

MARKET FEASIBILITY STUDY

**PROPOSED HOTEL
FAYETTEVILLE, NORTH CAROLINA**

**PREPARED FOR:
BRAC REGIONAL TASK FORCE**

**PREPARED BY:
PKF CONSULTING**

JULY 2010





Consulting

160 Federal Street
11th Floor
Boston, MA 02110

Telephone 617-330-8110
Fax 617-330-8093
www.pkfc.com

July 12, 2010

Mr. Don Belk
BRAC RTF Regional Planner
Fayetteville, NC 28301

Submitted via E-Mail to: dbelk@bracrft.com

Dear Mr. Belk:

In accordance with your request, we have completed our market feasibility analysis of the potential for a full-service upscale (or better) hotel to be located in Fayetteville, NC.

The entire study and conclusions reached are based upon our present knowledge and information with respect to the status and demand characteristics of the Fayetteville, NC, competitive lodging market.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the lodging industry in the immediate area from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report or the estimated annual operating results to reflect events or conditions which occur subsequent to the date of the completion of our fieldwork. However, we are available to discuss the necessity for the revision in view of changes in the economic or market factors affecting the proposed project.

Please do not hesitate to call should you have any comments or questions.

Yours Sincerely,

PKF Consulting

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SECTION I
INTRODUCTION

INTRODUCTION

PKF Consulting (“PKFC”) was engaged by Fort Bragg Base Realignment and Closure Regional Task Force (“BRAC RTF”) to conduct a market feasibility study for a potential full service property addition and general analysis of meeting and room night demand in Fayetteville, NC.

The scope of our study included the following:

- Determine patterns of travel for the 150 new government meetings expected to be generated annually by the Fort McPherson move;
- Define travel patterns for the expected increase in transient visitation due to the Fort McPherson move;
- Evaluate the impact of moves that have already happened and the associated travel;
- Provide a detailed inventory of type of rooms that exist in the market;
- Determine demand and travel patterns related to USARC, both meetings-related and transient;
- Determine demand and travel patterns related to Air Force Reserve existing and future needs;
- Consider the impact of existing and proposed construction on base, such as the new Officers’ Club (Fort Bragg Community Activity Center);
- Evaluate the future impact of the Intercontinental hotels agreement with the Army for lodging development and management;
- Assess the preliminary feasibility of any new hotel space deemed necessary beyond that currently under construction and/or proposed;
- Provide a collective summary of all new/potential hotel products throughout the region.

SECTION II
EXECUTIVE SUMMARY

INTRODUCTION

PKFC conducted a lodging feasibility study and market analysis of the Fayetteville area to determine the potential to absorb future full-service hotel development. In doing so, we analyzed historical market performance, visited potential development sites, and met with local area officials, hotel operators and key demand generators. Following this analysis, we formed conclusions on overall development feasibility to include specific performance projections for the most likely development sites.

GENERAL FINDINGS

Based on our market research and analysis, it appears that there is sufficient demand to pursue full-service hotel development, though development in the near-term would potentially require some form of public assistance. Further, we determined that there are three potential locations worthy of consideration for hotel development: the Cross Creek Mall area, the Military Business Park area and the Crown Center area. The following assumptions and conclusions hold the same for all of the proposed projects.

- An upper-upscale branded property is appropriate for the market.
- An opening date of January 1, 2012 has been assumed for the proposed project.
- Based on our analysis of market characteristics, the profile of Fayetteville's supply and demand, the amenities offered by the competitive hotels, and the projected clientele of the subject hotel, we have assumed that the subject hotel would include the following facilities, amenities, and services:
 - 200 guestrooms and suites;
 - Food and beverage facilities to include:
 - Restaurant/bar serving breakfast, lunch and dinner;
 - Additional bar/lounge;
 - Room-service;
 - Event catering (in-house).
 - Recreational amenities to include:
 - Health/fitness center;
 - Pool.
 - Meeting facilities to include:
 - Ball room;
 - Prefunction Space;
 - Breakout/meeting rooms.
- We have defined the competitive market for the proposed hotel at the subject site as other higher-end properties in the Fayetteville, NC, market that compete for both transient and group demand. We have included the seven properties listed in the table on the following page in the competitive set. The map on page IV-6

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illustrates the location of the competitive set properties in relation to proposed development sites in the area.

Potential Full Service Hotel Fayetteville, NC Competitive Set Summary		
Property Name	Number of Guestrooms	Map Code
<i>Potential Crown Center Site</i>	N/A	A
<i>Potential Military Business Park Site</i>	N/A	B
<i>Potential Cross Creek Mall Site</i>	N/A	C
Doubletree Fayetteville	148	1
Hilton Garden Inn Fayetteville	104	2
Courtyard Fayetteville	108	3
Holiday Inn Fayetteville-Bordeaux	295	4
Holiday Inn I-95	198	5
Hampton Inn Spring Lake	77	6
Holiday Inn Express Fayetteville-Spring Lake	85	7

- The following data summarize the estimated aggregate performance for the competitive set from April 2007 through January 2010. Though worthy of consideration as competitive with these other properties, performance data for the Holiday Inn I-95 is not available for this analysis. It has, therefore, not been included in the historical market performance analysis.

Competitive Set Historical Performance					
Year	Occupancy Percentage	Average Daily Rate (ADR)	% Change	Revenue per Available Room (RevPAR)	% Change
2007 (Apr-Dec)	76.7%	\$85.77	N/A	\$65.75	N/A
2008	74.4%	\$92.69	N/A	\$69.00	N/A
2009	69.7%	\$95.24	2.8%	\$66.38	-3.8%
2009 (Jan)	67.5%	\$95.39	N/A	\$64.42	N/A
2010 (Jan)	63.3%	\$94.87	-0.5%	\$60.08	-6.7%

Source: Smith Travel Research; PKF Consulting

- Additional competition for the subject hotel includes the on-post lodging operated by the Army and the Air Force. Limited detailed performance information was provided by the military, though business is understood to remain brisk. Of significant importance to this analysis is the fact that an additional on-post hotel, operated by a private entity, may be developed in the near future as part of the Privatization of Army Lodging. The Privatization of Army Lodging (PAL) program is the Army's primary means of revitalizing transient housing facilities and providing for their long-term sustainment. Late in the current decade, as part of Portfolio C, all military lodging facilities on Fort Bragg are proposed to be turned over to the Actus Lend Lease/IHG team, or perhaps some other operator should the project be re-bid, who would brand each existing hotel and could also build new facilities. Any on-post facility, particularly one run as a private sector branded operation, would have a competitive advantage over off-post hotels by

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virtue of location. Further, IHG will likely refer any turnaway demand to affiliated off-post properties first.

Site #1: Cross Creek Mall

The following bullets summarize our findings in regard to the potential for full-service hotel development in the Cross Creek Mall area.

- The available potential sites are well located proximate to the Cross Creek Mall. There are two parcels where hotel development has been considered. The first site is located near US-401 and the All-American Expressway; the second is near the Tropical Motel on Bragg Boulevard. The second development, it should be noted, would be adjacent to the Bellagio Apartment development project. The neighborhood is characterized in large part by its retail and food and beverage outlets. These support amenities in the local neighborhood will be critical to the success of the property.
- Access characteristics of the sites are favorable for proposed hotel development.
- The potential hotel at this site should have approximately 8,000 square feet of function space.
- Based on our analysis of the historical growth rates, local economic conditions, individual hotel’s historical performance levels, and information gathered during our fieldwork, we have projected the future performance of the competitive market for the period 2010 to 2016, coinciding with the hotel's first five years of operation (2012 to 2016). The following table summarizes our projections.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	107.00	9.2%	73.27	-0.3%
2013	404,785	0.0%	295,100	6.5%	73%	109.00	1.9%	79.46	8.4%
2014	404,785	0.0%	302,800	2.6%	75%	112.00	2.8%	83.78	5.4%
2015	404,785	0.0%	303,600	0.3%	75%	115.00	2.7%	86.25	2.9%
2016	404,785	0.0%	303,600	0.0%	75%	118.00	2.6%	88.50	2.6%
CAAG	3.4%		4.7%			3.5%		4.8%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

- Our estimates of future ADR, occupancy and market penetration for the proposed hotel are summarized in the following table. We estimate that the

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subject hotel would be able to achieve a room rate of \$130.00 (in 2010 dollars).

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	46,400	N/A	64%	137.00	2.5%	87.08	N/A	93%
2013	73,000	0.0%	49,900	7.5%	68%	140.00	2.5%	95.70	9.9%	94%
2014	73,000	0.0%	51,400	3.0%	70%	143.00	2.5%	100.69	5.2%	94%
2015	73,000	0.0%	51,700	0.6%	71%	147.00	2.5%	104.11	3.4%	94%
2016	73,000	0.0%	51,700	0.0%	71%	151.00	2.5%	106.94	2.7%	94%
CAAG	0.0%		2.7%			2.5%		5.3%		

Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

- The average daily rate projected for the proposed property is on the low end of typical upper-upscale hotels. Coupled with the moderate occupancy levels, the property may need some public assistance to be profitable during its first years of operation if developed within the next two years.

Site #2: Crown Center

The following bullets summarize our findings in regard to full-service hotel development in the Crown Center area.

- The available site is located proximate to the Crown Center. There are few supporting elements in the immediate neighborhood to support full-service hotel development.
- Access characteristics of the sites are fair for potential hotel development.
- The hotel should have approximately 6,000 square feet of function space.
- Based on our analysis of the historical growth rates, local economic conditions, individual hotel's historical performance levels, and information gathered during our fieldwork, we have projected the future performance of the competitive market for the period 2010 to 2016, coinciding with the hotel's first five years of operation (2012 to 2016). The following table summarizes our projections.

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Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	103.00	5.1%	70.54	-4.1%
2013	404,785	0.0%	295,100	6.5%	73%	106.00	2.9%	77.28	9.6%
2014	404,785	0.0%	302,800	2.6%	75%	109.00	2.8%	81.54	5.5%
2015	404,785	0.0%	303,600	0.3%	75%	112.00	2.8%	84.00	3.0%
2016	404,785	0.0%	303,600	0.0%	75%	114.00	1.8%	85.50	1.8%
CAAG	3.4%		4.7%			2.9%		4.2%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

- Our estimates of future ADR, occupancy and market penetration for the proposed hotel are summarized in the following table. We estimate that the subject hotel would be able to achieve an average room rate of \$112.00 (in 2010 dollars).

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	40,200	N/A	55%	118.00	2.5%	64.98	N/A	80%
2013	73,000	0.0%	43,200	7.5%	59%	121.00	2.5%	71.61	10.2%	81%
2014	73,000	0.0%	44,900	3.9%	62%	124.00	2.5%	76.27	6.5%	82%
2015	73,000	0.0%	45,100	0.4%	62%	127.00	2.5%	78.46	2.9%	82%
2016	73,000	0.0%	45,100	0.0%	62%	130.00	2.5%	80.32	2.4%	82%
CAAG	0.0%		2.9%			2.5%		5.4%		

Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

- The average daily rate projected for the proposed property is on the very low end of typical upper-upscale hotels. Coupled with the modest occupancy levels, it is likely the project will require a significant amount of public assistance, if developed within the next two years, to be successful.

Site #3: Military Business Park

The following bullets summarize our findings in regard to full-service hotel development in the Military Business Park area.

- The site under consideration is located proximate to the proposed Military Business Park. The area is still under development and lacks tenants. However, the area is located in close proximity to Fort Bragg and amenities near the Cross Creek Mall.

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- Access characteristics of the site are good for potential hotel development.
- A hotel in this location should have approximately 8,000 square feet of function space.
- Based on our analysis of the historical growth rates, local economic conditions, individual hotel’s historical performance levels, and information gathered during our fieldwork, we have projected the future performance of the competitive market for the period 2010 to 2016, coinciding with the hotel's first five years of operation (2012 to 2016). The following table summarizes our projections.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	106.00	8.2%	72.59	-1.3%
2013	404,785	0.0%	295,100	6.5%	73%	108.00	1.9%	78.74	8.5%
2014	404,785	0.0%	302,800	2.6%	75%	111.00	2.8%	83.03	5.5%
2015	404,785	0.0%	303,600	0.3%	75%	114.00	2.7%	85.50	3.0%
2016	404,785	0.0%	303,600	0.0%	75%	117.00	2.6%	87.75	2.6%
CAAG	3.4%		4.7%			3.4%		4.7%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

- Our estimates of future ADR, occupancy and market penetration for the proposed hotel are summarized in the following table. We estimate that the subject hotel would be able to achieve a room rate of \$125.00 (in 2010 dollars).

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	44,700	N/A	61%	131.00	2.5%	80.22	N/A	89%
2013	73,000	0.0%	48,300	8.1%	66%	135.00	2.5%	89.32	11.4%	91%
2014	73,000	0.0%	50,000	3.5%	68%	138.00	2.5%	94.52	5.8%	92%
2015	73,000	0.0%	50,000	0.0%	68%	141.00	2.5%	96.58	2.2%	91%
2016	73,000	0.0%	50,000	0.0%	68%	145.00	2.5%	99.32	2.8%	91%
CAAG	0.0%		2.8%			2.6%		5.5%		

Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

- The average daily rate projected for the proposed property is on the low end of typical upper-upscale hotels. Coupled with the moderate occupancy levels,

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the property may need some public assistance to be profitable during its first years of operation, if developed within the next two years.

CONCLUSION

Based on the preceding analyses, a full-service, upper-upscale property would have the best performance potential in the Cross Creek Mall area. This area is the most conducive to full service hotel development and is the most effective site to suit current and projected demand. Additionally, we are of the opinion that a full-service hotel in the area requires a small complement of meeting space, as there is a small amount of group demand in the area and adequate current (Crown Center) and future (Fort Bragg Community Activity Center) facilities to host events. The expected continued near-term softness in the lodging market will likely necessitate some public assistance for any upper-upscale hotel developed within the next two years. As the local and national lodging outlook improves beyond 2013, and the all moves to Fort Bragg are completed, the new hotel could likely stand on its own.

SECTION III
AREA REVIEW

Section III: Area Review

INTRODUCTION

A review of market area economic and demographic trends offers an indication of the relative health of the subject market area. Fayetteville and Cumberland County, including Fort Bragg, are identified as the subject's primary market drawing area.

ECONOMIC AND DEMOGRAPHIC INDICATORS

Population

According to the US Census data, the population of Cumberland County was approximately 312,696 people in 2008. This represents a growth rate of 3.2 percent from April 1, 2000, the most recent full census, to July 1, 2008. The growth in population in the county is a positive indicator for hotels, as there is potential for additional room night demand to be generated from the resident population.

Employment

Employment in the Fayetteville area is dominated by military and public administration employers. The table below lists the top 25 employers in Cumberland County.

Top 25 Employers of Cumberland County			
Rank	Name	Number Employed	Industry
1	Cumberland County Board of Education	1,000+	Education and Health Services
2	Department of Defense	1,000+	Public Administration
3	Cape Fear Valley Health Systems	1,000+	Education and Health Services
4	Wal-Mart Associates, Inc	1,000+	Trade, Transportation, Utilities
5	Goodyear Tire and Rubber, Inc.	1,000+	Manufacturing
6	County of Cumberland	1,000+	Public Administration
7	City of Fayetteville	1,000+	Public Administration
8	State of North Carolina	1,000+	Public Administration
9	Fayetteville Technical Community College	1,000+	Education and Health Services
10	US Postal Service	1,000+	Trade, Transportation, Utilities
11	Army & Air Force Exchange Services	500-999	Public Administration
12	Cingular Wireless, LLC	500-999	Information
13	Veterans Administration Hospital	500-999	Education and Health Services
14	Fluor Daniel Services Corporation	500-999	Construction
15	Non-Appropriated Fund Activity (Army)	500-999	Leisure and Hospitality
16	Purolator Filters, NA, LLC	500-999	Manufacturing
17	Food Lion, LLC	500-999	Trade, Transportation, Utilities
18	ITT Industries	500-999	Other Services
19	Methodist College Branch	500-999	Education and Health Services
20	MJ Soffe Co, Inc.	500-999	Manufacturing
21	Cutler Hammer, Inc	500-999	Manufacturing
22	Public Works Commission	500-999	Public Administration
23	E I Dupont De Nemours & Co, Inc.	500-999	Professional and Business Services
24	KCA Corporation	250-499	Leisure and Hospitality
25	Fayetteville Publishing Co, Inc.	250-499	Information

Source: Fayetteville-Cumberland County Chamber of Commerce

Section III: Area Review

Unemployment in the Fayetteville area has historically been slightly higher than the national average, though this has recently changed.

Unemployment Fayetteville, NC MSA & United States		
Year	Fayetteville, NC MSA	United States
	Rate	Rate
1999	4.2%	4.2%
2000	4.6%	4.0%
2001	6.2%	4.7%
2002	6.9%	5.8%
2003	6.4%	6.0%
2004	5.4%	5.5%
2005	5.4%	5.1%
2006	5.4%	4.6%
2007	5.3%	4.6%
2008	6.2%	5.8%
2009 (November)	9.1%	9.4%

Source: U.S. Bureau of Labor Statistics

The BRAC RTF recently completed a study to identify defense and homeland security opportunities and challenges for the Fort Bragg region. The study identified the creation of 5,128 jobs resulting from BRAC in the regional economy. Further, the study outlined goals for the region that could enhance the area's attractiveness for additional defense and homeland security related employment.

TRANSPORTATION

The Fayetteville area is served by an adequate transportation network, which offers residents and visitors access to a variety of modes of travel.

Highways/Major Roadways

A number of highways serve the area, including Interstate 95 (I-95), US 401, US 301, US 1, US 15/501 and US 421. Major roadways serving the area include: Bragg Boulevard, NC 87/24 and NC 210.

Currently, there are several improvements plans in various stages of development. Interstate 295 is undergoing an extension that will connect Fort Bragg to I-95 north and south. At present, a section has been completed from I-95 to River Road. Presently, there is another section being constructed between Murchison Road and Bragg Boulevard. The complete connection of I-95 to Bragg Boulevard, however, is likely years away. When complete, major interchanges, such as the one planned for Murchison Road, may spur more commercial development, such as hotels. According to the BRAC RTF Comprehensive Growth Plan, this project should also aid in alleviating traffic congestion at the base's southern periphery.

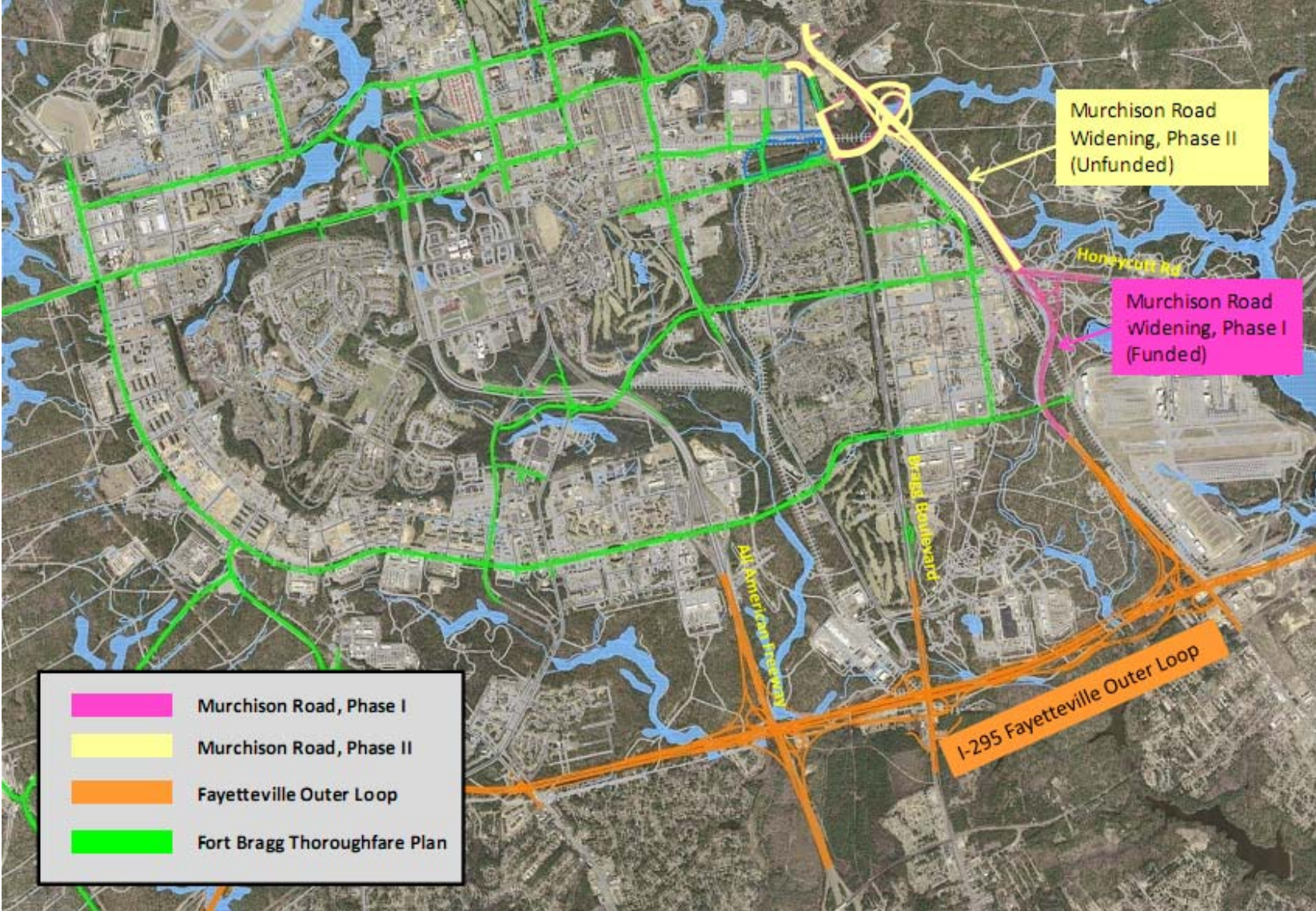
The second major project in the area concerns Murchison Road. The road is scheduled to be widened to six lanes, which is expected to aid in the flow of traffic to the eastern

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gates of Fort Bragg. Following the widening of Murchison Road, Bragg Boulevard is scheduled to be closed to traffic.

The map on the following page shows the road projects proximate to Fort Bragg.

Road Projects



Source: BRAC RTF

Section III: Area Review

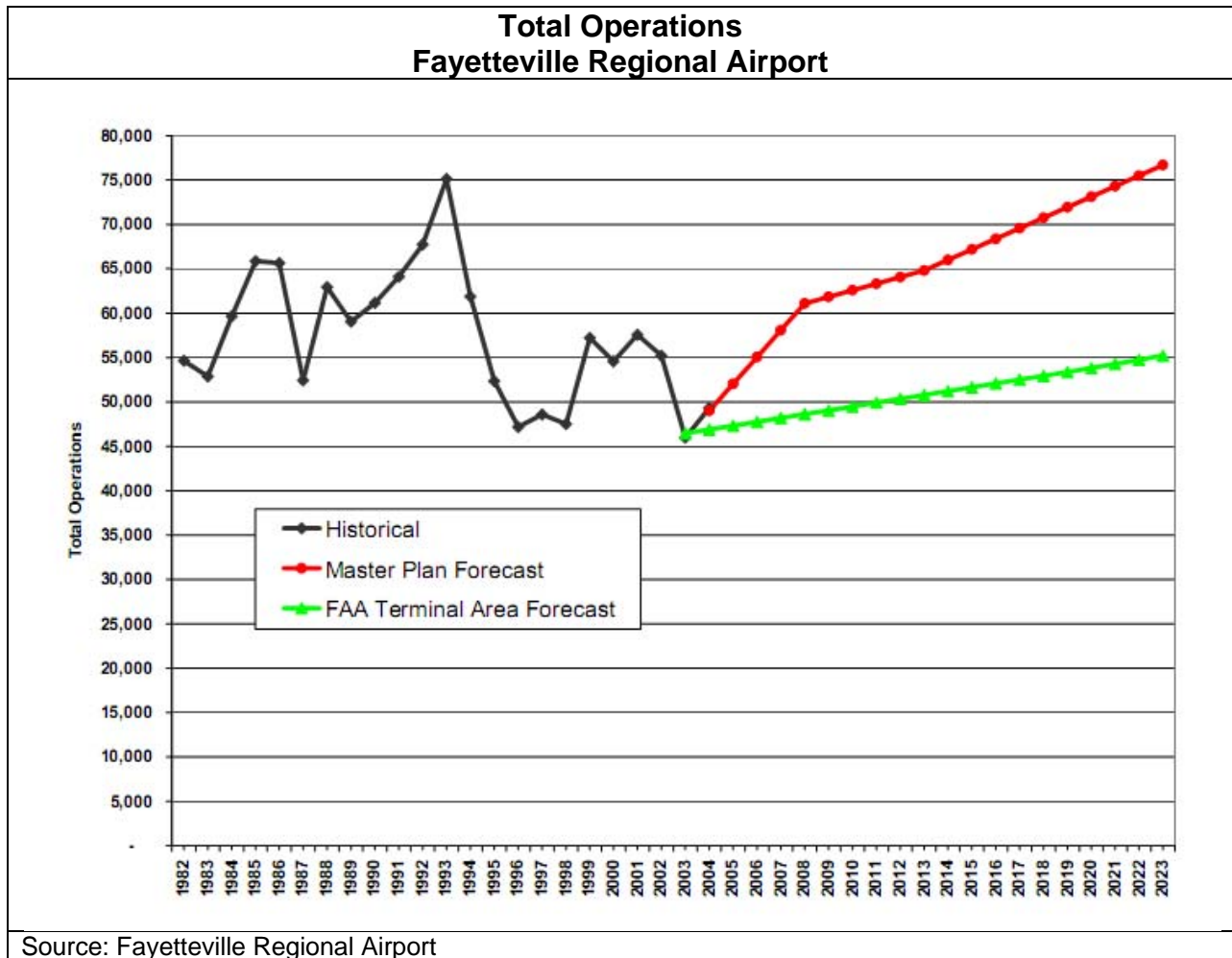
Base Access

Primary base access in the Fayetteville area is provided by Bragg Boulevard, Murchison Road, Highway 201 and Highway 24/87. Six primary gates provide access into the base: Manchester, Butner, Randolph, Reilly, Knox and All-American.

Air Transportation

The Fayetteville area is served by the Fayetteville Regional Airport (FAY). Currently, three commercial carriers service the airport. US Airways Express provides daily service to Charlotte, while ASA/Delta Connection provides service to Atlanta. American eagle provides two daily nonstop flights to Dallas Fort Worth airport.

Based on the Fayetteville Regional Airport's Master Plan, airline operations are expected to increase at an annual rate of 2.6 percent over the next 20 years, as the number of seats per aircraft increases. Further, the Master Plan expects the number of destinations served to grow to three as traffic increases at Delta's Atlanta hub.

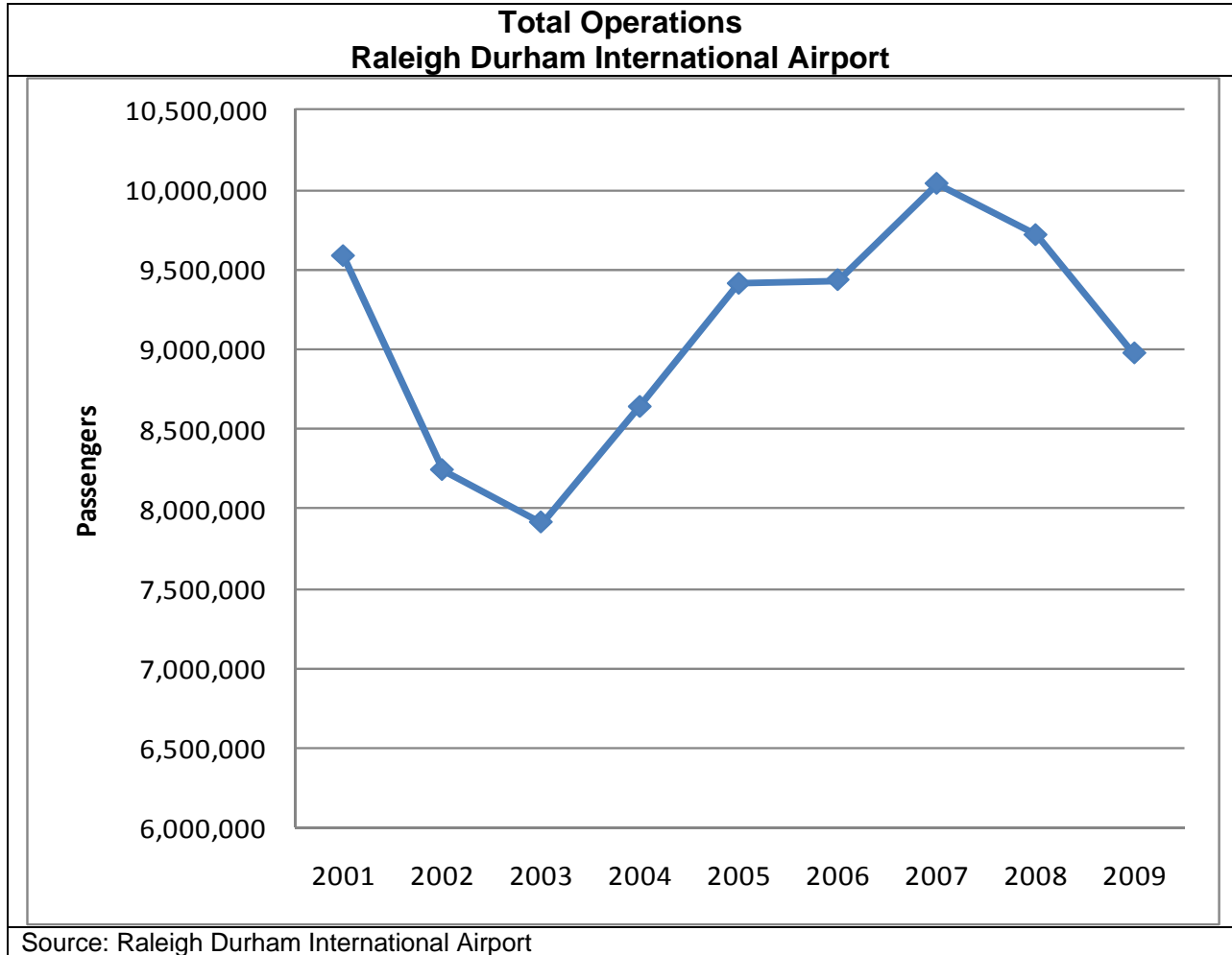


Currently, there are discussions regarding increasing service to/from Fayetteville. This includes possible expansion of commercial operations to Washington National Airport,

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proximate to federal government and military facilities. Further, we are aware of a possible daily charter service to the Washington, DC area.

Additional air service is provided from Raleigh-Durham International Airport (RDU), approximately 78 miles north of Fayetteville. RDU is served by AirTran, Continental, JetBlue, Southwest, US Airways, Air Canada, American Airlines, Delta, Midwest and United. Currently, service is offered to destinations throughout the United States as well as international flights to Mexico, Canada and the United Kingdom. The chart below details passenger operations at RDU.



As indicated above, approximately nine million passengers traveled through RDU in 2009, down from a peak of 10.4 million in 2000.

Currently, RDU is undergoing an expansion at Terminal 2, enhancing the airport's capability to handle more passengers. Phase one was completed in October, 2008, and included 19 gates, 26 restaurants and shops totaling approximately 550,000 square feet. Phase two is scheduled to be completed in winter 2011, and includes 17 gates and 15 restaurants and shops, totaling approximately 370,000 square feet.

Rail Transportation

Regional rail transportation is provided by AMTRAK. Currently, two trains service Fayetteville daily, connecting to New York City to the north and Florida to the south.

OFFICE MARKET ACTIVITY

Currently, the area is working to attract military-related businesses. The Atlanta area has several significant military contracting firms that work with FORSCOM and USARC. Booz Allen Hamilton, one such contractor, is set to open a 300-person office in the area. Fayetteville is also promoting a 250-acre Military Business Park for military-related firms in the Santa Fe Road area. To date, there is little tenant movement on the project. Further, since FORSCOM and USARC are not expected to fully move to Fort Bragg until 2011, we do not expect much contractor movement until that period.

MILITARY COMMUNITY

Fort Bragg is located north of Fayetteville in Cumberland County. The base is the largest in the Army in terms of population, and it continues to grow. The mission of the base is: "to maintain America's Contingency Corps as a strategic crisis response force manned and trained to deploy rapidly by air, sea, and land anywhere in the world, in order to fight upon arrival and win." Fort Bragg is known as the "Home of the Airborne and Special Operations Forces." Fort Bragg is the home for the XVIII Airborne Corps, 82nd Airborne Division and US Army Special Operations Command. Several additional units are also base tenants.

In addition to Fort Bragg, the area is also home to Pope Air Force Base. Pope AFB is currently home to the 43rd Airlift Wing and the 440th Air Reserve Wing. As part of Base Realignment and Closure, Pope AFB will be absorbed by Fort Bragg. The 43rd Air Wing will inactivate in March 2011, at which time real property will transfer to the Fort Bragg Garrison. The 440th is expected to continue operations in the area.

As indicated above BRAC activity is currently underway in the region. Fort Bragg is growing due to the consolidation with Pope Air Force Base, increased number of units and personnel assigned to the base, and movements of major units such as FORSCOM and USARC from Fort McPherson. The exhibits at the end of this section give a graphic representation of the total moves and growth at Fort Bragg.

According to base officials, approximately 80 percent of the total military growth has already occurred, primarily through activation of a new Brigade Combat Team and Army growth programs. The tables below detail the Fort Bragg and surrounding area populations.

Section III: Area Review

Fort Bragg Population		
	FY10	FY15
Active Duty Military	48,702	49,622
Training Military	2,197	2,216
Reserve Component	1,804	3,374
Civilian Employees	10,879	13,027
Contract Employees	7,213	8,121
Military Family Members	74,027	75,425
Total Population	144,822	151,785

Source: Fort Bragg ASIP data as of 2 November 2009

Surrounding Area Population (Within 40 Miles)	
	FY10
Surrounding Area Active Duty Military	4,076
Reserve Component	3,362
Surrounding Area Military Family Members	6,196
Reserve Component Family Members	6,257
Military Retirees and Family Members	96,378
Total Population	116,269

Note: Military figures are for personnel not assigned to Fort Bragg
Source: Fort Bragg ASIP data as of 2 November 2009

According to discussions with USARC officials, the command is scheduled to send their advance party to Fort Bragg between October and December 2010. The advance party is expected to comprise of approximately 200 personnel. The main body of the command will begin to move in March 2011 in monthly increments. Approximately 142 personnel will relocate (each month) in March, April and May, 214 personnel in June, 226 personnel in July and 234 personnel in August. FORSCOM is expected to have approximately twice the number of personnel as USARC relocating during the same time period.

Section III: Area Review

Fort Bragg Commands
2006

**FORT BRAGG
COMMANDS**
October 2006

 XVIII ABN CORPS ☆☆☆ ☆☆ ★	 US ARMY GARRISON		 USASOC ☆☆☆ ★	 JSOC ☆☆ ★		
 82d ABN DIV ☆☆ ☆☆ ★	 XVIII ABN Corps Artillery ★	 COSCOM ★	 44th MEDCOM ★	 SPECIAL FORCES ☆☆ ★	 USAJFKSWCS ☆☆	 USACAPOC ☆☆ ★
 18th FA BDE	 20th ENG BDE	 WOMACK	 DENTAC	 4th ROTC BDE	 5th ROTC BDE	
 525th MI BDE (Abn)	 18th AVN BDE (Corps) (Abn)	 16th MP BDE (Abn)	 35th SIG BDE (Corps) (Abn)	 4th BDE	 78th Div (TS)	

Emulating the Spirit of the Fort Bragg Soldier

290630OCT09

Source: Fort Bragg

Section III: Area Review

**Fort Bragg Commands
2013**



As of: 20 Jul 09

This billet is filled by a foreign exchange officer

290630ROCT09

Source: Fort Bragg

SECTION IV

HOTEL AND MEETINGS REVIEW

INTRODUCTION

This section analyzes hotel and meeting demand generators, on-base lodging, the off-base competitive environment and conference demand, as they are all significant factors in determining the size, scope and feasibility of a potential full-service hotel.

MARKET SEGMENTATION

Guest room demand in the Fayetteville market is primarily comprised of visitors in the following four segments: military, corporate transient, leisure transient and group.

Military Segment

Military demand comes from official (per diem) overnight room night travel to the area. Currently, the maximum per diem rate for lodging is \$92 per night. According to discussions with area hotel operators and the CVB, total military-related demand is approximately 60 percent of all occupied room nights.

Corporate Transient Segment

Corporate demand generally comes from local area businesses and military-related corporate travel (such as visiting contractors). The branded, limited service properties in the mall area typical serve the corporate traveler, as they offer amenities, rates and the quality level sought by this segment.

Leisure Transient Segment

Leisure demand is generated from travelers visiting friends and family and is primarily weekend driven. A large portion of this demand is for friends and family of military personnel. Highway stopover traffic is another pool of leisure demand, although this demand is typically more price sensitive and is generally focused on hotels near I-95.

Group Segment

Group demand is comprised of room blocks for both meeting and/or non-meeting related business. Group demand with meetings is currently being accommodated in the Holiday Inn Bordeaux due to its size and location, while also utilizing the Doubletree and Holiday Inn I-95. Additional non-meetings related group demand is being accommodated across the market, although there are some challenges with large groups requiring high-quality lodging in one hotel.

LODGING MARKET OVERVIEW

A new, full-service hotel would primarily serve lodging demand generated by military travelers, both official and unofficial, and corporate transient demand related to the military. The needs of these travelers are currently served primarily by properties in the Cross Creek Mall and Spring Lake submarkets of Fayetteville.

On-Base Lodging

Currently, government and non-government lodging is available at both Fort Bragg and Pope AFB. These facilities primarily cater to personnel on official TDY or PCS orders

Section IV: Hotel and Meetings Review

and tend to operate at high occupancy levels. Further, they are less likely to have the amenities or quality level of an off-base full-service hotel.

Fort Bragg Lodging

Official lodging at Fort Bragg consists of 683 standard rooms and one distinguished visitor's quarters room (DVQ). Lodging is consolidated under the Airborne Inn, which is made up of three guesthouses (Delmont House, Leal House, and Normandy House), three transient lodges (Moon Hall, Hardy Hall, and Forrestal Hall) and the DVQ in Sink Guest House. All guestrooms offer TV, high speed internet, microwave, refrigerator, coffee maker, hair dryer and common use kitchen. Room rates range from \$50 to \$60 per night, with additional fees at double occupancy and above.

Fort Bragg occupancy continues to remain strong in the mid-70 percent range on-par with levels experienced throughout the last eight years, but well below the 92.3 percent experienced in FY04. Official lodging continues to issue thousands of Certificates of Non-Availability to personnel authorized to stay on base, leading to a great number of official military demand at area hotels. However, recent data tend to indicate a declining number of personnel being sent off base.

The Landmark Inn is a private sector-managed hotel that operates on Fort Bragg through a lease agreement. The hotel has 200 rooms, including 36 suites and 24 extended stay rooms; the remaining 128 standard rooms have two queen beds. The property also has guest laundry, play area, community kitchen and complimentary coffee, tea, juice and pastries.

According to management, occupancy is in the mid-to-high 70 percent range, which has decreased recently due to the decline in Wounded Warrior stays at the property. ADR for the property is between \$70 and \$80, allowing the management offer accommodations well below per diem. In April 2010, the property will begin to renovate furniture, fixtures and equipment (FF&E), soft goods and carpets in the guestrooms.

Pope AFB Lodging

Pope AFB Lodging is currently operated by the Air Force. The base offers 212 transient (Visitors Quarters/"VQ") rooms and 21 extended stay (Temporary Lodging Facility/"TLF") rooms. Historically, the lodging facilities had high occupancy levels, typically reaching the mid-80 percent range. In FY09, occupancy dropped to under 80 percent. During periods of non-availability, personnel are sent into the community rather than to Fort Bragg for lodging.

The TLF is utilized by both Army and Air Force personnel. According to discussions with management, Army personnel make up between 30 and 40 percent of occupied rooms; a figure which increases each year.

Going forward, the facility will decrease to 149 available rooms, as buildings are scheduled to be demolished and/or are declared substandard. Demand, however, is not expected to decrease commensurately causing occupancy to likely increase. In the

Section IV: Hotel and Meetings Review

near future, Pope AFB lodging will be operated by the Army as assets are transferred as part of the BRAC realignment of Pope AFB. As such, all military lodging available on post will be subject to the PAL program in the future.

COMPETITIVE SET

We have defined the competitive market for a new hotel as other full-service and select limited-service (i.e. no restaurant) hotels in the Fayetteville market that compete for both transient and group demand. We have included the following seven properties in the competitive set. The map on page IV-6 illustrates the location of the competitive properties. For reference, we have also indicated three potential development sites on the competitive set map. It should be noted that we have included limited/select service hotels, as these would compete for demand with a full-service property.

Potential Hotel Fayetteville, NC Competitive Set Summary		
Property Name	Number of Guestrooms	Map Code
<i>Potential Crown Center Site</i>	<i>N/A</i>	<i>A</i>
<i>Potential Military Business Park Site</i>	<i>N/A</i>	<i>B</i>
<i>Potential Cross Creek Mall Site</i>	<i>N/A</i>	<i>C</i>
Doubletree Fayetteville	148	1
Hilton Garden Inn Fayetteville	104	2
Courtyard Fayetteville	108	3
Holiday Inn Fayetteville-Bordeaux	295	4
Holiday Inn I-95	198	5
Hampton Inn Spring Lake	77	6
Holiday Inn Express Fayetteville-Spring Lake	85	7

Property Descriptions

The following properties are included in the competitive set of hotels for a proposed full-service hotel. It should be noted that individual room amenities, such as cable TV, high speed internet, coffee maker, etc. have not been included in the property descriptions as all hotels have nearly identical room amenities.

Doubletree Fayetteville

The Doubletree Fayetteville is located at 1965 Cedar Creek Road, proximate to I-95 exit 49. The property has historically held several different franchise flags amidst periods of independent operation. Most recently, the property was renovated and re-opened as a Doubletree in early 2009. Based on our review of properties in the market, this property offers the highest quality accommodations in the area. Further, it has the highest Smith Travel Research chain scale designation in the Fayetteville market, upper-upscale.

The full service hotel features 148 guestrooms and over 14,000 square feet of meeting space, including a 7,200 square foot ballroom. Guestrooms range from standard Doubletree king/two-queen rooms to two-bedroom suites. The hotel also has a bar, coffee shop, spa, fitness center, pool, private bar and restaurant. The property faces some access and perception challenges due to its location in relation to the base and its historical flag-changing.

Hilton Garden Inn Fayetteville

The Hilton Garden Inn Fayetteville is an upscale select service property located at 4025 Sycamore Dairy Road. The hotel, opened in 2005, is located in close proximity to the Cross Creek Mall. The property features 104 guestrooms and suites, a fitness center, pool, bar, Pavilion Pantry (sundries shop), and Great American Grill (open for breakfast). The property currently achieves high rates and occupancy in comparison to other hotels in the competitive set.

Courtyard Fayetteville

The 108-room Courtyard Fayetteville is located on 4192 Sycamore Dairy Road. The upscale property features standard guestrooms and suites, one meeting room, exercise room, outdoor pool and Courtyard Café open for breakfast. The property is one of the oldest and more established business-travel oriented hotels in the market.

Holiday Inn Fayetteville Bordeaux

The Holiday Inn Fayetteville Bordeaux is located at 1707 Owen Drive. The 295-room hotel is the largest in the area and has the most co-located meeting space. The property features over 30,000 square feet of meeting space in 14 meeting rooms. The ballroom is capable of hosting an event of up to 1,400 people reception-style. For large groups, the property uses overflow space and rooms at the Holiday Inn I-95. Additional amenities include Wiley's Grille and Bar (bar/lounge, dinner), Café Bordeaux (breakfast and lunch), bell service, fitness center and outdoor pool. The property is currently in fair condition.

According to discussions with management, this property may undergo a re-flagging process and property improvement plan (PIP) to convert into a Crowne Plaza. This would elevate the property from its current midscale with food and beverage market orientation to upscale. Further, the property would maintain the use of Intercontinental Hotel Group's Priority Club program.

Holiday Inn I-95

The Holiday Inn I-95 is located at 1944 Cedar Creek Road, proximate to I-95 Exit 49. The 198-room hotel has both exterior and interior corridors, a fitness center, business center, pool, Baron's (restaurant/lounge) and seven meeting rooms with 29,125 square feet of total meeting space. The ballroom has 14,000 square feet, capable of hosting events of up to 600 attendees.

Based on discussions with hotel management, military demand for the property has fallen off significantly in 2009. Further, the hotel faces some challenges due to its age/condition and the perception of its (far) distance to parts of Fayetteville and Fort Bragg. The hotel is slated to undergo renovations in the next year, and finish by summer 2011. Planned renovations include guestroom and meeting space refurbishment.

Section IV: Hotel and Meetings Review

Hampton Inn Spring Lake Fort Bragg

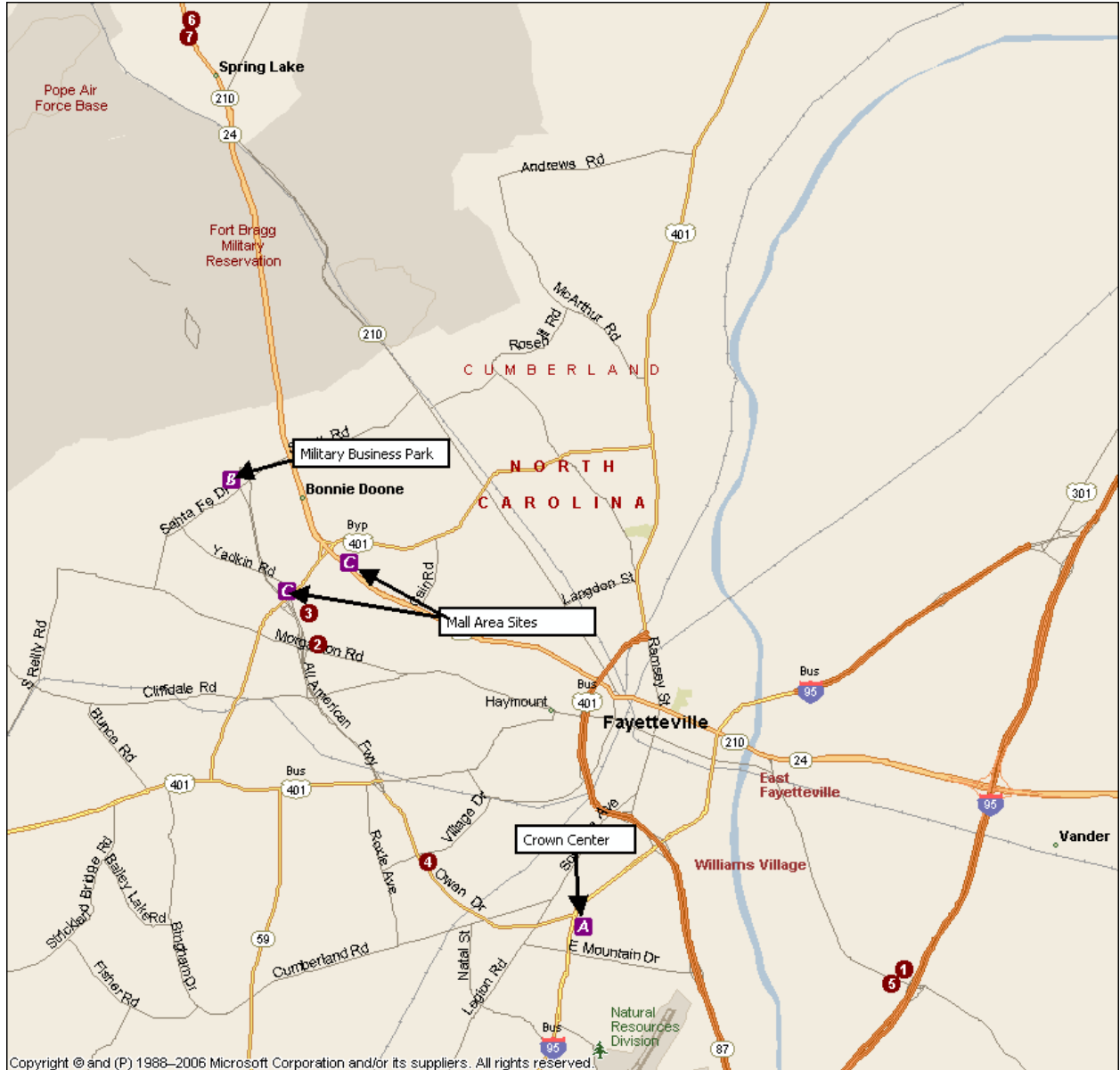
The 77-room Hampton Inn Spring Lake Fort Bragg is located at 1050 North Bragg Boulevard in Spring Lake. The property opened in April 2007 and is in very good condition. Amenities include a business center, breakfast area, outdoor pool and one 756-square foot meeting room.

This property was included as hotels in Spring Lake tend to have higher ADR's than properties in Fayetteville, and that the property competes for official government and corporate transient demand.

Holiday Inn Express and Suites Fayetteville-Spring Lake

The Holiday Inn Express Hotel & Suites Fayetteville-Spring Lake is located at 103 Brook Lane in Spring Lake. The property offers 85 guestrooms including 31 suites. Amenities include fitness center, outdoor pool, business center, breakfast area and three meeting rooms capable of hosting events of up to 100 attendees. This property was included as it is similar in market orientation as the Hampton Inn Spring Lake Fort Bragg.

COMPETITIVE PROPERTIES



Section IV: Hotel and Meetings Review

Historical Performance

The following exhibit summarizes estimated aggregate performance data for the competitive set from April 2007 through January 2010. Though worthy of consideration as competitive with these other properties, performance data for the Holiday Inn I-95 is not available for this analysis. It has, therefore, not been included.

Occupancy tends to be relatively weaker during January, September and December. The softness in the winter months is a common characteristic in government/military markets, when official activity slows. Rates tend to be stable throughout the year, with an uptick in October.

Day of week patterns are also typical for markets with heavy government/military demand. Tuesday and Wednesday are peak nights for official travel, while strong levels of demand on Thursday, Friday and Saturday night tend to show a mix of official travel and leisure demand. Sunday and Monday nights show a noticeable decline in occupancy levels.

Competitive Set Historical Performance					
Year	Occupancy Percentage	Average Daily Rate (ADR)	% Change	Revenue per Available Room (RevPAR)	% Change
2007 (Apr-Dec)	76.7%	\$85.77	N/A	\$65.75	N/A
2008	74.4%	\$92.69	N/A	\$69.00	N/A
2009	69.7%	\$95.24	2.8%	\$66.38	-3.8%
2009 (Jan)	67.5%	\$95.39	N/A	\$64.42	N/A
2010 (Jan)	63.3%	\$94.87	-0.5%	\$60.08	-6.7%

Source: Smith Travel Research; PKF Consulting

The above depicted trends are consistent with feedback received from representatives at competitive hotels that indicated an overall decline in occupancy and demand. Further, there are several more affordable options for guestrooms in the Fayetteville area, and supply of midscale and below properties continues. However, hotels in the area maintained ADR's fairly well, supported by the increase of the federal per diem rate to \$92.

Although not apparent in the data above, the opening of the Doubletree Fayetteville in May 2008 does not appear to have had a significant impact on occupancy. Market demand was down in May, June, July, August, November and December 2008 as compared to the same periods in 2007. However, rates were higher in each month in 2008 as compared to 2007. This can be partly attributed to the Doubletree's opening as well as rate growth strategies in the market.

Overall demand has decreased in the market in the last two-plus years. This can be attributed to the decline in CNA's from on-base lodging, despite the 440th Reserve Wing's utilization of some of the competitive properties. This decrease in demand is

Section IV: Hotel and Meetings Review

significant when considering the need for additional hotel development in the area, especially for higher-rated business.

Additions to Supply

Other than the potential hotel under study in this report, there is one other potential addition to supply. This is a water-park hotel located on I-95. However, due to its location and market orientation, it is not considered competitive for group and transient travel to Fayetteville. In addition, a Ritz Carlton was proposed in 2006 for Moore County in the Pinehurst area. Again, this hotel, should it ever be developed, is not expected to attract military demand as its rates are often well above per diem.

PRIVATIZATION OF ARMY LODGING (PAL)

Of significant importance to this analysis is the fact that an additional on-post hotel, operated by a private entity, may be developed in the near future as part of the Privatization of Army Lodging. The Privatization of Army Lodging (PAL) program is the Army's primary means of revitalizing transient housing facilities and providing for their long-term sustainment. In September 2006 the Army selected Actus Lend Lease, a veteran partner already working with the Army at multiple installations in the RCI program, as the partner for the first of the three PAL project groups (the Group A project). Actus has chosen InterContinental Hotels Group (IHG) as the operator and manager for this project. The Portfolio A (11 installations) assets were transferred to Actus Lend Lease in August 2008.

Reportedly within the next five to 10 years, as part of what is called Portfolio C, all military lodging facilities on Fort Bragg are proposed to be turned over to the Actus Lend Lease/IHG team, or perhaps some other operator should the project be re-bid, who would brand each existing hotel and could also build new facilities. Any on-post facility, particularly one run as a private sector branded operation with an affinity program, would have a competitive advantage over off-post hotels. Further, IHG will likely refer any turnaway demand to affiliated off-post properties first.

CONFERENCE AND MEETINGS DEMAND

Currently, group meeting demand is being accommodated in on-base facilities and in off-base hotels and the Crown Center. Based on discussions with the base and local area officials, there is some demand that cannot currently be accommodated in the market area. However, this demand is relatively minor.

Data available from FORSCOM and USARC indicated approximately 95 conferences or workshops per year. Total attendees ranges from approximately 11,000 to 11,600 personnel. Based on discussions with command officials, overall demand could decrease slightly in the future. Officials noted a potential decrease to the overall cost of travel to/from Fayetteville that could affect the number of meetings by approximately five to ten percent.

Section IV: Hotel and Meetings Review

Meetings and Conference Facilities

Meetings and conferences are currently being accommodated in on-base and off-base hotels, clubs, the Crown Center and other venues. The table below details the largest traditional off-base meeting spaces.

Largest Meetings and Conference Facilities Fayetteville, NC	
Capacity 500+ Attendees	
Crown Coliseum	
Felton J. Capel Arena (Fayetteville State University)	
J.P. Riddle Stadium	
Holiday Inn Bordeaux	
Holiday Inn I-95	
Doubletree Fayetteville	
Fayetteville Museum of Art	
Heritage Square	
Methodist College	
Capacity 250-499 Attendees	
Airborne & Special Operations Museum	
AIT Center	
Cumberland County Public Library	
Shaw Room, Fayetteville State University	
Kiwanis Recreation Center	
McKellar's Lodge	
Hope Mills Community Center	
UBU Building	
Source: PKF Consulting	

For additional information on area meeting facilities, please see "VisitFayettevilleinc.com."

Hotel Meeting Space

Currently, the two Holiday Inn properties and the Doubletree offer the most meeting space co-located with lodging. The Holiday Inn Bordeaux is the most heavily utilized due to its location with respect to Fort Bragg and area businesses. According to management at the Doubletree, the property is still ramping up sales and marketing efforts to attract groups, although location is a challenge. The Holiday Inn I-95 faces a similar challenge in terms of location, but hosts a moderate amount of meetings.

Crown Center

The Crown Center currently serves as the area's largest conference and meeting facility. The facility has five areas for meetings and events: Arena/Auditorium (11,552 square feet), Theatre (2,500 capacity), Coliseum (20,000 square feet), Expo Center (60,000 square feet), and Ballroom (11,250 square feet).

Section IV: Hotel and Meetings Review

The facility currently hosts concerts, minor league sporting events, expos and conferences. The facility also hosts many military events, ranging from 200 to 2,500 attendees. According to management, sales and marketing efforts have boosted military use of the facility by 50 percent over the last three years. The Crown Center also offers a 20 percent discount for military meetings.

The Crown Center faces significant performance challenges. The location and perceived distance from amenities makes it less attractive for meeting planners looking for a central or close location to businesses, amenities or Fort Bragg. The overall lack of supporting activities such as restaurants, lounges and upscale hotels also detracts from the facility's attractiveness for hosting meetings. It should be noted, however, that officials from the Crown Center and CVB did not specifically mention lost business due to the lack of headquarters hotel.

Proposed Community Activity Center

PKFC is aware of a proposed \$17 million Community Activity Center conference facility that would greatly enhance the quality and availability of on-base meeting space. Due to the likely lower cost and convenience of having meetings on base, we believe this will be the first choice for future military-related meetings. Further, due to the planned size of the facility, it should be able to accommodate events that currently are held off-post. During discussions with FORSCOM and USARC officials, it was determined that meetings for these commands would first be held on-base before utilizing space in the local area. Additional details on this facility will not be available to the public release of the design Request for Proposal planned for August 2010.

SECTION V

CONCLUSIONS & RECOMMENDATIONS

INTRODUCTION

Based on our preceding analysis of the sites, area and demand characteristics, we have prepared preliminary opinions and projected performance for each site. Further, we have indicated the number of rooms, meeting space and complement of amenities for each property.

Site #1: Cross Creek Mall

The first area is proximate to the Cross Creek Mall. There are two parcels where hotel development has been considered. The first site is located near US-401 and the All-American Expressway; the second is near the Tropical Motel on Bragg Boulevard. The second development, it should be noted, would be adjacent to the Bellagio Apartment development project.

The neighborhood is characterized in large part by retail and dining offerings. These support amenities in the local neighborhood will be critical to the success of a proposed hotel. The sites are conducive to base, corporate and leisure demand due to the location with respect to the base, local businesses and food and beverage establishments.

Access from the area is very good to the base and supporting amenities. Access to I-95 and the airport is average, but expected to improve with the I-295 project completion.

In general, market performance in this part of Fayetteville is strong. Typically, occupancy is in the mid-70 percent range, although occupancy dipped under 70 percent in 2009 due to economic conditions and supply increases. Average daily rates, meanwhile, have increased from \$65.41 in 2005 to \$70.16 in 2009.

This site is most advantageous for a full-service hotel. The proximity to Fort Bragg, local businesses, highways and eating and drinking establishments generally supports hotel development and performance for the long term.

The 200-room full-service property should have a small-to-medium complement of meeting space. This should include a ballroom, breakout rooms and prefunction space. Total space should amount to approximately 8,000 square feet, including a ballroom of approximately 4,000 square feet.

Site Performance

The table below indicates the projected market performance of the competitive supply from 2010 until the fifth year after the proposed hotel's opening (2016). It should be noted that the supply increase and average daily rate increase are due, in part, to the opening of the subject hotel. All dollar amounts are in current year (2010) value dollars.

Section V: Conclusions

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	107.00	9.2%	73.27	-0.3%
2013	404,785	0.0%	295,100	6.5%	73%	109.00	1.9%	79.46	8.4%
2014	404,785	0.0%	302,800	2.6%	75%	112.00	2.8%	83.78	5.4%
2015	404,785	0.0%	303,600	0.3%	75%	115.00	2.7%	86.25	2.9%
2016	404,785	0.0%	303,600	0.0%	75%	118.00	2.6%	88.50	2.6%
CAAG	3.4%		4.7%			3.5%		4.8%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

The average daily rate projected for the proposed property is on the low end of upper-upscale hotels. Coupled with the moderate occupancy levels, the property may need some public assistance to be profitable during its first years of operation.

The table below details the projected market performance of a hotel at this site. PKF Consulting based the results on a 200-room property proximate to the Cross Creek Mall. All dollar amounts are in current year (2010) value dollars.

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	46,400	N/A	64%	137.00	2.5%	87.08	N/A	93%
2013	73,000	0.0%	49,900	7.5%	68%	140.00	2.5%	95.70	9.9%	94%
2014	73,000	0.0%	51,400	3.0%	70%	143.00	2.5%	100.69	5.2%	94%
2015	73,000	0.0%	51,700	0.6%	71%	147.00	2.5%	104.11	3.4%	94%
2016	73,000	0.0%	51,700	0.0%	71%	151.00	2.5%	106.94	2.7%	94%
CAAG	0.0%		2.7%			2.5%		5.3%		

Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

We project that the subject hotel will slightly under-penetrate the market, meaning it will not receive its fair share of room night demand. This is based on the presumption that the hotel will have an ADR of approximately \$130 in 2010 value dollars, making it one of the more expensive properties in the area.

Site #2 Crown Center

The second location for consideration would be proximate to the Crown Center. Currently, we are aware of a potential project for full service hotel development in this area.

Section V: Conclusions

The immediate neighborhood has few supporting elements for a full service hotel, although several restaurants are available a short drive away. Hotel development in this area has been limited to midscale and budget/economy properties. The major draw for this site is the proximity to the Crown Center and the airport.

Access to this site is excellent to the airport and adequate to I-95. The site is located the furthest from Fort Bragg, which presents a challenge during the morning and evening commutes.

Hotel performance in this area is heavily influenced by the lower-end hotel offerings. Business I-95/US301 hotels, the closest Fayetteville submarket, had average rates ranging from \$30.11 in 2005 to \$46.86 in 2007. In 2008 and 2009, rates fell slightly due to overall economic conditions. Occupancy tends to be very low, ranging from 18 percent in 2007 to 37 percent in 2005.

This site appears least advantageous of the three for a full-service hotel. The site is close to the Crown Center, which does not currently host or attract many groups and conventions that generate overnight room night demand. Further, the site is relatively isolated from food, beverage and retail development, and the perception of distance from Fort Bragg is detrimental to performance.

The 200-room full-service property should have a small-to-medium complement of meeting space. This should include a ballroom, breakout rooms and prefunction space. Total space should amount to approximately 6,000 square feet, including a ballroom of approximately 4,000 square feet.

Site Performance

The table below indicates the projected market performance of the competitive supply from 2010 until the fifth year after the proposed hotel's opening (2016). It should be noted that the supply increase and average daily rate increase are due, in part, to the opening of the subject hotel. All dollar amounts are in current year (2010) value dollars.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	103.00	5.1%	70.54	-4.1%
2013	404,785	0.0%	295,100	6.5%	73%	106.00	2.9%	77.28	9.6%
2014	404,785	0.0%	302,800	2.6%	75%	109.00	2.8%	81.54	5.5%
2015	404,785	0.0%	303,600	0.3%	75%	112.00	2.8%	84.00	3.0%
2016	404,785	0.0%	303,600	0.0%	75%	114.00	1.8%	85.50	1.8%
CAAG	3.4%		4.7%			2.9%		4.2%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

Section V: Conclusions

The average daily rate projected for the proposed property is on the very low end of upper-upscale hotels. Coupled with the modest occupancy levels, it is likely the project will require significant amounts of public assistance to be successful.

Based on the above factors, we have prepared projected performance estimates for a 200-room property at this site below.

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	40,200	N/A	55%	118.00	2.5%	64.98	N/A	80%
2013	73,000	0.0%	43,200	7.5%	59%	121.00	2.5%	71.61	10.2%	81%
2014	73,000	0.0%	44,900	3.9%	62%	124.00	2.5%	76.27	6.5%	82%
2015	73,000	0.0%	45,100	0.4%	62%	127.00	2.5%	78.46	2.9%	82%
2016	73,000	0.0%	45,100	0.0%	62%	130.00	2.5%	80.32	2.4%	82%
CAAG	0.0%		2.9%			2.5%		5.4%		

Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

We project that the subject hotel will under-penetrate the market primarily based on its location. Further, the projected ADR will be slightly higher than other area properties in more competitive locations.

Site #3 Military Business Park

PKFC is aware of proposed development in the Military Business Park area. This site would primarily serve the potential tenants of the development.

Access to this site is fair. The site enjoys a favorable location for base access, and is a short drive to additional amenities. The area is the furthest from the airport and I-95, but the situation is expected to improve with I-295 expansion. The site/business park is currently in the pre-development phase, so additional roads and parking are not available.

General market performance in this area is not available, as there are currently no hotels in close proximity to the site. Based on our knowledge of the market, a hotel in this area would generally perform slightly below hotels in the Cross Creek Mall area.

The Military Business Park site is located in close proximity to Fort Bragg and the Mall area, and may have additional demand from future tenants. However, the lack of supporting amenities makes this site slightly less desirable from a market standpoint than a site in closer proximity to the Cross Creek Mall.

The 200-room full-service property should have a small-to-medium complement of meeting space. This should include a ballroom, breakout rooms and prefunction space. Total space should amount to approximately 8,000 square feet, including a ballroom of approximately 4,000 square feet.

Section V: Conclusions

Site Performance

The table below indicates the projected market performance of the competitive supply from 2010 until the fifth year after the proposed hotel's opening (2016). It should be noted that the supply increase and average daily rate increase are due, in part, to the opening of the subject hotel. All dollar amounts are in current year (2010) value dollars.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	331,785	0.0%	230,300	-0.4%	69%	\$96.00	0.8%	\$66.64	0.4%
2011	331,785	0.0%	248,900	8.1%	75%	98.00	2.1%	73.52	10.3%
2012	404,785	22.0%	277,200	11.4%	68%	106.00	8.2%	72.59	-1.3%
2013	404,785	0.0%	295,100	6.5%	73%	108.00	1.9%	78.74	8.5%
2014	404,785	0.0%	302,800	2.6%	75%	111.00	2.8%	83.03	5.5%
2015	404,785	0.0%	303,600	0.3%	75%	114.00	2.7%	85.50	3.0%
2016	404,785	0.0%	303,600	0.0%	75%	117.00	2.6%	87.75	2.6%
CAAG	3.4%		4.7%			3.4%		4.7%	

Note: Compound Annual Growth Rate (CAAG) for 2010-2016

Source: PKF Consulting

Based on the above factors, we have prepared projected performance estimates for a 200-room property at this site below.

Projected Market Performance of the Subject Hotel										
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration
2012	73,000	N/A	44,700	N/A	61%	131.00	2.5%	80.22	N/A	89%
2013	73,000	0.0%	48,300	8.1%	66%	135.00	2.5%	89.32	11.4%	91%
2014	73,000	0.0%	50,000	3.5%	68%	138.00	2.5%	94.52	5.8%	92%
2015	73,000	0.0%	50,000	0.0%	68%	141.00	2.5%	96.58	2.2%	91%
2016	73,000	0.0%	50,000	0.0%	68%	145.00	2.5%	99.32	2.8%	91%
CAAG	0.0%		2.8%			2.6%		5.5%		

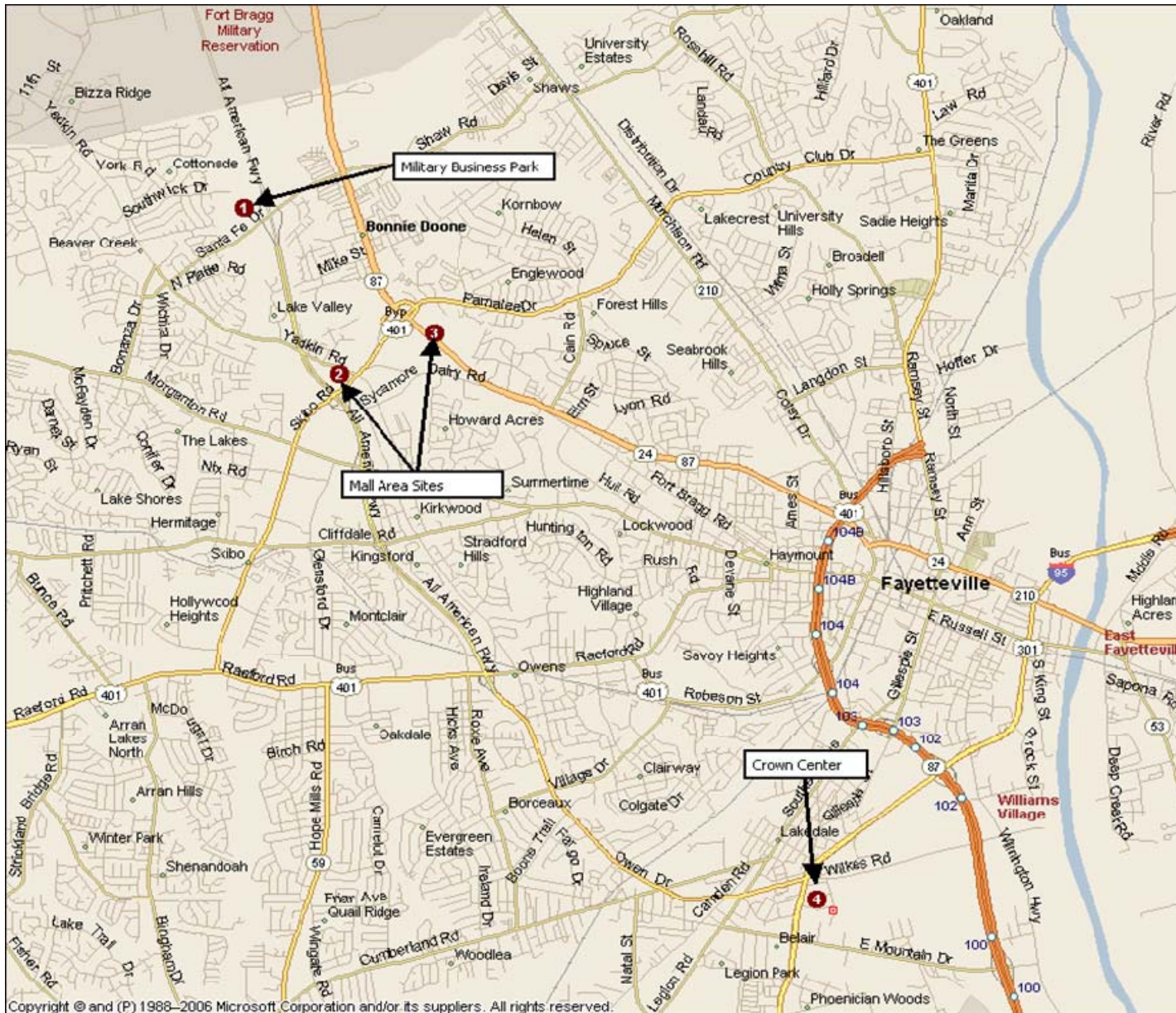
Note: Compound Annual Growth Rate (CAAG) for 2012-2016

Source: PKF Consulting

We project that the subject hotel will under-penetrate the market, somewhat less than the proposed Mall Area site, but significantly more than the Crown Center site. This is based on the presumption that the hotel will have an ADR of approximately \$125 in comparable to the ADR projected for the Mall Area site.

The average daily rate projected for the proposed property is on the low end of upper-upscale hotels. Coupled with the moderate occupancy levels, the property may need some public assistance to be profitable during its first years of operation. The map on the following page provides an illustration of the sites in relation to the immediate area.

Section V: Conclusions



ADDITIONAL CONSIDERATIONS

In order to best suit the market demand, we are of the opinion that any potential full service hotel should have a brand name (“flag”) to be considered “upper-upscale” by Smith Travel Research (STR) as well as a full complement of amenities common to these chains. It should be noted that STR’s chain scales are based on the chain’s actual average room rates, not on amenities. However, to achieve these room rates across the brand, chains have implemented a comparable level of service and amenities.

Currently, the Fayetteville lodging market has one upper-upscale property (Doubletree) and three upscale properties (Hilton Garden Inn, Courtyard, Residence Inn). We are of the opinion that the proposed hotel should cater toward the needs of the visitors by offering an upper-upscale brand. Examples of hotels that are considered upper-upscale are listed below.

- Affinia
- Caesars
- Camino Real
- Club Quarters
- Dolce
- Doral
- Doubletree
- Embassy Suites
- Gaylord Entertainment
- Hard Rock
- Helmsley Hotel
- Hilton
- Hyatt
- Joie de Vivre
- Kimpton
- Langham
- Marriott
- Marriott Conference Centers
- Marriott Executive Apartments
- Le Meridien
- Millennium Hotels
- New Otani Hotels, The
- Nikko
- Omni
- Pan Pacific
- Red Carnation
- Renaissance
- Sheraton Hotel
- Starhotel
- Summit
- Swissotel
- Westin

It should also be noted that certain upscale, full-service properties such as Crowne Plaza, Hotel Indigo and Radisson may be appropriate for the Fayetteville market.

Typically, hotels in the upper-upscale chain designation have superior service levels and additional amenities setting them apart from upscale and midscale properties. Further, the following amenities are requisites to attain AAA-diamond ratings.

- Bell Service
- Complimentary Newspaper
- Concierge Desk
- Elevators
- Gift/Sundry Shop
- Interior Corridors

Section V: Conclusions and Recommendations

- Meeting Rooms
- Pre-function Space
- Safe/Deposit Box
- Fitness Room
- Pool
- Room Service
- Event Catering
- Full-Service Restaurant
- Lounge/Bar

Guestroom amenities include the following:

- Clock radio with MP3 player
- Excellent quality bed
- Flat-screen HDTV
- Full size iron and ironing board
- High-speed internet access (wired and/or wireless)
- Mini-bar
- Upgraded guest stationary
- Upscale toiletry/amenity package
- Work desk

CONCLUSION

Based on the preceding analyses, a full-service, upper-upscale property would have the best performance potential in the Cross Creek Mall area. This area is the most conducive to full service hotel development and is the most effective site to suit current and projected demand. Additionally, we are of the opinion that a full-service hotel in the area requires a small complement of meeting space, as there is a small amount of group demand in the area and adequate current (Crown Center) and future (Fort Bragg Community Activity Center) facilities to host events. The expected continued near-term softness in the lodging market will likely necessitate some public assistance for any upper-upscale hotel developed within the next two years. As the local and national lodging outlook improves beyond 2013, and all moves to Fort Bragg are completed, the new hotel could likely stand on its own.