

FEASIBILITY STUDY AND SUMMARY REPORT FOR A PROPOSED

86-ROOM PREMIUM BRAND LIMITED-SERVICE HOTEL

MONROE, GEORGIA

SEPTEMBER 2024



September 18, 2024

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Dear Mr. Wilson,

We are pleased to present this report on a potential hotel development in Downtown Monroe, Georgia in Walton County. Recommendations in this study result from research of the lodging market, interviews with local generators of hotel demand, meetings with economic development authorities and analysis of economic data.

We have done our best to obtain accurate information for you. However, since we relied on interviews as well as other sources, some information may vary from actual. Conclusions are based on research ended August 16, 2024, and we cannot be responsible for events occurring subsequent to that date, or not foreseen. Our projections are based on assumptions, and we do not warrant that they will be achieved. This report has been prepared for use by the City of Monroe Economic Development Authority, for their internal use and decision-making process, and for presentation to selected lenders and investors. It is restricted against inclusion in offering statements or wider distribution without our express written permission.

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**Conclusions -
Proposed Premium Brand Limited-Service Hotel
Monroe, Georgia**

Currently, hotels in the City of Monroe consist of an exterior corridor, 46-room Quality Inn, and a 40-room interior corridor independent hotel, Haven Inn & Suites, which are both below average quality. Our market analysis, which included interviews with select hotel demand sources, revealed visitors travel as far as 22 miles for overnight stay due to the lack of a good quality hotel in Monroe. Most interviewees indicated visitors are mainly sent to good quality, limited-service hotels in the cities of Bethlehem, Covington and Athens with additional cities including Winder and Loganville. Estimated room nights of just over 17,700 were generated from visitation to the Monroe area in 2023, according to demand interviews. Some sources also indicated the potential to increase visitation if there were a premium brand hotel conveniently located nearby.

The proposed Premium Brand Limited-Service hotel in Monroe should attract guests displaced to comparable hotels within the 22 mile radius and in the aforementioned cities. The proposed hotel would be competitive with these hotels to the extent that they accommodate displaced demand that leaves the area for better quality lodging and would not necessarily compete for guests that originate in these markets. The proposed hotel would also attract some room nights from the lower quality hotels in the immediate area that are used by default when very close accommodation is required. The proposed hotel would not be competitive with the lower quality hotels over the longer term because of wide differences in room rates and quality.

Smith Travel Research (STR/CoStar) reports that good quality, limited-service, upper midscale class hotels in Bethlehem, Athens, and Covington collectively experienced RevPar recovery from the impact of the pandemic by 2021. A 96-room Fairfield Inn & Suites opened in 2021 and was quickly absorbed within this group of hotels which were in buildings that averaged 12 years in age at that time. From 2018 through 2023, competitive supply and demand have increased at a compound annual average of 4 and 3 percent, respectively. Average rate rose annually by 6 percent

reaching a peak of \$156 in 2023, which was partially the reason for a decline in demand that year due to increasing rates at much older hotels.

Based on our market analysis, and considering the assumptions and risks outlined in this report, projections for a proposed 86-room Premium Brand Limited-Service hotel on a site indicated by the City of Monroe, are shown in the following table.

Projected Operating Results Premium Branded Limited-service			
Year	Occupancy	Average Room Rate (1)	RevPar (1)
2027	61%	\$158	\$96
2028	67%	\$165	\$110
2029	69%	\$172	\$118
2030	71%	\$177	\$125
2031	73%	\$182	\$132

Note: (1) Adjusted for inflation
Source: *The Highland Group*

The proposed hotel site would be 1/2 mile from the downtown core of Monroe and benefit from a reasonable distance to sources of shopping and dining in the area. The proposed hotel would be the newest and best quality lodging option for a wide area and within a short drive of larger demand generators.

Our projections are based on assumptions and risks as follows.

Assumptions

- Visitation to Monroe from larger demand generators interviewed remains stable or increases
- There are no competitive hotels developed within the competitive market area during the projection period, except the 95-room Springhill Suites in Covington and the 80-room Fairfield Inn Suites in Bethlehem, which are referenced in this report and included in our projections as additional supply

- The proposed hotel is very good quality and has a premium brand such as one affiliated with Hilton, Marriott or IHG
- Progress is made for the continued development of restaurants, retail, and residential activity within the City of Monroe and Walton County
- Growth in economic indicators, as described herein, continues
- The hotel is developed with necessary amenities and operates with approximately 86 rooms including an estimated 12 percent suites

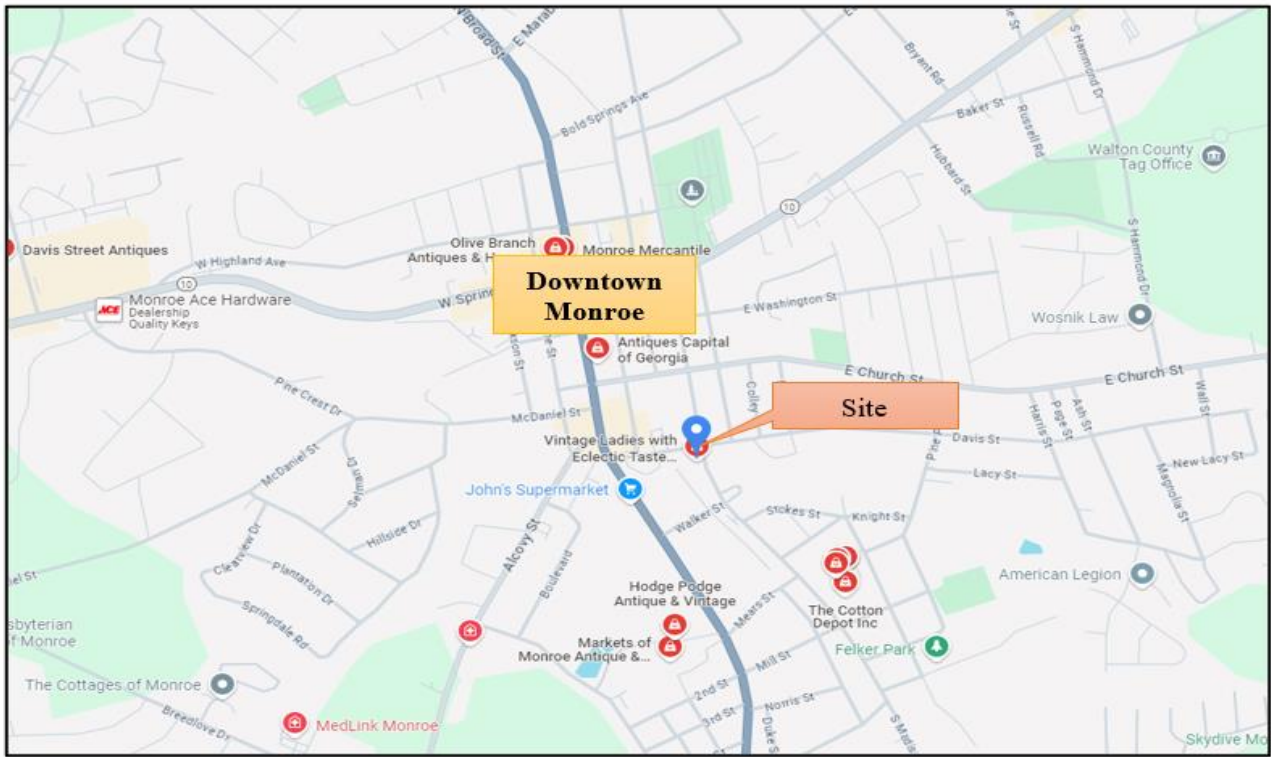
Risks

- Half of the rooms in the competitive set also benefit from proximity to a large university.
- The proposed hotel is at a location on a non-interstate corridor without visibility to a large volume of interstate travelers.
- There is currently a low volume of weekday demand from corporate-based demand sources

Site Analysis

The City of Monroe Economic Development (CMED) identified a viable and potential site for the proposed hotel which is a 2.26-acre parcel at the intersection of Davis Street and South Madison Street. Davis Street is off State Route 11/South Broad Street (SR-11), which is a major connector to US-78. Currently, there is a building on the site which would be demolished. The site is within ½ mile or less of restaurants and grocery stores including Amici, Bistro South, Hardee's, David's Tavern and Grill, The Roe, LR Burger, The Brown Fig, The Thirsty Moose, La Fiesta Grille, John's Supermarket, and Harvest Corner Market. The site is also located close to antique shops and wedding venues in Monroe. The Georgia Department of Transportation (GDOT) reports a daily average of an estimated 18,000 vehicles on SR-11 near the proposed site in 2023.

On the following pages are a land title survey from CMED, a photograph, and a map illustrating the location of the proposed hotel site.



Property Description

The proposed Premium Brand Limited-Service Hotel is expected to open in fiscal year 2027 and would feature the following components and amenities. Guestroom count and mix may vary slightly depending on final building configuration

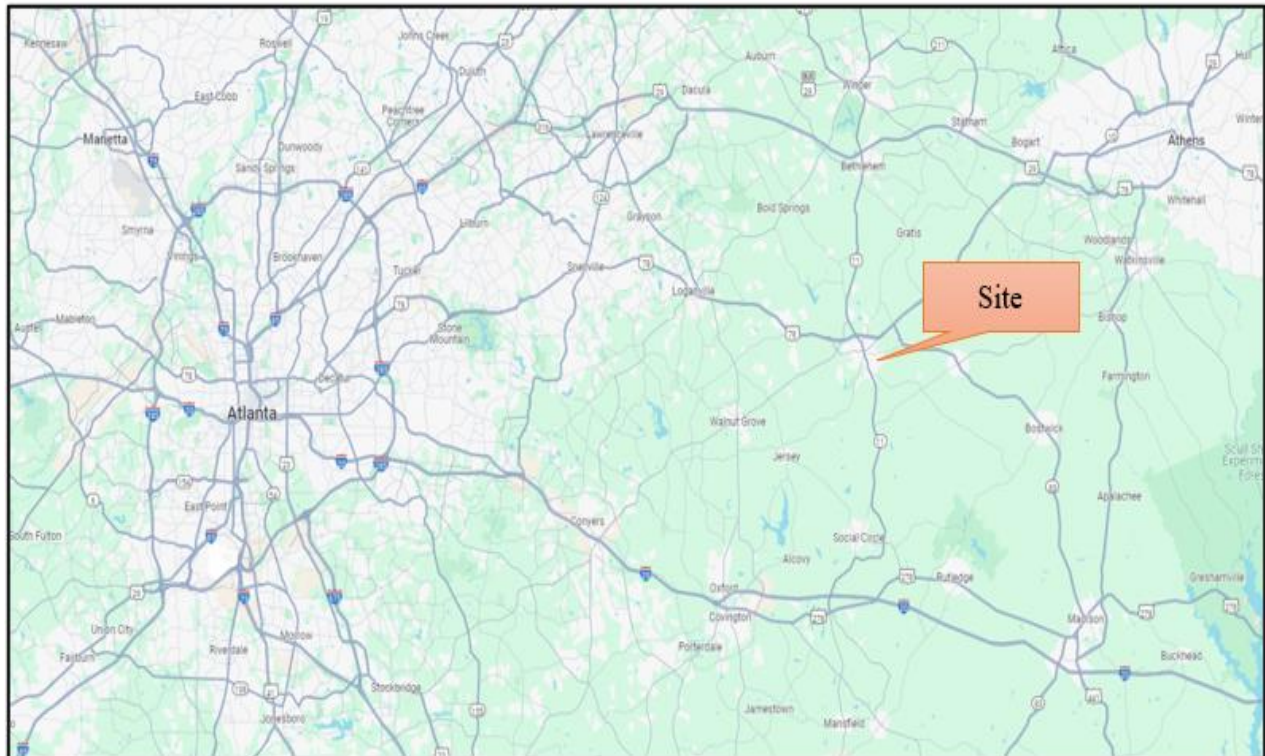
- 86 guestrooms, including approximately 12 percent suites
- Complimentary Breakfast
- 1,600 +/- square feet of meeting space divisible by 2
- Fitness center
- Business center
- Pool
- Other standards and features of the selected Premium Brand Limited-Service Hotel

Premium brand hotel brands currently available include Hilton, IHG, and Marriott affiliated hotels. Within the limited-service framework and hotel market price point, brands currently available for development in Monroe are Hampton Inn & Suites by Hilton, Holiday Inn Express by IHG or Fairfield Inn & Suites by Marriott. All brands benefit from national recognition and a strong frequent guest program.

Market Research

The proposed Premium Brand Limited-Service Hotel would be located in the City of Monroe in Walton County, which is included in the Atlanta-Sandy Springs Roswell Metropolitan Statistical Area (MSA). For the purposes of this report, Walton County data is presented. Walton County consists of 15 cities, towns, and communities, of which the largest in population are Loganville and Monroe at less than 20,000 residents each, according to the US Census Bureau. Serving as the county seat of Walton County, the City of Monroe is located roughly 46 miles east of Atlanta.

The map following shows the proposed hotel site within the MSA.



Increases in economic indicators for Walton County are depicted in the table below with data provided by Woods & Poole Economics (WPE).

Historic and Projected Economic Indicators			
Walton County			
	2010	2020	2030
Population (000's)	84.00	97.16	116.14
CAG (1)		1.5%	1.8%
Employment (000's)	27.68	39.19	50.37
CAG (1)		3.5%	2.5%
Accommodation & Food Services Employment (000's)	1.75	2.43	3.45
CAG (1)		3.3%	3.6%
Gross Regional Product (\$ millions) (2)	\$1,984	\$2,771	\$3,750
CAG (1)		3.4%	3.1%
Total Retail Sales (\$ millions) (2)	\$851.12	\$1,081.47	\$1,561.25
CAG (1)		2.4%	3.7%
Note: (1) Compound Annual Change (2) 2017 constant dollars			
Source: Woods & Poole Economics			

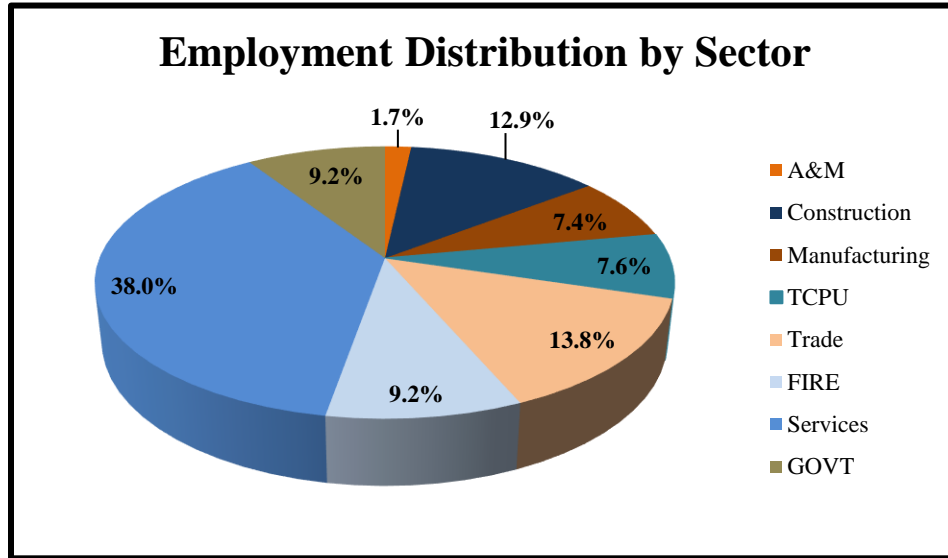
According to WPE, Walton County experienced increases in economic indicators from 2010 through 2020. Positive changes in all economic sectors are forecast through 2030, led by total retail sales and accommodation and food services employment, which includes hotels. Growth in these areas support strength in the Walton County economy and are positive indicators for future hotel demand increases.

The table following depicts growth by year from 2018 through 2023 for Walton County.

Recent Historic Economic Indicators							
Walton County							
	2018	2019	2020	2021	2022	2023	CAG 18-23 (1)
Population (000's) CAG (I)	93.73	95.15 1.5%	97.16 2.1%	99.81 2.7%	103.06 3.3%	106.70 3.5%	2.6%
Employment (000's) CAG (I)	37.94	38.05 0.3%	39.19 3.0%	42.09 7.4%	44.15 4.9%	44.89 1.7%	3.4%
Accommodation & Food Services Employment (000's) CAG (I)	2.55	2.58 0.9%	2.43 -5.8%	2.72 12.2%	2.87 5.4%	2.93 2.2%	2.8%
Gross Regional Product (\$ millions) (2) CAG (I)	\$2,570	\$2,759 7.3%	\$2,771 0.4%	\$2,975 7.4%	\$3,060 2.9%	\$3,160 3.3%	4.2%
Total Retail Sales (\$ millions) (2) CAG (I)	\$1,040.32	\$1,068.02 2.7%	\$1,081.47 1.3%	\$1,261.57 16.7%	\$1,328.08 5.3%	\$1,331.45 0.3%	5.1%
Note: (1) Compound Annual Change (2) 2017 constant dollars							
Source: Woods & Poole Economics							

Walton County is a relatively small, predominantly rural area with few hotels and restaurants. Therefore, declines in the accommodation and food services employment sector were strongly felt in 2020 due to the impact of the Covid-10 pandemic, which according to WPE, was the only indicator that declined that year. This sector, however, rebounded quickly in 2021 and surpassed pre-Covid 2019 levels. WPE reports economic indicators increased at a compound annual average within a range of 2.6 percent to 5.1 percent from 2018 through 2023 for Walton County.

The chart below illustrates the distribution of employment in Walton County in 2023, as reported by WPE.



Source: Woods & Poole Economics (WPE)

The service sector is the largest segment, representing 38 percent of employment in the county, followed by trade at 14 and construction at 13 percent. Walton County is home to several trade and construction companies that include Architectural Interior Millwork, Custom Wood Interiors, Davis Water Service, First Environmental, and Tucker Door & Trim. Largest employers for Walton County in 2023, according to the Development Authority of Walton County, are listed in the table following.

Walton County Largest Employers	
Walton County School District	2,259
Takeda	1,300
Hitachi Astemo Americas	1,150
Walmart Distribution Center 6055	880
Walton County Government	878
Piedmont Walton Hospital	567
Walmart Supercenter Loganville	410
Standridge Color Corporation	400
CertainTeed	350
Walmart Supercenter Monroe	265
Total	8,459
<i>Source: Development Authority of Walton County</i>	

Industrial Market

As indicated in the following table, CoStar estimates roughly 114 million square feet of rentable industrial space within a 20-mile radius of the proposed Premium Branded hotel.

Monroe Area Industrial Space (20-mile radius of hotel site)						
Year	Total S.F. (millions)	Total Vacant S.F. (millions)	Vacancy Rate %	Occupied S.F. (millions)	Net Absorption S.F.	Under Construction S.F.
2014	91.14	5.87	6.4%	85.27	2,548,954	2,729,210
2015	92.89	5.34	5.8%	87.55	2,278,897	1,381,688
2016	94.69	3.68	3.9%	91.02	3,469,217	2,468,615
2017	96.32	3.43	3.6%	92.89	1,872,275	1,325,750
2018	97.71	3.40	3.5%	94.31	1,415,861	2,276,995
2019	99.56	4.17	4.2%	95.39	1,081,709	3,791,425
2020	103.59	5.45	5.3%	98.14	2,752,283	2,332,322
2021	105.94	2.96	2.8%	102.98	4,843,561	4,804,413
2022	108.78	4.13	3.8%	104.65	1,668,092	7,114,370
2023	113.92	7.49	6.6%	106.43	1,776,554	4,304,970
CAG 2014-2023	2.5%			2.5%		
CAG 2018-2023	3.1%			2.4%		
<i>Source: CoStar</i>						

Average vacancy was 6.6 percent in 2023. CoStar estimates 3.0 million square feet of industrial space is currently under construction within this radius, along with an additional significant 17.5 million square feet proposed. Manufacturing facilities produce corporate travel including those involved in sales and management.

Transportation

Monroe is situated approximately one mile from US-78, a major thoroughfare which runs east-west for 843 miles from South Carolina to Arkansas. US-78, intersecting with Interstate 285 within a 40 mile drive west. Interstate 285 encircles Atlanta, Access to Monroe from US-78 is via State Route 11, also known as South Broad Street, which is a 376-mile state highway running north-south from North Carolina to Florida. SR-11 which intersects with Interstate 20, a major 1,540 mile east-west corridor traveling from South Carolina to Texas, within a 15 mile drive south of Monroe. According to the GDOT, annual average daily traffic volume on US-78, at a point roughly 4 miles northeast of the proposed site, was just over 21,000 vehicles in 2023 and increased at a compound annual average of 0.3 percent from 2018 through 2023. GDOT reports traffic volume on SR-11 between E Church St and Davis St and just west of the proposed site was 18,000 vehicles in 2023 and increased at a compound annual average of 4.3 percent from 2017 through 2023.

Average annual daily traffic counts on US-78 and SR-11, as reported by GDOT, are shown in the following tables. Increasing traffic volume is a good indicator of area growth and potential demand for hotels.

Traffic Volume on US-78	
Year	AADT
2017	20,900
2018	21,800
2019	22,100
2020	20,500
2021	22,700
2022	21,200
2023	21,300
CAG (1)	0.3 %
<i>Note: (1) Compound Annual Average</i>	
Source: GDOT	

Traffic Volume on SR-11	
Year	AADT
2017	14,000
2018	14,300
2019	17,300
2020	16,300
2021	17,300
2022	17,700
2023	18,000
CAG (1)	4.3 %
<i>Note: (1) Compound Annual Average</i>	
Source: GDOT	

Tourism

Monroe is considered the antique capital of Georgia and Walton County has the largest concentration of antiques stores of any county in Georgia with 1,200 booths and 250,000 square feet of antiques, vintage, and repurposed items, as reported by CMED. A large antique mall in Monroe showcases vendors including Cotton Depot, Davis Street Antiques, Hodge Podge Art, Antiques & Interiors, Knicknaques Vintage Antiques, Olive Branch Antiques, Pickers Paradise, Rust & Dust Antiques, Sanders Consign & Design, and Vintage Revival Antiques. Additionally, CMED reports Monroe is home to over 100 businesses, including 5 wedding and events venues, many of which create mainly weekend demand for hotels in the surrounding area, according to market interviews. According to Main Street Monroe, there are more than 12 yearly events held in Downtown Monroe including the Monroe Market, Flower Festival, First Friday Concert series, Fall Fest, and Christmas Parade.

Forecasted growth in economic indicators points to further increases in the local economy. Industrial space expansion and a reasonable drive to major highways and demand generators also promote the economic growth of Monroe. Efforts to entice increased visitation to Downtown Monroe are expected to provide vibrancy and continued appeal. The foreseeable outlook for Monroe is continued economic growth and an increase in demand for lodging.

Hotel Demand

Telephone interviews were conducted to estimate the need for a premium brand, limited-service hotel in Monroe. Estimated potential room nights of 17,732 were totaled from 12 hotel demand sources which were provided by CMED.

According to interviews, corporate demand generated by Hitachi and Synovus Bank largely require weekday accommodation throughout the year and include trainees, seminar attendance and top executive visits. Most potential room nights from the interviews are from leisure guests that need weekend accommodation. The Engine Room and The Factory at Walton Mill host events generally year-round that include weddings, receptions, and a variety of social gatherings. Monroe Golf & Club, which reportedly have visiting players that currently stay in Athens, hosts tournaments predominantly on weekends that attract as many as 300 people. Walton County Park & Recreation hosts 10 sports tournaments per year and estimate that 1/3 of the athletes and family members need overnight stay. Monroe Golf & Club and Walton Park & Recreation reported that they could host more events and tournaments if there were a good quality hotel in Monroe.

Six demand sources report they anticipate an increase in the need for hotel room nights over the next few years. Estimated increases reported from these sources range from 5 percent to 40 percent growth in the need for accommodation.

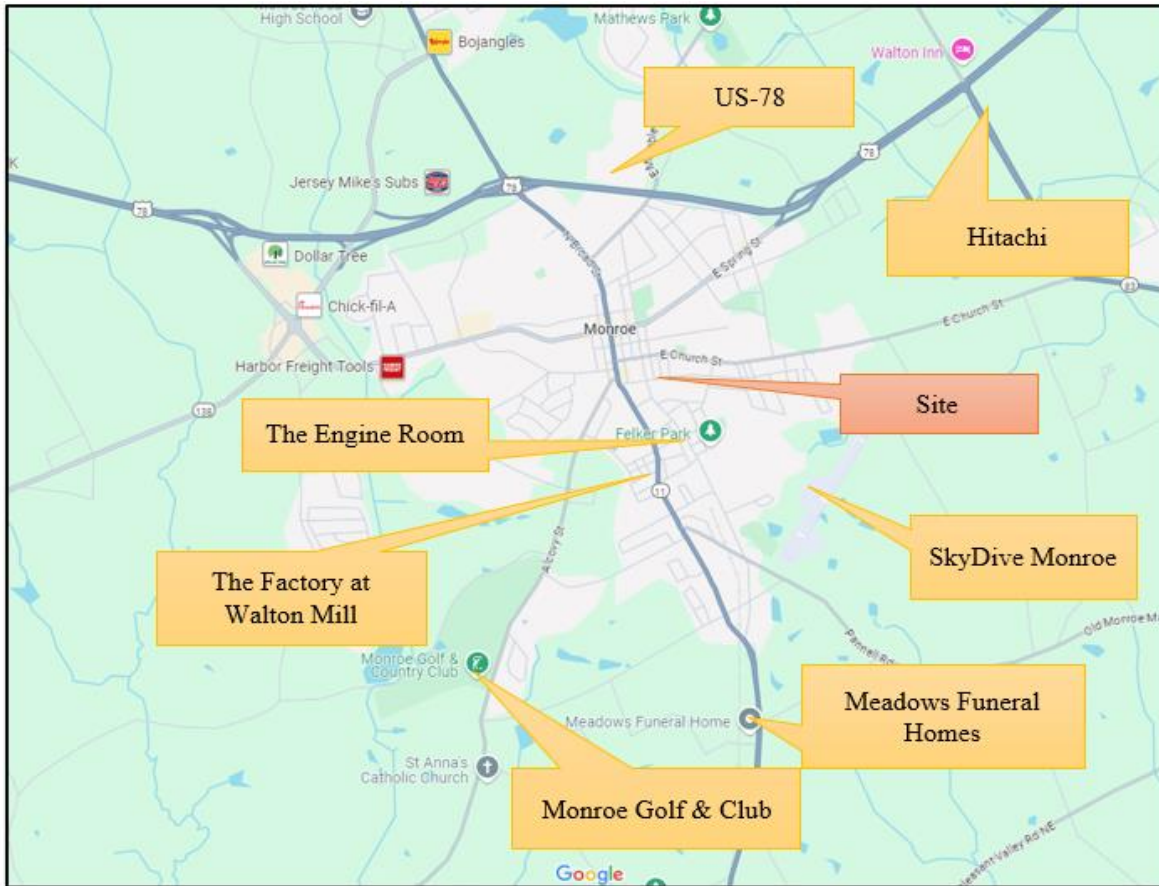
The table following summarizes estimated potential room nights based on demand interviews.

Demand Interview Results			
Source of Demand	Estimated Visitors in need of Overnight Stay	Average Occupants per Room	Estimated Potential Room Nights
The Engine Room	16,875	2	8,438
Monroe Golf & Club	4,800	2	2,400
Hitachi	2,250	1	2,250
Walton County Parks & Recreation	4,800	3	1,600
SkyDive Monroe	1,870	2	936
Synovus	720	1	720
GA Cities	1,260	2	630
The Factory at Walton Mill	880	2	440
City of Monroe Events	300	2	150
Meadows Funeral Home	252	2	126
Walton County	24	1	24
Chamber of Commerce	36	2	18
Estimated Potential Room Nights			17,732
Source: The Highland Group, CMED			

Additional results of the demand interviews include:

- All respondents stated they currently use hotels in Bethlehem, Athens, Covington, Winder and Loganville due to the lack of quality accommodation in Monroe.
- Respondents that represent an estimated 14 percent of total room nights would find a nightly hotel room rate of \$120 - \$165 reasonable.
- All establishments contacted would consider using a good quality, premium branded hotel in the City of Monroe because of its expected quality, location and amenities.
- Amenities most preferred include interior rooms, premium brand, complimentary breakfast, meeting room, pool, and fitness center. Walkability to restaurants was also heavily stated as a desirable amenity.

The following map depicts the proposed hotel site and its proximity to area demand generators.



The proposed Premium Brand Limited-Service Hotel would have convenient access to wedding venues, sports facilities, and larger demand sources, including US-78 which provides access to the broader regional highway network. The proposed hotel would be within a short walk or drive to the downtown core and a large variety of restaurants and shopping. This is a good location for the proposed hotel.

Walk-In Hotel Demand

Hotels located along interstates and highways attract walk-in guests without an advance reservation. The amount of walk-in business varies widely and depends on several factors including traffic volume, hotel brand, visibility, overall curb appeal of businesses at the exit or intersection, and the nearby availability of supporting services such as gas stations and restaurants. Since the proposed Premium Brand Limited-Service hotel site is not located at a major interstate and not visible from an exit of US-78, demand from walk-ins is expected to be minimal. The proposed hotel's affiliation with a premium brand would offset some lack of walk in business by generating demand through its reservation system and brand website.

Lodging Market Analysis

According to demand interviews, those needing overnight stay while in Monroe drive as far as 22 miles to cities that include Bethlehem, Athens, Covington, Loganville, Winder and Duluth due to lack of quality accommodation. Most interviews indicated visitors largely use limited-service hotels in the cities of Bethlehem, Covington and Athens. To illustrate competitive market area hotel changes in supply, demand, average rate and RevPar, we analyzed an STR/CoStar report comprised of quality branded, limited-service, upper midscale class hotels within these cities. Hotels in the report are shown in the following table.

Toccoa Competitive Market Hotels			
Hotel	City	Open Date	Rooms
La Quinta Inn & Suites	Covington	2006	66
Hampton Inn	Covington	2009	105
Holiday Inn Express	Covington	2017	110
Hampton Inn	Athens	1995	112
Fairfield Inn & Suites	Athens	2021	96
Holiday Inn Express	Bethlehem	2017	67
Number of Rooms			556
<i>Source: STR/CoStar.</i>			

The table following reports historic overall market performance of the above hotels from 2018 through 2023.

Monroe, GA - Overall Competitive Hotel Operating History 2018-2023									
Year	Room Night Supply	Change in Supply	Occupancy	Room Night Demand	Change in Demand	Average Rate	Change in Rate	RevPar	Change in RevPar
2018	167,900		72.3%	121,395		\$115.78		\$83.71	
2019	167,900	0.0%	77.2%	129,701	6.8%	\$116.76	0.8%	\$90.20	7.7%
2020	161,068	-4.1%	63.4%	102,099	-21.3%	\$103.50	-11.4%	\$65.60	-27.3%
2021	191,420	18.8%	75.6%	144,683	41.7%	\$126.37	22.1%	\$95.52	45.6%
2022	202,940	6.0%	78.9%	160,139	10.7%	\$149.87	18.6%	\$118.27	23.8%
2023	202,940	0.0%	69.7%	141,467	-11.7%	\$155.54	3.8%	\$108.42	-8.3%
CAG (1)		3.9%			3.1%		6.1%		5.3%

Note: (1) Compound Annual Growth 2018 - 2023

Source: STR/CoStar

Supply fluctuations are due to a decline in rooms in 2020 from the closing of some hotels in the months of March and April because of the Covid-19 pandemic, and an increase in rooms due to the addition of rooms at the Fairfield Inn & Suites which opened in May 2021. Occupancies, which typically ranged from low to high 70 percent range, dropped to 63 percent in 2020 as demand declined 21 percent and average rate fell 11 percent that year. This compares favorably to national averages for the overall US at declines of 36 and 21 percent respectively in 2020. Resulting from a demand spike in 2021, RevPar recovered and surpassed 2019 levels that year. Demand growth continued in 2022 bringing occupancies to a peak of 79 percent. Average rate increased from 2018 through 2023 at a compound annual average of 6.1 percent. A demand decline of 12 percent in 2023 is likely due to continued increases in average rate from hotels that are in buildings that currently average 15 years in age, excluding the Fairfield Inn & Suites.

Hotel performance year to date through June 2024 is shown in the following table.

Monroe, GA - Overall Competitive Hotel Operating History YTD (1)									
Year	Room Night Supply	Change In Supply	Occupancy	Room Night Demand	Change In Demand	Average Rate	Change In Rate	RevPar	Change In RevPar
2023	100,636		76.0%	76,443		\$155.12		\$117.83	
2024	100,636	0.0%	69.9%	70,343	-8.0%	\$152.23	-1.9%	\$106.41	-9.7%

Note: (1) Year-to-Date through June
Source: STR/CoStar

Competitive hotels continued to experience a decline in demand and average rate through June 2024 compared to the previous year. Due to an analysis of STR/Costar data, weekends in September and October are at a high occupancy and average rate. Therefore, we expect the second half of 2024 to show a decline in demand but not as deep as it is year to date through the first half of the year. Average rate should be slightly higher than it was in the second half of 2023. Based on this analysis, we project demand and average rate will decline 5.5 and 0.5 percent, respectively by year end 2024.

Competitive Hotel Market

The proposed hotel would be the newest and only premium brand hotel in Monroe. Hotels most competitive with the proposed hotel are good quality hotels in Bethlehem, Athens and Covington shown in the table on page 18. These hotels currently accommodate demand that leaves Monroe due to the lack of quality lodging. The proposed hotel would compete with these hotels for the displaced demand, but not for guests specifically needing accommodation in Bethlehem, Athens, and Covington because of their respective distances from Monroe.

The following table shows a summary of competitive hotel performance from 2021 through 2023, and projected performance in 2024.

Competitive Market Summary									
Competitors Direct	Total Rooms	Occupancy				Average Daily Rate			
		2021	2022	2023	2024	2021	2022	2023	2024
La Quinta Inn Suites Covington	66	70-74%	65-69%	50-54%	50-54%	\$125-129	\$145-149	\$140-144	\$130-134
Hampton Inn Covington	105	85-89%	85-89%	70-74%	70-74%	\$130-134	\$150-154	\$140-144	\$130-134
Holiday Inn Express Covington	110	85-89%	80-84%	75-79%	60-64%	\$130-134	\$155-159	\$150-154	\$140-144
Hampton Inn Athens	112	70-74%	75-79%	65-69%	65-69%	\$100-104	\$135-139	\$155-159	\$180-184
Fairfield Inn Suites Athens	96	50-54%	70-74%	65-69%	60-64%	\$130-134	\$145-149	\$165-169	\$165-169
Holiday Inn Express Bethlehem	67	75-79%	80-84%	85-89%	75-79%	\$140-144	\$155-159	\$170-174	\$165-169
TOTAL	556	76%	79%	70%	66%	\$126	\$150	\$156	\$155

Source: The Highland Group

All competitive hotels increased in average rate in 2022 resulting in little or no occupancy gain for the Covington hotels. The following year, Covington hotels lowered rate but did not recover occupancy while the remaining hotels continued increasing rate which resulted in their loss in occupancy, excluding the 67-room Holiday Inn Express Bethlehem which benefits from being the only hotel in its market. Overall competitive hotel occupancy reached 70 percent in 2023 and

average rate increased by roughly 4 percent to \$156. Based on year to date data and market interviews, overall occupancy and average rate are anticipated to decrease to 66 percent and \$155, respectively, in 2024.

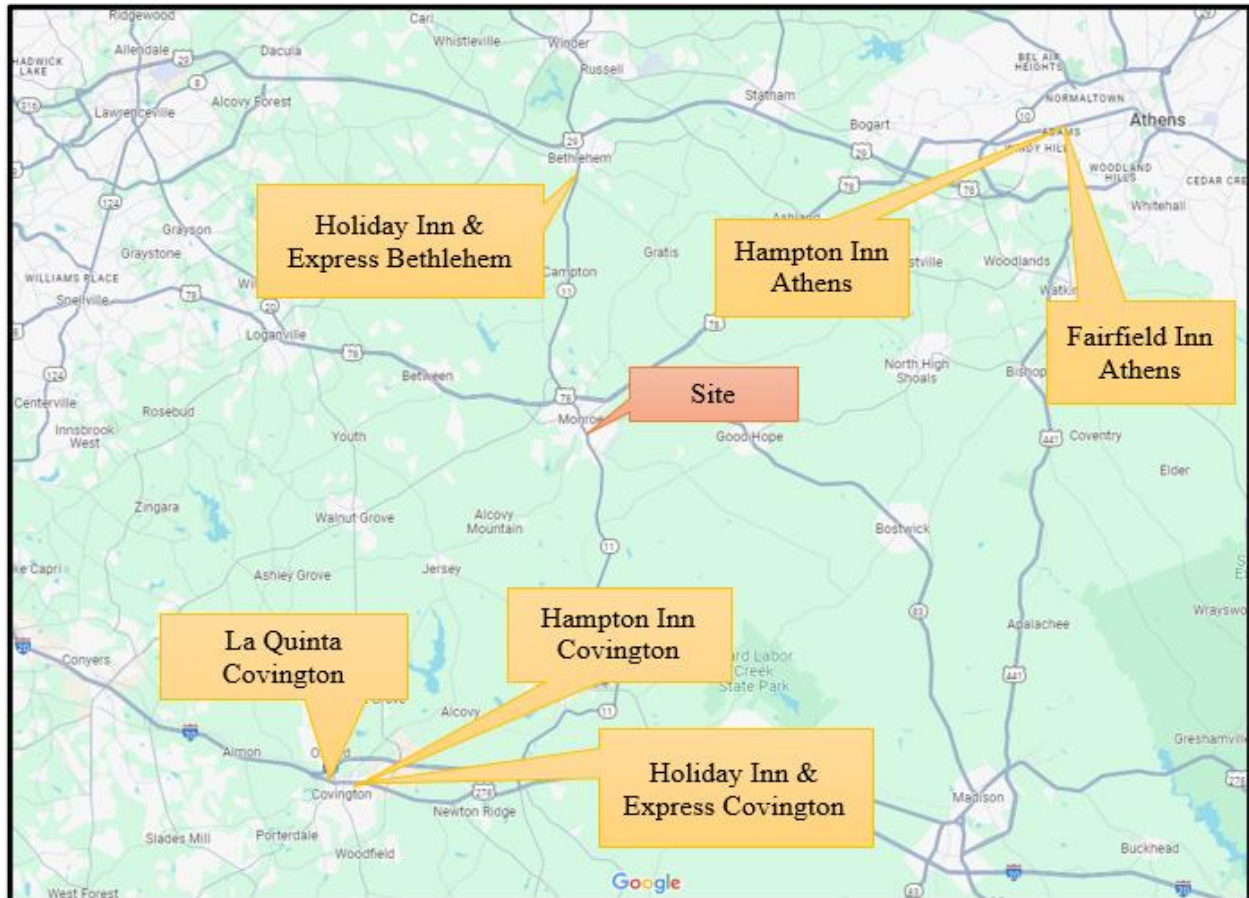
The charts on the following page summarize the facilities and services at competitive hotels.

Competitive Hotels: Summary of Facilities and Services

Hotel	Year Open	Rooms/Suites	Weekday Rates	Weekend Rates	Total Meeting Sq. Footage	Largest Meeting Room	Pool	Restaurant	Comp. Breakfast	Free High Speed Internet	Parking
La Quinta Inn Suites Covington	2006	52 rooms / 14 suites	\$149 - \$184	\$159 - \$194	1,220	1,220	Outdoor	No	Yes	Yes	Free
Hampton Inn Covington	2009	105 rooms	\$160	\$140	1,320	984	Outdoor	No	Yes	Yes	Free
Holiday Inn Express Covington	2017	102 rooms / 8 suites	\$166 - \$181	\$157 - \$167	n/a	n/a	Outdoor	No	Yes	Yes	Free
Hampton Inn Athens	1995	112 rooms	\$145 - \$163	\$160 - \$178	n/a	n/a	Outdoor	No	Yes	Yes	Free
Fairfield Inn Suites Athens	2021	78 rooms / 18 suites	\$169 - \$179	\$199 - \$209	646	646	Indoor	No	Yes	Yes	Free
Holiday Inn Express Bethlehem	2017	58 suites/ 9 suites	\$174 - \$185	\$184 - \$218	3,300	1,815	Outdoor	No	Yes	Yes	Free

Sources: Competitive Hotels, The Highland Group

The map following illustrates the location of the proposed hotel site and competitive hotels.



Mix of Business

Mix of business in the competitive set is estimated in 2024 at:

- 67 percent corporate
- 33 percent leisure

The mix of business in the competitive set is strongest in corporate which is comprised of transient business travelers to the competitive market area while visiting local firms and manufacturing facilities. Leisure demand is primarily tourism, college events, weddings and social functions. According to an analysis of STR/CoStar data, hotels in the competitive set are approaching

practical capacity an estimated 24 nights per year which fall on September and October weekends and weekdays in June 2024 and largely related to leisure activities.

Changes in Supply

A 95-room Springhill Suites in Covington is expected to open mid-year 2025, and an 80-room Fairfield Inn & Suites in Bethlehem is on track for a mid-year 2026 open, according to hotel franchise representatives and respective city planning departments. These hotels would be competitive with a Premium Brand Limited-Service hotel in Monroe, specifically for business currently displaced from Monroe. These hotels are included in our projections. We are unaware of any other additions to the competitive hotel markets that would affect or be competitive with the proposed hotel at this time.

Competitive Market Projections

The following table shows supply and demand projections for the proposed hotel's competitive set through 2031.

Projection of Supply and Demand by Segment											
	Actual			Projected							
Segment	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<i>Corporate</i>	98,086	108,045	95,293	89,962	98,958	108,854	119,739	125,726	129,498	133,383	137,384
Percent Change		10%	-12%	-6%	10%	10%	10%	5%	3%	3%	3%
Induced							3,500	3,500	3,500	3,500	3,500
Segment Demand	98,086	108,045	95,293	89,962	98,958	108,854	123,239	129,226	132,998	136,883	140,884
<i>Leisure</i>	46,352	51,787	45,901	43,482	45,656	52,504	57,755	60,642	62,462	64,336	66,266
Percent Change		12%	-11%	-5%	5%	15%	10%	5%	3%	3%	3%
Induced							2,500	2,500	2,500	2,500	2,500
Segment Demand	46,352	51,787	45,901	43,482	45,656	52,504	60,255	63,142	64,962	66,836	68,766
Total Demand	144,438	159,832	141,195	133,444	144,614	161,358	183,494	192,368	197,960	203,718	209,650
Total Supply	191,055	202,575	202,575	202,575	219,675	251,650	297,840	297,840	297,840	297,840	297,840
Total Demand Percent Change		11%	-12%	-5%	8%	12%	14%	5%	3%	3%	3%
Total Supply Percent Change		6%	0%	0%	8%	15%	18%	0%	0%	0%	0%
Competitive Set Occupancy	76%	79%	70%	66%	66%	64%	62%	65%	66%	68%	70%

Source: The Highland Group

Projected supply increases in 2025, 2026, and 2027 are due to opening of the Springhill Suites in Covington, Fairfield Inn & Suites in Bethlehem, and the proposed Premium Brand Limited-Service hotel in Monroe, respectively. Demand increases are forecast to be strongest in those years due to the availability of new, good quality, premium branded hotels within a market of relatively older product. Additionally, demand increases are the result of new rooms within the newly opened hotels which will provide accommodation during peak nights when guests were previously turned away.

Demand is additionally generated from outside the competitive set. Based on the results of demand interviews, guests also travel to Winder, Duluth and Loganville for accommodation due to the lack of a quality hotel in Monroe. Therefore, demand from these guests is induced into the corporate and leisure segments based on an estimated mix of business. Induced room nights also include a smaller portion of guests from lower quality hotels in Monroe. Overall we expect at least 6,000 room nights will be brought into the Monroe market from hotels in these areas from 2027 and throughout the projection period.

Each segment of demand is discussed in the paragraphs below.

Corporate

Corporate demand in the competitive set is mainly travelers that visit area businesses within the competitive market area. The largest increases in corporate demand are projected from 2025 through 2027 with the addition of nationally recognized hotels which generate a loyal corporate following. Corporate demand also considers a base of historic economic growth, induced demand, forecasts of future industrial activity, and an anticipated increase in visitation as indicated by demand interviews. Corporate demand is projected to increase by an annual average of 6.6 percent from 2024 through 2031. The proposed hotel would be affiliated with a premium brand and the strength of its brand reservation system is likely to bring in some demand that is not currently staying in the competitive market.

Leisure

Leisure demand includes tourism, vacation travel, sports events and various social gatherings in the area. Leisure demand increases are forecast to be strongest from 2025 and 2028 as new, good quality rooms become available in addition to their ability to accommodate leisure guests when competitive hotels are at capacity during peak nights. Growth also considers a base of historic economic growth, induced demand, and an anticipated increase in visitation as indicated by demand interviews. Leisure demand is projected to increase by an annual average rate of 6.8 percent from 2024 through 2031.

Competitive hotel room supply is projected to increase by a compound annual average of 5.7 percent from 2024 through 2031. The corresponding increase in demand is projected to be 6.7 percent over the same time period.

Projections

Penetration Analysis

The table below shows market penetration by demand segment for the proposed Premium Brand Limited-Service Hotel in Monroe, Georgia.

Premium Branded Limited-service Penetration Analysis					
Segment	2027	2028	2029	2030	2031
Premium Branded Limited-service	86	86	86	86	86
Fair Share Demand	11%	11%	11%	11%	11%
<i>Corporate</i>					
Fair Share Demand	12,991	13,622	14,020	14,429	14,851
Penetration	95%	100%	100%	100%	100%
Capture	12,341	13,622	14,020	14,429	14,851
Mix	65%	65%	65%	65%	65%
<i>Leisure</i>					
Fair Share Demand	6,350	6,655	6,847	7,044	7,247
Penetration	105%	110%	110%	110%	110%
Capture	6,668	7,320	7,531	7,748	7,972
Mix	35%	35%	35%	35%	35%
Total					
Fair Share Demand	19,341	20,277	20,866	21,473	22,098
Penetration	98%	103%	103%	103%	103%
Capture	19,009	20,942	21,551	22,177	22,823
Occupancy	61%	67%	69%	71%	73%
<i>Source: The Highland Group</i>					

A penetration analysis was performed to assess how well the proposed Premium Branded Limited-Service Hotel would compete in each segment of demand. The formula for penetration is room nights of demand captured by a hotel divided by that hotel's fair share of demand. Fair share is the ratio of the hotel's rooms to the number of competitive rooms in the market area. All else being equal, each hotel would have 100 percent penetration; however, hotels differ in their degree of competitiveness across the segments. Strong potential performance is reflected in penetration rates above 100 percent.

Penetration in each segment of demand is discussed in the paragraphs following.

Corporate

Corporate demand in Monroe is mainly business travelers affiliated with local firms. According to demand interviews, Synovus Bank brings corporate room nights from training, seminars, and partner meetings and room nights come from temporary manufacturer workers and executives affiliated with Hitachi. The proposed Premium Brand Limited-Service hotel is expected to penetrate the corporate segment at 95 percent in 2027, increasing to 100 percent in 2026 and throughout the projection period. Corporate guests are expected to account for 65 percent of overall room nights at the proposed hotel.

Leisure

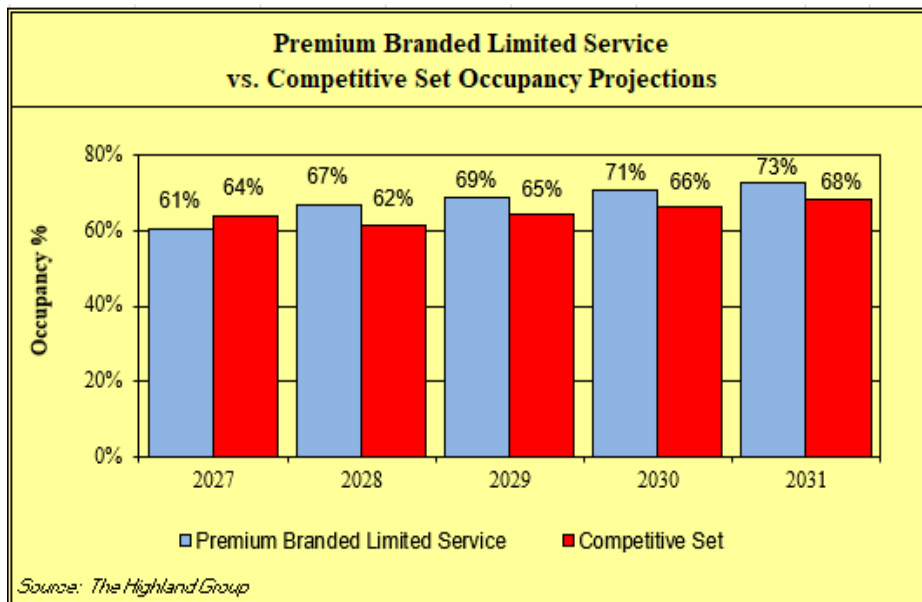
The proposed Premium Brand Limited-Service hotel would be located proximate to Downtown Monroe and benefit from the area's vibrancy and attendance to events and antique shopping. The proposed hotel would also be near leisure event venues including The Engine Room, Sparrow Grove Manor and The Factory at Walton Mill for weddings and social gatherings. The hotel would be appealing and convenient to travelers visiting the area for family reunions, sports tournaments or funerals. Non-local guests from these demand sources are largely unaccommodated in the Monroe market due to preference for a quality lodging option. Consequently, the proposed Premium Brand Limited-Service hotel is expected to penetrate the leisure segment 105 percent in

2027, increasing to 110 percent in 2028 and throughout the projection period, as marketing efforts are established and leisure room nights currently leaving the market are realized. This segment is projected to account for 35 percent of overall room nights at the proposed hotel.

Room nights achieved at the proposed hotel are reasonable considering the amount of displaced guests due to demand interviews in addition to overall economic growth. Assuming a strong pre-opening marketing campaign, the proposed hotel is expected to achieve its fair share of room nights in its second full year of operation. Overall penetration in the competitive market for the proposed Premium Brand Limited-Service hotel ranges from 98 to 103 percent throughout the projection period.

Occupancy

The graph below illustrates the proposed Premium Brand Limited-Service Hotel’s occupancy compared to the competitive market over the projection period.



The proposed hotel would be a brand new, premium brand product, convenient to area demand generators and within ½ mile from downtown restaurants and retail. It is expected to capture room

nights that leave the Monroe market due to current lodging options. The proposed hotel would be slightly larger than competitors and located in a small downtown area and not proximate to a major interstate or large university. Consequently, the hotel is expected to perform below the competitive set in 2027. However, by 2028 and after marketing efforts are realized, the hotel is forecast to operate at a higher occupancy than the competitive hotel average throughout the projection period.

Average Rate

The table following shows historic and projected average rate ranges at competitive hotels in descending order.

Competitive Hotel Average Rate Projections									
Hotel	2023	2024	2025	2026	2027	2028	2029	2030	2031
Hampton Inn Athens	\$155-159	\$180-184	\$185-189	\$190-194	\$195-199	\$200-204	\$205-209	\$215-219	\$220-224
Holiday Inn Express Bethlehem	\$170-174	\$165-169	\$170-174	\$175-179	\$180-184	\$185-189	\$190-194	\$200-204	\$205-209
Fairfield Inn Suites Athens	\$165-169	\$165-169	\$170-174	\$175-179	\$180-184	\$185-189	\$190-194	\$195-199	\$200-204
Premium Branded Limited Service					\$158	\$165	\$172	\$177	\$182
Holiday Inn Express Covington	\$150-154	\$140-144	\$145-149	\$150-154	\$155-159	\$160-164	\$165-169	\$170-174	\$175-179
Hampton Inn Covington	\$140-144	\$130-134	\$135-139	\$140-144	\$145-149	\$145-149	\$150-154	\$155-159	\$160-164
La Quinta Inn Suites Covington	\$140-144	\$130-134	\$135-139	\$140-144	\$140-144	\$145-149	\$150-154	\$155-159	\$160-164

Source: The Highland Group

The proposed hotel is expected to open by 2027 and would initially be positioned at parity with the Holiday Inn Express Covington, increasing slightly above that hotel in future years after marketing efforts are realized. Additionally, the proposed hotel would offer 12 percent suites, which are expected to account for a 20 percent rate premium on standard guestrooms. The hotel would be positioned below the Athens and Bethlehem hotels due to their location most proximate to a large university. According to demand interviews, the projected rate for the proposed hotel is in line with rates currently paid by their visitors sent to hotels in the competitive markets of Bethlehem, Athens, and Covington.

The table following shows average rate by demand segment for the proposed hotel in Monroe, GA.

Premium Branded Limited-service Average Rate by Segment					
Segment	2027	2028	2029	2030	2031
<i>Corporate</i>					
Room Nights	12,341	13,622	14,020	14,429	14,851
Rate	\$139	\$141	\$142	\$142	\$142
<i>Leisure</i>					
Room Nights	6,668	7,320	7,531	7,748	7,972
Rate	\$156	\$158	\$159	\$159	\$159
Current Dollar Average Rate	\$145	\$147	\$148	\$148	\$148
Inflation	3%	3%	3%	3%	3%
Inflated Average Rate	\$158	\$165	\$172	\$177	\$182
<i>Source: The Highland Group</i>					

Corporate rates are usually those charged during the week, while leisure rates are largely realized during the weekends. According to STR/Costar, there is a 17 percent variation in average rates for weekend rates compared to weekday rates for hotels within the competitive set. Leisure rates at the proposed hotel are projected at 12 percent more than corporate guests. The proposed hotel is projected at an average rate of \$145 in current 2024 dollars in its first year of operation. Average rates are forecast to increase through 2029 as opening discounts are eliminated, marketing efforts are realized, and occupancy increases. Rates are increased by three percent annually for inflation.

Hotel Brand Availability

Listed below are brands available, as of the writing of this report, for the recommended hotel site in Monroe, GA, and their representative contact information.

- Hilton – Hampton Inn Suites
Gary Finnell, Senior Director SE
Gary.finnell@hilton.com
- Marriott - Fairfield Inn Suites
Chris DiBenedetto, Area Vice President
Chris.Dibenedetto@marriott.com
- IHG – Holiday Inn Express Suites
Sy Simpson, Director Franchise Development
Sy.Simpson@ihg.com