - 65	Food & Beverage Revenue	40
<b>Undistributed Operating Expenses</b>				
Administrative & General	65 - 85	15 - 35	Total Revenue	75
Marketing	65 - 85	15 - 35	Total Revenue	70
Franchise Fees	0	100	Occupancy	0
Property Operations & Maintenance	55 - 75	25 - 45	Total Revenue	60
Utilities	70 - 90	10 - 30	Total Revenue	75
Management Fee	0	100	Total Revenue	0
<b>Fixed Expenses</b>				
Property Taxes	100	0	Total Revenue	100
Insurance	100	0	Total Revenue	100
Reserve for Replacement	0	100	Total Revenue	0

Source: Nichols Hospitality Consulting, Inc.

### Inflation Assumption

A rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimated by the Consumer Price Index (CPI-U).

### CPI-U Inflation History

Year	National Consumer Price Index	Percent Change from Previous Year
1988	118.3	— %
2008	215.3	3.8
2009	214.5	(0.4)
2010	218.1	1.7
2011	224.9	3.2
2012	229.6	2.1
2013	233.0	1.5
2014	234.8	0.8
2015	236.5	0.7
2016	241.4	2.1
2017	246.5	2.1
2018	251.6	2.1
Avg. Annual Comp. Change,		
1988-2018		2.5 %
2008-2018		1.6

Source: Bureau of Labor Statistics, US City Average (CPI-U)

Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective. From 1988 to 2018, the national CPI-U increased at an average annual compounded rate of 2.5%; and from 2008 to 2018, the average annual compounded rate declined to 1.6%. In consideration of these historical trends, the projections set forth above, and assessment of probable property appreciation levels, an underlying inflation rate of 2.5% for all revenue and expense items has been applied for each projection year.

## Forecast of Income and Expense

Each revenue and expense item has been projected based upon a review of comparable income and expense statements, taking into account the unique attributes of the Subject. The following forecast is based upon calendar years beginning January 1, 2022 for the proposed hotel, expressed in inflated dollars for each year.

### Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average daily rate (ADR), as previously analyzed and detailed in this report. Based on the preceding analysis presented in this report, the following table presents the forecast of occupancy and average rate, with occupancy stabilization achieved in Year Four.

#### Forecast of Occupancy and Average Rate to Stabilization

Year	Occupancy	Average Rate	Average Rate Increase	RevPAR
2019		\$114.12	--- %	
2022	59 %	\$124.93	9.5 %	\$73.71
2023	63 %	\$129.98	4.0 %	\$81.89
2024	67 %	\$133.95	3.1 %	\$89.75
2025	70 %	\$137.22	2.4 %	\$96.05

Source: Nichols Hospitality Consulting, Inc.

Following the stabilized year 2025, the Subject's average rate is projected to increase along with the underlying rate of inflation, or 2.5%.

### Food & Beverage Revenue

Food and beverage facilities assumed for this forecast include a 15- to 25-seat lobby bar serving a full array of alcoholic beverages and light snacks. A significant portion of F&B revenue is expected to be generated by the recommended 1,500-square foot meeting and banquet room. Based on the consultant's analysis of comparable data and the subject hotel's facilities, food and beverage revenue is projected at \$7,282 PAR or \$33.82 POR (including banquet revenue that will not include hotel room rentals) in Forecast Year One.

## **Miscellaneous Income (Net)**

Revenue accruing to this category for the Subject Property includes income generated by communications (including complimentary Internet and telephone), sundry shop sales, laundry and valet commissions, vending machine commissions, ATM commissions, in-room movies, and miscellaneous charges and income. Based on analysis of comparable data, projected other income equates to \$3.47 POR for the subject hotel in Forecast Year One.

## **Rooms Expense**

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy (managers can schedule maids, valet personnel, and housekeeping staff according to demand requirements), much of a hotel's payroll is fixed. Front desk personnel, public area cleaners, the executive housekeeper, and other supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy. Commissions and reservations expenses, including OTA commissions, are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. Guest toiletry supplies vary with occupancy; linens, towels and other operating expenses are only slightly affected by volume.

Stabilized rooms expense for comparable properties typically range from 20.0% to 26.0% of rooms revenue. Based on analysis of comparable data, rooms expense has been projected to decrease from 24.5% of rooms revenue in Year 1 to stabilize at 22% of rooms revenue in Year 4. This reflects \$30.60 POR in Year One.

## **Food & Beverage Expense**

Food and beverage (F&B) expense consists of items necessary for the operation of the Subject hotel's food and beverage facilities, including both supplies and labor. The major source of food & beverage income at the subject hotel is expected to be banquet revenue, which generally produces high profit margins in the range of 20% to 30%, much more profitable than restaurant revenue (which often just breaks even) and highly profitable beverage revenue, which often produces high profit margins in the range of 30% to 40%. Based on the consultant's analysis of comparable data, which reflects total F&B expense of 70% to 75%, food and beverage expense is projected at 73.7% of F&B revenue in Forecast Year One, decreasing to and stabilizing at 70.0% of food and beverage revenue in Forecast Year Four.

## **Administrative and General Expense**

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category. Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are

moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume. Comparable properties indicate A&G expense typically ranging from 9.0% to 12.0% of total revenue. For the subject small 40-room hotel, this expense has been projected at 13.8% of total revenue in Forecast Year 1, declining to and stabilizing at 12.0% of total revenue in Forecast Year 3.

### **Marketing Expense**

Marketing expense consists of all in-house costs associated with advertising, sales, and promotions to attract and retain customers, especially group sales. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities, especially its meeting space. *An adequately funded and targeted marketing plan executed by a hotel sales professional will be essential to facilitate the successful marketing of the subject, particularly to attract meeting/group demand and banquets.* Marketing expense for the subject hotel has been projected at 11.6% of total revenue or \$162,000 in Forecast Year One, decreasing to a stabilized level of 10.2% of total revenue in Year 4.

### **Property Operations & Maintenance Expense**

Newly constructed properties such as the subject are protected for several years by modern equipment and manufacturers' warranties. The quality of construction can also have a direct impact on future maintenance requirements, and the use of high-quality building materials and construction methods can reduce maintenance expenditures over the long term. Comparable data for similar properties indicate this expense ranging from 4.0% to 6.0% of total revenue (excluding capital improvements, reflected in the Reserve for Replacement line item). This expense has been forecast at 4.0% of total revenue in Year One, increasing to a stabilized level of 5.8% of total revenue.

### **Utilities Expense**

This expense is typically comprised of electricity (60% to 65% of total expense), water & sewer (17% to 23% of total), gas (10% to 15%), and waste disposal (3% to 7%). Typical hotel equipment usage for properties located in the Southeastern US is dominated by cooling (46% of KWh); internal lighting (19%); water heating/cooking/refrigeration (11%); motors/air compressors (5%); external lighting (4%); and office equipment/miscellaneous (9%). While utility expense varies due to local energy costs, electricity and water are generally the two dominant expenses. Comparable stabilized properties indicate typical utility costs ranging from 4.0% to 6.0% of total revenue. Total utility expense for the subject is estimated to reflect 6.4% or \$10.46 POR in Year One, decreasing to a stabilized level of 5.6% of total revenue.

### **Information & Technology Systems Expense**

Information & technology systems expense consists of the cost of providing wireless Internet service for guests, along with the cost of cable TV and telephone. Comparable stabilized properties indicate typical expense for this category ranging from 0.7% to 1.5% of total revenue. This expense for the subject is estimated to reflect 1.0% of total revenue.

## **Management Fee Expense**

Management expense consists of the basic fee paid to a professional hotel management company to operate the Subject Property. Although most hotel management companies employ a fee schedule that includes a basic fee (usually a percentage of total revenue) and an incentive fee (usually a percentage of defined profit), the incentive portion is generally subordinated to debt service and does not appear in this forecast of net income before debt service. Fees paid to hotel management companies which provide management expertise but no brand identity typically range from 3.0% to 4.0% of total revenue. A market-oriented base management fee of 3.0% has been applied in this forecast.

## **Property Tax Expense**

The Putnam County Property Appraiser is responsible for the assessments for all real property located in Putnam County. The subject site is located within the City of Crescent City, which has a millage rate of 8.5914, scheduled to be reduced to 7.4914 in 2020, according to City Manager Patrick Kennedy. Putnam County has a current millage rate of 17.1058 for both real estate and tangible personal property (hotel furniture, fixtures and equipment). A base combined millage rate is estimated at 24.5972 for the purposes of this analysis, but millage rates could change. According to the Property Appraiser's office, assessed value for tax purposes is determined by a combination of standard appraisal approaches, including Sales and Income Capitalization. For comparison purposes, the 69-room Hampton Inn Palatka, which opened in 2016, is assessed at \$4,046,930 or \$58,651 per room (excluding tangible personal property, FF&E). The upper midscale Hilton branded Hampton Inn paid \$90,566 in real property taxes in 2018. The proposed Subject will be an upper midscale hotel, so a similar assessment may be warranted. At \$60,000 per room, plus an estimated \$10,000 per room for FF&E, an estimated assessed value of \$70,000 per room yields a projected improvement value for tax purposes of \$2,800,000. Based on the estimated millage rate, and assuming the Subject is complete and operational on January 1, this would result in an annual tax bill of approximately \$69,000 in Year One, which will be applied in this forecast.

## **Insurance Expense**

The insurance expense category consists of the cost of insuring a hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs include liability premiums, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, and flood zone. Comparable properties' insurance expense ranges from approximately \$300 to \$700 PAR. The Subject Property's insurance expense is estimated at \$431 per available room or \$17,240 in Year One.

## **Reserve for Replacement**

Furniture, fixtures, and equipment are essential to hotel operations, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized,

rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of use. The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for hotels. The findings of the study were published in *Cap Ex, A Study of Capital Expenditure in the US Hotel Industry*. The historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. Hotel lenders, franchisors and investors typically require reserves for replacement ranging from 3% to 5% of total revenue; as an independent hotel, the Subject can choose the level of reserves to fund, or can choose to fund capital expenditures from operating income. Reserves for replacement have been forecasted at 3% of total revenue per year, after a ramp up of 1% in Year 1, 2% in Year 2 and 2.5% in Year 3 (stepping up reserves in newly built properties is a standard industry practice acceptable to most investors, due to the newness of the property and warranties in place in the initial years).

## **Forecast of Income and Expense**

Based on the preceding analysis, a forecast of income and expense has been formulated for the Subject Property for ten operating years, beginning January 1, 2022, expressed in inflated dollars for each year. The Subject is expected to stabilize in Year Four.

The tables on the following pages present both a detailed forecast through the stabilized year, including amounts per available room (PAR) and per occupied room (POR), and a less detailed ten-year forecast of income and expense for the Subject Property.

## Detailed Forecast of Income and Expense to Stabilized Year, Proposed Boutique Hotel, Crescent City, FL

Number of Rooms:	40				40				40				40			
Occupancy:	59%				63%				67%				70%			
Average Rate:	\$124.93				\$129.98				\$133.95				\$137.22			
RevPAR:	\$73.71				\$81.89				\$89.75				\$96.05			
Days Open:	365				365				365				365			
Occupied Rooms:	8,614	%Gross	PAR	POR	9,198	%Gross	PAR	POR	9,782	%Gross	PAR	POR	10,220	%Gross	PAR	POR
<b>REVENUE</b>																
Rooms	\$1,076	77.0 %	\$26,900	\$124.91	\$1,196	77.6 %	\$29,900	\$130.03	\$1,310	78.0 %	\$32,750	\$133.92	\$1,402	78.2 %	\$35,050	\$137.18
Food & Beverage	291	20.8	7,282	33.81	313	20.3	7,826	34.03	336	20.0	8,393	34.32	356	19.8	8,889	34.79
Other Income (Net)	30	2.1	748	3.47	32	2.1	795	3.46	34	2.0	845	3.46	36	2.0	889	3.48
Total	1,397	100.0	34,929	162.20	1,541	100.0	38,521	167.52	1,680	100.0	41,988	171.70	1,793	100.0	44,828	175.45
<b>DEPARTMENTAL EXPENSES *</b>																
Rooms	264	24.5	6,591	30.60	281	23.5	7,027	30.56	295	22.5	7,369	30.13	308	22.0	7,711	30.18
Food & Beverage	215	73.7	5,369	24.93	226	72.3	5,656	24.60	238	70.9	5,953	24.34	249	70.0	6,222	24.35
Total	478	34.2	11,960	55.54	507	32.9	12,682	55.15	533	31.7	13,322	54.48	557	31.1	13,933	54.53
<b>DEPARTMENTAL INCOME</b>																
919	65.8	22,969	106.66	1,034	67.1	25,839	112.37	1,147	68.3	28,666	117.22	1,236	68.9	30,895	120.92	
<b>OPERATING EXPENSES</b>																
Administrative & General	193	13.8	4,813	22.35	200	13.0	5,012	21.80	208	12.4	5,210	21.31	216	12.0	5,393	21.11
Marketing	162	11.6	4,054	18.82	169	11.0	4,236	18.42	177	10.5	4,416	18.06	183	10.2	4,580	17.92
Property Operations & Maintenance	56	4.0	1,397	6.49	68	4.4	1,695	7.37	101	6.0	2,518	10.30	105	5.8	2,622	10.26
Utilities	90	6.4	2,253	10.46	94	6.1	2,346	10.20	98	5.8	2,439	9.97	101	5.6	2,524	9.88
Information & Telecommunications	16	1.1	397	1.84	17	1.1	418	1.82	18	1.0	438	1.79	18	1.0	456	1.78
Total	517	36.9	12,913	59.96	548	35.6	13,707	59.61	601	35.7	15,022	61.43	623	34.6	15,575	60.96
<b>GROSS OPERATING PROFIT</b>																
402	28.9	10,056	46.70	485	31.5	12,132	52.76	546	32.6	13,645	55.79	613	34.3	15,320	59.96	
<b>Management Fee</b>																
42	3.0	1,048	4.87	46	3.0	1,156	5.03	50	3.0	1,260	5.15	54	3.0	1,345	5.26	
<b>INCOME BEFORE FIXED CHARGES</b>																
360	25.9	9,008	41.83	439	28.5	10,977	47.74	495	29.6	12,385	50.64	559	31.3	13,975	54.70	
<b>FIXED EXPENSES</b>																
Property Taxes	69	4.9	1,725	8.01	71	4.6	1,768	7.69	72	4.3	1,812	7.41	74	4.1	1,858	7.27
Insurance	17	1.2	431	2.00	18	1.1	442	1.92	18	1.1	453	1.85	19	1.0	464	1.82
Reserve for Replacement	14	1.0	349	1.62	31	2.0	770	3.35	42	2.5	1,050	4.29	54	3.0	1,345	5.26
Total	100	7.1	2,505	11.63	119	7.7	2,980	12.96	133	7.9	3,315	13.55	147	8.1	3,666	14.35
<b>NET OPERATING INCOME</b>																
\$260	18.8 %	\$6,503	\$30.20	\$320	20.8 %	\$7,997	\$34.78	\$363	21.7 %	\$9,070	\$37.09	\$412	23.2 %	\$10,309	\$40.35	

Note: Revenue and expense whole dollar amounts expressed in thousands (,000).

\*Departmental expenses are expressed as a percentage of departmental revenues.

Source: Nichols Hospitality Consulting, Inc.

## Ten-Year Forecast of Income and Expense, Proposed Boutique Hotel, Crescent City, FL

Year	2022		2023		2024		2025		2026		2027		2028		2029		2030		2031	
Number of Rooms:	40		40		40		40		40		40		40		40		40		40	
Occupied Rooms:	8,614		9,198		9,782		10,220		10,220		10,220		10,220		10,220		10,220		10,220	
Occupancy:	59%		63%		67%		70%		70%		70%		70%		70%		70%		70%	
Average Rate:	\$124.93	% of	\$129.98	% of	\$133.95	% of	\$137.22	% of	\$140.65	% of	\$144.17	% of	\$147.77	% of	\$151.47	% of	\$155.25	% of	\$159.13	% of
RevPAR:	\$73.71	Gross	\$81.89	Gross	\$89.75	Gross	\$96.05	Gross	\$98.46	Gross	\$100.92	Gross	\$103.44	Gross	\$106.03	Gross	\$108.68	Gross	\$111.39	Gross
<b>REVENUE</b>																				
Rooms	\$1,076	77.0 %	\$1,196	77.6 %	\$1,310	78.0 %	\$1,402	78.2 %	\$1,437	78.2 %	\$1,473	78.2 %	\$1,510	78.2 %	\$1,548	78.2 %	\$1,587	78.2 %	\$1,626	78.2 %
Food & Beverage	291	20.8	313	20.3	336	20.0	356	19.8	364	19.8	374	19.8	383	19.8	392	19.8	402	19.8	412	19.8
Other Income (Net)	<u>30</u>	<u>2.1</u>	<u>32</u>	<u>2.1</u>	<u>34</u>	<u>2.0</u>	<u>36</u>	<u>2.0</u>	<u>36</u>	<u>2.0</u>	<u>37</u>	<u>2.0</u>	<u>38</u>	<u>2.0</u>	<u>39</u>	<u>2.0</u>	<u>40</u>	<u>2.0</u>	<u>41</u>	<u>2.0</u>
Total	1,397	100.0	1,541	100.0	1,680	100.0	1,793	100.0	1,838	100.0	1,884	100.0	1,931	100.0	1,980	100.0	2,030	100.0	2,080	100.0
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	264	24.5	281	23.5	295	22.5	308	22.0	316	22.0	324	22.0	332	22.0	341	22.0	349	22.0	358	22.0
Food & Beverage	<u>215</u>	<u>73.7</u>	<u>226</u>	<u>72.3</u>	<u>238</u>	<u>70.9</u>	<u>249</u>	<u>70.0</u>	<u>255</u>	<u>70.0</u>	<u>261</u>	<u>70.0</u>	<u>268</u>	<u>70.0</u>	<u>275</u>	<u>70.0</u>	<u>282</u>	<u>70.0</u>	<u>289</u>	<u>70.0</u>
Total	478	34.2	507	32.9	533	31.7	557	31.1	571	31.1	586	31.1	600	31.1	615	31.1	631	31.1	646	31.1
<b>DEPARTMENTAL INCOME</b>	919	65.8	1,034	67.1	1,147	68.3	1,236	68.9	1,267	68.9	1,298	68.9	1,331	68.9	1,364	68.9	1,399	68.9	1,433	68.9
<b>OPERATING EXPENSES</b>																				
Administrative & General	193	13.8	200	13.0	208	12.4	216	12.0	221	12.0	227	12.0	232	12.0	238	12.0	244	12.0	250	12.0
Marketing	162	11.6	169	11.0	177	10.5	183	10.2	188	10.2	192	10.2	197	10.2	202	10.2	207	10.2	212	10.2
Property Operations & Maintenance	56	4.0	68	4.4	101	6.0	105	5.8	108	5.8	110	5.8	113	5.8	116	5.8	119	5.8	122	5.8
Utilities	90	6.4	94	6.1	98	5.8	101	5.6	103	5.6	106	5.6	109	5.6	111	5.6	114	5.6	117	5.6
Information & Telecommunications	<u>16</u>	<u>1.1</u>	<u>17</u>	<u>1.1</u>	<u>18</u>	<u>1.0</u>	<u>18</u>	<u>1.0</u>	<u>19</u>	<u>1.0</u>	<u>19</u>	<u>1.0</u>	<u>20</u>	<u>1.0</u>	<u>20</u>	<u>1.0</u>	<u>21</u>	<u>1.0</u>	<u>21</u>	<u>1.0</u>
Total	517	36.9	548	35.6	601	35.7	623	34.6	639	34.6	655	34.6	671	34.6	688	34.6	705	34.6	722	34.6
<b>GROSS OPERATING PROFIT</b>	402	28.9	485	31.5	546	32.6	613	34.3	628	34.3	644	34.3	660	34.3	677	34.3	694	34.3	711	34.3
<b>Management Fee</b>	42	3.0	46	3.0	50	3.0	54	3.0	55	3.0	57	3.0	58	3.0	59	3.0	61	3.0	62	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	360	25.9	439	28.5	495	29.6	559	31.3	573	31.3	587	31.3	602	31.3	617	31.3	633	31.3	648	31.3
<b>FIXED EXPENSES</b>																				
Property Taxes	69	4.9	71	4.6	72	4.3	74	4.1	76	4.1	78	4.1	80	4.1	82	4.1	84	4.1	86	4.1
Insurance	17	1.2	18	1.1	18	1.1	19	1.0	19	1.0	19	1.0	20	1.0	20	1.0	21	1.0	22	1.0
Reserve for Replacement	<u>14</u>	<u>1.0</u>	<u>31</u>	<u>2.0</u>	<u>42</u>	<u>2.5</u>	<u>54</u>	<u>3.0</u>	<u>55</u>	<u>3.0</u>	<u>57</u>	<u>3.0</u>	<u>58</u>	<u>3.0</u>	<u>59</u>	<u>3.0</u>	<u>61</u>	<u>3.0</u>	<u>62</u>	<u>3.0</u>
Total	100	7.1	119	7.7	133	7.9	147	8.1	150	8.1	154	8.1	158	8.1	162	8.1	166	8.1	170	8.1
<b>NET OPERATING INCOME</b>	\$260	18.8 %	\$320	20.8 %	\$363	21.7 %	\$412	23.2 %	\$423	23.2 %	\$433	23.2 %	\$444	23.2 %	\$455	23.2 %	\$467	23.2 %	\$478	23.2 %

Note: Revenue and expense whole dollar amounts expressed in thousands (,000).

\*Departmental expenses are expressed as a percentage of departmental revenues.

Source: Nichols Hospitality Consulting, Inc.



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## Qualifications of Jan Nichols

### Career Summary

Ms. Nichols has been a hospitality industry consultant for 40 years, and has conducted over a thousand valuations, appraisals, and feasibility studies of hotels and resorts for REITS, lenders, pension fund advisors, life companies, municipalities, and investors throughout the United States, Mexico, Central America, Canada, the Caribbean, and Europe. Full qualifications may be viewed at [www.nicholsconsulting.biz](http://www.nicholsconsulting.biz).

### Employment

<i>2001-Present</i>	NICHOLS HOSPITALITY CONSULTING, INC. President DeLand, Florida
<i>1998-2001</i>	HVS INTERNATIONAL Associate Managing Director, Orlando, Florida Director of Consulting Services, Miami, Florida
<i>1992-1998</i>	RESORT & URBAN PROPERTY CONSULTANTS, INC. Vice President Tampa, Florida
<i>1990-1991</i>	KPMG PEAT MARWICK Senior Manager/Director of Hospitality Consulting Services Atlanta, Georgia
<i>1984-1989</i>	MERRILL LYNCH ADVISORY & APPRAISAL, INVESTMENT BANKING REAL ESTATE GROUP (NYC-based) Manager of Hospitality Consulting & Appraisal Services Atlanta, Georgia
<i>1980-1983</i>	LAVENTHOL & HORWATH Senior Consultant Atlanta, Georgia Washington, DC
<i>1978-1980</i>	U.S. TRAVEL DATA CENTER Research Analyst Washington, DC

### Education

B.S., Hotel Administration, University of Wisconsin-Stout, Cum Laude, 1978. Minor in Tourism Development. Successfully completed Appraisal Institute course work in Principals of Appraisal, Capitalization Theory & Technique, Standards of Professional Practice, Report Writing & Valuation Analysis, and Advanced Applications, as well as annual appraisal education sponsored by the State of Florida Real Estate Appraisal Board; FL Certified General Appraiser, 1993 - 2016. Certified Hotel Administrator (CHA), American Hotel & Lodging Association, since 2000; this certification reflects professional competence in all aspects of hotel management and marketing.

## Statement of Limiting Conditions

1. This report is to be used in whole and not in part. None of this material may be copied or used in any form without the expressed written permission of Nichols Hospitality Consulting, Inc. The report cannot be disseminated to third parties or the public through advertising, public relations, news, sales, or other media. The use of this report is subject to the terms and conditions set forth in the engagement letter with the client.
2. No responsibility is assumed for matters of a legal nature, nor are any opinions rendered as to title, which is assumed to be marketable and free of any deed restrictions and easements.
3. The consultant has assumed that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. The consultant has not considered the presence of potentially hazardous materials such as asbestos, urea formaldehyde foam insulation, PCBs, any form of toxic waste, polychlorinated biphenyls, pesticides, or lead-based paints. The consultant is not qualified to detect hazardous substances, and urges the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. The consultant has conducted no specific compliance survey to determine whether the subject property is operating now, or in the future, in accordance with the various detailed requirements of the ADA.
6. The consultant has made no survey of the property, and assumes no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and improvements is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
7. All information, financial operating statements, estimates, and opinions obtained from parties not employed by Nichols Hospitality Consulting, Inc. are assumed to be true and correct. The consultant assumes no liability resulting from misinformation.
8. Unless noted, the consultant assumes that there are no encroachments, zoning violations, or building violations encumbering the subject property.
9. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a potential purchaser.

10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. The consultant is not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when the consultant's standard per diem fees and travel costs are paid prior to the appearance.
12. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact the consultant.
13. The consultant takes no responsibility for any events or circumstances that take place subsequent to either the date of this report or the date of the field inspection, whichever occurs first.
14. It is agreed that any liability to the client is limited to the amount of the fee paid as liquidated damages. The consultant's responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in the engagement letter with the client.
15. This study was prepared by Jan L. Nichols as an employee of Nichols Hospitality Consulting, Inc. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered as an employee, rather than as an individual.