

# Hotel Market Analysis

## Project Feasibility

### Maryville, MO

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**Maryville Missouri  
Hotel Market Analysis**

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## EXECUTIVE SUMMARY

The City of Maryville engaged IDM Group, LLC to produce the following updated report for the potential development of first-class lodging in the form of a select or full-service hotel and meeting facility in the City of Maryville, located in Nodaway County, MO. The purpose of the study update is to analyze the changes in the community and cities to determine feasibility of the market and understand the risks associated with a development. This update is from the original study dated November 2011.

Given the size and pace of the economic activity in Maryville and its surrounding areas—nearby communities of St. Joseph and Kansas City (MO), Omaha and Lincoln (NE), Des Moines (IA), and Topeka (KS)—the subject site’s location and proximity to the greater market attest to the need for a hotel with meeting and banquet facilities. The potential for development in the area is promising, and IDM is engaged to verify market demand and overall market observation. This study includes a preliminary Economic Analysis Section that will further identify market economics for the potential of building a hotel.

IDM was engaged to provide a Competitive Market Overview, a Comprehensive Statistical Market Study, and all project economics from operations to development. This includes operational speculations that provide an overview of the market, potential development information concerning the market area, and market factors that could affect possible development of a hotel at this location. The goal is to provide a Competitive Market Overview, Comprehensive Statistical Market Study, and all Project Economics—from operations to development—on operational speculations.

Given the consultants’ development experience, existing hotel management, and knowledge of the hospitality industry, they are fully qualified to develop first-class hotels and experienced in market analyses. All parties remain confident that an independent review of this report would support our findings.

This report might or might not be acceptable for external investing and/or lending purposes and might depend upon this market’s ability to support this hotel, additional requirements, and the desire for more specific information.

**ENGAGEMENT SCOPE**

This study presents the current and potential demand for hotel accommodations and analysis of existing facilities in the Maryville, MO, market and the greater surrounding competitive market. The study recommends the position and general characteristics of the subject hotel and property amenities to compete among the market hotels. These characteristics will be driven by architectural site limitations, functionality of the operation, and the market's ability to sustain the business.

This study was commissioned based upon the following vision of the City of Maryville and the Mozingo Lake Advisory Board.

**Comprehensive Vision of Mozingo Lake Lodge Facility**

The City of Maryville leaders and the advisory committee of Mozingo Lake Advisory Board commissioned this market analysis based upon the following beliefs and visions:

The first priority is to develop a facility that can become a destination for visitors from a 200-mile radius of Maryville, including the metro areas of St. Joseph and Kansas City (MO), Omaha and Lincoln (NE), Des Moines (IA), and Topeka (KS). Such a facility will include first-class lodging with a top-flight restaurant/lounge as the mainstay of the development.

The lodge's appearance will be rustic. It will include a variety of room types adequate to support the growing attractions already in place at Mozingo Lake. A workout room, sauna, and possible indoor pool would be valuable for such a facility. Other amenities would include sporting activities in addition to the lake, such as a tennis court.

The lodge facility should include a conference center that offered corporations and businesses the ability to host small retreats and large conferences, as well as small regional conventions. This area would also include meetings rooms of various sizes with modern technological equipment; for instance, wireless Internet, projection and laptop capabilities, and an adequate audio system. It is also important that the conference center be comfortable for non-corporate events such as class or family reunions and weddings.

The location of the lodge will be very important. The lodge should have a lake view but not necessarily be located lakeside. If located lakeside, a boat dock facility—specifically for lodge guests—would be included, as well as dock availability for those on the lake to utilize the restaurant/lounge. Adjacent private property is currently available that might be desirable. Further consideration is needed with input from additional research based upon the city councils interest in purchasing additional area property.

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The lodge facility will create additional partnerships with the Mozingo Outdoor Education and Recreational Area (MOERA) on the north end of Mozingo Lake, currently operated by Northwest Missouri State University Recreation Program. Corporate organizations would be offered packages to include a corporate meeting facility, golf, fishing and boating opportunities, lodging facilities, and food and service amenities. This partnership with MOERA would include development of a curriculum related to the hospitality industry, culinary arts, and hotel/motel management.

The lodge facility could be developed to allow for a smaller operation in the off-season, with inclusion of hotel wings that could be closed off. However, a first-rate restaurant and bar could be a successful year-round operation, drawing from the immediate Maryville area and wider regional community.

Overall, this lodge facility would serve as an added attraction to the excellent fishing, existing golf course, camping, and pedestrian and equestrian trails. Perhaps the lodge could be configured to house the Pro Shop and clubhouse, depending on the decision of its final location. (*Source:* Mozingo Lake Advisory Board July 2011)

### **Process Overview and Scope**

For the market analysis, the consultants interviewed state, community, city, and county leaders and secured data from city staff and existing hotel facilities regarding the status of their businesses and future plans for each market addressed in the analysis. Forecasts were made based on the market's historic performance, growth in demand, and anticipated supply. The potential subject hotel's accommodation occupancy levels through the first several years of operation are based on those historical trends.

The market analysis determines the current and potential market for hotel accommodations and amenities, including necessary components, and further determines the appropriate size, positioning, and scope of facilities to best serve the market, including market share and competitive advantages and disadvantages. These recommendations will be presented in a narrative and in tables that set forth the hotel description, meeting space, breakout rooms, largest room, mix and type of guest market segmentation, and recommended facilities and amenities. The consultants will also identify recommended price points and estimated levels of utilization.

Based on recommendations regarding project market and historical trends, the consultants will prepare a consolidated statement of estimated annual operating results for the proposed facility, complete with sources and level of revenues, related and unallocated expenses for the property through available cash flow for debt service, and return on equity. The estimate

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will address a typical year in the property's operation in current value dollars and set forth the anticipated first several years of operating results in inflationary dollars.

The first step of this process involved a meeting with the city economic development staff and city manager. The previous site identified the site location; reviewed goals, possibilities, and objectives; and listed the competitive markets. The focus of the study was to review the overall market through market interviews, primary market research, and historical data.

For a hotel to be competitive and successful within its market, it must be competitively positioned. We provide factors important to this hotel's success and address factors necessary for the hotel site. The factors that we address in this market study are:

- Project site and its accessibility.
- Visibility from various points.
- Proximity to demand generators and their impact.
- Benefit of support amenities and services.
- General economics of the market and operating hotel.
- Comparison to competitive hotels' characteristics.
- Continuity with overall development strategy, or master plan, of the project or community.
- Lodging demand within the subject market and property market share.
- Competitive set investigation and comparison.

The conclusion of this analysis includes:

- A review of the statistical history of competitive hotels within the market.
- Forecast of occupancy, ADR, and revenue trends for the subject market and potential subject property.
- Detailed operational projections for sales and expenses for guest rooms, and food & beverage such as banquet and catering departments. We will also review past and current trends to industry averages.
- Market segment contribution projections to determine hotel amenities.
- Ten- and 20-year operational profit & loss and sales projections, evaluated in today's dollars.
- Economic impact within the region.

**Research**

This report focuses on the supply and demand in hotel accommodations within the subject market updated 2013. To best understand current market dynamics and relative positioning of the subject hotel, we looked at current demographics and their trends, market analyses from independent resources, and a review of the most competitive and comparable hotels, meeting, and banquet facilities. Our research identified the historic and projected occupancy, Average Daily Rate (ADR), market segmentation mix, and operational positioning of the project. Our research leads to the review of the facilities, amenities, services, and general condition of the competition to position the hotel.

Similar trends affect the economics of hotel operations and the demand for hotel accommodations. To forecast these operational projections, we used industry standards, relevant data from managed properties, area demographics, and industry statistics. To determine if the business environment could sustain the added hotel supply, we gathered and analyzed relevant data such as current and proposed demand generators, population growth and demographics, and employment growth. This information is in the Hotel Lodging Demand section.

**Market Performance and Facilities Recommendations**

The consultants utilized new independent statistical data to project both the supply of and the demand for hotel lodging and meeting facilities in the competitive set or potential market. The consultants looked at the market's history and considered the viability of a subject facility based on market trends.

Next, we project, in detailed fashion, the occupancy, average rate, and revenues for the first 10 years of operation based on historical trends within the subject market. We used those projections to recommend the size, type, and characteristics of the hotel and the amenities offered. We will meet with you to discuss the feasibility and various interests of the potential developer, owner, and operator.

**Development Costs & Operational Costs: Economic Analysis**

The Economic Analysis included in the market study shows development and construction estimates based on our experience and industry-supplied data (such as industry averages) to complement the revenue and expense pro forma analysis for this hotel project. These figures will be compared with the estimated development costs for a full understanding of risk level. Whole debt service assumptions and equity return are not modeled or directly addressed.

## **ASSIGNMENT LOCATION—MARYVILLE, MO**



### **Project Location and Description**

Exhibit 1 of this report shows the geographic location of Missouri and the Maryville market area within the United States.

Exhibit 2 of this report shows the geographic location of the Maryville market within the State of Missouri.

Exhibit 3 shows the geographic location of the subject site within the City of Maryville.

Exhibit 4 shows the geographic location of the subject site and local competition within the City of Maryville.

**Maryville, MO—Overview**

The City of Maryville is in Nodaway County located in Northwestern Missouri between Kansas City, Des Moines, and Omaha—also known as the Quad-State area. The 2010 Census shows a population of 11,972, with the MSA population of Maryville and Polk Township estimated at 14,472. The town, organized on February 14, 1845, was named for Mrs. Mary Graham, wife of Amos Graham, then county clerk. Mary was the first woman to have lived within the boundaries of the site that would become Maryville, which was incorporated in 1856.

**History of Maryville**

The City of Maryville was established in the mid-19th century amidst rolling prairies above the scenic One Hundred and Two River. Maryville was planned as the seat of newly organized Nodaway County, so named for the Nodaway (Algonquian for snake or enemy) River.

Maryville developed as a marketing town and shipping point with its roots in grain and livestock farming. The Kansas City, St. Joseph, and Council Bluffs (Burlington) railroads reached here in 1869, and the Wabash, St. Louis, and Pacific (Wabash) railroads in 1879.

Maryville is situated in the Missouri's Glacial Plains Region, an area once the home of the Iowa, Sac, and Fox tribes, and the Potawatomi Indians. The first American settlers were mostly from the South and came to what is now Nodaway County in the late 1830s.

Among towns settled in Nodaway County is Conception to the southeast, founded as a Catholic colony by Irish railroad workers from Reading, PA, under the leadership of Father James A. Power and others. Later, a large population of Germans settled in this area.

The current population is generally comprised of Central European descendants, primarily German, Scottish, and Irish.

*(Source: [www.maryville.org](http://www.maryville.org))*

**Today**

The City of Maryville strives to be a community focused on quality of life. The community boasts a strong history of offering a favorable location in which to live and work. The city is well rooted in historic rural and agricultural commerce yet keeps a strong focus on solid academics, an industrial and professional employment base, and recreation.

Maryville is governed by City Council members and a City Manager. This form of government has proven successful for the community, not only in managing the city's overall business and services but also in working with Nodaway County commissioners and local officials. These elected officials assist in representing the area at the state and federal levels, with state government offices in Jefferson City.

Maryville and its community leaders have remained focused on growth. They have compiled a diverse assortment of businesses within the community, comprised of light industrial manufacturing, retail stores, and a wide variety of professional enterprises, making the city a business center for Northwest Missouri and Southwestern Iowa.

This successful combination of agricultural, industrial, retail and professional services has brought Maryville to the forefront among Missouri communities and enabled Nodaway County to maintain one of the best employment rates in the state.

**Nodaway County, MO**

Nodaway County is located in Northwest Missouri and borders the State of Iowa. Nodaway is the fourth largest county in the state and was formed from the Platte Purchase territory acquired from the Indians in 1836. The county was formally incorporated in 1845 and named for the Nodaway River. As of 2010 Census, the county's population was 23,370. The county seat is Maryville, the site of this market analysis.

It is the largest in area of counties added to Missouri at the time of the Platte Purchase and is now fourth largest county in the State of Missouri. In addition to its rich agricultural history, Nodaway County is home of father-and-son trainers Ben and Jimmy Jones, whose horses have won six Kentucky Derby races and two Triple Crowns.

The county is located in Tornado Alley, so named for the numerous tornadoes that have hit the county, including an F4 tornado on April 10, 1979, which destroyed the town of Braddyville, IA, just across the county line. Tornadoes have struck two of the county's biggest buildings: the Administration Building on the Northwest Missouri State University campus and Conception Abbey.

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## **SUBJECT SITE ANALYSIS**

The market studied in this analysis is in the City of Maryville, MO, and, more specifically, Mozingo Lake Park for the feasibility of a conference and lodging center. The community is the county seat—not only the hub for government services and offices but also offering the residents regional shopping, recreation, medical, and educational services.

### **Mozingo Lake Park**

This recreational park, located in the rolling hills of Northwest Missouri, is marketed as a recreation area, tourist retreat, recognized golf destination, and a sportsman's paradise. Located approximately five miles east of Maryville on the north side of Route 136, Mozingo Lake Park offers the regional population a unique outdoor experience.

What began in 1994 as a watershed reservoir for the citizens of Maryville—primarily as a drinking water supply for the residents of the community and a flood control resource—has since grown into a recreation destination. Owned and maintained by the City of Maryville, Mozingo Lake is a proven regional attraction. As the park neared completion, the city formulated plans to use the surrounding land to create a recreational haven for local residents. Mozingo Lake itself encompasses 1,009 acres, with an additional 2,000 acres of parkland that boasts 26 miles of shoreline.

Mozingo Lake Park offers a variety of recreational opportunities for outdoor enthusiasts including outlets for boating, skiing and fishing. The park is still owned and operated by the City of Maryville. An extensive Mozingo Lake Recreation Development Plan, written in 1995, projected that the park's development would evolve, and its amenities have continued to grow and develop.

The park does allow alcoholic beverages on the grounds but prohibits them at the swim beach, trails, on roadways, and at the youth camp.

### **Mozingo Lake Park History**

The Mozingo Lake facility began construction in 1991 when a dam was created across the Mozingo Creek Valley and the lake basin. At that time, shoreline areas were cleared of most standing timber to create the Mozingo Creek Watershed Project, popularly known as “Mozingo.”

The lake was created from an earthen dam that is 77 feet high and stretches for 2,750 feet across the south end of the lake. The project was financed with federal Soil Conservation Service funds, estimated at approximately \$5.2 million. According to the Northwest Regional Council of Governments, the dam has a capacity of 24,877 acre-feet and controls

20.9 square miles of drainage area and 2,251 acres of floodplain lands. Construction was completed in 1992 after two interruptions in July 1993 due to excessive rain that caused the water level in the yet-unfinished reservoir to top the partially completed dike. The reservoir reached full pool in 1996 and today sees little fluctuation in water levels, even in peak summer months.

After construction was completed, the existing farm ponds in the impoundment area were stocked with panfish and catfish. Bass, bluegill, and walleye were then introduced into Mozingo Lake from 1993 to 1996. The lake's fisheries management program is maintained by the Missouri Department of Conservation, making Mozingo Lake one of the best sport fisheries in Northwest Missouri.

The city dedicated 1,500 acres to park-like seasonal grasses and wildlife management to compensate for habitat lost to the 1,009-acre lake. This 1,500-acre parcel is located mostly along the park's western shore and adds restrictions to future development.

The park operates as an enterprise fund and is supported by two primary sources: park usage fees and ½% sales tax financing on all tangible goods sold within the city limits of Maryville. Park fees are collected from park amenities such as golf, fishing permits, cabin, camping, and RV rental sites. Maryville residents offset operational costs through an approved half-cent sales tax passed in June 1993, for which a 10-year approval extends to 2017. Between usage fees and the tax, the park's costs are neutral.

### **Mozingo Amenities**

Added over the years, major recreational facilities include three boat ramps, an RV and primitive camping area, beach, several picnic areas, and a handicap-accessible fishing dock.

In addition to these facilities, the 18-hole championship Mozingo Golf Course was constructed on the southeastern portion of the facility. This primary usage for recreational purposes at Mozingo Lake features open fairways on the 7,100-yard course, offering challenging play for golfers of various skill levels. The course features a clubhouse and cart rental, driving range and Pro Shop.

Key Mozingo Lake features include:

- 18-hole championship golf course.
- RV Park with more than 100 padded sites.
- Primitive camping area with more than 50 sites.
- Five rental cabins accommodating varying numbers of guests.
- Swim beach.
- Three paved boat ramps.

- Fantastic bass, catfish, crappie, and walleye fishing.
- Fish-cleaning stations.
- Several large picnic shelters, some with restroom facilities.
- Handicap-accessible fishing dock.
- Youth camp with cabins.
- More than three miles of hiking trails and equestrian trails.
- Permitted hunting areas on the north end of the facility (additional fee).

### **Recreational Vehicle (RV) Accommodations & Campgrounds**

The primary campground has 109 RV sites with concrete pads for vehicles. Of those sites, most have electricity and water connects on concrete pads, five are gravel sites with electric only, and one is a full connection with electricity, water, and sewer. There is a dump station for self-contained vehicles not connected to sewer. In the overflow campground, there are 89 RV spaces with electricity and water, with five sites offering electricity-only connections. The primary campground has a shower house, playground, and general parking. Both campgrounds offer Internet accessibility (additional fee).

Seasonality of the park runs at peak demand from April 1 through November 30, with off-peak demand from December 1 through March 31.

The user fees for RV camping is as follows:

- Full hookup: \$20 peak-season, \$10 off-season
- Electricity and water: \$20 peak-season, \$10 off-season
- Internet access: \$5 for 1 day, \$10 for 3 days, \$18 per week, \$24 per month
- Boat slips for RV campers: \$7 per day

There are 37 tent camping sites within a primitive area of Mozingo Lake Park. Tent areas are located in a wooded area of the park. Water and electricity are available at the shower house.

The user fees for primitive tent camping:

- Site fee: \$10 peak season, \$9 off-season

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## Mozingo Lake Golf Course

Located on the southeastern shore of Mozingo Lake is one of the area's most challenging 18-hole golf courses. Just are the rest of Mozingo Lake's recreational facilities, the golf course is nestled in a unique environment and features wide-open fairways.

The course was designed by Donald Sechrest and opened in 1995. It is a par 72 course with a rating of 73.5 and a slope rating of 134 on ryegrass. The course is owned by the City of Maryville. According to Ron Whitten of *Golf Digest*, "Mozingo Lake is a role model for municipal golf courses." The Mozingo Lake Golf Course is a 7,137-yard long municipal golf course. *Golf Digest* and *USA Today* have referred to the course as "the best course to play in the State of Missouri for under \$50."

A distinctive feature of the course is the grain elevator that has been converted as part of the clubhouse. The signature hole is #8, a 170-yard par 3, requiring a tee shot over a pond to the green. The green fees for 2013 range from midweek pricing at \$22.00 to weekends at \$25.00 for 18 holes of golf.

The Mozingo Golf Course Clubhouse, built in 1995, is open daily and includes a limited snack bar, the Pro Shop, and a meeting room. The snack bar offers hot and cold sandwiches and vending items. The Pro Shop offers all golf necessities in an array of merchandise. The meeting room is available for rent to organizations and groups for family gatherings, club events, organizational meetings, and tournament coordination and use.

### Meeting Room Rental Rates:

- During Pro Shop hours: \$25 per hour
- After Pro Shop hours: \$50 per hour

The Clubhouse has limited food & beverage service and limited space for meetings and gatherings. Events must be catered by local restaurants or grocery stores because there are no kitchen facilities onsite. The second floor of the Clubhouse can accommodate events up to 150 people (dining table seating is limited to 80 people) and offers views of the lake. The course can accommodate larger events in a rented tent, which typically happens two or three times a year.

The golf course has approximately 37,591 possible rounds of golf playable annually, seasonally adjusted for weather. This is calculated by the number of 9- and 18-hole rounds available by month previously audited in 2011:

<b>Mozingo Lake Park Golf Course</b>										
<b>Course Capacity Calculation</b>										
	March	April	May	June	July	August	September	October	November	Annual Total
Hours per day suitable for 18 hole tee times	7	8	10	11	11	10	8	7	6	
Hours per day suitable for 9 hole tee times only	2	2	3	3	3	3	3	2	2	
Tee times per hour	6.67	6.67	6.67	6.67	6.67	6.67	6.67	6.67	6.67	
Groups per day 18 hole	46	53	66	73	73	66	53	46	40	
Groups per day 9 hole / 2	6	6	10	10	10	10	10	6	6	
Rounds per day 18 hole equivalent	156	177	228	249	249	228	189	156	138	
Good w eather days per month*	12	17	22	25	26	26	24	20	10	
18 hole equivalent capacity adjusted for w eather	1,872	3,010	5,016	6,255	6,474	5,928	4,536	3,120	1,380	37,591
<b>Tee Time Occupancy</b>										
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	
Capacity	37,591	37,591	37,591	37,591	37,591	37,591	37,591	37,591	37,591	
Annual Rounds	21,984	25,915	26,080	24,621	21,430	19,879	19,008	15,868	15,312	21,122
Tee time rate	58%	68%	69%	65%	56%	52%	51%	42%	40%	56%

(Source: IDM & City of Maryville)

The chart show the annual rounds of golf played from 2003 to 2011(fiscal year). Golf rounds peaked in 2005 with 26,080 rounds played, for 69% usage tee time rate. The average tee time rate for 2003 to 2011 is 56%. Recently, 2010 and 2011 have yielded the lowest-played rounds over the nine-year trend, although the 2011 statistics are partial-year figures.

### Golf Outings

Golf outings held at the Mozingo Lake Golf course have direct influence on the potential need for area meeting and event facilities; therefore, we analyzed the typical pattern of outings held at the facility. The facility was able to provide only the past three years of statistics due to the turnover in facility staff.

<b>3 Year Trend Golf Outings per Month</b>								
	April	May	June	July	August	September	October	Total
2009	3	5	9	2	8	13	3	<b>43</b>
2010	5	8	5	5	8	6	3	<b>40</b>
2011	5	6	6	6	5	12	2	<b>42</b>
Average	4.3	6.3	6.7	4.3	7.0	10.3	2.7	<b>41.7</b>

(Source: IDM & City of Maryville)

The golf course has tournaments or golf outings each year; the chart shows the number of annual events by month. Typically, most golf outings have one or two meals provided during a planned day of events. These include a lunch or limited food service at the start of an outing and an evening dinner, highlighted with awards or auctions. This is helpful in forecasting the number on potential events and future food & beverage functions for the subject facility and has a direct impact on the financial strength of the property. Next, we identified the day-of-week pattern for events and outings.

<b>League &amp; Tournaments Annually</b>								
Average Pattern of Use by Day of Week								
	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Sunday</b>	<b>Totals</b>
May - League	0	11	0	4	0	0	0	<b>15</b>
May - Tourn	1	0	2	0	2	2	0	<b>7</b>
June - League	0	12	9	4	0	0	0	<b>25</b>
June - Tourn	1	0	0	0	4	0	0	<b>5</b>
July - League	0	12	8	4	0	0	0	<b>24</b>
July - Tourn	0	0	1	2	0	1	1	<b>5</b>
Aug. - League	0	15	5	4	0	0	0	<b>24</b>
Aug. - Tourn	0	0	1	2	2	2	1	<b>8</b>
Sept. - League	0	8	0	5	0	0	0	<b>13</b>
Sept. - Tourn	1	0	3	1	3	4	0	<b>12</b>
Oct. - League	0	3	0	0	0	0	0	<b>3</b>
Oct. - Tourn	0	0	0	1	1	0	0	<b>2</b>
<b>League</b>	<b>0</b>	<b>61</b>	<b>22</b>	<b>21</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>104</b>
<b>Tournaments</b>	<b>3</b>	<b>0</b>	<b>7</b>	<b>6</b>	<b>12</b>	<b>9</b>	<b>2</b>	<b>39</b>
<b>Total Events</b>	<b>3</b>	<b>61</b>	<b>29</b>	<b>27</b>	<b>12</b>	<b>9</b>	<b>2</b>	<b>143</b>

(Source: IDM & City of Maryville)

The most popular day for outings is Friday, averaging 12 events annually, followed by nine events on Saturday and seven tournaments on Wednesday. These days will have a positive effect on the subject property and will be defined later.

Golf Course Revenues											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	Average	% of Rev
Rounds	21,984	25,915	26,080	24,621	21,430	19,879	19,008	15,868	15,312	21,122	
Annual Rounds	37,591	37,591	37,591	37,591	37,591	37,591	37,591	37,591	37,591	37,591	-4%
% Played	58%	69%	69%	65%	57%	53%	51%	42%	41%		
<b>Total Sales</b>	<b>\$ 509,370</b>	<b>\$ 573,000</b>	<b>\$ 574,000</b>	<b>\$ 584,000</b>	<b>\$ 605,000</b>	<b>\$ 564,000</b>	<b>\$ 571,000</b>	<b>\$ 504,000</b>	<b>\$ 489,000</b>	<b>\$ 552,597</b>	<b>100%</b>
Percent Change		12%	0%	2%	4%	-7%	1%	-12%	-3%	0%	
Revenue per round	\$ 23.17	\$ 22.11	\$ 22.01	\$ 23.72	\$ 28.23	\$ 28.37	\$ 30.04	\$ 31.76	\$ 31.94	\$ 26.82	
Golf Fees	\$ 182,000	\$ 197,000	\$ 192,000	\$ 200,000	\$ 197,000	\$ 188,000	\$ 192,000	\$ 163,000	\$ 153,000	\$ 184,889	33.5%
Cart Rentals	\$ 126,000	\$ 138,000	\$ 148,000	\$ 148,000	\$ 162,000	\$ 152,000	\$ 156,000	\$ 134,000	\$ 131,000	\$ 143,889	26.0%
Season Passes	\$ 63,000	\$ 86,000	\$ 81,000	\$ 81,000	\$ 81,000	\$ 76,000	\$ 69,000	\$ 59,000	\$ 52,000	\$ 72,000	13.0%
Driving Range	\$ 22,000	\$ 21,000	\$ 22,000	\$ 21,000	\$ 24,000	\$ 20,000	\$ 21,000	\$ 17,000	\$ 16,000	\$ 20,444	3.7%
Snack Bar	\$ 73,000	\$ 78,906	\$ 76,000	\$ 74,000	\$ 77,000	\$ 70,000	\$ 78,000	\$ 66,000	\$ 62,400	\$ 72,812	13.2%
Merchandise	\$ 32,000	\$ 39,000	\$ 40,000	\$ 36,000	\$ 25,000	\$ 800	\$ 34,000	\$ 49,000	\$ 51,000	\$ 34,089	6.2%
Other	\$ -	\$ 14,000	\$ 15,000	\$ 24,000	\$ 39,000	\$ 50,000	\$ 21,000	\$ 16,000	\$ 24,000	\$ 22,556	4.1%

The chart above reviews the golf course's revenue operating results and defines the rounds, average revenue per round, departmental revenues, and percentage of total revenue for the facility through 2011. The course achieved the highest revenue in 2007 at \$605,000 and has declined since. The average revenue per round at \$26.82 over a nine-year period resulted in a Combined Average Growth Rate (CGAR) flat at 0%. On average, golf fees make up 33.5% of total revenue, followed by cart rental at 26%, and season passes at 13%. The food and beverage service at the snack bar account for an average of 13% of revenue.

### **Mozingo Lake Park Youth Camp**

The youth camp features five sleep cabins, shower houses, beach access, dock, and a large community building. Much of the development at the Youth Camp—including the sleep cabins—is available to the public; however, preference is given to youth activities.

User fees for Youth Camp:

- Sleep Cabins 1-4: \$30 per night (sleep 12)
- Cabin 5: \$50 per night (sleeps 16)
- Community building: \$200 deposit (required for all)
- Youth-only rates: \$50 first day, \$20 per day thereafter
- Non-profit rate: \$100 per day
- Social organizations/others: \$150 per day

### **Mozingo Lake Park Family Cabins**

The park features five family lakeside cabins available for rental year-round. These cabins are popular and typically booked from April to October on a consistent basis. There are two large cabins featuring two bedrooms plus a large loft, kitchens, living room, and bathroom. There are three smaller cabins that feature one bedroom and loft, kitchen, living room, bathroom, and deck.

Per day user fee for Family Cabins (pricing may vary):

- Small Cabins (1-3) Peak season: Sun-Thurs: \$80/Friday-Saturday: \$100
- Large Cabins (4) Peak season: Sun-Thurs: \$120/Friday-Saturday: \$140
- Large Cabin (5) Peak season: Sun-Thurs: \$140/Friday-Saturday: \$160
  
- Small Cabin (1-3) Off-season: Sun-Thurs: \$60/Friday-Saturday: \$75
- Large Cabin (4) Off-season: Sun-Thurs: \$100/Friday-Saturday: \$115
- Large Cabin (5) Off-season: Sun-Thurs: \$120/Friday-Saturday: \$135

## Statistics on Mozingo Park Seasonal Rental

Cabin Occupancy Trend Mozingo Lake Park													
2006-2010													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	FY Average
FY 2006	41.9%	22.5%	26.6%	3.3%	8.9%	22.6%	53.3%	64.5%	79.2%	97.6%	73.4%	73.3%	47.3%
FY 2007	58.7%	35.3%	23.2%	7.8%	9.3%	29.7%	38.7%	71.5%	98.7%	96.8%	87.6%	58.7%	51.3%
FY 2008	51.6%	48.0%	55.5%	14.2%	5.5%	17.4%	42.0%	71.6%	99.3%	99.4%	90.3%	64.7%	55.0%
FY 2009	43.9%	58.0%	20.7%	11.6%	15.0%	37.4%	68.7%	94.2%	97.3%	99.4%	86.4%	62.7%	57.9%
FY 2010	49.7%	37.3%	18.7%	12.3%	16.4%	34.8%	43.3%	80.6%	96.7%	100.0%	83.2%	68.7%	53.5%
Average Occupancy	49.1%	40.2%	28.9%	9.8%	11.0%	28.4%	49.2%	76.5%	94.2%	98.6%	84.2%	65.6%	53.0%
4 Year CAGR	<b>4.3%</b>	<b>13.5%</b>	<b>-8.4%</b>	<b>39.4%</b>	<b>16.5%</b>	<b>11.4%</b>	<b>-5.1%</b>	<b>5.7%</b>	<b>5.1%</b>	<b>0.6%</b>	<b>3.2%</b>	<b>-1.6%</b>	<b>3.1%</b>

Note: CAGR = Combined Average Annual Growth Rate from 2006 to 2010

(Source: IDM & City of Maryville)

Existing seasonal demand for accommodations is useful when forecasting the potential demand for a new subject facility; this information will be used later in the study. The above information identified in 2011 that the cabins experience the highest demand from May through September. Occupancy peaks in June and July, averaging 91.4% over the past five years. The average occupancy is 53.0% and has a growth rate of 3.1% over that same period.

### Mozingo Lake Park Shelters and Pavilions

Service clubs and families have donated picnic shelter houses and pavilions to enhance the overall quality of the Mozingo experience. Individual picnic shelters are available at no cost.

User fees for Pavilions:

- Kiwanis Shelter House \$15 half day/\$20 full day
- H. Lions Shelter House \$30 half day/\$50 full day
- Phillips Shelter House \$30 half day/\$50 full day
- Pride Lions Shelter House \$15 half day/\$20 full day

### Mozingo Park Lake Access

There are three access points to the lake including a primary boat double ramp, single ramp, and the conservation ramp. Once in the water, there are multiple spaces to dock at these locations and at the RV park and cabins. The Department of Conservation maintains the fish stock in the lake and monitors the appropriate catch/release/harvest of the fish population. The park offers one handicap-accessible fishing pier. Mozingo Lake Park offers corporate event tournaments and professionally sponsored fishing tournaments.

User fees for Lake Access:

- Tournament Reservation: \$100.00
- Season pass boat: Motorized \$45/non-motorized: \$35
- Single day boat: Motorized, \$8/non-motorized: \$5
- Boat slip (available to RV campers only): \$7 per day

**MOERA**

Northwest Missouri State University  
800 University Drive  
Maryville, MO 64468  
660.562.1297

The local Northwestern Missouri State University owns a 320-acre parcel of land adjacent to the lake known as MOERA, the Mozingo Outdoor Education Recreation Area. The facility is operated by Jon Gustafson, Director, as a ropes course where participants are challenged to develop their leadership and teamwork abilities. Businesses schools, youth groups, and athletics teams are among the organizations that use MOERA's challenge course to strengthen group relationships and skills.

The MOERA facility features a low-element challenge course and a high-element adventure course. The climbing wall and alpine tower, built in 2000, are 50 feet tall and are the primary features of the high-adventure program. The facility has an amphitheater, three American Trap Association sanctioned trap and wobble trap courses, and a field archery range with 14 ranges with 20- to 60-yard targets, a courtesy boat and fishing dock, biological reserve, and an astronomy observatory.

According to the director business has remained fairly consistent over the last several years. Approximately 95% of the clients are school age groups with about 40% middle school students and 25% high school students. The remainder of use is college groups from Northwest. These groups pay \$15.00 per person in 2010 and increased to \$20 per in 2011. The facility has hosted corporate groups from local companies like Kawasaki leadership teams. The typical corporate group averages 45 participants pays \$25 for a half day \$35 for a full day of instruction.

The use of the facility would certainly be an amenity for the subject facility and would seasonally give groups of up to 50 a full or half day of team building exercises. A detailed list of MOERA facility attractions is listed in addenda 8 of the market analysis.

**Visibility**

The site being analyzed in Maryville is located five miles west of the downtown area but within close proximity to the area's major employers. The subject site is visible, located on or near major corridors of business, and is one of the area's most popular attractions.

**Accessibility**

The City of Maryville is located in Nodaway County, situated at the junction of US Highway 71 (four-lane north/south corridor) and US 46/136 (east-west corridor). The city is positioned midway between US Interstates 29 and 35, near the hub of the Midwest's major highway networks. The city is easily accessible heading north from Kansas City, MO, and the City of St. Joseph, MO, from Highway 71 (a four-lane highway) to the City of Maryville.

Here is a list of major regional cities, their distances, and approximate drive times to Maryville:

- Minneapolis/St. Paul—405 miles (6 hours, 30 minutes)
- Saint Joseph, MO—43 miles (40 minutes)
- Kansas City, MO—95 miles (1 hour, 30 minutes)
- Omaha, NE—112 miles (2 hours)
- Lincoln, NE —115 miles (2 hours)
- Des Moines, IA—159 miles (2 hour, 30 minutes)
- St. Louis, MO—348 miles (6 hours)
- Oklahoma City, OK—431 miles (6 hours, 45 minutes)
- Chicago, IL—493 miles (8 hours)

**Air Transportation**

Maryville is serviced by two airports: Northwest Missouri Regional Airport and privately operated Rankin Field. The municipally owned Northwest Missouri Regional Airport facility has a newly reconstructed 4,400-foot hard-surface runway and adjacent taxiway, making it more accessible to corporate jet aircraft. Rankin Field has a 3,000-foot hard-surface runway and taxiway which is a mix of concrete and gravel.

Commercial airline service with connections to any US destination is most conveniently available at the Mid-Continent International Airport, Kansas City, 80 miles (70 minutes) to the south or through Omaha's commercial airport, Eppley Field, located 115 miles north of Maryville.

Amtrak rail connections to major east-west routes are available from Creston (70 miles north), three Kansas City-area stations, and Omaha. Maryville has scheduled ground transportation service via Jefferson Bus Lines to nearby connecting stops in Kansas City, Springfield, and Omaha.

### **Safety**

The immediate area is regarded as relatively safe, with little to no crime in the Maryville area. Maryville's property crime levels tend to be much lower than Missouri's average level. The same data shows violent crime levels in Maryville tend to be lower than Missouri's average level.

The 2010 FBI database shows that the crime in the Maryville area reported less than 300 total occurrences, of which nearly 80% were non-violent thefts. Violent crime in the area is so low that it did not report against the national average. The violent crime data would suggest that Maryville is safer than the average US city. Violent crime—including murder, forcible rape, robbery, and aggravated assault—was nonexistent in the area and well below the nation percentile. Property crime—including burglary, larceny, theft, and vehicle theft—is also lower than the national average.

Maryville Public Safety personnel maintain a close working relationship with the Nodaway County Sheriff's Department, the Missouri Highway Patrol, and Northwest Missouri State University Campus Safety officers.

**Education**

Maryville has a record of accomplishment of successfully educating the community's children and young adults with a AAA rating and distinction awards. The community offers modern facilities: Eugene Field Elementary School, Maryville Middle School and High School, Northwest Technical School, and Northwest Missouri State University.

**Northwest Technical School**

1515 South Munn  
Maryville, MO 64468  
(660) 562-3022

Northwest Technical School is focused on the changes in technology and educating new kinds of technicians in the workforce. The school teaches career and technical skills that Northwest Missouri employers often look for and that are important for economic growth. Students in the school programs learn communication, problem-solving, and teamwork skills as part of their education.

Northwest Technical School offers training to approximately 450 students from the surrounding counties in more than 15 areas of business. These programs include: automotive service, collision repair, building trades, childcare, culinary arts, health careers, welding/machine shop, and agriculture. There are Associate degrees in Nursing, Business Management, and Construction Technology offered in conjunction with North Central Missouri College.

**Northwest Missouri State University**

800 University Drive  
Maryville, MO 64468  
(660) 562-1212

Northwest Missouri State University is a four-year regional state university. It is a catalyst that attracts educational, cultural, political awareness, and opportunities to experience the performing arts for the City of Maryville. Often called the most beautiful of Missouri's colleges, Northwest's 350-acre campus is also designated as Missouri's State Arboretum.

Northwest's enrollment in 2010 exceeded 7,000 students from throughout Missouri and the surrounding three-state region. The university comprises three colleges—Arts and Sciences, Education and Human Services, and the Booth College of Business and Professional Studies—offering baccalaureate, master's, and educational specialist programs. A Doctor of Education is also offered in conjunction with the University of Missouri. Northwest offers

140 undergraduate majors and 36 master's programs. Every full-time student is provided textbooks and a laptop to use throughout the school year.

This Division II NCAA School has a long history of football rivalry. Since 1931, the Northwest Missouri State University's Bearcats have been playing the Truman State University's (Kirksville, MO) Bulldogs for possession of a 30-inch piece of hickory known as "The Hickory Stick." It represents one of the most intense rivalries in college football. The Old Hickory Stick game, played annually between the two universities, has the distinction of being the oldest traveling trophy game in Division II college football.

**Lodging in Maryville**

There are several camping facilities and a few hotel/motel accommodations available in the Maryville area. Campgrounds and recreation vehicle accommodations are located near popular attractions and the scenic Mozingo Lake Park. The area provides facilities for tourist parking, areas for camping, with showers and necessary hook-ups.

**Meeting Facilities in Maryville**

Existing banquet and meeting facilities in this market are typical of small community profiles in the Midwest. The facilities available are supported by local caterers and rental companies. The closest full-service hotels are located in St. Joseph, MO, and are the Ramada Inn, Stoney Creek Inn, and the Holiday Inn & Conference Center in historic downtown—40 miles north of Kansas City International Airport and 55 miles south of Maryville.

There are small rental rooms available for 10 to 15 people at a variety of area hotels including the Comfort Inn and Holiday Inn Express. As mentioned earlier, the golf course at Mozingo can also accommodate small meetings.

**Maryville Community Center**

1407 N. Country Club Road

Suite 200

Maryville, MO 64468

(660) 562-2923

[www.maryville.org](http://www.maryville.org)

The Maryville Community Center (MCC) is the area's center for health and wellness as well as the only real facility for meetings within the city. The facility has a three-court gymnasium, suspended walking track, convenience shop, locker rooms, and miscellaneous areas for dance, yoga, fitness, and dining. The facility has a full selection of strength and cardio equipment as well as personal fitness training.

The facility's gymnasium is the largest room in the Maryville area; in addition to athletic events, it is used for a broad range of occasions. The facility draws regional home shows, tool sales, wedding receptions, and other social banquets. The gymnasium can accommodate seating for up to 720 people.

The number of business and social events increased dramatically in 2010. A facility room, referred to as "the large meeting room," seats up to 100 people was added during the expansion in October 2009. This room has a large screen, projector, wireless Internet, and more, making it more conducive for business meetings, training events, and seminars.

The proximity to the community makes the facility convenient for business functions during the week as well as for service organizations to conduct daytime meetings. The facility has a fully functional professional commercial kitchen that is not open for public use; the facility is used for catering in by local companies. Preferred caterers include the area businesses Hy-Vee, Paglias, The Bistro, and Aramark.

The MCC has two smaller meeting rooms that are 840 square feet and one large meeting room at 1,600 square feet and can accommodate up to 100 for banquets in its large meeting room and the rates may vary. The facility has tables and chairs available for use at events, and rental items include a PA system, podium, TV/VCR, and Internet access. For an increased deposit amount, alcohol is permitted at the facility.

<u>MCC Rates</u>	<u>Cost</u>
Small meeting room	\$15/hour or \$100/day
Large meeting room	\$25/hour or \$175/day

The Directors of Parks and Recreation for the City of Maryville, which manages the MCC, supplied data on the types of events and dates of facility usage for the purpose of this study. Later in the report, we will analyze that data on the facility and compare the number of annual events by market segment and day-of-week usage. It was reported that the facility's reservations have remained fairly steady and that groups are now typically drawn to the larger meeting rooms, whereas in the past, they met in the smaller two meeting rooms. The larger room has allowed groups seating more than 40 people to utilize the facility as well as offer enhanced amenities that meet the needs of a wide range of groups.

The facility is also used one weekend each month by the Maryville Army Reserve for meetings, food service (using the commercial kitchen), and training. During that week, the facility is closed to local rental.

### **Younger Land & Auction Company, LLC**

312 East South Hills Drive

Maryville, MO 64468

(660) 541-1977

[www.youngerauction.com](http://www.youngerauction.com)

Younger Land & Auction Company was established in 1953 as a business family-owned and operated by the Younger family. The auction barn and business offer a complete line of sales services including antiques, estates, real estate, farm, equipment, and household auctions and additional real estate services such as appraisals. The auction facility is an 8,500 sq ft gallery that is climate controlled and rented out for private functions to the community. The rental fee is approximately \$1,700 nightly, based on availability. The facility has only a limited

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supply of tables and chairs, typically requiring renters to locate additional seating from local vendors.

The facility is a one-story brick and siding structure meant to service auction gatherings. The interior design and fluorescent lighting is not upscale in design or décor for weddings or annual social gatherings. Pictures are available online at the facility's website.

**Maryville Country Club**

25864 Icon Road

Maryville MO

(660) 582-5122

[www.maryvillecountryclub.com](http://www.maryvillecountryclub.com)

The area country club is located on the west edge of Maryville and is a quaint facility in a county side golf setting. The facility has a nine hole golf course that is USGA approved and has bent grass greens. The club has a dining room facility that was built in 2008 and an attached bar, pool area deck area. The property is newly renovated and the venue includes tables and chairs, a bar, and capacity for up to 150 people. The facility is rather old and dated.

**Tri-Meadows**

34495 State Highway VV

Maryville MO

(660) 944-2468

There is very little information available about this new property. The facility is a 7,200 sq. ft. metal building designed as a banquet facility 2 miles southeast of Maryville. The building can accommodate up to 600 people and includes a full kitchen and bar area. The facility does supply tables and chairs.

## Missouri Regional Economic Investigation Tourism & Demand Generators

### Missouri's Tourism Investment

The Missouri Division of Tourism Annual Report for Fiscal Year 2011 states that the tourism team's sole purpose is to plan strategically and execute smart marketing to increase occupancy in hotels rooms across the state. The goal is to bring more attendees to festivals, fill more seats at events, and have more travelers enjoying the outdoors in the state parks. The report presents information on travel-related economic activity in the state from July 2011 through June 2012. The report was released in February 2013.

Tourism plays a significant role in Missouri, and businesses that cater to tourism—such as resorts, hotels, campgrounds, bed & breakfasts, and retail stores—are complemented by hundreds of miles of biking trails as well as many parks, golf courses, historic sites, and area attractions. Travelers' expenditures in Missouri have a substantial impact on the state's economy.

Tourism is a vital part of Missouri's economy, as reported by Governor Nixon. The 2010 Annual Report found that the Show-Me state's economic impact is \$11.2 billion in tourism-related spending, supports 281,255 jobs, and provides more than \$900 million in state and local taxes for communities each year. Nationally, travel increased in 2010 from the economic downturn that affected travel in 2008 and 2009.

*(Source: VisitMO.com)*

The estimated number of annual person-visits in Missouri is more than 36.08 million domestic visitors (down 2.2% from 2009), nearly six times the total population of the state. The following person-visit list represents one person staying in one accommodation for one or more nights, or on a day trip away from home. Of the 36 million visitors, 31.51 million were leisure travelers, accounting for 88% of all visitors. The top five reasons for person-visits to and through Missouri are as follows:

- Visiting relatives                      28% or 9.6 million
- Shopping                                      19% or 6.6 million
- Visiting friends                          13.5% or 4.5 million
- Rural sightseeing                        9.6% or 3.9 million
- Dining                                        9.1% or 3.0 million

Consumer data for state visitor activities that might pertain to the Maryville area and specifically the Mozingo attractions are as follows:

- 
- |                                    |                        |
|------------------------------------|------------------------|
| • Rural sightseeing (as mentioned) | 9.6% or 3.9 million    |
| • State or national parks          | 3.5% or 1.239 million  |
| • Motorboat or jet skiing          | 3.25% or 1.160 million |
| • Fishing                          | 3.5% or 1.114 million  |
| • Camping                          | 2.5% or 960 thousand   |
| • Wildlife viewing                 | 2.5% or 849 thousand   |
| • Golf                             | 1.5% or 530 thousand   |
| • Hunting                          | 0.50% or 189 thousand  |

It is estimated that nearly 9.96 million travelers or 27.8% of the state's visitors look for similar attractions to those found in Mozingo Park amenities. Attracting and marketing to these travelers will be critical to the future of the existing offerings in the area as well as the potential expansion of amenities.

Residence status indicates that 53% of Missouri travelers come from out of state and 47% are in state travelers. Top home states of non-resident travelers are as follows with the percent of travelers by state: Illinois 7.9%, Kansas 8.1%, Iowa 2.3%, Arkansas 4.8%, Texas 4.4%, Nebraska 1.8%, and Oklahoma 3%. The vast majority of all travelers to Missouri come from the South Central region. In-state travel is estimated at 15.8 million travelers annually. (*Source*: "The Economic Impact of Expenditures by Travelers on Missouri FY 2011 Report")

### **Missouri's Tourism Commitment**

The Missouri Tourism Commission and the Missouri Division of Tourism (MDT) are committed to the growth of the state's tourism. The vision of the MDT is "To lead Missouri in becoming one of America's most memorable tourist's destinations," and the mission is "To market tourism and increase revenue each year for the state."

The Department of Tourism will spend approximately \$13.5 million in FY 2010-2011 promoting the state as an ideal travel destination. Key tourism indicators are as follows:

- 78.3% or 10.19 million is spent on marketing the state, and 21.7% or 2.8 million for operating the MDT in direct expenses, staffing, and welcome centers.
- Travelers spent \$7.5 billion in direct tourism spending in the state in FY 2011.
- Tourism directly supported 281,255 full-time equivalent jobs over 10% of the state's total private sector employment and \$4 billion in wages and salaries.
- Travel spending generated \$638 million in local government revenues and state revenues.
- Travel and tourism creates jobs and generates sales in every county of the state.
- The leisure and hospitality industry accounts for 15% of the Missouri's state sales tax revenues.

- Every \$1 invested in state tourism marketing returns an estimated \$53 in local and state visitor expenditure.
- Most of Missouri's visitors during FY10 (84.5%) relied on autos as their primary mode of transportation.
- Travelers surveyed were asked to identify any of 51 activities they engaged in while visiting Missouri. The top three during FY10 were Visiting Relatives (27.0%), Shopping (18.7%), and Visiting Friends (12.6%).
- These activities were followed by Rural Sightseeing (10.9%) and Dining (8.5%). Other important purposes for travel included Pleasure/Personal (15.1%), Entertainment/Sightseeing (14.0%), and Business (11.9%)—both General and Convention/Conference/Seminar.

### Missouri's Marketing Regions



The state markets to travelers and tracks spending and visitor impact according to the above regions. The Northeast and Northwest Regions accounted for 42.6% and 25.1%, respectively, of Missouri's total taxable sales from tourism-related industries during FY10. The Southwest region was third, accounting for 15.8% of the state total.

Similarly, the Northeast and the Northwest Regions accounted for 42.7% and 24.2%, respectively, of Missouri's employment in tourism-related industries during FY10. The Southwest region was third, accounting for 14.9% of the state total.

Tourism spending and tourism-related employment was reported regionally in FY11 as follows:

<u>Region</u>	<u>Total Expenditures</u>	<u>Tourism Jobs</u>
Northwest Region	\$2.596 billion	66,636
Northeast Region	\$4.332 billion	119,011
Central Region	\$986 million	30,608
Southwest Region	\$1.6 billion	43,792

**Economic Impact by County**

Nodaway County and Maryville area reports fall within the Northwest Region. The county of Nodaway is one of 28 counties reporting to this region. Nodaway County reported \$23,784,250 in gross sales and supported 776 jobs, ranking seventh within the region in both spending and employment and up from FY 2010.

Counties that rank higher than Nodaway County in the Northwest Region were the Counties of Jackson, Clay, Platte, Buchanan, Cass, and Lafayette.

**Visitors**

According to the Missouri Department of Tourism and VisitMO.com, the data gathered regarding target markets of visitors and their profiles are as follows:

Average age	48
Average income	\$62,100
Average education level	48% of visitors have a bachelor’s degree
Average leisure party size	3.3
Travel Residence Status	
Out-of-state travelers	55.9%
In-state travelers	44.1%

**Travel Party Demographics for Out-of-State Travelers**

Couples	40%
Family with children	26%
Extended family	13%
Women only	10%
Men only	2%
Other	7%

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Travel Party Demographics In-State Travelers	
Couples	48%
Family with children	25%
Extended family	9%
Women only	8%
Men only	2%
Other	8%
Top Activities & Purpose of Trip	
Unique restaurants	32%
Visiting city and city attractions	30%
Attending entertainment or shows	24%
Family attractions	20%
Historic sites	18%
Average daily expenditure per person	\$80
Average trip length	3.1 nights
Average expenditure per travel party	\$871
Average spent on lodging	\$201
Average spent on lodging meals	\$169
Average spent on lodging/ entertainment/shopping	\$247

### **Subject Market Economic Profile**

This section of the report will highlight general economic conditions observed for this market area by reviewing various research sources, including independent reports on population, unemployment, demographics, and lodging statistics within the region. This overview does not in itself determine the potential success of the hotel in the Maryville market; however, it offers insight into the stability and growth potential of the community. It will directly affect the conclusions reached in this study.

The Maryville economic base is diversified, with a relatively equal distribution among the manufacturing, wholesale/retail, education, health care, and services sectors. Manufacturing traditionally has been a principal industry in the city. Maryville is also a primary retail and wholesale trade center, drawing from the market area.

### **Economy**

Maryville provides residents and visitors a unique blend of outdoor activities, agricultural experiences, education, and cultural diversity. Maryville has a strong market for manufacturing, many of which are located within the city. These businesses include a variety

of manufacturing, machining, and engineering companies. This strong, diverse economy allows the city to offer potential employers the ability to compete in a global economy.

### Business

Maryville and Nodaway County are home to more than two dozen manufacturers in industries such as metals, recycling, energy, automotive and small engine parts, and lighting. Local companies provide finished goods or parts for an array of devices, recreational vehicles, small engines for essential household appliances, grain-handling equipment, electronic equipment, and other products. Agricultural principal products are corn, soybean, and cattle.

### Employment

The unemployment rate in Nodaway County—reported by the US Department of Labor Statistics in March of 2013—is 5.9% with Missouri as a whole at about 6.7%. The labor force in the eight-county area is estimated at 83,362 with an average of 62.6% labor force and nearly 94.1% employment. The three largest sectors in employment are manufacturing, education, and health services.

Economy	Nodaway County, MO	State of Missouri
Unemployment Rate (March 2013)	5.9%	6.7%
Recent Population % Change	6.0%	7%
Future Job Growth	N/A	N/A
Sales Taxes	7.975%	4.225%
Room Taxes	0%	Varies
Number of Households	9,585	2,322,238
Ave. Household Income (2010)	\$31,781	\$45,149

### Population

Nodaway County has a land area of 876.62 square miles of land plus 1.1 square miles of water. Missouri is the 18th most populous state in the United States and fifth most populous within the Midwest. As of the census of 2010, there were 23,370 people, 9,585 housing units, and 4,817 families residing in Nodaway County. The population density was 26.7 people per square mile. There were 8,319 housing units at an average density of 10 per square mile. The ethnic makeup of the county was 94.5% White, 2.4% Black or African American, 0.2% Native American, 1.6% Asian, and 0.9% from two or more races. In addition, 1.3% of the population was Hispanic or Latino of any race.

The number of households reported from 2005–2009 was 8,319 households, out of which 17.7% had children under the age of 18 living with them, and 50% were married couples living together. The average household size was 2.33, and the average family size was 2.94.

In the county, the population was spread out, with 19.40% under the age of 18, 25.10% from 18 to 24, 34% from 25 to 54, and 21.5% 55 years of age or older. The median age was 30 years. For every 100 females, there were 99.70 males. For every 100 females age 18 and over, there were 97.00 males.

The median income for a household in the county was \$36,677, and the median income for a family was \$42,203. Males had a median income of \$28,388 versus \$21,267 for females. The per capita income for the county was \$19,411. About 21% of the population was below the poverty line.

### Largest Employers

Maryville features a diverse local business mix that includes light industrial, retail, education, and health care. The Maryville Department of Economic Development currently has an up-to-date list of local businesses. The following list is 2010 information. The city reports an eight-county labor basin of nearly 84,000 and a labor force of 62.6% and employment of nearly 95% of its workforce. Major businesses have facilities in Maryville, as shown in the following table: (*Source:* IDM & City of Maryville Chamber of Commerce)

### Employers in Maryville, MO

Company Name	Business	Number Employed
Northwest Missouri State University	Higher Education	800
Kawasaki Motors Mfg Corp	Gas Engine, Lawn & Garden Division	750
Energizer	Dry Cell Batteries	515
St. Francis Hospital	Healthcare	475
Kelly Services	Staffing Services	350
Hy-Vee Food Store	Food Retail	300
Walmart Supercenter	Retail Discount	290
Maryville Treatment Center	Minimum Security Treatment Center	240
Maryville School District	Education	250
Deluxe	Printing	230
Federal-Mogul	Chassis Products	200
Nucor-LMP	CF Steel Bar and Wire	155
Laclede Chain Company	Hardware & Tire Chain	155
NOCOMO/Sheltered Workshop	Packaging	75
Northwest Services	Staffing Services	70
ARAMark	Food Service	70
Miscellaneous	Other	200

**Subject Site Local Demand-Generating Businesses**

Maryville and Nodaway County have attracted numerous business and leisure travelers to utilize overnight accommodations in the region. There are hotel accommodations in the county and in the area, as mentioned later in the report, and many of them benefit from regional demand generators. Following is a list of the top or key events identified that create overnight demand.

Many of the companies/organizations listed were contacted and surveyed for their accommodation and meeting needs; survey results will be discussed later in the report.

**Kawasaki Motors Manufacturing Corp**

28147 Business Highway 71

Maryville, MO 64468

(660) 582-5829

[www.kawasaki.com](http://www.kawasaki.com)

Kawasaki was the first foreign vehicle manufacturer to open a manufacturing plant in the United States back in 1974. The goal was to sell to American consumers but save on shipping of products by building and employing local labor. The theory worked: Years later, firms such as Nissan, Toyota, VW, and Honda followed Kawasaki's lead.

In addition to Kawasaki's headquarters building in Irvine, CA, the company has regional sales offices and/or distribution centers in Piscataway (NJ); Atlanta (GA); Fort Worth (TX), and Grand Rapids (MI). Kawasaki Motors Manufacturing Corp., USA of Lincoln, NE, operates a small engine manufacturing plant in Maryville.

The Maryville facility has grown to more than 700,000 square feet on 113.7 acres of land, employing more than 750 people. The company's research and development centers are located in the Lincoln and Maryville facilities to quickly meet customer demand.

**Energizer**

3131 East First Street  
 Maryville, MO 64468  
 (660) 582-8131  
 www.energizer.com

Global Headquarters Energizer Headquarters  
 533 Maryville University  
 St. Louis, MO 63141  
 (800) 383-7323

Energizer Holdings, Inc. is a consumer goods company operating globally in the broad categories of household and personal care products. The company currently offers solutions in portable power, lighting, wet shave, personal grooming, skin care, feminine care, and infant care. Products include brands such as Energizer, Schick, and Playtex.

There are eight US communities in which the company has offices:

Asheboro, NC	Westlake, OH
Bennington, VT	Marietta, OH
Maryville, MO	St. Louis, MO
St. Albans, VT	Milford, CT

The Maryville Plant is located in the Heartland, just 90 miles north of Kansas City—the ideal location for those who enjoy a rural community within easy driving distance of a larger metropolitan area. The Maryville manufacturing facility produces alkaline batteries and employs more than 500 local residents.

**Northwest Missouri State University**

800 University Drive  
 Maryville, MO 64468  
 (660) 562-1212

Northwest offers 135 undergraduate programs and 36 master's programs. The Business, Education, Geography, and Agriculture departments graduate the most students each year.

Northwest was a founding member of the Mid-America Intercollegiate Athletic Association in 1912 and has since remained in the conference. From its founding until 1937, it has competed in the Amateur Athletic Union. From 1937 to 1957, it competed in the National Association of Intercollegiate Athletics. In 1957, it joined NCAA Division II. Northwest has

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appeared in seven Division II football title games—winning three—since 1998. Throughout the year, the Bearcats draw a number of regional locals for university football games, baseball games, and other college sports.

### **Maryville Treatment Center**

30227 US Highway 136

Maryville, MO 64468

(660) 582-6542

The facility is a treatment center run by the Missouri Department of Corrections minimum-security prison for male inmates on the grounds of the former Mount Alverno motherhouse of the Sisters of St. Francis of Maryville.

The facility has a designed capacity of 561 offenders. The center is designed to provide a six-month treatment program for 225 in the Offenders Under Treatment (OUI) Program and the Board Substance Abuse Program (BDSAP). It also has capacity for 336 pre-release offenders.

The Franciscan motherhouse was built in 1947, and its yellow steeple on the bluff above One Hundred and Two River is a distinctive landmark. The Sisters founded and operated Maryville's St. Francis Hospital. In 1963, they opened the Mount Alverno High School for Girls next to the motherhouse. The school closed in 1971. In 1985, the order abandoned the motherhouse and school when it merged with Sisters of St. Mary to form the Franciscan Sisters of Mary, headquartered in St. Louis, Missouri.

In June 1995, Missouri purchased the 44 acres, and the prison began operations on December 3, 1996, much to the dismay of many Maryville residents. However, the facility does provide many jobs in the community and surrounding area. Today, the facility does not cause much controversy in the area and functions primarily as a pre-release center.

Although the facility is not a regional demand generator for local tourism, it is a source of regional employment and is located within two miles of the subject facility, Mozingo Lake.

**St. Francis Hospital & Health Services**

2016 South Main Street  
Maryville, MO 64468  
(660) 562-2600  
www.stfrancismaryville.com

St. Francis Hospital is a full-service healthcare organization located in Maryville, MO. The facility's tradition of providing quality medical care to the residents of Northwest Missouri began in 1894 and has continued for more than 100 years. Today's legacy continues under the umbrella of SSM Health Care, the corporate parent, and with the sponsorship of the Franciscan Sisters of Mary.

A rural hospital, the facility provides emergency treatment, acute care for patients with medical and surgical diagnoses, mental health illnesses, and obstetrical needs. Nodaway County is the primary service area, although the facility also draws patients from a secondary service area: the surrounding rural counties of Andrew, Atchison, Holt, Gentry, and Worth in Missouri, and Taylor, Iowa. The hospital employs nearly 500 regional residents.

**Federal-Mogul Corporation**

2002 East 1st Street  
Maryville, MO 64468-3112  
(660) 562-2733

Federal-Mogul Corporation is a global supplier of quality products, brands, and solutions to manufacturers of automotive, light commercial, heavy-duty, and off-highway vehicles as well as in power generation, aerospace, marine, rail, and industrial. The 45,000 people of Federal-Mogul, located in 35 countries, drive the \$6.2 billion company.

Federal-Mogul's Vehicle Safety and Protection (VSP) group—also located in Maryville—has been providing safety and protection solutions to global customers for more than 100 years. The company's commitment is improved safety and high-performance supplies for the automotive, heavy-duty industrial, railway, aircraft, and aerospace markets. Sales in this group include friction, systems protection, lighting, wiper, and fuel products. The company employs nearly 200 regional residents.

**Maryville Market Survey****Interview Observations & Comments**

In the process of analyzing the Maryville market in 2011, IDM used an interview process that included direct contact with executives at companies, attractions, and associations in the market area that were expected to produce room nights in the region. Referrals were provided by the city, Chamber of Commerce, and local executives. The following summary describes the interviews that took place and a summary of findings. This list is not inclusive of all market demand but will give the reader an overall understanding of the type of business that a hotel could generate in the market.

Frequent interview comments are noted. Due to the length of each written interview, many comments have been consolidated:

**IDM GROUP MARKET SURVEY**

As a primary source of gathering market data on hotel usage, IDM performed a direct contact survey to the local community through members of the Chamber of Commerce and the City of Maryville in 2011. The letter that was sent out is attached in Section 7. The survey was sent electronically to area businesses and individuals through Survey Monkey. The resulting information was gathered and analyzed, and a complete report of the survey is located in Section 7. Information was gathered from more than 50 companies and individuals.

**Survey Highlights****Percentage of local businesses that use area hotels:**

Use local accommodations 54%      Do not use local hotels 46%

**How frequently does your company require hotel accommodations?**

Once a week	2.7%
2-3 times weekly	5.4%
Once a month	13.5%
3-4 times a month	2.7%
Seasonally	35%
Other	40.5%

**Detail hotel accommodations needs:**

	<b>Response Average</b>
Number of rooms used monthly	1.89
Estimated annual room nights used	27.24
Estimated average rate for rooms	\$62.86
Estimated Length of stay per visit	1.40

**Types of rooms typically reserved (percentage of respondents who found these amenities important):**

- King Bed 58.3%
- Room with two beds 50%
- Suites 27.8%
- Full-service hotels 16.7%
- Limited Service Hotels 11.1%
- Resorts 8.3%
- Extended Stay Hotels 5.6%

**Amenities desired at hotels regularly booked (percentage of respondents who found these amenities important):**

- Swimming pool 37.1%
- Exercise facility 42.9%
- Shuttle service 22.9%
- Refrigerators in room 48.6%
- **WiFi 65.7%**
- **Breakfast 77.1%**
- Meeting rooms 42.9%
- Bar/restaurant service 37.1%

### Important Property Features when Choosing Overnight Accommodations

	1 Most Important	2	3	4	5 Least Important	N/A	Rating Average	Response Count
Brand or franchise of hotel	4.9% (2)	17.1% (7)	22.0% (9)	7.3% (3)	<b>29.3% (12)</b>	19.5% (8)	3.48	41
Distance to office or organization	29.3% (12)	<b>31.7% (13)</b>	19.5% (8)	4.9% (2)	4.9% (2)	9.8% (4)	2.16	41
Distance to local attractions & amenities (i.e. restaurants/bars)	14.6% (6)	<b>31.7% (13)</b>	22.0% (9)	2.4% (1)	14.6% (6)	14.6% (6)	2.66	41
Price	26.2% (11)	<b>42.9% (18)</b>	23.8% (10)	0.0% (0)	0.0% (0)	7.1% (3)	1.97	42
Corporate Rates	<b>36.6% (15)</b>	26.8% (11)	17.1% (7)	4.9% (2)	7.3% (3)	7.3% (3)	2.13	41
Hotel Amenities (i.e. restaurant/bar)	20.0% (8)	<b>37.5% (15)</b>	20.0% (8)	2.5% (1)	7.5% (3)	12.5% (5)	2.31	40
New(er) Property	12.2% (5)	<b>51.2% (21)</b>	19.5% (8)	2.4% (1)	7.3% (3)	7.3% (3)	2.37	41
Frequent Traveler Program	4.9% (2)	17.1% (7)	19.5% (8)	17.1% (7)	<b>22.0% (9)</b>	19.5% (8)	3.42	41

(Source: IDM)

In the above chart, respondents identified that it was most important to have a new property priced for value and offering corporate rates as the most critical issues when choosing a hotel. This was followed by hotel amenities, distance to the office, and local attractions. Least important were brand or franchise of hotel and the frequent travel program offered.

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## Survey Questionnaire

**Does your company require guestroom accommodations for long-term guests staying 5 nights or longer?**

Yes 17.5%  
No 82.5%

**Was the individual polled for this questionnaire responsible for personally making overnight room reservations or plan meetings and events?**

Yes 47.4%  
No 52.6%

**Hotels in the area most used (percentage of respondents who used these hotels (33 respondents) :**

Holiday Inn Express/Maryville	78.8%
Comfort Inn/Maryville	51.5%
Super 8/Maryville	18.2%
St. Joseph Hotels	18.2%
Other	24.2%

**Percentage of companies that use St. Joseph Hotels for meeting and events:**

Maryville accommodations 85.7%      St. Joseph accommodations 14.3%

**Percentage of companies that plan area meetings and events:**

Plan events 60%                                  Do not plan events locally 40%

**Does your company host meeting or events for the following reasons?**

	Average No. of Times per Year
Training	8.94
Annual meeting	1.15
Sales meeting	2.0
Conferences	2.4
Banquets	1.30
Other	2.25

**Regional meeting size that determines size of meeting room(s):**

	<b>Average No. of Times Annually</b>
Board Rooms	7.30
Meeting Space for 25-50 people	4.94
Meeting Space for 50-100 people	1
Meeting Space for 100-150 people	1
Meeting Space for 200+ people	1.10
Boardrooms for 10-12 people	3.25
Banquet Space in general	2.0
None, all meeting are held at the company	1 response

**Area hotels that are used for meetings and events:**

Holiday Inn Express	50%
Comfort Inn Maryville	16.7%
Community Center	55.6%

**Percentage of people that would consider using a hotel at Mozingo Lake Park and purpose:**

Yes/Business	58.8%
Yes/Pleasure	64.7%
No	23.5%

**If responded “no,” what is the reason?**

Location is inconvenient	3 responses
Currently have adequate space	1 response

**Percentage of people that would consider using meeting facilities at Mozingo Lake Park:**

Yes	81.8%
No	18.2%
Average times per year: 14	

**Key Survey Points**

- The survey had more than 50 individuals participate in the survey from various Maryville businesses.
- More than 50% of area businesses use nearby accommodations 30+ times annually at an average rate of \$62. King beds and double-bedded rooms are most popular. There is a need for full-service property with meeting space.
- Suites are popular, with nearly 30% of respondents in need of them for guests.
- Most popular amenities for accommodations are breakfast, Wi-Fi, refrigerators in guest rooms, meeting rooms, exercise facilities and swimming pool, and a bar/restaurant.
- The most important factors when choosing a hotel are a new property, good value, offering appropriate amenities, corporate rates, and easy access.
- Holiday Inn Express is the most popular choice for lodging in the area.
- 60% of respondents planned to have meetings in the Maryville area. Only 15% of respondents hold meetings in the St. Joseph area.
- Nearly 25% of area businesses used hotel accommodations in other cities because Maryville lodging currently does not meet their needs.
- 58.8% of those polled would use lodging facilities at Mozingo Lake Park for business.
- 64.7% of those polled would use facilities at Mozingo for pleasure/leisure.
- 23.5% would not use the subject facility.
- 81.8% would use the subject facility for meetings or events.

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## ECONOMIC CONCLUSIONS

This section identifies a wide variety of economic indicators that are pertinent to the market area. The diversity of the businesses and economy are above average. Workforce, population, redevelopment, and growth in the market are projected to increase for the city and county. The tourism industry is stable, somewhat seasonal, and growing. The outlook for the area is generally favorable, and growth should continue through the near term.

Subject site positional strengths include:

- Central access from the region's corridors and accessibility from the Quad State area and Western Missouri, including St. Joseph and Kansas City, Omaha and Lincoln (NE), and Des Moines (IA). Easy access from the region's southern corridors offers a good location for residential and commuter housing. The area is strengthened by its proximity to the above-mentioned cities.
- Tourism is a regional industry in which travelers are driven based on value, location, price, and amenities. Total tourism-related spending and revenues from travel in Missouri is estimated to have been \$11.5 billion during FY11, up from FY10.
- An estimated 20 million households visited Missouri, an increase from FY10.
- There were 35.8 million domestic visitors to Missouri during FY10, down 2.2% from FY09. There were 31.5 million leisure visitors, accounting for 87.9% of all domestic visitors. Domestic visitors increased in FY11.
- The combined tourism impact of Nodaway County is estimated at \$23 million in the area, ranking 7th in the Northwestern Region of the state for spending in 2010, a decrease of 0.8% from 2009; however has showed improvements in FY11.
- Maryville is perceived as an affordable setting, from its housing market, employment base, and retail positioning. The community is a rural suburban market at a value, and the area has seen significant retail growth.
- Tourism is a key sector of Missouri's economy, comparable to agriculture in its contribution to the gross state product.
- Maryville is the county seat located near the center of the county. It is a destination and the central retail shopping district for county residents and travelers to the county.
- Maryville and Nodaway County communities host a variety of sports-related tournaments and special events year-round, attracting visitors to the county. Mozingo Lake Park has an acknowledged history as a tourist destination.

Subject site challenges include:

- The market offers a limited variety of available guest rooms in the area that would be considered competition, initially. All are limited-service, economy, and budget properties. Demand is high on seasonal weekends (defined later) and moderate to high on weeknights. This is also to some extent a market strength.
- The current existing hotels are well established within the market given their age, and both travelers and companies have strong relationships with these properties. Travelers have few choices and select their hotel based on location to area businesses, rates, and availability.
- The competitive market hotels are close to existing business and demand generators. The subject site will be a destination and not immediately accessible to area businesses, as are current properties.
- The market has several hotel rooms outside the immediate market area, with significant growth in the hotel market in St. Joseph, giving travelers and groups many regional competitive choices.
- The immediate area has a limited number of travel support services in dining and retail options within a walkable distance, and they are even farther from the subject site. This positions the subject facility to be full-service and offer a larger array of guest amenities given the five-mile distance to city center.
- Currently, there are three limited-service hotels located in the city. Outside Maryville, the closest city with hotel rooms is St. Joseph, which is 45 miles away.

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## REGIONAL HOTEL MARKET & COMPETITIVE SET ANALYSIS

### Historical Trend of the Market and Competitive Set

The first step in the process of forecasting potential occupancy and rates of the subject hotel market is to understand historical trends of the market, competitive set, and the region in which the subject hotel is positioned. These factors will help estimate future demand levels and operational statistics. We have based estimated growth on the historical changes in occupancy and the average rate of the competitive sets from the historical performance, as seen in the following charts.

We have obtained historical information on the competitive set from three separate sources: Explore Missouri Tourism and Smith Travel Reports, which has been tracking local trends; the Smith Travel Research (STR) trend of the immediate market; and the STR trend of the competitive set.

### Type of Hotels Defined

The competitive set and market comprised of several hotels offering a variety of services, rooms, and room types. These differences in properties typically result in varying average room rates and occupancies. Listed below are the different types of hotels typically found in a regional competitive market.

#### **Full-Service Hotel**

These facilities are generally mid-priced, upscale, or luxury hotels with a restaurant, lounge facilities, and meeting space as well as minimum service levels, often including bell service and room service. These hotels report food & beverage revenues. There are full-service properties in the Maryville region, but none were immediately identified in the market and competitive set. There are no full-service hotels within a 45-mile radius of the Maryville market and are found only in the St. Joseph market.

#### **Limited-Service Hotel**

These properties are hotels with rooms-only operations (i.e., without food or beverage service) or hotels that offer a bedroom and bathroom for the night but few other services or amenities. These hotels are often mid-price, budget, or economy and do not report food & beverage revenue.

There are some upscale or luxury hotels that do not manage their own food & beverage operations (e.g., outsourced to a third party) that are categorized as limited-service hotels.

### Regional Market Supply and Demand History

The Missouri Department of Tourism analyzes tourism trends throughout the state by using Smith Travel Reports (STR reports). All of the state's branded and franchised hotels report monthly statistics on occupancy, average rate, and revenue. The report identifies regional occupancy and average rate trends as a percent difference over the previous period. The FY10 historical trend compares the change in key statistics for the two-year comparison of the subject market with those of the surrounding markets. The FY10 data reports change from July 2009 to June 2010 to previous FY09. The Maryville regional market hotels identified in this report are participating in the Missouri North Area Regional Tract.

The following information presents the overall market history in supply, demand, occupancy, average room rate, and room revenue performance by region in Missouri. (See industry definitions in the Glossary attached for clarification of terms.)

The Missouri statewide market—all hotels, all market tiers—reported statistics on properties, which ran a FY10 year-end average occupancy of 51.3% a -2.6% from 2009. The average rate at \$77.20 yielded a percent change over 2009 at -1.8 percent. The decrease in ADR and fall in occupancy resulted in revenues at -4.3%.

Missouri Hotel Performance by Region FY 2010						
Area	Occupancy		Average Daily Rate		RevPAR	
	Percent	% Change	Amount	% Change	Amount	% Change
Missouri Statewide	51.3	-2.6	\$ 77.20	-1.8	\$ 39.90	-4.3
Missouri North	51.6	-3.1	\$ 66.40	0.4	\$ 34.40	-2.7
Missouri South	46	-5	\$ 71.70	1.8	\$ 33.20	-3.2
Columbia/Jefferson City	48.5	-0.7	\$ 70.10	-1.1	\$ 34.20	-1.8
Missouri North Area	54.2	-4.9	\$ 63.60	1.4	\$ 34.60	-3.5
Springfield MO MSA	49.3	-6.9	\$ 66.80	-1.5	\$ 33.00	-8.3
Missouri South Central	51.1	2.7	\$ 72.70	1.8	\$ 37.50	4.5
Branson	39.6	-3.9	\$ 79.20	3.4	\$ 31.70	-0.6
Missouri South Area	50.5	-8.9	\$ 63.40	2.1	\$ 32.10	-6.9
Kansas City	54.9	-2.2	\$ 79.20	-3.5	\$ 48.80	-5.4
St. Louis	55.4	-0.4	\$ 83.40	-4.6	\$ 46.50	-4.9
Lake of the Ozarks	50	2.1	\$ 83.80	0.5	\$ 42.90	2.5
<b>Average</b>	50.1	-2.84	72.75	0.06	37.17	-2.8

(Source: IDM, Missouri Tourism Industry & Smith Travel Research)

The Missouri North Tract area had a -4.9 downturn in occupancy, reporting in at 54.2% and ADP up 1.4% to \$63.60 and RevPAR or total revenues down -3.5%. The competitive set of hotels (defined later) has outperformed some of these state and US benchmarks and will be explained in detail.

**Missouri Regional Trends 2011**

The MDT reported the following information on the past calendar year 2011, which was from the previous report. This information is used to identify how the subject market compares to overall tourism trends within the state and market tract. The MDT cannot release the specific Smith Travel Reports; however, performance indicators were available through the interview process.

**2011**

The MDT reported that the overall State of Missouri achieved occupancy of 58.9% in the month of August 2011 (the most recent data at the time of the 2011 report), resulting in increased tourism up from August 2010 by 0.9 %. The state average rate was reported \$81.66, an increase over August 2010 of 1.3%. This resulted in the total revenue per available room up 2.2% from August 2010.

**YTD August 2011**

The MDT reported that in August 2011, the year to date (YTD) trend in occupancy for the State of Missouri was 54.4%, an increase of 2.2% over 2010. The state average rate was reported at \$79.91, an increase of 1.8%. All of the state's economic indicators for travel are showing positive growth with the strongest performance in RevPAR of +4.1%.

Specifically for the Missouri North Market Tract (the subject market area), YTD occupancy for August 2011 is 52.4%, showing no increase of rooms occupied from 2010; the average rate at \$68.45, an increase of 1.3% over 2010.

**Key Points**

- Overall, the State of Missouri shows signs of tourism stability with total revenue per room (RevPAR) up 4.1% through August 2011.
- Occupancy YTD August 2011, throughout the State of Missouri, is 54.4%—a growth of 2.2% in year-over-year comparison.
- The United States overall has an YTD August 2011 national average occupancy of 61.4%, up 4.5%, which is higher than the state and regional market.
- Average rate YTD August 2011 throughout the State of Missouri is \$79.91, an increase of 1.8% from 2010. This is lower than the YTD August 2011 national average of \$101.16, up 3.5% from 2010.
- The Missouri North tract has a 2011 YTD occupancy of 52.4% and ADR of \$68.45.
- Rooms supply has seen little change in growth of new properties.

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**Maryville Competitive Sets: Defined for Subject Property**

A competitive set consists of a group of hotel properties that directly competes for room nights due to their proximity and similarity of product. A competitive set enables individuals to compare property performance with aggregate performance of their direct competition.

We have identified properties that would be competitive with the proposed hotel project for room accommodations, banquets/meetings, and food & beverage. This competitive set was determined through consideration of factors including location, size, consumer attractions, amenities offered, rate structure, management, and demand generators. It includes properties within a five-mile radius of the subject hotel. We have excluded hotels within the local market that we see as uncompetitive due to their size, location, facility, or focus market.

In the Maryville competitive set, there are four hotels with 184 room's total. These hotels are all limited-service, economy products. The average-size hotel in the market is 46 rooms, with the largest at 59 rooms.

We identified the competitive hotels to identify historic trends and then analyzed them for current trends and comparison of market position. The competitive sets of hotels were evaluated and information gathered through various online travel agents or OTAs. The star ratings and rates were taken from current peer evaluation sites, such as Trip Advisor, and industry evaluation organizations. These hotels were interviewed, and occupancy and ADR statistics verified through brand performance. The competitive set has STR (Smith Travel Research) reporting since 2007. The star ratings and rates were taken from current peer evaluation sites, such as Trip Advisor, and industry evaluation organizations.

**Maryville Competitive Market & Hotels**

In the Maryville market, the competitive set of hotels in the area. They are regarded as a mix of franchise limited-service properties. These properties are highly transient; most are small branded properties. These hotel staffs were interviewed, and occupancy and ADR statistics verified through brand performance division. The competitive set has had STR reporting since 2005, attached and reviewed later in the study.

**Maryville Lodging Competitive Set**

The primary set of competitive hotels in the market are those properties that leveraged location and amenities to complement the transient nature of their businesses.

These are the properties that consumers would perceive as comparable to a hotel within the subject market. All these hotels are considered midscale and are limited-service lodging supply, offering limited food & beverage outlets.

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These primary competitive set of hotels are comprised of the following properties:

**Comfort Inn**

2817 S. Main

Maryville, MO 64468

(660) 562-2002

www.wisemotels.com

Nightly rates recently viewed: \$78.95

3-Star Hotel and 2-Diamond AAA Rated

The Comfort Inn by Choice Hotels International is a 50-room limited-service franchised property located on US 71 in Maryville, MO. The property opened in 1986 and has been affiliated with the Choice International Franchise, Inc. since September 1996. Other than a limited continental breakfast, the hotel does not have dining options. The property is within walking distance to many restaurants and shops.

The hotel provides accommodations, service, and convenient amenities that make it popular for business and leisure travelers. Guests enjoy amenities such as free high-speed Internet in guestrooms and lobby, heated indoor/outdoor pool areas, and complimentary breakfast.

The hotel features interior corridors, and all rooms are equipped with coffee makers, hair dryers, irons and ironing boards, microwaves and refrigerators, and cordless phones. The property also offers limited meeting space for small meetings in a converted guestroom with a Murphy Bed. The room can accommodate up to 15 guests.

The Comfort Inn hotel is located off the south entrance of Highway 71 South into Maryville and is convenient to St. Francis Hospital and Health Services, Northwest Missouri State University, the Maryville Family Aquatic Center, Kawasaki Plant, Energizer Battery Plant, and Mozingo Lake Park.

The rate positioning for the hotel offers midweek rates starting a \$78.95 to \$98 (includes continental breakfast) and locally negotiated rates or corporate rates starting at \$79. This is a 10% discount off the best available rate.

YTD September 2011, it is estimated that the Comfort Inn has a projected ADR of \$72 with occupancy of 69%. The market segmentation is 70% corporate transient, 5% group business, and 25% leisure.

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**Holiday Inn Express**

2929 S. Main

Maryville, MO 64468

(660) 562-9949

[www.hiexpress.com](http://www.hiexpress.com)

Nightly rates recently viewed: \$99–\$149

3-Star Hotel and 3-Diamond AAA Rated

The Holiday Inn Express opened in January of 2005 with 59 rooms on three floors and has 19 suites in the interior corridor property. The hotel is located on US Business Highway 71 and is next door to the Comfort Inn. The hotel does not have any dining options other than a limited continental breakfast. The property is within walking distance to many restaurants and shops.

Amenities at the hotel include free high-speed wireless Internet access that is available throughout the hotel, indoor, heated pool, and a fitness center. The franchise promotes the available Express Start Breakfast Bar with an array of hot and cold items. The hotel features 1,000 sq ft of meeting space that can accommodate up to 70 for small classroom-style events.

The hotel offers room choices with one king bed, two queen beds, or a suite with whirlpool tub and two king beds (rate of \$136 to \$145). The suite accommodations are furnished with a kitchenette with microwave and refrigerator. All standard room amenities include iron, ironing board, hair dryer, coffee maker, and free high-speed wireless Internet access.

The rate positioning for the hotel offers midweek rates starting at \$94.95 and locally negotiated rates or corporate discounts for Kawasaki starting at \$79 for all standard room types. This is a 15% discount off the best available rate.

Year End 2012, it is estimated that the Holiday Inn Express has a projected ADR of \$80 with occupancy exceeding 70%. The market segmentation is 70% corporate transient, 10% group business, and 20% leisure.

**Super 8**

222 E. Summit Dr.

Maryville, MO 64468

(660) 582-8088

[www.wisemotels.com](http://www.wisemotels.com) or [www.super8.com](http://www.super8.com)

Nightly rates recently viewed: \$79–\$99

2-Star Hotel and N/A Diamond AAA Rating

The Super 8 Maryville opened in March of 1989. The hotel features 32 rooms and is located at the south entrance of town on Hwy 71.

The franchise is part of the Wyndham Hotel Group and offers travelers a broad category of hotel products to choose from, plus a frequent traveler program. This economy motel is a great option for budget travelers and families looking for accommodations close to regional attractions.

Rooms offer complimentary high-speed Internet access, two queen beds, chair with ottoman, large work desk, and a hospitality center with refrigerator, microwave, and coffee maker.

The rate positioning for the hotel offers midweek rates starting at \$54, and locally negotiated rates or corporate rates are a flat 10% discount off any best available room rate.

Year End 2012, it is estimated that the Super 8 has a projected ADR of \$70 with occupancy of 67%. The market segmentation is 55% corporate transient, 5% group business, and 40% leisure.

**Super 8 Mound City**

109 West 8th Street  
Mound City, MO 64470  
(660) 442-4000  
www.super8.com

Nightly rates recently viewed: \$79–\$140  
2-Star Hotel and N/A Diamond AAA Rating

This property opened in May 2000 and has been affiliated with the franchise since it opening. The hotel features 43 rooms and is located just west of the immediate Maryville market, approximately 33 miles southwest of Maryville.

The hotel offers modest guest rooms and economy rates. The property is staffed 24 hours. The property has a complimentary continental breakfast and free coffee in the lobby 24 hours a day. The property has free high-speed wireless Internet access, available throughout our hotel and guest rooms. The hotel features a guest laundry facility and business center.

The rate positioning for the hotel offers midweek rates starting at \$79 and locally negotiated rates or corporate rates starting at \$69 for a double queen. This is a 25% discount off the best available rate.

Year End 2012, it is estimated that the property has a projected ADR of \$64 with occupancy of 60%. The market segmentation is 50% corporate transient, 5% group business, and 45% leisure.

## COMPETITIVE SET ANALYSIS

We have analyzed sources of information from Smith Travel Research (STR), the lodging industry's leading information and data provider. STR has the most comprehensive database available for hotel performance information. All branded and franchised hotel chains in the world report performance to STR. We have attached the trend of the competitive set to identify the history of occupancy, average rate, and revenue per available room to forecast the subject facility performance.

A single hotel or brand can comprise a maximum of 35% of the reporting rooms of any competitive set. To protect proprietary data, the competitive set must include at least four different properties. The complete historical report from Smith Travel Research is included in the supporting materials.

### Primary Competitive Hotel Set

In the Maryville area, we used historical data from four competitive and comparative hotels; all these hotels are limited-service facilities, with many offering varying room and suite types. The Maryville Market Competitive Set includes the following hotels:

Establishment	City	Open Date	Rooms
Comfort Inn	Maryville, MO	April 1986	50
Holiday Inn Express	Maryville, MO	January 2005	59
Super 8 Motel	Maryville, MO	March 1989	32
Super 8 Motel	Mound City, MO	May 2000	43
		<b>Total</b>	<b>184</b>

(Source: IDM & Smith Travel Research)

The above properties were visited and interviewed; descriptions of these hotels were detailed previously. We considered location, quality, and services, comparing the existing supply against the subject hotel description, as detailed earlier. We compared hotel rate positioning in transient rate offered both at (a) best rate quoted on the web, branded websites, through guest services at the property, and (b) the locally negotiated or contracted corporate rates with the area's economic drivers (i.e., the top businesses). This competitive set was identified to analyze the trend of occupancy and average rate within the market neighboring Maryville.

### Competitive Sets Historical Trends

The primary competitive market trend of the regional properties is detailed as follows. The markets STR five-year trend from 2007 to March 2013 has identified 2011 as a record occupancy year at 70.6%, declining -5.6% to 66.7% in 2012 and resulting in a five-year Combined Average Growth Rate (CAGR) of -0.1%; the market is showing negative occupancy change from 2012 through YTD 2013 at -20.8%. The market has seen little change in rooms supply within or outside the competitive set. The market ADR has a five-year growth rate of 4.2% and total revenues at 4.2%.

Maryville Missouri Lodging Competitive Set										
HISTORICAL GROWTH IN ROOMS SUPPLY AND DEMAND										
2007 - 2013										
	ROOMS	ROOMS	ROOMS	ROOMS	PERCENT	ADR	PERCENT	REV PAR	PERCENT	REGIONAL
	AVAILABLE	AVAILABLE	OCCUPIED	OCCUPANCY	CHANGE		CHANGE		CHANGE	ROOM REVENUE
2007	67,160		44,930	66.9%		\$61.12		\$ 40.89		\$ 2,745,950
2008	67,160	0.0%	44,624	66.4%	-0.7%	\$66.16	8.2%	\$ 43.96	7.5%	\$ 2,952,323
2009	67,160	0.0%	42,128	62.7%	-5.6%	\$68.64	3.7%	\$ 43.06	-2.1%	\$ 2,891,779
2010	67,160	0.0%	43,840	65.3%	4.1%	\$69.38	1.1%	\$ 45.29	5.2%	\$ 3,041,533
2011	67,160	0.0%	47,403	70.6%	8.1%	\$72.90	5.1%	\$ 51.46	13.6%	\$ 3,455,837
2012	67,160	0.0%	44,768	66.7%	-5.6%	\$75.18	3.1%	\$ 50.11	-2.6%	\$ 3,365,616
YTD March 2013	16,560	0.0%	8,684	64.3%	-20.8%	\$76.16	0.1%	\$ 39.94	-20.7%	\$ 661,351
5 Year CAGR		<b>0.0%</b>		<b>-0.1%</b>			<b>4.2%</b>		<b>4.2%</b>	<b>4.2%</b>

Note: CAGR = Combined Average Annual Growth Rate from 2007 to 2012

(Source: IDM & Smith Travel Research)

### St. Joseph Market Trends

According to room tax collected and interviews with the community of St. Joseph, the city has 11 hotel facilities with a reported 2010 annual occupancy of 65.5%. We have identified the occupancy trend of the community from 2005–2010, listed below. The area has seen an increase in room revenue in 2010 after a decline in 2008 and 2009, like much of the country.

St. Joseph Room Tax Collection Records 2005-2010							
	Tax			Property	Est. Rooms	Est. Occ %	
	Collected	% Change	ADR	Avg Revenue	Sold		
2005	\$ 408,992	8%	\$ 61.13	\$ 1,239,370	223,000	55.8%	
2006	\$ 464,301	12%	\$ 61.42	\$ 1,406,974	252,000	63.1%	
2007	\$ 500,531	7%	\$ 61.34	\$ 1,516,761	272,000	68.1%	
2008	\$ 486,971	-3%	\$ 61.49	\$ 1,475,670	264,000	66.1%	
2009	\$ 450,537	-8%	\$ 61.52	\$ 1,365,265	244,100	61.1%	
2010	\$ 483,550	6.8%	\$ 61.63	\$ 1,465,304	261,548	65.5%	

(Source: IDM & City of St. Joseph)

### Competitive Set Performance Analysis

We have analyzed (a) the market's STR data, (b) interviews with demand-generating businesses and managers of hotels, (c) existing hotel supply, (d) brand affiliation, (e) consultant-estimated occupancy, (f) ADR, and (g) revenues for hotels in the immediate area as well as those in the secondary market. These statistics were derived from Smith Travel Trend reports, individual property reports, and specific property interviews. This analysis identifies how each hotel performs within the identified markets.

Maryville Missouri Lodging Competitive Set				
ESTIMATED OCCUPANCY, MARKET MIX, PENETRATION RATES AND ADR				
2012 Year-end Market Statistics				
PRIMARY COMPETITION	NUMBER OF ROOMS	ROOMS AVAILABLE	ESTIMATED OCCUPANCY	ROOMS OCCUPIED
Comfort Inn Maryville	50	18,250	68.0%	12,410
Holiday Inn Express & Suites Maryville	59	21,535	70.0%	15,075
Super 8 Maryville	32	11,680	67.0%	7,826
Super 8 Mound City	43	15,695	60.0%	9,417
<b>TOTAL PRIMARY</b>	<b>184</b>	<b>67,160</b>	<b>66.6%</b>	<b>44,727</b>

(Source: IDM & Smith Travel Research)

## Market Penetration

The following chart illustrates the estimated penetration of all properties in the market. The chart is an estimate of each hotel's overall occupancy. Each hotel's penetration factor is computed by first calculating the hotel's room nights by the total room nights accommodated by all hotels, and then dividing the hotel's market share by the hotel's fair share and penetration factor. If a property's overall penetration is 100%, that hotel is receiving its equal share of accommodated room nights.

MARKET PENETRATION				
PRIMARY COMPETITION	NUMBER OF ROOMS	ROOMS AVAILABLE	FAIR MARKET SHARE	OVERALL PENETRATION RATE
Comfort Inn Maryville	50	18,250	27.2%	102.1%
Holiday Inn Express & Suites Maryville	59	21,535	32.1%	105.1%
Super 8 Maryville	32	11,680	17.4%	100.6%
Super 8 Mound City	43	15,695	23.4%	90.1%
<b>TOTAL PRIMARY</b>	<b>184</b>	<b>67,160</b>	<b>100.0%</b>	<b>100.0%</b>

(Source: IDM)

Currently it is estimated that Super 8 hotel in Mound City is likely underperforming the competitive set and, therefore, their overall penetration rate is less than 100%. The remaining limited-service hotels in the subject market are experiencing higher market fair share, likely due to interstate locations, accessibility to the demand generators, and quality of product and management.

## **Regional Facilities Competitive Analysis**

The meeting industry includes a variety of meeting types, ranging from large trade and exhibition events to corporate meetings and conferences. Often, a single event will use many different types of spaces, including a pre-function area, exhibit halls, banquet facilities, and breakout meeting rooms. Well-designed, multi-purpose facilities offer the proportions of different types of spaces that are appropriate for their market and the market segment they are trying to attract.

## **Types of Meetings**

Individuals gather for a variety of reasons and, within the hospitality industry, these reasons are categorized into different segments. These segments include different types of meetings, defined below:

***Corporate Meetings*** – Corporate meetings include training seminars, professional and technical conferences, and management meetings. Attendance generally ranges from 10 to 100, with an average of 50 to 60. These meetings are held in city-center hotels, conference

centers, and resort hotels that feature unique amenities and attractions. Corporate meeting planners and attendees demand high-quality facilities and accommodations.

**Conferences** – Conferences are meetings typically held by associations and professional membership organizations. Educational institutions also host conferences that attract an average of 300 attendees. These events usually do not require exhibit space; otherwise, their facility demands are similar to those of conventions, such as meeting space for general sessions, food service facilities, and breakout rooms. Hotels and conference centers typically serve as venues for conferences.

**Conventions and Trade Shows** – Associations, professional groups, and membership organizations hold conventions and trade shows with attendance ranging from 300 to 5,000. The larger of these meetings take place in convention centers with exhibit halls with up to 50,000 sq ft. Conventions and trade shows might feature a single meeting, but they usually offer a number of breakouts space for concurrent meetings and exhibitions. Facility requirements include assembly space for general sessions and displays, banquet facilities, and numerous breakout meeting rooms.

Trade shows offer a venue for exchanging industry ideas. They vary slightly from conventions in that they are more product and sales oriented. Trade shows are exhibit intensive, and attendees prefer open-space facilities in which they use custom booths for product display.

**Assemblies** – Assembly events are social, military, educational, religious, and fraternal (SMERF) events. They attract larger numbers of people and require arena or stadium seating. Similar to conventions, attendees originate from outside the host city; unlike conventions, these events do not usually require large exhibit or meeting room space.

**Social & Entertainment Events** – Social events are often specific niche guests targeted for weddings, graduations, or ticketed events that are held for a specific reason. Reasons include sporting events, concerts, and tournaments. Most attendees are local and regional residents.

Meeting Types & Requirements				
Meeting Type	Attendance Range	Purpose	Facility Requirement	Typical Facility Used
Corporate Meetings	Less than 100	Training & informative	Meeting space (minimal)	Hotels/Resorts/Conference Centers
Conferences	50 to 2,000	Informative	Meeting space and banquet space	Hotels/Resorts/Conference Centers
Conventions	300 to 5,000	Informative & Sales Related	Meeting space and banquet space	Hotels/Conference & Convention Centers
Trade Shows	1,000 to 10,000	Sales	Exhibition & breakout meeting space for some events	Convention Centers/Fairgrounds
Assemblies	5,000 to 50,000	Informative	Stage, seating, breakout meeting rooms	Convention Centers, Arenas, Stadiums, Fairgrounds
Social Gatherings	500 to 10,000	Social & Entertainment	Banquet or multi-purpose space	Hotels/Resorts/Multipurpose Facilities

(Source: IDM)

**Impact of Events at Subject Facility and Mozingo Lake Park**

The subject lodging facility, if close in proximity to an events venue at the park, will benefit from overnight accommodations based on the type of functions. While social and local events do not directly impact the use of overnight accommodations, business events, golf outings, and weddings do supply the lodge with room nights.

Having event space at the park will also impact local amenities offered such as increased usage of the MOREA facility, an increase of usage at the golf course, and may influence the types of events held on the lake to maximize use of the hotel and meeting facility. For example the facility may look to attract larger fishing tournaments using event space and lodging accommodations onsite, and displace smaller regional sanctioned events.

It is estimated in most all scenarios that a lodging facility with meeting space adjacent or in close proximity to the local amenities will have a positive effect on current offerings at Mozingo Park.

**Meeting Facilities**

Currently, in the regional market of St. Joseph and Maryville, there are limited choices of meeting facilities for individuals to host meetings and events. When it comes to meeting and events, properties are often chosen for a variety of critical factors such as accessibility, location to company or office, accessibility to social venues, number of sleeping rooms, overall hotel and event space amenities, and availability.

Meeting and events often have a regional draw and attract companies, customers, and associations from outside the immediate area; they are often compared to regional facilities. For this reason, we evaluated the meeting facilities outside the Maryville market and in the City of St. Joseph.

**Ramada St. Joseph Conference Center**

4016 Fredrick Avenue  
St. Joseph, MO 64506  
(816) 233-6192  
[www.stjosephramada.com](http://www.stjosephramada.com)

This facility opened in 1980 and has 163 rooms. In 2006, the hotel spent nearly a half million dollars repairing the exterior portion of the hotel and was in the planning stages of adding a water park to the property, Monkey Cove, which is operational today and cost \$1.5 million. The park features a giant waterslide, 10-person hot tub, a lazy river, and multilevel children's play structure.

Ramada Inn has a business center and fitness center as well as 6,400 sq ft of meeting room space in one room that is divisible into four smaller rooms. This functionality gives the property the largest single meeting room (or main ballroom) in the area.

In 2011, the Ramada's market segmentation is estimated to be 25% corporate transient, 35% group business, and 40% leisure.

**Stoney Creek Inn St. Joseph Conference Center**

1201 North Woodbine Road  
St. Joseph, MO 64506  
(800) 659-2220  
[www.stoneycreekinn.com](http://www.stoneycreekinn.com)

This hotel opened in 2002 and has 129 guestrooms with themed North Woods décor, including fireplaces and kitchenettes. The Stoney Creek Inn has a business center, indoor

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pool, and seven meeting rooms totaling 9,014 sq ft. The ballroom is divisible into two sections and totals 5,636 sq ft, making it the second-largest single meeting room in the area.

In 2011, the property's market segmentation is estimated to be 60% corporate transient, 20% group business, and 20% leisure.

### **St. Joseph Holiday Inn Riverfront**

102 South Third Street

St. Joseph, MO 64501

(816) 279-1484

[www.holidayinn.com](http://www.holidayinn.com)

This Holiday Inn is a full-service 169-room facility that opened in 1988 and underwent a \$3.5 million renovation in 2004. The renovation included all 169 guest rooms and public space. The hotel has 7,000 sq ft of overall meeting space and one ballroom at 4,000 sq ft, make it the third largest in the area. The property has a total of five meeting rooms. The Holiday Inn is located in downtown St. Joseph, adjacent to the Civic Arena.

In 2011, the hotels market segmentation is estimated to be 45% corporate transient, 25% group business, and 30% leisure.

### **Regional Comparison: Bass Woods Retreat Platt City, MO**

A regional comparison referred to as a comparable facility by members of the area visitors bureau of St. Joseph is Basswood Resort in Platt City, MO, just north of Kansas City. The resort does feature lodging for corporate retreats, a campsite, and RV facilities, but those staying in other lodging are drawn to the beauty of the 73-acre recreation area with its secluded lakeside, fishing, and craft activities. Basswood Country Store, open year-round, carries fishing and camping gear, gift items, a selection of antiques, and locally handcrafted items.

**St. Joseph Civic Arena**100 North 4<sup>th</sup> Street

St. Joseph, MO 64501

(816) 271-4717

www.ci.st-joseph.mo.us

The St. Joseph Civic Arena was built in 1980 and covers an entire city block in downtown St. Joseph. The facility is a basic building with few of the amenities found in newer arenas such as suites, club seats, dedicated meeting facilities, upscale food & beverage options, multiple concession points of sale, and adequate bathrooms. The facility is owned by the City of St. Joseph and managed by the Parks and Recreation Department. The St. Joseph Civic Arena currently consists of an arena floor with 19,000 sq ft and four 1,000-sq ft meeting rooms, for a facility total of 23,000 sq ft.

The facility is an economic choice for those looking at event space in the Kansas City market, located 36 miles north of the KC airport. In a study completed in 2006, the facility was surveyed; reasons given by groups (representing 24,000 attendees and nearly 30,000 room nights) for not coming to the Civic Arena was its undesirable location. This does not reflect just on the arena's location downtown but on St. Joseph in general. Given its size, location, and lack of attractions and activities compared to places such as St. Louis and Kansas City, it is simply difficult for St. Joseph to compete for many events.

Listed below is a comparison of the region's largest meeting facilities that have hotels accommodations easily accessible to the meeting space.

Property	Competitive Hotel Meeting Room Analysis								
	Number of Guestrooms	%	Total Meeting Space Sq Ft.	%	Main Ballroom Space Sq Ft.	Total Sq Ft Per Room	Main Ballroom Sq Ft per Room	Total # Breakout Rooms	Estimated # Accommodated
Holiday Inn St. Joseph	169	9.4%	7,090	15.8%	4,000	42.0	23.7	5	250
Stoney Creek Inn St. Joseph	129	7.2%	9,014	20.1%	5,636	69.9	43.7	7	375
Ramada Inn St. Joseph	163	9.1%	6,336	14.2%	6,336	38.9	38.9	4	425
Drury Inn & Suites St. Joseph	132	7.4%	2,097	4.7%	756	15.9	5.7	4	50
<b>St. Joseph Civic Arena</b>	169	9.4%	19,000	42.5%	4,000	112.4	23.7	4	250
Holiday Inn Express Maryville	59	3.3%	900	2.0%	900	15.3	15.3	1	75
Comfort Inn Maryville	50	2.8%	300	0.7%		6.0		1	
Super 8 Maryville	32	1.8%	0	0.0%					
<b>Total Comparison &amp; Averages</b>	1794	100.0%	44,737	100.0%	3,605	43	25	4	
					Average	Average	Average	Average	

(Source: IDM)

### **Maryville Community Center Events**

The Maryville Community Center (MCC) is the area's center for health and wellness and is the only real facility for meetings within the city, described earlier. The facility has a three-court gymnasium that can accommodate up to 100 for banquets. The MCC has two smaller meeting rooms that are 840 sq ft and one large meeting room at 1,600 sq ft.

We requested reports on usage of the MCC from the city and analyzed the statistics to produce the following to identify further need for meeting facilities in the area. The reports gave information on dates the facility was used and the type of functions booked at the facility. These functions were divided into specific segments, as follows:

**Business** – Meetings or business-related luncheons/dinners or training sessions, typically held in the small or large meeting room between the hours of 8 a.m. to 5 p.m.

**Athletic** – Sporting events such as tournament or spectator events, held in the gymnasium.

**Community** – Events for the community throughout the facility that include auctions, trade shows, fund raisers, and retail events.

**Social** – Events such as breakfast, luncheons, banquet dinners, reunions, parties, and small meetings, typically held between the hours of 8 a.m. to 9 p.m.

**Reception** – Larger events between 6 p.m. to 12 midnight, requiring multiple-day setup. These events were mostly large weddings, banquets, and gala events.

Maryville Missouri Lodging Competitive Set															
MARYVILLE COMMUNITY CENTER EVENTS TREND ANALYSIS															
5 Year Trend		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%
	Business	17	16	6	10	11	11	4	12	12	8	7	9	123	33%
	Athletic	6	0	0	0	0	0	1	1	1	1	2	1	13	3%
	Community	2	2	4	8	4	2	0	2	5	4	3	2	38	10%
	Social	14	17	16	24	20	11	16	14	16	1	6	8	163	43%
	Reception	2	4	5	3	6	7	4	3	0	1	2	2	39	10%
	<b>Total</b>	<b>41</b>	<b>39</b>	<b>31</b>	<b>45</b>	<b>41</b>	<b>31</b>	<b>25</b>	<b>32</b>	<b>34</b>	<b>15</b>	<b>20</b>	<b>22</b>	<b>376</b>	<b>100%</b>
Mon-Thu	Weekday	22	19	20	25	23	22	15	21	22	4	8	4	205	<b>54.5%</b>
Fri-Sun	Weekend	20	20	11	20	17	9	10	8	11	10	12	19	167	<b>44.4%</b>

(Source: IDM & MCC)

The previous information shows the total number of events held monthly from 2006 through September 2011 at the MCC as well as the reasons for the events and the percentage of segment business. It must be noted that the facility is a multipurpose space and not ideal for any one segment of business other than athletic events. We also removed weekly and athletic practices held at the facility to report the non-typical or special event usage of the facility. We also looked at the day-of-week demand, and results showed that weekday usage totaled 54.5% of the demand, with weekend demand at 44.4%.

Maryville Missouri Lodging Competitive Set															
MARYVILLE COMMUNITY CENTER EVENTS ANNUAL AVERAGE EVENTS															
Average		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%
	Business	2.8	2.7	1.0	1.7	1.8	1.8	0.7	2.0	2.0	1.3	1.2	1.5	20.5	33%
	Athletic	1.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.3	0.2	2.2	3%
	Community	0.3	0.3	0.7	1.3	0.7	0.3	0.0	0.3	0.8	0.7	0.5	0.3	6.3	10%
	Social	2.3	2.8	2.7	4.0	3.3	1.8	2.7	2.3	2.7	0.2	1.0	1.3	27.2	43%
	Reception	0.3	0.7	0.8	0.5	1.0	1.2	0.7	0.5	0.0	0.2	0.3	0.3	6.5	10%
	<b>Total</b>	<b>6.8</b>	<b>6.5</b>	<b>5.2</b>	<b>7.5</b>	<b>6.8</b>	<b>5.2</b>	<b>4.2</b>	<b>5.3</b>	<b>5.7</b>	<b>2.5</b>	<b>3.3</b>	<b>3.7</b>	<b>62.7</b>	<b>100%</b>
Mon-Thu	Weekday	4	3	3	4	4	4	3	4	4	1	1	1	34	<b>54.5%</b>
Fri-Sun	Weekend	3	3	2	3	3	2	2	1	2	2	2	3	28	<b>44.4%</b>

(Source: IDM & MCC)

The above comparison shows the number of average monthly uses of the MCC by segment type over the same six-year period. The facility is used an average of 63 times throughout the year and five times a month; broken down as three times on weekdays and twice a month on weekends. The gathering or event usage is 33% business/meeting related and 65% social/leisure related.

Maryville Missouri Lodging Competitive Set																
SUBJECT FACILITY POTENTIAL ANNUAL AVERAGE EVENTS																
Estimated	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	%	Average Revenue Per Evnet	Total Revenue
Business	6.0	6.0	6.0	6.0	8.0	8.0	6.0	8.0	8.0	8.0	6.0	6.0	82.0	46%	\$ 150	\$ 12,300
Athletic (Golf)	0.0	0.0	0.0	1.0	2.0	4.0	4.0	5.0	5.0	4.0	0.0	0.0	25.0	14%	\$ 4,000	\$ 100,000
Community	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.0	7%	\$ 2,000	\$ 24,000
Banquet	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	2.0	21.0	12%	\$ 3,500	\$ 73,500
Social	0.0	0.0	1.5	1.5	2.0	2.0	1.5	1.0	1.0	1.0	2.0	2.0	15.5	9%	\$ 4,500	\$ 69,750
Reception	0.0	1.0	1.0	2.0	3.0	3.0	2.0	3.0	3.0	4.0	0.0	1.0	23.0	13%	\$ 7,500	\$ 172,500
<b>Total</b>	<b>8.0</b>	<b>9.0</b>	<b>11.5</b>	<b>13.5</b>	<b>18.0</b>	<b>20.0</b>	<b>16.5</b>	<b>20.0</b>	<b>20.0</b>	<b>20.0</b>	<b>10.0</b>	<b>12.0</b>	<b>178.5</b>	<b>100%</b>	<b>\$ 2,532</b>	<b>\$ 452,050</b>
Mon-Thu	Weekday	4	5	6	7	10	11	9	11	11	5	7	97	<b>54.5%</b>		
Fri-Sun	Weekend	4	4	5	6	8	9	7	9	9	4	5	79	<b>44.4%</b>		

Above we estimated the number of annual events based upon the usage of the MCC center and annual average golf outing per year at Mozingo. We have estimated facility usage based on historical performance of Midwest comparable properties. We have identified a conservative potential estimate of over 175 annual functions and nearly \$450,000 in meetings and event revenue based on a competitive facility at the subject site.

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**Maryville Meeting Profile**

Spectacular Settings by Teresa Hayes (2 offices)  
224 North 7th Street  
St. Joseph, MO 64501  
(660) 582-2037

1716 S. Munn  
Maryville, MO 64468  
(660) 582-0791  
www.spectacularsettings.com

Teresa Hayes is the owner of Spectacular Settings, an event planning company in Maryville that services the Quad State area. She was interviewed late 2011 to review the needs of local consumers, typically for social events and weddings.

- How many events do you assist with in the area annually?  
“60+ events a year and about 20 in Maryville.”
- What is your role in the process of social events?  
“My role is to decorate for events (mostly weddings) in the four-state area.”
- What are the top venues in the area for weddings, meetings, other events?  
“In Maryville, there are two main venues. The first is Younger’s Auction Gallery price for a rental of \$1,700. There are not many tables and chairs at Youngers, which mean the renters must rent tables elsewhere locally. The second most popular facility is Tri Meadows. It was built in 2010, and rental is approximately \$1,500. It has lots of tables and chairs and is located 15 minutes outside Maryville. Maryville is a college town many people who went to college here stay here or come back here for their weddings. So, hotels are very important! Now, there are smaller places that can be rented, such as the Eagles and Legion. They are small and very outdated.”
- How many people attend the average wedding?  
“The average guests number 250 to 275.”
- Your thoughts on a hotel at Mozingo?  
“I think a hotel would be a great idea for Mozingo, especially if it had a larger banquet room and then a small room for smaller wedding, Christmas parties, reunions, and so on.”
- Does the average wedding bring in guestrooms or room blocks to area hotels?  
Do you know the average number?  
“Each wedding provides about 10 to 15 rooms in each room block.”

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**Subject Hotel Positioning: Market Class and Chain Scale**

“Class” is an industry categorization that includes chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its chain scale. An independent hotel is assigned a class based on its ADR relative to those of chain-affiliated hotels in its geographic proximity, as defined by the national trend and reporting agencies.

Chain scale segments are a method of grouping branded hotels based on the actual average room rates. Independent hotels, regardless of their average room rates, are included as a separate chain scale category. Understanding in which class the property will compete allows its measurement against national averages. National firms such as Smith Travel Research (STR) and PKF Hospitality Research forecast industry benchmarks based on the following chain scales. Market class and chain scale segments are categorized as follows:

- Luxury Chains
- Upper Upscale Chains
- Upscale Chains
- Upper Midscale Chains
- Midscale Chains (chain scale of the subject hotel)
- Economy Chains
- Independents

**Positioning Against the Competitive Set**

There are no full-service hotels in the competitive region; therefore, it is essential that this proposed hotel be positioned in the midscale tier of the competition at a 3-Star level. It must offer competitive services and amenities such as a pool and fitness center, complimentary breakfast, and free WiFi, and, given its location, will likely not need franchise affiliation but such a relationship could and should be considered. It is also recommended that the property offer limited meeting facilities. This allows the subject hotel to be competitive against current offerings, attracting regional demand with a new product. A midscale select-service hotel offering competitive accommodations will directly compete against the regional market. Some of the brands that compete within the midscale class are Best Western Premier and Plus, Wyndham Garden Hotels, Clarion, and Doubletree.

An independent hotel could easily compete in this market, given the quality of hotels in the market and the level of occupancy. If a developer chose to follow a development path of an independent property, it should achieve a stable occupancy in 3 to 4 years; a franchise property typically captures market share in 2 to 3 years, depending on the franchise.

**Subject Hotel Competitiveness Factor**

We have factored in competitive lodgings' overall market performance for occupancy, growth of supply and demand, market penetration, average rate, and revenue to rank the competitive set. We have identified the market class in which the subject hotel will compete and evaluated the supply within the region. The subject hotel should participate in the market against the supply as follows:

**Least Competitive**

Super 8 Maryville  
Super 8 Motel Mound City

**Competitive**

Comfort Suites

**Most Competitive**

Holiday Inn Express

Due to the Maryville market's location and higher-than-state average occupancy and stability of the occupancy trends, a new hotel should not have difficulty capturing its fair market share of room nights and occupancy initially; if the hotel was located in a competitive area of city or within the current cluster of hotels. Accessibility to the proposed subject hotel site (5 miles from the area's concentration of hotels) might directly affect the subject property in quickly gaining market share: The site is a short distance from local business, entertainment venues, and on the outskirts of the city center.

**Key Points**

- At 66.7%, the subject market of Maryville is running a higher 2012 occupancy than the state and regional averages. The subject market and region run a slightly lower ADR at \$75.00 than the state and region average of \$79.91 and \$68.45, respectively.
- The market has seen combined average rates of growth from 2005 to 2012 as follows: occupancy is not change, and increases in ADR up 4.2%, and RevPAR and room revenue both up 4.2%—higher than state and regional trends.
- Regional competition is mostly limited-service and economy properties. There are no full-service hotels in the immediate subject market; there are no hotels offering medium to large meeting facilities.
- A new property entering the market has the potential to grow in occupancy and average rate—positioned as a higher end of the market.
- A property that has a franchise or brand affiliation might not offer a competitive advantage given the site location in the region. An independent property should capture its fair share of the market demand over time.

### Seasonal Market Trends

It is typical of the hospitality industry overall, and especially in the Midwest, to experience occupancy trends tied to demand generators such as weather, seasons, and travel plans/patterns. The seasonal occupancy of this market is traditional for the Midwest region of the United States. The seasonal trends of the regional market are listed below.

Maryville Missouri Lodging Competitive Set					
5 Year Seasonality Trend 2007-2012					
Month	Market Occupancy	Monthly Demand	Market ADR	Market RevPAR	Market Revenues
January	46.6%	2,657	\$ 67.16	\$ 28.48	\$ 178,469
February	56.0%	2,886	\$ 69.74	\$ 34.38	\$ 201,295
March	68.9%	3,928	\$ 70.87	\$ 37.51	\$ 278,382
April	70.4%	3,885	\$ 68.46	\$ 41.72	\$ 265,938
May	63.2%	3,605	\$ 68.18	\$ 38.32	\$ 245,791
June	77.7%	4,288	\$ 68.49	\$ 46.02	\$ 293,685
July	73.8%	4,212	\$ 68.42	\$ 44.53	\$ 288,212
August	72.4%	4,129	\$ 68.90	\$ 41.89	\$ 284,517
September	74.1%	4,089	\$ 69.82	\$ 43.19	\$ 285,479
October	70.7%	4,033	\$ 70.55	\$ 41.93	\$ 284,489
November	71.4%	3,941	\$ 69.72	\$ 39.52	\$ 274,748
December	49.6%	2,831	\$ 68.89	\$ 29.93	\$ 195,036
<b>Total</b>	<b>66.4%</b>	<b>44,616</b>	<b>\$ 68.93</b>	<b>\$ 38.61</b>	<b>\$ 3,075,506</b>

(Source: IDM & Smith Travel Research)

This analysis shows the market's potential to attract lodging demand during various seasons. It would be helpful to determine the strengths and weaknesses during the operational year for the proposed property.

The comparison analysis details the region's monthly five-year averages. The market averaged 66.4% occupancy and an ADR of \$68.93, annually over the five years.

In analyzing seasonality market trends, as is typical with the Midwest region, this market performs better than most upper-Midwest regions. The market sees strong increases in demand during the summer months; however, early spring and late fall months are still much higher than average. Rates do not seem to increase during peak months, likely due to the economy and value brands in the competitive set unable to push rates given their quality.

The strongest time of year in the market is June, July, August, September, and October. This summer season reached an average occupancy in the competitive set of 73.7%, yet rates averaging only \$69.24, up significantly from the 2011 five year average of \$61.71. This period is affected by summer and fall travelers, sporting groups, social meetings, weddings, and activity within the regional market. Further, the social meeting and wedding market in the hospitality industry is typically at its peak during these summer months.

The weakest season is the winter—December and January—providing a five-year average occupancy of 48.1% for the competition at rates of \$68.03 up from \$58.19 in 2011. This is higher than typical occupancy trending for the Midwest region, although the variation in average rate from peak to non-peak seasons is not as strong as reported in other markets. The fact that this market sees a \$10.00 variance from its peak period to its low season is a clear indication that the properties are managing their rates seasonally or that there is a high level of demand in the peak season, some of which is likely being displaced.

For a higher-quality product in this market, deeper discounting might be necessary to achieve higher levels of occupancy in the off-peak season, given the competitive set's sensitivity to rate and inability to achieve higher revenues.

### **Revenue Management Trends**

A competitive set is measured by three benchmarks: Occupancy, Average Rate, and Revenue per Available Room (RevPAR). Occupancy identifies the number of sold rooms in a given period. Average Rate identifies the average selling price during a given period. Lastly, RevPAR is a measure that, regardless of hotel size, compares revenue for each room the property has in its inventory. RevPAR takes the total revenue and divides it by the total rooms that a facility has to offer. This number is a baseline measure, allowing a uniform comparison of hotels within the competitive set.

The market maintained a consistent ADR from off-season months to peak months, given the changes in occupancy due to seasonality. This indicates that management is not trying to revenue-manage its inventory and rate, but is likely difficult given the large amount of contracted business, such as corporate-negotiated and long-term stays. The market is not capitalizing on demand periods and accordingly shows little increase rate.

Over the last 12 months, this market has weekdays Monday through Wednesday performing at an average record occupancy of 69.2%, weekends (excluding Sundays) at 67.3%, and shoulder days of Sunday and Thursday at 50.5%. Saturdays, Tuesdays, and Wednesdays have averaged the highest occupancy in the past 12 months with a combined average of 69.8%—above average of a medium to high-demand business and leisure market.

The market has seen little change in weekly occupancy from three years prior; given the effect of the industry recession, this is not considered a negative factor. The growth rate in ADR, reported at 3.7%, is a very positive factor, and could be determined as a sign of additional market supply.

Subject Market						
DAY OF WEEK COMPARISON						
	12 Month Rolling March 2013			ADR	3 Year Trend	
	Occupancy	Growth Rate*	ADR	Growth Rate*	Average Occupancy	ADR
Sunday	37.7%	-5.5%	\$75.30	4.7%	41.5%	\$72.21
Monday	67.8%	-0.7%	\$75.14	4.9%	71.0%	\$72.33
Tuesday	70.5%	-2.9%	\$74.91	3.9%	76.1%	\$72.80
Wednesday	69.4%	-1.7%	\$74.52	3.8%	74.0%	\$72.36
Thursday	63.3%	-2.4%	\$74.40	3.2%	68.0%	\$72.55
Friday	65.0%	-4.5%	\$75.81	3.3%	69.7%	\$73.76
Saturday	69.6%	-2.2%	\$75.99	2.6%	72.3%	\$74.16
Average	<b>63.3%</b>	<b>-2.6%</b>	<b>\$75.15</b>	<b>3.7%</b>	<b>67.5%</b>	<b>\$ 72.92</b>

\* Growth Rate in Occupancy and ADR is from same period 2 years prior

(Source: IDM & Smith Travel Research)

The rate management in the market is an area is not a concern and is reactive to increased demand. Social and leisure, and local government markets are traditionally rate-sensitive and show market share in the region, as discussed earlier. The proposed hotel should focus on higher-end travelers who are less sensitive to rates. Local hospitals, some leisure travelers, and associated businesses are perfect examples of higher-end business-related travelers. After stabilization, this property should be able to position itself slightly above this average and become the rate leader in the market.

## LODGING DEMAND & SEGMENT PENETRATION INVESTIGATION

Hospitality market segmentation is an approach that encompasses identification of different groups of customers who have different needs, price points, and stay patterns. The market segmentation process also considers which segments to target and when, through different sales efforts. There will be distinct differences among travel patterns for each segment as well as buying patterns of goods and services to meet each group's requirements. The STR reports for hotel market properties deemed competitive with the proposed subject hotel and the larger area market that compares regional statistics; STR does not identify market segments, which are gathered through the interview process.

The consultants also conducted a limited survey portion of the feasibility process, interviewing some of the major market employers, community leaders, and coordinators of sporting events. This survey process assists in determining accommodation needs of potential demand generators. The interview process estimates market segmentation and demand trends in the area market. The results are reflected in the supply projections in this report and then validated.

The following is a brief description of the Lodging Demand source profiles identified for this market.

### Transient or Individual Markets

Retail	Premium-rated business (non-discounted) booked at peak opportunity Best Available Rates (BAR) and weekend rates—the going rate changes based upon demand
Corporate Negotiated	Contract business discounted based on volume
Qualified Discount	Business in non-demand periods, AAA, AARP, military
Opaque Internet	Consumers purchasing at discount price point regardless of hotel; Hotwire, Priceline, Expedia/Travelocity/Orbitz (Internet) package
Packages	Packages, bed & breakfasts, getaways
Extended Stay	Discounts due to multiple consecutive nights (7+ and 14+)

### Group Markets

Corporate	Companies holding training meetings/vendor or supplier meetings
Social Leisure	Weddings, fraternal organizations, and retreats/reunions (SMERF)
Association	State and regional meetings
Tour & Travel	Bus tours and traveling organizations

The transient or individual, corporate, and commercial markets are made up of several major sources of business: (a) government, insurance, and health care, (b) general transient corporate/commercial, (c) leisure business, and (d) social, leisure and discount AAA & AARP business. The market has a significant source of transient business, with the overall market performance estimated at 80%. The corporate and leisure market will likely be the primary sources of business for the subject hotel.

Group demand in this market is currently based on seasonal weekend sports tournament groups, youth traveling sports-related groups in the winter and spring seasons—all location and rate driven. As indicated above, the individual travel segments will total 80%, reducing group demand to 20%. This market is not a group convention and meetings market with the need for hotels offering 10,000+ sq ft of meeting space and multiple breakout rooms. The greater market offers large meeting space in the competitive hotels in the Twin Cities and regional convention center, typical of major metropolitan markets.

While social/leisure business is important to this property, there is not a large supply of hotels in the immediate Maryville region offering a multitude of hotel accommodations. The social/leisure consumer is price and location driven and sometimes brand driven; however, the movement in this segment is “experience” driven. The Greater Maryville area is not a sought-out destination; therefore, it will invite stays through distinctive pricing and accommodations. The rate in the high season capitalizes on the leisure weekender market. Wedding receptions are booked at a local event center, and then rooms are reserved at a hotel close to the venue. This market is somewhat underserved due to the lack of meeting and banquet space.

The Competitive Market Performance for this market is as follows:

<b>Individual Travelers</b>	<b>75% of Hotel Business</b>
Retail transient travelers	25%
Corporate accounts	20%
Social/leisure	30%
<b>Group-Related Business</b>	<b>25% of Hotel Business</b>
Association business	0%
Corporate functions/meetings	10%
Social events	15%

**Market Growth**

Projections for a hotel operation are based upon historic statistics and operating performance in the market area. Occupancy, ADR, and Revenue projections for the hotel are based upon a detailed review of the field research data and preliminary estimates of ADR, Lodging Demand, and Lodging Supply Growth. In addition, recommendations as to the property type, suggested property size and density, and services and amenities to offer are included but are at the discretion of the developer.

This study suggests that the *Growth in Lodging Demand* should remain positive yet show minimal growth for the subject market by year-end. The variety of Lodging Demand in the area is diverse and competitive. With the market in recovery and showing positive trending, it is estimated that 2013 will end with a 1.5% to 2% growth over 2012.

At this time, the *Growth of Lodging Supply* set should not be a concern. The recent number of hotels entering the market near the interstate corridors has dropped significantly for lack of financing. The lack of growth for new properties or potential development will have a favorable effect on transient, leisure, and group business for the property. The total US market is expected to see little growth in 2013, forecast at 1.5%.

Many of the area hotels are transient-rate competitors of the potential subject hotel and will directly compete for market share. Any new supply in the area will decrease area occupancy during weekdays and lower seasonal times for the initial time period following the opening. It is a positive that the proposed subject hotel is in an area of recreational demand.

*Room Rate Competition* will be critical for the potential subject hotel among primary competitive hotels and competing for group business. Proper rate positioning will be required, and competing with branded hotels on the interstate corridor north of the Twin Cities will be crucial, while maintaining a competitive local presence and premier choice to the area's limited-service branded properties. The subject hotel should generate a higher average ADR yield compared to the market hotels and competitive within the primary set, as historically seen.

The proposed hotel will still need to be rate sensitive to the market for transient guests, contracted rates, and regional social group business. The total US hotel market is expected to see a 3.0% increase in 2013.

### Growth in Lodging Demand

The *Growth in Lodging Demand* for the market showed an overall positive trend from 2005 to 2010: however, this was primarily due to the increase in 2006, with the following years falling in overall demand. YTD 2011 has seen additional decrease in demand, both in the competitive set and regionally throughout the state.

The overall market in Maryville seems to be recovering and growing in demand due to various industries generating travel. Demand generators, mentioned earlier, are driving business, which should show strong improvements in occupancy and ADR growth in the competitive set. Following, we show the primary competitive set trend with the impact of a new hotel of 70 rooms entering the market in 2015, estimated the first full year of business. This will forecast the impact of future growth in demand as it correlates with the subsequent supply increases.

Looking at historical trends, occupancy is forecast with the competitive set occupancy and ADR, taking into consideration the market supply/demand factors and current economic trend. Growth rates will be discussed in detail by market segment, as well as total overview.

The Subject Market Forecast										
COMBINED ESTIMATED FUTURE GROWTH IN SUPPLY AND DEMAND										
Rooms Available	Rooms Occupied	Occupancy	Rooms Occupied % Change	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Total Room Revenue		
2010	67,160	0.0%	43,840	65.3%	4.1%	\$ 69.38	1.1%	\$ 45.29	5.2%	\$ 3,041,533
2011	67,160	0.0%	47,403	70.6%	8.1%	\$ 72.90	5.1%	\$ 51.46	13.6%	\$ 3,455,837
2012	67,160	0.0%	44,768	66.7%	-5.6%	\$ 75.18	3.1%	\$ 50.11	-2.6%	\$ 3,365,616
2013	67,160	0.0%	45,417	67.6%	1.5%	\$ 77.51	3.1%	\$ 52.42	4.6%	\$ 3,520,324
2014	67,160	0.0%	46,872	69.8%	3.2%	\$ 80.29	3.6%	\$ 56.03	6.9%	\$ 3,763,266
2015	92,710	38.0%	49,989	53.9%	6.6%	\$ 83.37	3.8%	\$ 44.95	-19.8%	\$ 4,167,457
2016	92,710	0.0%	53,520	57.7%	7.1%	\$ 86.07	3.2%	\$ 49.69	10.5%	\$ 4,606,532
2017	92,710	0.0%	57,120	61.6%	6.7%	\$ 88.83	3.2%	\$ 54.73	10.2%	\$ 5,074,197
CAGR	6.7%	5.0%	-1.6%			3.4%		1.8%		8.6%

CAGR is Combined Average Growth Rate 5 year starting 2012

(Source: IDM & Smith Travel Research)

In this projection, rooms available for the market show no change in the subject market from 2010 to 2014. Since there are very few hotels located in the immediate market, all will directly compete for local corporate and leisure business; therefore, a conservative approach to occupancy growth and average rate is displayed.

The future demand of the competitive set can be analyzed by looking at trends in demand by market segments. We have estimated and evaluated market penetration potentials for each segment by comparing the advantages and disadvantages of the proposed subject facility to those of the competitive set. Factors affecting penetrations include location, accessibility,

property size (total rooms and meeting capacity), finish and quality levels, service, room rates, food & beverage outlets, guest amenities, and brand.

Estimated penetrations should be considered in relation to the hotel's fair market share. If demand were distributed evenly in accordance with the ratio of hotel rooms to the total supply of the market, the proposed hotel would capture 100% of each segment.

It was reported that the competitive properties of the primary market experienced demand of 44,768 room nights in 2012 for a combined level of occupancy of 66.7% (derived from STR Trend Report). The combined market segmentation demand is summarized as follows, based on the study, experience, and market reviews:

<b><u>Market Segment</u></b>	<b>Total</b>	<b>Percent</b>
Transient & Commercial	20,146	45%
Social & Leisure	13,430	30%
<u>Group</u>	11,192	25%
<b>Total</b>	44,768	100%

### **Commercial**

The continued growth in the commercial or contract-rate markets is now in recovery, as indicated by recent trends in economic indicators and corporate travel in the competitive set. While the current economy is recovering from the lack of corporate travel, the diversity of industry and global headquarters in the market make the area viable for added hotel supply and somewhat safe. With the additional market growth and current expansion in the business community, we estimate increases in demand in 2013–2015 at an average of 3.5%. This would be an accelerated increase in occupancy over the combined market average or total average occupancy increase historically.

### **Transient & Leisure**

The transient/leisure market contends to be one of the strongest sources of business within the market. With Missouri expanding its seasonal tourism, leisure-focused sports travelers who are participating in tournaments have increased their travel throughout the area. We estimate increases in demand in 2013–2015 at an average of 4.0%.

### **Group**

The group market is the most limited segment within the market. The groups currently meeting in this market attend the sporting tournaments, weddings, and small business

meetings. We estimate increases in demand in 2011–2013 at an average of 1.5% due to the lack of facilities to meet in the market.

It is estimated that a new hotel of about 70 rooms entering the subject market will see similar, if not higher, increases in demand based on the hotel's fair share of the market.

### Projections

The market forecast is based on the 2012 market statistics and assumptions. For the purposes of evaluating the feasibility of a hotel in the subject market, we have projected the introduction of a 70-room hotel into the current primary competitive set performance, detailed below:

Subject Market ESTIMATED FUTURE GROWTH IN SUPPLY AND DEMAND								
	2012	2013	2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
ROOMS SUPPLY	67,160							
ADDITIONS TO SUPPLY								
Subject Market Hotel 70 Rooms				25,550				
TOTAL ADDITIONS	0	0	0	25,550	0	0	0	0
TOTAL ANNUAL ROOM NIGHTS	67,160	67,160	67,160	92,710	92,710	92,710	92,710	92,710
GROWTH OVER PRIOR YEAR		0.0%	0.0%	38.0%	0.0%	0.0%	0.0%	0.0%
EXISTING DEMAND SATISFIED								
Existing Transient & Commercial	20,146	45%						
Existing Leisure	13,430	30%						
Existing Group	11,192	25%						
TOTAL EXISTING DEMAND	44,768	100%						
DEMAND INDUCED								
Leisure	0	0	0	700	900	1100	800	700
TOTAL INDUCED/UNSATISFIED/UNRECOGNIZED DEMAND	0	0	0	700	900	1100	800	700
GROWTH RATES								
Transient & Commercial	0.0%	2.0%	4.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Leisure	0.0%	1.0%	3.0%	8.0%	8.0%	6.0%	4.0%	4.0%
Group	0.0%	1.0%	2.0%	2.0%	4.0%	4.0%	3.0%	3.0%
TOTAL DEMAND								
Existing Transient & Commercial	20,146	20,549	21,370	22,439	23,337	24,270	25,241	26,250
Commercial Not Recognized, Induced & Displaced	0	0	0	0	0	0	0	0
TOTAL	20,146	20,549	21,370	22,439	23,337	24,270	25,241	26,250
GROWTH OVER PRIOR YEAR		2.0%	4.0%	5.0%	4.0%	4.0%	4.0%	4.0%
Existing Leisure	13,430	13,565	13,972	15,089	17,053	19,030	20,935	22,604
T&L Not Recognized, Induced & Displaced	0	0	0	700	900	1100	800	700
TOTAL	13,430	13,565	13,972	15,789	17,953	20,130	21,735	23,304
GROWTH OVER PRIOR YEAR		1.0%	3.0%	13.0%	13.7%	12.1%	8.0%	7.2%
Group	11,192	11,304	11,530	11,761	12,231	12,720	13,102	13,495
Group Not Recognized, Induced & Displaced	0	0	0	0	0	0	0	0
TOTAL	11,192	11,304	11,530	11,761	12,231	12,720	13,102	13,495
GROWTH OVER PRIOR YEAR		1.0%	2.0%	2.0%	4.0%	4.0%	3.0%	3.0%
TOTAL DEMAND	44,768	45,417	46,872	49,989	53,520	57,120	60,078	63,050
GROWTH OVER PRIOR YEAR		-5.6%	1.5%	3.2%	6.6%	7.1%	6.7%	5.2%
OVERALL MARKET OCCUPANCY	66.7%	67.6%	69.8%	53.9%	57.7%	61.6%	64.8%	68.0%
MARKET ADR	\$75.25	\$77.51	\$80.29	\$83.37	\$86.07	\$88.83	\$91.62	\$94.47
GROWTH OVER PRIOR YEAR		3.1%	3.0%	3.6%	3.8%	3.2%	3.2%	3.1%

(Source: IDM)

The above chart represents a 70-room hotel entering the market in 2015, allowing time for construction and representing a full year of operation. In the projections above, we estimate the growth of market segments transient/commercial, leisure, and group from 2012–2015, and demonstrating the impact of the new hotel project. (Five year projections are located in Addenda 4.)

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### **Unaccommodated Lodging Demand**

Unaccommodated demand—that is, accommodations that cannot be fulfilled or displaced within a sampling of hotels—is described in two ways: The first is *lodging demand that prefers to stay in the market or competitive set but currently uses hotels in other locations*. At present, this occurs during peak-demand periods such as times of sporting events, summer travel weekends, major community/city events, and conventions. In these peak periods, occupancy overflows or spills out to hotels in nearby markets. While these consumers would rather stay in the competitive set area (Maryville), supply is completely consumed. This is known as *displaced demand*.

The second definition of unaccommodated lodging demand is *guests who are currently staying in the competitive set but prefer hotel accommodations, likely at a higher level, within the set*. As an example, a traveler who normally stays at full-service hotels has booked his or her reservation at an area's limited-service property because other supply is inappropriate or too old, thus not meeting needs. This type of demand, *induced*, creates a new market or choice of hotel in a given market and is difficult to estimate. However, with the choices in the immediate downtown market and lack of unique boutique properties or new facilities with desirable amenities, the number of consumers is high in the niche of unaccommodated demand.

For the purpose of the market study, we did estimate the impact of induced demand starting in 2014. This is an estimate of leisure market segments, displaced and induced, due to the lack of guest rooms available in peak times at Mozingo Lake Park. New meeting facilities would create potential demand for social gatherings.

### **Displaced Demand**

Transient/commercial/social demand is typically estimated that, at times, the market properties would exceed market supply and create displaced demand; however, we did not forecast the impact of increased displaced demand, although we did forecast the impact of induced demand.

### **Induced Demand**

If the proposed hotel were to offer meeting space for business, social, and leisure events—either onsite or at the golf course—the subject property might attract regional attention. The property could then be successful in two sources of group business: the social market, focusing on weddings and sporting events and banquets, could attract a minimum of 25 to 30 peak wedding dates with nearly 15 rooms per event. This demand, estimated at 30 weddings and 20 rooms over two nights would create induced demand annually of more than 600 room nights and was evaluated in the study at 700 rooms and growing each year.

## SUBJECT PROPERTY PERFORMANCE

### Occupancy

The occupancy for the subject property will be addressed in the next section of the study. It should be able to retain an average occupancy of 68% and market share of 115%—upon stabilized Year 3 of operation (2017)—based on estimated levels of performance in the market. With proper market and product positioning, this occupancy rate could slightly exceed this average. The following projections are subject to a  $\pm 5\%$  range.

Subject Market								
SUBJECT HOTELS								
MARKET PENETRATION AND PROJECT OCCUPANCY								
	2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019	2020	2021
<b>SUBJECT PROPERTY- COMBINED AVAILABLE ROOMS</b>	-	70	70	70	70	70	70	70
<b>SUBJECT PROPERTY- ANNUAL ROOMS AVAILABLE</b>	-	25,550	25,550	25,550	25,550	25,550	25,550	25,550
<b>MARKET - ANNUAL ROOMS AVAILABLE</b>	67,160	92,710	92,710	92,710	92,710	92,710	92,710	92,710
<b>FAIR MARKET SHARE OF SUPPLY</b>	0.00%	27.56%	27.56%	27.56%	27.56%	27.56%	27.56%	27.56%
<b>MARKET OCCUPANCY</b>	69.8%	53.9%	57.7%	61.6%	64.8%	68.0%	70.6%	72.4%
<b>MARKET PENETRATION</b>								
Transient & Commercial	100%	120%	120%	115%	110%	100%	100%	100%
Leisure	100%	125%	125%	125%	125%	120%	120%	120%
Group	30%	70%	75%	80%	80%	80%	80%	80%
Induced	0%	150%	110%	120%	130%	140%	140%	140%
<b>ROOM NIGHTS CAPTURED</b>								
Transient & Commercial	0	7,421	7,718	7,692	7,652	7,234	7,451	7,600
Leisure	0	5,198	5,874	6,555	7,212	7,475	7,938	8,266
Group	0	2,269	2,528	2,804	2,889	2,975	3,065	3,126
Induced	0	1,050	990	1,320	1,040	980	700	560
<b>TOTAL</b>	0	15,938	17,110	18,371	18,793	18,664	19,154	19,552
<b>MARKET SHARE CAPTURED</b>	0.0%	31.9%	32.0%	32.2%	31.3%	29.6%	29.3%	29.1%
<b>OVERALL MARKET PENETRATION</b>		115.7%	116.0%	116.7%	113.5%	107.4%	106%	106%
<b>SUBJECT OCCUPANCY</b>		62.4%	67.0%	71.9%	73.6%	73.0%	75%	77%
<b>MARKET MIX</b>								
Transient & Commercial		47%	45%	42%	41%	39%	39%	39%
Leisure		33%	34%	36%	38%	40%	41%	42%
Group		14%	15%	15%	15%	16%	16%	16%
Induced		7%	6%	7%	6%	5%	4%	3%
<b>TOTAL</b>		100%	100%	100%	100%	100%	100%	100%

(Source: IDM)

The above chart represents the subject hotel's fair share of the market demand; that is, if all forecasted demand or rooms booked were split equally among existing hotels in the set, the number of annual rooms available for the subject would result in the subject hotel's forecasted occupancy. In this case, the subject hotel's fair share for the 70-room hotel is 27.56%. Market penetration is estimated at 115.7% for Year 1, growing to 117% by Year 3 and resulting in the subject hotel's future occupancy levels and contribution by market share, based upon recommendations made later. (See Five-Year model, Addenda 4&5.)

The following chart forecasts the ADR by market segment, starting at the 2012 overall market rate of \$75.18. The average rate is estimated and forecasted by market segment for both the competitive set and subject hotel. It is important to clarify that we have first created a baseline ADR for the subject hotel prior to the repositioning of the property, which should position the hotel for a premium ADR.

Subject Market SUBJECT HOTELS ESTIMATED AVERAGE DAILY ROOM RATE								
	ADR Estimates		2014	Year 1 2015	Year 2 2016	Year 3 2017	Year 4 2018	Year 5 2019
	2012	2013						
<b>Transient &amp; Commercial</b>								
Percent Annual Growth		3.0%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%
Average Segment Rate	\$76.00	\$78.28	\$81.02	\$83.86	\$86.37	\$88.96	\$91.63	\$94.38
Segment Rate for Subject	\$89.00	\$91.67	\$94.88	\$98.20	\$101.15	\$104.18	\$107.30	\$110.52
Occupied Room Nights	0	0	0	7,421	7,718	7,692	7,652	7,234
Estimated Revenue	\$0	\$0	\$0	\$728,736	\$780,638	\$801,349	\$821,097	\$799,531
<b>Leisure</b>								
Percent Annual Growth		3.0%	4.0%	4.0%	3.0%	3.0%	3.0%	3.0%
Average Segment Rate	\$81.00	\$83.43	\$86.77	\$90.24	\$92.95	\$95.73	\$98.61	\$101.56
Segment Rate for Subject	\$109.00	\$112.27	\$116.76	\$121.43	\$125.07	\$128.83	\$132.69	\$136.67
Occupied Room Nights	0	0	0	5,198	5,874	6,555	7,212	7,475
Estimated Revenue	\$0	\$0	\$0	\$631,200	\$734,686	\$844,457	\$956,969	\$1,021,623
<b>Group</b>								
Percent Annual Growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Average Segment Rate	\$67.00	\$69.01	\$71.08	\$73.21	\$75.41	\$77.67	\$80.00	\$82.40
Segment Rate for Subject	\$85.00	\$87.55	\$90.18	\$92.88	\$95.67	\$98.54	\$101.49	\$104.54
Occupied Room Nights	0	0	0	2,269	2,528	2,804	2,889	2,975
Estimated Revenue	\$0	\$0	\$0	\$210,749	\$241,849	\$276,301	\$293,217	\$311,004
<b>Induced Demand</b>								
Percent Annual Growth		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Average Segment Rate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Segment Rate for Subject	\$99.00	\$101.97	\$105.03	\$108.18	\$111.43	\$114.77	\$118.21	\$121.76
Occupied Room Nights	0	0	0	1,050	990	1,320	1,040	980
Estimated Revenue	\$0	\$0	\$0	\$113,589	\$110,311	\$151,494	\$122,940	\$119,322
<b>Subject Hotel</b>								
<b>Total Demand - All Segments</b>								
Total Estimated Revenue	\$0	\$0	\$0	\$1,684,274	\$1,867,485	\$2,073,601	\$2,194,223	\$2,251,480
Total Occupied Room Nights	0	0	0	15,938	17,110	18,371	18,793	18,664
<b>Overall Average Room Rate for Market</b>	<b>\$75.25</b>	<b>\$77.51</b>	<b>\$80.29</b>	<b>\$83.37</b>	<b>\$86.07</b>	<b>\$88.83</b>	<b>\$91.62</b>	<b>\$94.47</b>
Overall Annual Growth		3.0%	3.6%	3.8%	3.2%	3.2%	3.1%	3.1%
<b>Overall Average Room Rate for Subject</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>\$105.68</b>	<b>\$109.15</b>	<b>\$112.87</b>	<b>\$116.76</b>	<b>\$120.63</b>
Overall Annual Growth		#DIV/0!	#DIV/0!	#DIV/0!	3.3%	3.4%	3.4%	3.3%
<b>Overall Rooms REVPAR</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>\$70.77</b>	<b>\$78.48</b>	<b>\$83.02</b>	<b>\$85.29</b>	<b>\$90.43</b>
ADR variance to Comp Set	#DIV/0!	#DIV/0!	#DIV/0!	\$22.31	\$23.07	\$24.04	\$25.14	\$26.16
Forecasted Comp set Comparison	<b>\$75.25</b>	<b>\$77.51</b>	<b>\$80.29</b>	<b>\$83.37</b>	<b>\$86.07</b>	<b>\$88.83</b>	<b>\$91.62</b>	<b>\$94.47</b>

(Source: IDM)

The subject hotel is projected is estimated in Year 3 (2017) to achieve an ADR of \$112.87 for its guest rooms compared to the market estimated at reaching an ADR of \$88.83 based on the growth rates defined above. This is a premium ADR in comparison to the competitive set of \$24.04, based on the property being new and positioned against an aging competitive set. The subject property's ADR will also be dependent on amenities offered as well as the position of the competition at that time. (See Ten-Year model, Addenda 4&5.)

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## LODGING FACILITY RECOMMENDATIONS

### **Property Description and Recommendations**

The property should reflect the expectations of today's business and leisure travelers while maintaining the quiet charm and resort feel of the area. The concept focus should offer guests a sophisticated yet relaxed contemporary design that is stylish, comfortable, and defines its setting. A new resort offering select service—unique to the greater region and offering unparalleled regional quality and service—should be competitive in the region and successful long term. This might be a good market for a leisure focused brand or independent property. This hotel will be a competitive facility within the region. The market will likely react moderately to the regional tourism and, over time, support the subject hotel.

The size of this hotel is recommended for 70 to 95 guest rooms. The suggested evaluation at 70 rooms was used for the purposes of economic modeling and is feasible given the current stabilization of the properties occupancies and the market demand. It is also suggested that the facility be developed at the site of the current existing golf pro shop.

The amenities of the hotel will need to address what the market is attracting. This includes the following amenities:

### **Competitive Facilities Description**

- Modern, upscale resort décor, keeping within distinct attributes that make guests feel relaxed, including modern bathrooms and interesting room features and design. Guests should experience comfortable amenities such as in-room refreshment centers with refrigerators and possibly microwaves, comfortable bedding, recognized name-brand bath amenities or other name-brand products, possibly in a convenience center or small gift/necessity area.
- The proposed structure of the hotel should offer approximately 70 guest rooms in a low-to mid-rise structure (2 to 3 stories) featuring a variety of guest rooms and a few suites (see the following space allocation worksheet). Although the exact mix of rooms will not be determined but only suggested in this report, sample room layouts in the attached addendum should be considered and could be comprised of:
  - Multi-room suites to accommodate guests for 3-4 nights or extended stay.
  - King and double-queen traditional guest rooms, as reported in the survey.
- The guest rooms should offer similar amenities throughout all rooms. These amenities could include a flat-panel 42" HD TV, refrigerator and limited wet bar/kitchenettes (potentially in suites), in-room beverage and snack selections, coffee maker, iron and ironing board, desk with free Internet access (wired & wireless), ergonomic seating, task lighting, and multiple accessible power outlets. This is the project standard of quality and

amenities to which the competitive set will compare itself.

- Guestrooms should take advantage of the location at the lake park by offering balcony and three-season decks or patios attached to the rooms, giving guests a view of the lake. Of course, this necessitates that the facility be built within a short distance of the lake for premium views. This amenity will not only be a valued feature but also a source to drive higher average rates. Analyzing the operations of many resort facilities, it has been reported that premium views drive additional income.
- Surface-level accessible parking, offering a safe and secure environment that is easily accessible and well lit.
- Health and fitness facility offering expanded fitness options: open 24/7 with state-of-the-art equipment. A contemporary small water feature with an indoor or outdoor pool would likely be necessary to be competitive in the seasonal leisure market.
- If the resort is built in close proximity to the lake, a marina should be considered and potentially built and owned separate from the lodging facility but run through the operations of the subject facility. Given the high demand of seasonal travel, the lodging facility could potentially use 50% of its available inventory for access to a marina.
- Food & Beverage area, a place for guests to get ready for their day during breakfast and to relax and unwind in the evening. This area should reflect style and comfort, with the following minimum basic services:
  - Premium coffee selections.
  - Full breakfast service.
  - Full service bar (beer, wine, and liquor license), offering small snacks and limited dining options or manager's reception, offering complimentary food and/or beverage items, would be competitive and attract travelers.
  - Upscale entertainment features such as high-end TVs and sound systems. The lobby will be designed to double as a living room area and gathering place for guests.
- Conference and meeting space could be a significant part of the potential project and would assume some additional risk. These meeting facilities might also be part of the golf clubhouse and will be reviewed later. Many hotels use the strategy of adding meeting space to create off-peak demand or additional revenues in food & beverage. The market did not identify a high level of group and meetings demand within the subject market, other than social gatherings, given the lack of professional facilities.

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The meeting space, if considered by a development group, would need to be competitive in the social gathering, and wedding market. The conference and meeting space should be comprised of the following:

- Meeting space for medium and small gatherings, suggested not to exceed 250 people.
- Small private boardrooms (3-4 in total) as part of that flexible meeting space.
- Small prep kitchen, storage, restroom, and back-of-house space.
- A full-service restaurant will not be necessary but should be considered; the facility would need to offer breakfast, lunch, and limited dinner options, room service, and support service for banquets. The hotel, as mentioned above, should offer limited food options that are simple to prepare and execute. The facility should offer a limited breakfast menu and possibly a convenience store area.
- Latest technologies that offer seamless interface from office to hotel room, including:
  - High-speed wired and wireless network throughout the facility.
  - In-room premium music such as iPod/mp3 player-clock radios.
  - Business-minded facilities or resource center allowing guest to print/copy.

### **Subject Facilities Descriptions**

The success of the subject lodging facility will be determined by many things: the strength of the subject market, and the support of the regional attractions such as the lake, golf course, and recreational features of the park. The offerings of the subject facility should also be supportive and not competitive with the amenities currently offered at the park. Building a lodging facility at Mazingo seems feasible and supported by the regional demand. Meeting and event facilities might be needed to facilitate additional property revenues and yet are considered significant additional costs and potential risk for any developer. The meeting facilities have been considered a critical component of the Ten-Year Plan for Mazingo Lake Park.

It should be stated that the current clubhouse facility on the golf course is inadequate for the existing levels of business, including rounds of golf and annual outings. In fact, it was demonstrated earlier that the golf course has lost significant business since the clubhouse has very limited food & beverage operations, offering little more than a snack bar and beverage station and seating space for about 80 people. The course holds an average of 41 golf outings annually (defined earlier), and these groups cannot be serviced by the onsite facility without using local catering or sending guests offsite for their dining.

Creating meeting facilities at both the subject lodging facility and the golf course would be conflicting and costly to both the lodging developer and the city in enhancing the existing clubhouse. Building a resort or lodging facility with a new clubhouse attached or adjacent

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might not be the best use of land and might impede on the quiet setting of the park. IDM has identified multiple options for development. Two separate, yet similar, projects could be considered:

#### Option #1

The first could be a new clubhouse, bar, and dining area to support the golfers and local community for food service with seating for 40 to 50. Meeting and event space for banquets and social gatherings would support the golf course and allow for the 40+ annual events/outings to be serviced onsite, thereby capturing additional income now displaced to the community and MCC. The meeting space should be one large room accommodating 250 people with space for a built-in bar and pre-function events such as auctions and awards. This would allow a developer to build a hotel operation only with supportive facilities at the golf course and meetings facility.

#### Option #2

The second option would be the lodging facility and golf course/meeting facility being built as one resort, as described above, offering full or limited dining facilities, breakfast table service, and limited evening offerings; and also a pro shop and clubhouse to be built on the existing clubhouse site. The facility could build up to the 5,500 square feet of meeting space for 250 people and offer additional small boardrooms; as defined in the city RFP. This meeting space could be divisible space and a multifunctional room. The hotel would need an expansive kitchen or storage facilities, which could easily add a premium to the overall development cost of the resort.

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## SUMMARY CONCLUSIONS

- The proposed subject hotel will exceed the competitive product in the market because it is new and offers more amenities and access to the community's well-established amenities at Mozingo Lake Park than do the existing hotels. This can be accomplished with a variety of guest accommodations and critical meeting spaces, as proposed earlier. The multiple options and ample land allow for a developer to make a project work for both the city and their specific offering.
- The site is visible, accessible easily from various directions, and has unique market positioning.
- Site offers both visibility and accessibility to *transient* and *social* demand generators. The market drives a stable occupancy and consistent average rate that is seasonally driven.
- Location has many risks/advantages over the competitive set because of its accessibility and location. It would be the only new project in the market since 2000.
- Market shows positive recovery and stable economic trends.
- Subject market's average rate of \$75.18 and occupancy of 66.7% year-end 2012 is just below the overall state average rate and yet exceeds the state's occupancy.
- Economic sectors are recovering in industrial, educational, and healthcare businesses within the county. Tourism is an economic driver in the area through the spring, summer, and fall seasons, as identified earlier in the study.
- The subject hotel will likely run occupancy upon opening in the low-60% range and approach or exceed 70% occupancy by Year 3 of operation, market average, at a likely rate of \$105 (low) to \$115 (high) range, based on services and amenities, in Year 3.
- Occupancy should be expected to reach a five-year average of 68% (low) to 73% (high) and stabilize occupancy in the low-70% range by Year 3, near 71%.

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## CONCLUSIONS: FEASIBILITY STUDY REVIEW

The following financial analyses scenario demonstrates the performance of the proposed subject property based upon the research in this market study. These projections will be considered by a development group when evaluating the size and scope of the project. These projections are based on a select service, mid-upscale hotel, with recommendations attached in this report. The pro forma does not include estimated property taxes based on the value of the subject hotel. Also we have modeled the hotel according to the RFP suggesting the financial model offers onsite food & beverage in the form of a restaurant and with onsite restaurant and catering. The model assumes meeting facilities will be an amenity and makes financial projections, however does not factor into the model the operation of the golf course and club house.

### **Resort Model Development (with event space)**

Based on the projections and prior information prepared, the consultants project a ten-year operating pro forma for a 70-room subject hotel facility within the Maryville market with extensive meeting space. The meeting space (indoor) of up to 5,500 sq. ft. should be considered as a supportive amenity located at the existing site of the operating golf clubhouse; however if built as part of the hotel, the hotel will realize the revenues and expenses. This would be adequate size to accommodate up to 250 individuals but would require additional capital costs and risks. The comparison has utilized both regional and industry national average performance.

The subject hotel could generate an additional revenue contribution to total income if a meeting facility is added, a scenario not demonstrated in the attached pro forma. Catering facilities that offer in-house banquet department that can purchase, store, and prepare food & beverage onsite might add value to the operation. This source of revenue will also produce revenue from nightly guests as well as the local community or patrons not staying at the facility.

In projecting the potential number of annual events the historic trends of both the community center and golf course were used. The golf course averages 41 outings annually and most of which are not serviced onsite. The community center averages 62 events annually. The regional wedding professional estimates that currently there are 20 events held in the current existing facilities. A new event facility, competitive within the market, could generate 175 events a year, that draws a varying number of attendees, described earlier. This event facility would realize an average of \$2,500 per event and total \$452,000 in annual sales. In addition the local sales of nearly \$10,000 a month were estimated in 2013 dollars for the hotel restaurant. Total food revenues based on POR basis and local community sales would likely exceed \$350,000 to \$400,000 annually. The total food & beverage department revenues

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would likely exceed \$800,000 in year 1 with 15% to 20% the expected profit margin. The impact of these additional revenues is demonstrated in the following proforma.

More specifically, we have reviewed all estimated performance and, for discussion and comparison purposes, will discuss Year 3 of operation (2017) as the stabilized year of business. Hotel revenue projections indicate that at Year 3 of stabilized business, the facility would generate estimated revenues of \$3.3 million—to include room and miscellaneous revenues. The property should achieve this by running occupancy at or near 70% occupancy and an ADR of \$113.00. This ADR will result in room revenues alone exceeding \$2.0 million by Year 3.

The food revenues for the hotel and suites were based on a Per Occupied Room (POR) basis each year for food at \$50.00 and beverage at \$7.00, as reported according to the *2012 STR Host Annual Report*, an industry comparison index tool. This calculation would provide nearly \$900,000 in Year 3 from in-house sales based on POR calculation of nearly 18,000 occupied rooms.

*Other Operated Departments* would include items such as marina revenues for pier rental, mini bar revenues, miscellaneous resort income, vending, gift shop sales, etc.; and is estimated at a potential of 7% of total revenues or \$225,000 of income. Direct expenses would typically run 30% of total estimated revenues.

*Rooms Departmental Expense* estimates are projected at 24.7% of room revenue. Such expenses include payroll for both guest services and related property and guestroom cleaning, and departmental direct expenses. The departmental expenses include reservation processing fees (for either independent or franchised hotels), cost of guest supplies, laundry and linen, uniforms, and related costs.

*Food & Beverage* expenses were factored into the pro forma. These expenses would typically include payroll, the direct cost of inventory for both food and beverage items, and all expenses related to the food outlets. Costs would be estimated at a minimum of 80% of food & beverage revenues; this is comparable to similar operations of this size and regional comparisons, as analyzed by Smith Travel Research. This estimate includes food service for one catering facility.

*Undistributed Expenses* relate to items not directly attributed to specific operating departments. This category includes utilities estimated at \$6.60 per occupied room, which is within the national average range. Repairs and maintenance are projected at 4% of revenues at \$7.66 per occupied room night, comparable to similar operations in the region and historical trends.

*Administrative & General* costs include payroll, related expenses of management, and the cost of various administrative functions and supplies, such as credit card commissions, professional fees, and miscellaneous. This category is projected at 7% of total revenue.

*Marketing Expenses* include payroll and related expenses, the cost of advertising and promotion, direct mail and Internet campaigns, and any franchise-related assessments (if applicable) at 4.6% of base revenues.

*Management Fees* are estimated at 3.5% of total hotel revenue. The typical industry average is 3.2%, which is the customary base fee for hotel management; it does include an incentive to the management company based upon performance of preferred return to investor group, typical within the industry.

*Fixed Expenses* include items that are relatively fixed and not sensitive to the operating levels of the facility. Property taxes were not evaluated; however, insurance was estimated at an industry average of 1.2% of revenue, totaling \$39,000 annually.

Franchise fees were not entered into the evaluation. It is customary for the brand to charge 8% to 11% of revenues in royalty, franchise, and marketing fees. These fees vary based on franchise participation.

In summary, the overall cash flow available for debt service is projected at 34% of total revenue or \$1,142,000, without accounting for furniture, fixture, and equipment (FF&E) reserves, typically estimated at 2%, and without property taxes. Real estate and property taxes should be adjusted accordingly. The first full five-year operating pro forma produced by the consultant for the subject hotel is shown on the following page. (See Ten-Year model, Addenda 4).

**Maryville Hotel Project Mozingo Lake Park**

Projected Operating Results with Event Revenues  
Calendar Years

	2015		2016		2017		2018		2019	
Number of Units:	70		70		70		70		70	
Number of Annual Rooms Available:	25,550		25,550		25,550		25,550		25,550	
Number of Rooms Occupied:	15,840		17,120		18,140		18,650		19,160	
Annual Occupancy:	62.0%		67.0%		71.0%		73.0%		75.0%	
Average Daily Rate:	\$105.00		\$109.00		\$113.00		\$116.75		\$120.75	
Revenue Per Available Room:	\$65.10		\$73.03		\$80.23		\$85.23		\$90.56	
	Amount	Ratio								
<b>Revenues</b>										
Rooms	\$1,663,000	60.1%	\$1,866,000	61.1%	\$2,050,000	61.8%	\$2,177,000	62.2%	\$2,314,000	62.6%
Food & Beverage	791,000	28.6%	839,000	27.5%	884,000	26.7%	918,000	26.2%	954,000	25.8%
Beverage	126,000	4.6%	138,000	4.5%	148,000	4.5%	155,000	4.4%	162,000	4.4%
Telecommunications	4,000	0.1%	5,000	0.2%	5,000	0.2%	6,000	0.2%	6,000	0.2%
Marina	100,000	3.6%	114,000	3.7%	128,000	3.9%	140,000	4.0%	152,000	4.1%
Other Operated Departments	83,000	3.0%	92,000	3.0%	100,000	3.0%	106,000	3.0%	111,000	3.0%
Total Revenues	2,767,000	100.0%	3,054,000	100.0%	3,315,000	100.0%	3,502,000	100.0%	3,699,000	100.0%
<b>Departmental Expenses</b>										
Rooms	420,000	25.3%	466,000	25.0%	507,000	24.7%	537,000	24.7%	568,000	24.5%
Food & Beverage	618,000	78.1%	647,000	77.1%	674,000	76.2%	696,000	75.8%	719,000	75.4%
Beverage	68,000	54.0%	72,000	52.2%	76,000	51.4%	79,000	51.0%	82,000	50.6%
Telecommunications	22,000	550.0%	25,000	500.0%	27,000	540.0%	28,000	466.7%	30,000	500.0%
Marina	30,000	30.0%	34,000	29.8%	39,000	30.5%	42,000	30.0%	46,000	30.3%
Other Operated Departments	29,000	34.9%	32,000	34.8%	35,000	35.0%	37,000	34.9%	39,000	35.1%
Total Departmental Expenses	1,187,000	42.9%	1,276,000	41.8%	1,358,000	41.0%	1,419,000	40.5%	1,484,000	40.1%
<b>Departmental Profit</b>	1,580,000	57.1%	1,778,000	58.2%	1,957,000	59.0%	2,083,000	59.5%	2,215,000	59.9%
<b>Undistributed Expenses</b>										
Administrative & General	213,000	7.7%	232,000	7.6%	229,000	6.9%	231,000	6.6%	229,000	6.2%
Marketing	142,000	5.1%	147,000	4.8%	152,000	4.6%	157,000	4.5%	155,000	4.2%
Property Operation and Maintenance	125,000	4.5%	135,000	4.4%	139,000	4.2%	142,000	4.1%	146,000	3.9%
Utilities	100,000	3.6%	111,000	3.6%	120,000	3.6%	127,000	3.6%	133,000	3.6%
Other Undistributed Expenses	17,000	0.6%	18,000	0.6%	20,000	0.6%	21,000	0.6%	22,000	0.6%
Total Undistributed Operating Expenses	597,000	21.6%	643,000	21.1%	660,000	19.9%	678,000	19.4%	685,000	18.5%
<b>Gross Operating Profit</b>	983,000	35.5%	1,135,000	37.2%	1,297,000	39.1%	1,405,000	40.1%	1,530,000	41.4%
<b>Base Management Fee</b>	97,000	3.5%	107,000	3.5%	116,000	3.5%	123,000	3.5%	129,000	3.5%
<b>Fixed Expenses</b>										
Property Taxes	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Insurance	37,000	1.3%	38,000	1.2%	39,000	1.2%	40,000	1.1%	41,000	1.1%
Equipment Leases	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total Fixed Expenses	37,000	1.3%	38,000	1.2%	39,000	1.2%	40,000	1.1%	41,000	1.1%
<b>Net Operating Income</b>	849,000	30.7%	990,000	32.4%	1,142,000	34.4%	1,242,000	35.5%	1,360,000	36.8%
<b>FF&amp;E Reserve</b>	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>Net Income After Reserve</b>	\$849,000	30.7%	\$990,000	32.4%	\$1,142,000	34.4%	\$1,242,000	35.5%	\$1,360,000	36.8%

## DEVELOPMENT AND DESIGN ANALYSIS

The consultant was engaged to review the economic trends in the Maryville market area as research provided during the first part of the feasibility process and evaluate operational projections of the subject hotel.

The consultant was contracted to estimate the development costs in our experience: both the physical structure of the construction as well as the interior—including furniture, fixtures, and equipment —necessary to deliver a finished branded or boutique hotel product, as described earlier.

Consultant has detailed operational projections for sales revenue based on occupancy and Average Daily Room rates. This portion of the study lists specific operational projections for rooms, food & beverage, catering and sales revenues, and the direct expenses related to those departments.

The subject hotel could have 70 rooms of various sizes and will be operated as a boutique, full-service, 3-star facility offering unaccommodated market lodging, corporate/social meeting, and group business with food & beverage services at a product and service level that is currently unavailable in the area.

The hotel at a new site or at the Mazingo site should include lobby, registration, and a food & beverage facility component such as a dining area for breakfast/coffee and a bar area serving a light dinner meal option and full liquor bar. The building's addition could feature support services for the hotel and the guest rooms such as pool, exercise room, laundry, storage, and other revenue-generating amenities. The meeting space in the estimated design plan is 5,500 square-feet could accommodate 250 people with pre-function space. The overall finish and feel of the hotel will be "comfortable and rustic elegance" with unique style. A preliminary project space allocation and cost summary follow. These estimates are based on recent comparable projects and information supplied by architectural work on other projects, and suggests minimum space requirements.

**Estimated Space Allocation Worksheet**

<b>Inn Development &amp; Management Group</b>						
<b>Hotel Space Allocation Worksheet</b>						
	<b>Project:</b>	<b>Maryville Hotel Project Mozingo Lake Park</b>				
	<b>Date:</b>	5/5/2013				
<b>Description</b>					45 Double Queen Suites	
<b>Number of Guest Rooms</b>			<b>70 Keys</b>		15 King Suites	
			<b>Sub-Totals</b>		10 King Rooms	
					<b>Total Area</b>	<b>% of Area</b>
					<b>SF Per Key</b>	
<b>Residential Areas/ Rooms</b>						
Double Queen Suites	Gross Width	14 Ft				
	Gross Length	32 Ft				
	Area Per Guestroom	448 Sq Ft	20,160			
King Suites	Gross Width	14 Ft				
	Gross Length	32 Ft				
	Area Per Guestroom	448 Sq Ft	6,720			
King Rooms	Gross Width	12 Ft			30,720	
	Gross Length	32 Ft				
	Area Per Guestroom	384 Sq Ft	3,840			
Circulation & Service		35%			10,752	
<b>Total Guestroom Areas</b>					<b>41,472</b>	<b>62.81%</b>
					<b>592.46</b>	
<b>Public Areas</b>						
Lobby	Area Per Key	15 Sq Ft	1050			
Lounge	Area Per Key	43 Seats	3000			
Retail	Area per Key	7 Sq Ft	500			
Restrooms	Area per Key	11 Sq Ft	800			
Swimming Pool	Area per Key	50 Sq Ft	3465			
Hotel Fitness Center	Area per Key	11 Sq Ft	800			
<b>Total Public</b>					<b>9,615</b>	<b>14.56%</b>
					<b>137.36</b>	
<b>Restaurant</b>						
2-3 Meal Day Restaurant	Restaurant Seating	80	1600		1600	176000
	Area per Seat	20 Sq Ft				
Lounge	Estimated Above					
Circulation	% Addition to Net Area	20%				
Food Prep Area						
Food Lounge & Banquet Prep	Area Per Seat- Banquets	8 Sq Ft	1880			
F&B Storage	Area Per Seat- Banquets	2 Sq Ft	533		3216	
Circulation and Misc	% of Net Area	20%	803			
<b>Total Food &amp; Beverage</b>					<b>4,283</b>	<b>6.49%</b>
					<b>61.18</b>	
<b>Meeting Space</b>						
Main Ballroom	Maximum Ballroom Occupancy	267 People				
	Area Per Seat	15 Sq Ft	4000			
Break- out space	Area Per Seat	15 Sq Ft				
	Break-out spaces Occupancy	67 People	1000			
Board Room	Maximum Space Occupancy	15				
	Area Per Seat	30 Sq Ft	0			
			0			
Men's Restrooms	% of Net Meeting Area	4%	160			
Women's Restrooms	% of Net Meeting Area	5%	200			
Circulation	% of Net Meeting Area	15%	804			
<b>Total Meeting Space</b>					<b>6,164</b>	<b>9.34%</b>
					<b>88.06</b>	
<b>Administrative &amp; Back of House</b>						
Front Office	Area per Key	6 Sq Ft	450			
Executive Offices	Area per Key	5 Sq Ft	350			
Housekeeping	Area per Key	8 Sq Ft	560			
Housekeeping & Laundry	Area per Key	8 Sq Ft	560			
Linen Storage	Area per Key	2 Sq Ft	140			
Engineering	Area per Key	3 Sq Ft	210			
Mechanical	Area per Key	18 Sq Ft	1260			
Staff Break Area	Area per Key	3 Sq Ft	210	3740		
Misc & Circulation	% of Net Area	20%	748			
<b>Total Admin &amp; Back of House</b>					<b>4,488</b>	<b>6.80%</b>
					<b>64.11</b>	
<b>Hotel Area</b>					<b>66,023</b>	<b>100%</b>
<b>Area Per Key</b>					<b>943</b>	<b>Sq Ft Per Key</b>
<b>Parking</b>						
Guest Parking	Stalls Per Key	1.5				
	Guest Stalls	105			Hotel Space	59,858
Ballroom Parking	Stalls Per Ballroom Seat	0.5			Events Space	6,164
	Meeting Space Parking	133			Total	66,023
<b>Total Parking Stalls</b>			238			
<b>Stalls Per Key</b>			3.4			

**Estimated Development Cost Worksheet**

<b>Maryville Hotel Project Mozingo Lake Park</b>						
<b>Number of Rooms</b>		<b>70</b>				
<b>Uses of Funds- Project Budget Estimate</b>		<b>Construction Per SF</b>	<b>Sub- Total</b>	<b>Total Costs</b>	<b>Cost Per Room</b>	<b>Percent of Total Cost</b>
Land	3 Acre Site	\$ -			\$ -	
Construction Costs - Hotel	59,858	\$ 110.00	\$ 6,584,343		\$ 94,062	
Construction Costs- Events Center	6,164	\$ 95.00	\$ 585,580		\$ 8,365	
Sub Total Building	66,022	\$ 108.60		\$ 7,169,923	\$ 102,427	<b>69%</b>
Pool	3,465	\$ 72.15	\$ 250,000	\$ 250,000	\$ 3,571	
Landscaping			\$ 100,000	\$ 100,000	\$ 1,429	
Contingency	3% of Construction		\$ 225,598	\$ 225,598	\$ 3,223	
					\$ -	
<b>Building Area Total</b>	<b>66,022</b>			<b>\$ 7,745,521</b>	<b>\$ 110,650</b>	<b>74%</b>
<b>ACQUISITION &amp; CONSTRUCTION COST</b>				<b>\$ 7,745,521</b>	<b>\$ 110,650</b>	
Architectural & Engineering				\$ 232,366	\$ -	2%
Furniture Fixtures & Equipment (FF&E)				\$ -	\$ -	
Guestroom	\$14,000	Per Room		\$ 980,000	\$ -	9%
Restaurant Sq. Ft. Cost for interiors including kitchen	4283	\$ 95.00		\$ 406,853	\$ -	4%
				\$ -	\$ -	
Owner Supplied Equipment	\$9,500	Per Room		\$ 665,000	\$ -	6%
Including restaurant/banquet equipment						
<b>HARD COSTS</b>				<b>\$ 10,029,740</b>	<b>\$ 143,282</b>	<b>96%</b>
<b>Technical Services Fee (consultants) 1%</b>				\$ 100,297	\$ 1,433	1%
<b>Development Fees @ 2%</b>				\$ 200,595	\$ 2,866	2%
<b>Permits &amp; Licenses</b>				\$ 10,000	\$ 143	0%
<b>Closing Costs</b>				\$ 10,000	\$ 143	0%
<b>Insurance</b>				\$ 40,000	\$ 571	0%
<b>Taxes</b>				\$ -	\$ -	0%
<b>Working Capital</b>				\$ 20,000	\$ 286	0%
				\$ -	\$ -	0%
<b>Contingency 10%</b>				\$ 38,089	\$ 544	0%
<b>SOFT COSTS</b>				<b>\$ 418,981</b>	<b>\$ 5,985</b>	<b>4%</b>
<b>TOTAL PROJECT COSTS</b>	Per Sq Ft	\$ 158.26		<b>\$ 10,448,721</b>	<b>\$ 149,267</b>	<b>100%</b>
<b>PER KEY/ROOM</b>				<b>\$ 149,267</b>		

Both the above space allocation worksheet and project costs are to be used as a comparison for further speculation on design, cost and space needed at Mozingo for space allocation. The cost of land and financing potential was not factored in at this time.

**REGIONAL ECONOMIC IMPACT**

For the purposes of this engagement, we will estimate the positive economic impact to the City of Maryville from retail sales taxes in Year 5 (2019) of the hotel operation.

Year 5 projections indicate that a facility offering 70 rooms and suites will be able to draw approximately 19,160 additional lodging room-nights into the community than the property is expected to draw in 2013. We further estimate that the overall market will absorb the additional market supply of the new hotel and collectively reach a market occupancy level of 68%, on average, given the new supply. Adjusting for inflation at 2.5% annually, the average rate of the market hotel inventory in Year 5 would be \$95.00. It is estimated that in Year 5, the subject hotel will achieve an average rate of \$120.00, a premium of \$25.00 compared to the competitive market.

There are other benefits to the City of Maryville and the community that have not been noted: additional property taxes, employee spending, and business expansions or relocations. It is clear that the local economy will derive substantial benefits with the addition of this facility.

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## CRITICAL DEVELOPMENT CONSIDERATIONS

The following section of the report suggests critical industry hotel development strategies that should be considered when evaluating the development of a hotel project such as the one studied in this report. These strategies are common to hotel development and the necessary due diligence in evaluating the subject market and subject site for the proposed hotel. Also reviewed are potential barriers to development that might have been uncovered in the supplied research within this report. Critical issues might or might not have a direct effect on the hotel development.

### **Subject Market**

The Maryville area is a market positioned for growth and currently seen as a strong market for hotel operation based on the historical trend of the competitive set. The market has seen a few downward trends in occupancies from 2005 to 2010, yet the market is collectively running in 2012 nearly 67% occupancy. Competition within the market is not seen as strong direct competition as it is mostly economy limited service facilities.

### **Growth in Lodging Supply**

The most recent addition to Lodging Supply in this market was in 2005 with the Holiday Inn Express. At present, no new hotels have been added to the subject market area. As a result, no other Lodging Supply growth was factored into the projections for the near term. It is reasonable to expect that from 2014 – 2020, given good market conditions, another hotel project may enter the competitive region.

### **Growth in Lodging Demand**

The historic Combined Average Growth Rate in the subject market averaged .5% per year from 2007 to 2012. Based on industry outlook and research performed, it is projected that the market should continue to see positive growth for 2013. It was further projected that Lodging Demand will grow by 3.0% each year from 2013 through 2018.

### **Development Incentives**

The development culture and attitude of the community would be defined as pro-growth. There appears to be strong interest in developing a hotel in this immediate area from the city. The community willingness to assist in the approval process for a hotel project suggests that there is potential for development incentives. The city has invested in all of the existing supportive amenities currently existing at Mozingo Park. The golf course and clubhouse will remain a critical development for the positioning of the subject hotel facility.

**Property Tax**

Detailed review of the tax structure in the subject market was not executed within the scope of this report. A development group should analyze the property tax structure within the market. If the hotel is to be built on the city owned land at Mozingo a long term lease or land contribution will need to be considered for the development of the project.

**Project Scope: Franchise or Independent Affiliation?**

It has been estimated that a limited- or select-service property would have a higher potential of success in this market. The franchise affiliation could allow the subject property to stabilize occupancy and grow market share more quickly than would an independent property. This also depends on the exact site selection of the project. Proper brand affiliation is required, and the development group should be extremely selective of the brand.

**Franchise Selection & Protection**

In review of the market research a developer may be inclined to seek a franchise affiliation for the subject property. A few brands would be suggested based upon their flexibility in amenities and offerings as well as their room configuration. Franchise options would include: Best Western International, Doubletree Hotels by Hilton, Clarion Hotels by Choice and Wyndham Hotel Group are suggested for consideration. Most of these brands are flexible and lenient in facility offerings, including room type configuration, restaurant and meeting facilities; and would consider the project at the subject site.

Franchise companies restrict area development so that brands within a franchise company cannot directly compete with one another for the same consumer, thus allowing for family to maximize market share in a competitive set. This is defined as an area of franchise protection. It is recommended to ensure there is no encroachment by a similar hotel brands in the market area through the development group negotiating with franchise brands to guarantee adequate protection against future development for a period of stabilization and beyond.

**Revenue Management Strategies**

Research indicates that rate management has shown growth disproportionate with the minimal increase in historical occupancies. The evaluated competitive set present market rate structure generating increased in ADR, given the age of the properties and amenities offered.

The historic combined growth rate in ADR in the subject market averaged 4.4% per year from 2005 to 2012. Based on industry outlook and research performed, it is projected that the market should continue to see positive growth for 2011. It is further projected that Lodging Demand will grow by 3.2% each year from 2011 through 2018.

The recommended rate position of the subject hotel should be in line with that of the current market at a premium of \$15 to \$25. Preliminary rate positioning appears to suggest that the market would support a product at a premium of 125% to 150% index given the amenities at the subject site. Premium rates could be charged during peak demand periods; however, these rates will be moderated by seasonal leisure travel, as this market segment tends to be rate sensitive. It is likely the amenities offered will attract consumers willing to pay for convenience of accessibility to lake, golf, and events, and allow the subject property to drive rates higher than projected.

**Project Marketing**

This hotel should be marketed beyond the community in which it is positioned and would likely need the assistance of broader sense of awareness. The hotel will require effective marketing to surrounding regional cities, attractions and businesses. The location of the subject hotel, away from other competitive lodging demand generators, will require aggressive marketing to make and keep the market aware of the hotel and amenities.

Current marketing and branding of the Mozingo Park appears to be redefined and professional. The community in 2012 has rebranded the existing offerings at the city facility and made a cohesive marketing effort and branding initiative. Mozingo is a successful business, yet its message in the past was somewhat diluted. Mozingo's new efforts assist the brand repositioning and allow for the current offerings at the park to be marketed to a more broad market segment of consumers.

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## PROJECT FEASIBILITY ASSUMPTIONS

The determination of a project's sustainability or feasibility is evaluated on various financial methods. Discounted cash flow (DCF) analysis is one method of valuing a project using the concepts of the time value of money. Future project net income is estimated and discounted to give their present values (PVs) — the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value of the cash flows.

The debt service coverage ratio (DSCR), also known as "debt coverage ratio," is the ratio of cash available for debt servicing to interest, principal and lease payments. It is another popular benchmark used in the measurement of an entity's ability to produce enough cash to cover its debt payments.

Using the subject properties projected income stream and estimating the net present value using the discounted cash analysis uses the following methodology. First, the forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the subject property over its remaining economic life. We recognize that there will be fluctuation in key drivers of operations for the hotel.

Income and expense estimates from the stabilized year forward exclude from consideration fluctuation in those drivers and any change in supply and demand. The stabilized year's net income is then extended into the 11<sup>th</sup> year forecast. The discounted cash flow analysis is derived from the capitalized 11<sup>th</sup> year's net income. The 10 year period reflects the typical holding period of hotel real estate assets. In addition, the 10 year time frame provides for the asset to stabilize income streams.

To estimate the stream of income in current dollars an appropriate discount rate is selected to apply to the projected net income before debt service. This rate reflects the free and clear internal rate of return to an all cash purchaser or a blended rate of debt and equity. The discount rate takes into consideration the degree of perceived risk, anticipated inflation, market attitudes, rates of return on other investment alternatives, and availability and cost of financing. The discount rate was chosen by reviewing sales transactions, investor surveys, and authoritative articles on the subject to arrive at a rate reasonable within current range based upon the projects and the risk level associated with the investment. The discount rate chosen for this analysis was 11%.

Next a reversionary value reflecting the sales price of the property at the end of the ten year holding period is calculated by capitalizing the 11<sup>th</sup> year Discounted Cash Flow Analysis net income by the Terminal Capitalization Rate and deducting typical brokerage and other transaction fees.

The Terminal Capitalization Rate is also chosen by reviewing sales transactions and authoritative articles on the subject to arrive at a rate reasonable within the current range of Capitalization Rates and based upon its relative competitive strength within and the risk level associated with the investment, and the risk level associated with the investment. For this analysis we modeled a Terminal Capitalization Rate of 10% which is near historical averages for non trophy hotel assets.

To determine the net present value of the project the forecasted net income (before debt service and depreciation) are converted to the present value by multiplying the cash flow by the discount rate for the year forecasted. The sum of the discounted cash flow equates to the net present value.

To determine the project feasibility the total estimated project cost is deducted from net result of the present value. If the results are positive the project is feasible. If negative results are determined that negative value is referred to as a monetary “gap” in the feasibility.

The following calculates the feasibility of the subject property. For review of the feasibility we use the financial model inclusive of meeting and event space and includes the additional income streams. Please note that in the total project costs, land preparation and purchase cost were not estimated and would impact the overall feasibility.

<b>Maryville Hotel Project Mozingo Lake Park</b>				
<b>VALUATION - DISCOUNTED CASH FLOW</b>				
Period	Number of Months	Projected NOI	11.00% PV Factor	Unrounded Present Value
2015	12	\$ 849,000	0.900901	\$ 764,865
2016	24	990,000	0.811622	803,506
2017	36	1,142,000	0.731191	835,021
2018	48	1,242,000	0.658731	818,144
2019	60	1,360,000	0.593451	807,094
2020	72	1,475,000	0.534641	788,595
2021	84	1,536,000	0.481658	739,827
2022	96	1,570,000	0.433926	681,265
2023	108	1,621,000	0.390925	633,689
2024	120	1,677,000	0.352184	590,613
Reversion		17,031,000	0.352184	5,998,054
				\$ 13,460,673
			RENOVATION COSTS	\$ 1,000,000
			ROUNDED	\$ 12,500,000
<b>Value of the Reversion</b>				
Year 11 NOI				\$ 1,729,000
Terminal Capitalization Rate				10.0%
Indicated Value at Reversion (Fee Simple Interest)				\$ 17,290,000
Less Selling Costs				(259,000)
Net Reversion				17,031,000
<b>Value Summary</b>				
Value (Rounded)				\$ 12,500,000
Value Per Room				\$ 178,571
Estimated Cost				\$ 10,448,721
Value (Gap)/Surplus				2,051,279

In the DCC Valuation proforma the subject project has a surplus of \$2,051,279 between the Discounted Cash Flow valuation of the project and the amount an investor may be willing to invest at the market return rates used in this investment. As there is a feasibility surplus using the Discounted Cash Flow analysis we can use an alternative approach to determine the potential feasibility surplus/gap as validation of the results using the DCF methodology. We can choose an Internal Rate of Return deemed attractive in the current hotel real estate investment market and calculate what level of monetary support from outside sources the project would need contributed to reach the desired Internal Rate of Return. The IRR is the discount rate that equates the present value of a project's cash out flow with the present value of its cash inflow. In other words, the internal rate of return is that discount rate that will cause the net present value of a project to be equal to zero.

**CERTIFICATION, ASSUMPTIONS, AND  
LIMITING CONDITIONS STATEMENT**

The previous report is presented to provide information on the market in which the subject property will perform. The report is to be used in whole and not in part. The research provided in this report was obtained from review of supportive data and information. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property and market.

All information, financial operating statements, estimates, and opinions obtained from parties not employed by the consultant are assumed to be true. It should be understood that normal economic and marketplace conditions change constantly. The consultants assume no responsibility for information that becomes outdated once this report is written, nor is it responsible for keeping this information current after May 2013. The consultant takes no responsibility for any events or circumstances that occur subsequent to the date of our field inspection.

None of this material may be changed or reproduced in any form without the consultants' written permission, and the report cannot be disseminated to the public through advertising, news, sales, or other media.

It should be understood that the results presented in this report are the opinions of the consultant team and based upon the information available at this time. These opinions infer proper and professional management of the business operation. The opinions also infer that market conditions do not change.

The estimated operating results presented in the report are based on an evaluation of the overall economy. The quality of a hotel facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption might have a significant negative impact on projected operating results.

The consultants' company routinely seeks opportunities to consult, develop, and manage boutique and branded hotels in the region. Our consulting engagements include a fee structure for a specific scope of work. These engagements occasionally result in a minor equity interest or long-term management contract for a prospect facility. The consultant has no current or contemplated interests in the real estate that is the subject of this report. The fee paid for the preparation of this report is not contingent upon the conclusions, upon occurrence of a subsequent event directly related to the intended use of this report, or that our engagement was contingent upon developing or reporting predetermined results.

Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and might be influenced by the consultants' experience and other factors not specifically set forth in this report. If the reader is making a fiduciary or individual investment decisions and has questions concerning the material presented, it is recommended that the reader contact the consultants.

The consultants prepared this study. The statements of fact presented in this report are true and correct to the best of the consultants' knowledge and are rendered by the staff of the consultants as employees rather than as individuals. The reported analyses, opinions, and conclusions presented in this report are limited only by the assumptions and limiting conditions set forth, and they are the consultants' personal, impartial, and unbiased professional analyses, opinions, and conclusions. The consultants have extensive experience in the hospitality industry, hotel & restaurant management, hospitality development, and in the evaluation of hotels. The consultants believe that they are competent to undertake this study.

This report might or might not prove to be acceptable for external investing and/or lending purposes. An investor or lender might require additional information concerning this market's ability to support this hotel. Consultants' responsibility is limited to the client, and the use of the final report by others shall be solely at the risk of the client and/or third parties. The report is also subject to the terms and conditions set forth in the consultants' engagement letter with the client.

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## GLOSSARY OF HOSPITALITY TERMS

The following definitions of industry terminology are derived from the *Uniform System of Accounts for the Lodging Industry* (10<sup>th</sup> Revised Edition).

### Type of Hotel

**Full-Service Hotel** – Generally mid-price, upscale, or luxury hotels with a restaurant, lounge facilities, and meeting space as well as minimum service levels that often include bell service and room service. These hotels report food & beverage revenue.

**Limited-Service Hotel** – Hotels with rooms-only operations (i.e., without food & beverage service) or hotels that offer a bedroom and bathroom for the night but few other services or amenities. These hotels are often in the mid-price, budget, or economy groups and do not report food & beverage revenue.

There are also upscale or luxury hotels that do not manage their food & beverage operations (e.g., outsourced to a third party) that are categorized as limited-service hotels.

**Select-Service Hotel** – Hotels with a hybrid of amenities to attract market demand are defined as select-service. These hotels typically include about 50 to 150 guest rooms, limited food-service operations, and scaled-down meeting space. These properties often tout spacious guest rooms with comfortable, custom beds that are comparable to rooms found at their full-service cousins.

Some additional trademarks of select-service hotels include lounge areas for working and socializing, hot breakfast service, and free high-speed Internet access. Travelers are offered all this for about less than they would pay at a full-service property.

### Revenues

**Rooms** – Revenues derived from the rental of sleeping rooms at the hotel, net of any rebates and discounts.

**Food** – Revenues derived from the sale of food, including coffee, milk, tea, and soft drinks. This is also often reported by the various meal periods served: breakfast, lunch, dinner, and room service.

**Beverage** – Revenues derived from the sale of beverages, including beer, wine, and liquors. Also includes banquet beverage revenues.

**Other Food & Beverage** – Revenues derived from other sources such as meeting room rentals, cover or service charges, or revenues derived from the sale of goods or services

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made in connection with banquets, such as equipment rental, music, decorations, and souvenirs. Also includes banquet service charges.

**Telecommunications** – Revenues derived from guest use of telephones in the hotel, including local and long-distance calls, service charges, high-speed or wireless Internet, and commissions.

**Other Operated Departments** – Revenues generated from garage and parking, guest laundry, golf and tennis, health club, spa, swimming pool, barber/beauty shop, gift shop, newsstand, etc., when operated by the hotel (excluding casinos).

**Rentals and Other** – Income from rentals of space for business purposes, including concessions in any of the departments mentioned under other operated departments. Includes income generated from sources not included elsewhere but excludes investment income.

**Cancellation Fees** – Fees incurred because of group cancellations (e.g., group attrition fees).

### **Departmental Expenses**

**Rooms** – Rooms departmental expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff, and laundry, plus employee benefits. Other operating expenses in the rooms department include linen, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases, and travel agent commissions.

**Food and Beverage (F&B)** – Food & Beverage departmental expenses include the cost of goods sold (food & beverages), labor and related benefits, and other operating expenses. Labor costs include departmental management, cooks and kitchen personnel, service staff, banquet staff, and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions.

**Telecommunications** – Telecommunications departmental expenses include costs of calls, cost of Internet service, and other related expenses but exclude capital lease payments.

**Other Operated Departments & Rentals** – Other departmental expenses would comprise those expenses (labor and other) that offset the revenue generated by other operated departments, such as garage, guest laundry, athletic facilities, and gift shop, as well as rental activity.

**Undistributed Operating Expenses**

**Administrative and General (A&G)** – Included in this category are the payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller, and accounting staff. Other A&G expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest), and travel and entertainment.

**Marketing** – Marketing expense includes payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff, and civic and community projects. Includes national advertising fees or assessment paid to franchise company plus cost of frequent-guest stay programs.

**Utility Costs** – Utility expenses typically include electricity, fuel (oil, gas, and coal), purchased steam, and water. Includes central plant and energy management systems.

**Property Operations and Maintenance** – This category includes payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds, and the removal of waste matter.

**Franchise Fee** – Includes only the royalty fees charged by franchise companies.

**Management Fees** – Fees charged by management organizations for management services or supervision. Includes both base and incentive fees.

**Fixed Charges**

**Property Taxes** – Typically include taxes on real estate, business and occupation, personal property, utilities, and other municipal taxes.

**Insurance** – Cost of insuring the hotel building and contents against fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, or other perils such as terrorism. Includes all insurance except workers' compensation.

**Land and Building Rent** – Includes charges for lease of land and/or building.

**Equipment Rental** – Includes capital leases for rental of data processing equipment, telephone equipment, and other major items.

**Interest** – Includes all interest expenses on any obligations such as mortgages, notes payable, bonds, debentures, taxes in arrears, or any other indebtedness on which interest is charged.

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**Depreciation and Amortization** – Deductions on the building, leaseholds, and leasehold improvements, furnishings and equipment, and assets held under capital leases.

**Other Fixed Charges** – Includes any other expenses that relate to the ownership of the hotel, and gains or losses from any sale of assets.

**Other Terms**

**Number of Occupied Room Nights** – Rooms occupied by hotel guests on a paid basis.

**Price Category** – Categories of properties defined through price perception to the consumer: Luxury, Upscale, Mid-Price, and Economy.

**Location** – Urban, suburban, airport, interstate, resort, small metro/town.

**Chain Scale** – Luxury chain, upper upscale chain, upscale chain, midscale chain with food & beverage (F&B), midscale chain without F&B, economy chain, independents.

**Reserve for Capital Replacement** – Amount set aside for replacement of furniture, fixtures, and equipment (as may be required by loan, franchise, or management agreements).

**Average Daily Rate (ADR)** – Room revenue divided by rooms sold. The currency used to express ADR is shown on each report.

**Demand (Rooms Sold)** – The number of rooms sold or rented (excludes complimentary rooms).

**Market** – A geographic area within a country. Markets are defined by STR and STR Global.

**Occupancy** – Rooms sold, divided by rooms available, multiplied by 100. Occupancy is always expressed as a percentage of rooms occupied.

**Percent Change** – Amount of growth: up, flat, or down; this period versus same period last year (month or year-to-date). Calculated as  $((TY - LY) / LY) * 100$ .

**RevPAR** – Revenue per Available Room or room revenue divided by rooms available.