FEASIBILITY STUDY FOR A PROPOSED

90-ROOM HYATT HOUSE

ROSWELL, GEORGIA

MARCH 2017

THE HIGHLAND GROUP

March 3, 2017

Mr. Steve Stroud
Roswell Inc. & Roswell P3
617 Atlanta Street
Roswell, GA 30075

By email: steve@roswellinc.org

Dear Mr. Stroud,

Thank you for informing us about a developer presenting the City of Roswell with plans to develop a 102-unit Home2 Suites at the intersection of Westside Parkway and Mansell Road. Hilton Hotels franchises the Home2 Suites brand. The reason that Hilton did not mention this hotel to us when we discussed proposed hotels with them before our research concluded on February 2, 2017 is that they had not received an application for it and were thus unaware of the proposed hotel when we spoke with them originally. We discussed the hotel with Hilton on March 1 and Hilton stated they would consider granting a franchise for this hotel at the location of Westside Parkway and Mansell Road subject to an evaluation of potential impact with a Home2 Suites under development on Old Milton Parkway in Alpharetta.

The proposed Home2 Suites at Westside Parkway and Mansell Road was not included in our competitive hotel market supply and demand projections which concluded on February 2. However, the Home2 Suites on Old Milton Parkway was included. I hope this information has cleared up any confusion regarding the two hotels.

Sincerely,

THE HIGHLAND GROUP, HOTEL INVESTMENT ADVISORS, INC.

1266 West Paces Ferry Rd. #148
Atlanta, Georgia 30327-2306
(404) 872-4631
www.highland-group.net

THE HIGHLAND GROUP

March 3, 2017

Mr. Steve Stroud
Roswell Inc. & Roswell P3
617 Atlanta Street
Roswell, GA 30075

By email: steve@roswellinc.org

Dear Mr. Stroud

We are pleased to present this feasibility study for a proposed 90-room Hyatt House in Roswell, Georgia. Projections in this report assume that a professional hotel management company with a proven record of success with similar hotels manages the proposed hotel. The recommendations and projections in this study are the result of research in the Roswell hotel market that included site analysis, interviews with competitive hoteliers, and analysis of data on competitive hotels, and other interviews in the marketplace.

We have done our best to obtain accurate information for you. However, since we relied on interviews as well as other sources, some information may vary from actual. Conclusions are based on research ending February 2, 2017 and we cannot be responsible for events occurring after that date, or not foreseen. Our projections are based on assumptions and we do not warrant that they will be achieved. This report has been prepared for Roswell Inc., for their internal use and decision-making process, and for presentation to selected hotel chains and hotel developers. It is restricted against inclusion in offering statements or wider distribution without our express written permission.

Please do not hesitate to call as we can be of further assistance or whenever questions arise concerning this report or the underlying research and analysis.

Sincerely,

The Highland Group Hotel Investment Advisors,
Inc.

1266 West Paces Ferry Rd. #148
Atlanta, Georgia 30327-2306
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Conclusions — Proposed Hyatt House – Roswell, Georgia

Projected operating results for the proposed 90-room Hyatt House in Roswell, Georgia are shown in the following table.

Projected Operating Results Hyatt House			
Year	Occupancy	Average Room Rate (1)	RevPar (1)
2019	65%	$134	$87
2020	72%	$140	$102
2021	74%	$143	$106
2022	75%	$146	$110
2023	75%	$149	$112

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

Currently, quality lodging options within the city of Roswell are limited. The larger hotel demand generators in the area report that the Doubletree is the top choice for business and leisure travelers to the market. On nights when the Doubletree is full, many travelers reportedly stay at hotels in the neighboring market of Alpharetta rather than the other hotels in Roswell. Consequently, Roswell is losing tax revenue to Alpharetta that would otherwise be collected by Roswell if better lodging options were available.

Currently, there are two hotels proposed in the city of Roswell and six hotels proposed or under construction in the nearby city of Alpharetta. Canton Place Development LLC is planning a mixed-use development near Canton Street, which will include a 120-room boutique hotel. Reportedly, this hotel will either be part of Marriott’s Autograph Collection or Hilton’s Curio Collection. Additionally, there is a SpringHill Suites proposed at the corner of Old Roswell Road and Westside Parkway in Roswell. The hotels proposed for Alpharetta include a 330-room Hotel Avalon Autograph Collection, 125-room Courtyard, 120-room Aloft, 107-room Home2 Suites, 113-room Holiday Inn, and a 132-room Even Hotel. With eight possible new hotels between the two markets the number of brands available for new hotel development in Roswell is currently limited.

We have positioned the proposed hotel in this report as a Hyatt House but the Staybridge Suites brand is also available. Both upscale extended-stay brands are similar and we believe that our projections could be achieved by either brand. Hyatt House and Staybridge Suites are upscale extended-stay hotels which average 50 to 60 percent of their rooms nights from transient guests staying one to four nights. Extended-stays of 30 consecutive nights or longer are a relatively small component of business at most upscale extended-stay hotels.

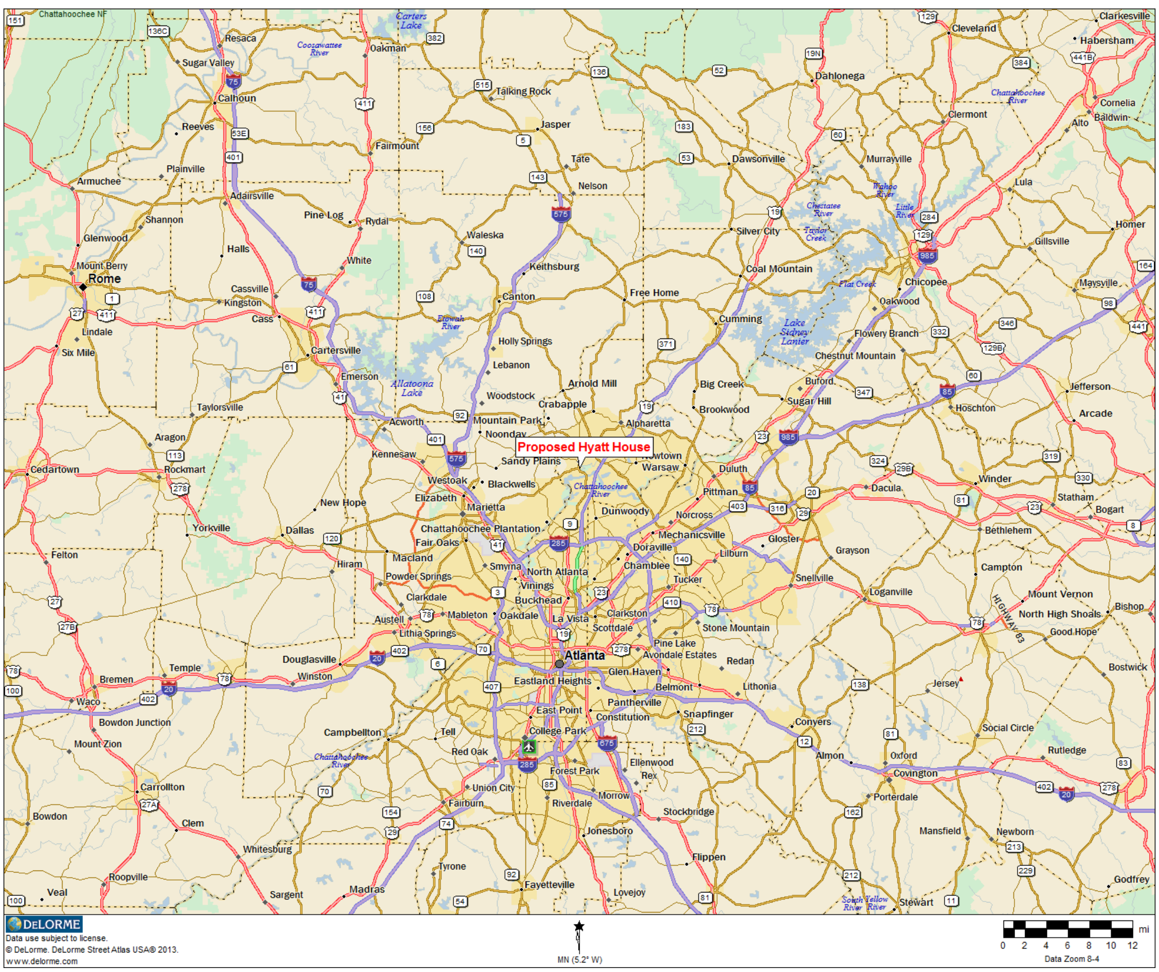
Projections in this report assume that hotel demand from companies in Roswell continues at a stable pace throughout the projection period. Furthermore, these projections assume that a hotel management company with a proven track record with upscale extended-stay hotels manages the proposed Hyatt House.

Assuming the Hyatt House is open for a full year in 2019 the hotel is projected to achieve 65 percent occupancy in its first year. Occupancy is projected to increase to 75 percent by 2022. Average rate is projected to be $134 in 2019, rising to $149 over the projection period.

Market Overview

The proposed Hyatt House would be in Roswell which is in North Fulton County. Roswell is a relatively affluent community in the northern suburbs of the Atlanta – Sandy Springs – Roswell, GA Metropolitan Statistical Area (MSA). Accessed primarily by Georgia 400, Roswell is roughly in the center of the MSA's northern arc, which is an area generally between Interstates 75 and 85. This area has been one of Atlanta's most affluent and fastest growing suburbs for the past 20 years.

The map following shows the proposed hotel location in the region.



While Roswell is its own office, retail and lodging market, the overall MSA economy influences the city. The following paragraphs summarize key economic and demographic information on the Atlanta MSA.

Atlanta MSA and North Fulton County

The proposed Hyatt House would be in Fulton County which is the most populous county in the MSA. The MSA has consistently been ranked as one of the fastest growing and most livable large MSAs in the southeast for more than a decade. The Atlanta MSA boasts numerous headquarter offices of Fortune 100, 500, and 1,000 companies, including The Southern Company, United Parcel Services, Genuine Parts, First Data, SunTrust Banks, Newell Rubbermaid, Coca-Cola Company, Georgia-Pacific, The Home Depot, PulteGroup Inc., Delta Airlines, Kimberly Clark, and most recently Mercedes Benz. Atlanta is the largest MSA in the southeast and its primary economic engine. The following are relevant indicators of the economic strength of the Atlanta MSA.

- The US Bureau of Census reported that the Atlanta MSA population increased to 4.2 million in 2000 from 2.96 million in 1990. Population growth of 42 percent made Atlanta one of the fastest growing MSAs in the country from 1990 through 2000. The MSA's population has continued to grow strongly and was reportedly 5.69 million in 2015. Including adding counties into the MSA, population growth averaged 1.8 percent annually from 2005 through 2015. The Atlanta MSA is likely to continue to get more than its proportionate share of Georgia's projected increase in population and should continue to be one of the fastest growing large MSAs in the southeast.

- The Bureau of Labor Statistics (BLS) estimated that employment in the MSA was a record 2.8 million in 2016. In the most recent comparative period employment increased 4.4 percent through December 2016. Woods & Poole projects that employment in the MSA will average annual growth of 1.9 percent through 2025.

- The Atlanta MSA is one of the largest office markets in the Sunbelt states. CBRE estimates there is nearly 131 million square feet of rentable office space in the Atlanta MSA. Average vacancy was 16.6 percent in the fourth quarter of 2016, its lowest level since 2000. CBRE reports that the Atlanta office market expanded in the fourth quarter with net absorption of 421,323 square feet, most of which occurred in the central business district. Additionally, there was 1.1 million square feet under construction. The North Fulton office submarket, which includes Roswell and Alpharetta, had a vacancy rate of 14.5 percent and net absorption of 63,720 in the fourth quarter of 2016. Also, there is 331,643 square feet of office space under construction in the submarket. There is a strong correlation between growth in occupied office space and increases in hotel demand.

- The industrial market in the Atlanta MSA is one of the largest in the Sunbelt. CBRE estimates the market size at over 574 million square feet of rentable industrial space in the Atlanta MSA. Average vacancy was 8.5 percent in the fourth quarter of 2016, an increase of 60 basis points due to the delivery of 4.6 million sq. ft. of uncommitted space in the quarter. Furthermore, CBRE reports that that the Atlanta industrial market expanded in the fourth quarter with net absorption of nearly 2.6 million square feet and 13.4 million square feet under construction. The North Central/GA 400 submarket, which includes Roswell and Alpharetta, had one of the lowest vacancy rates in the market in the fourth quarter of 2016 at 5.9 percent.

- Atlanta's strong historic and projected growth is partly due to its location and superior transportation linkages. Major highways are summarized as follows. Interstate 85 runs north/south connecting Montgomery, Alabama and, after joining Interstate 95, Washington, New York and Boston. Interstate 75 runs north/south from southwest Florida, through Atlanta, and on to Nashville and the Ohio Valley. Interstate 20, runs east/west and is the primary traffic corridor from South Carolina, through Atlanta and on to Dallas and the West Coast. The 285 Perimeter connects the interstates serving Atlanta. Georgia 400 connects the Downtown area with the north central area of the MSA. Georgia 400 also connects with Interstate 285, which links the MSAs interstate network. The proposed Hyatt House would be located closest to Georgia 400.

- Hartsfield Jackson International Airport (Hartsfield) is one of the busiest airports in the world. Per the Atlanta Airport Authority, annual passenger volume increased from 85.9 million in 2005 to more than 104 million in 2016. The average annual increase in passenger volume was 1.8 percent from 2005 through 2016. Growth in passenger volume has accelerated over the last year and the airport needs substantial investment to accommodate future growth. Accordingly, Hartsfield is preparing to begin work on a $6 billion expansion that will include updates to the domestic terminal and concourses, adding another concourse, adding another runway, new parking garages, massive canopies over the curbside pick-up and drop-off areas, and updates to the atrium and north terminal ticketing area. Most of the work is expected to happen over the next eight years when the airport plans up to $4 billion worth of construction. Currently, 2017 is projected to be the peak year for the project with construction slated for new parking garages, five new gates on Concourse T, terminal modernization, and site preparations for a new 10-gate Concourse G.

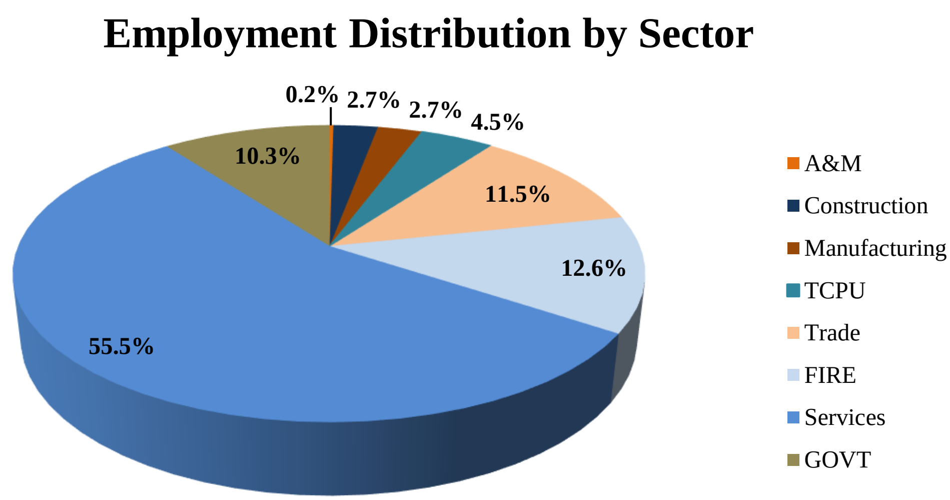
Economic Indicators

The table below illustrates key economic indicators for the MSA and Fulton County, with data provided by Woods & Poole Economics (WPE).

Historic and Projected Economic Indicators						
	Atlanta - Sandy Springs - Roswell, GA MSA			**Fulton County**		
	2005	**2015**	**2025**	**2005**	**2015**	**2025**
Population (000's)	4,770.87	5,699.96	6,676.62	818.74	1,004.53	1,094.87
CAG (1)		***1.8%***	***1.6%***		***2.1%***	***0.9%***
Employment (000's)	2,999.68	3,443.79	4,137.01	906.55	1,033.75	1,184.39
CAG (1)		***1.4%***	***1.9%***		***1.3%***	***1.4%***
Accommodation & Food Services Employment (000's)	206.98	250.62	298.22	69.51	81.18	92.40
CAG (1)		***1.9%***	***1.8%***		***1.6%***	***1.3%***
Gross Regional Product ($ millions) (2)	$266,545	$296,589	$382,310	$107,315	$120,470	$149,838
CAG (1)		***1.1%***	***2.6%***		***1.2%***	***2.2%***
Total Retail Sales ($ millions) (2)	$75,794.17	$81,081.93	$101,259.29	$15,954.05	$16,816.97	$19,551.60
CAG (1)		***0.7%***	***2.2%***		***0.5%***	***1.5%***
Wealth Index (3)	108.7%	96.9%	94.8%	165.6%	142.1%	139.8%
CAG (1)		***-1.1%***	***-0.2%***		***-1.5%***	***-0.2%***
Note: (1) Compound Annual Change (2) 2005 constant dollars (3) US = 100%						
Source: Woods & Poole Economics						

Roswell is a city of approximately 95,000 residents in North Fulton County. North Fulton County is part of Fulton County, which is Atlanta’s largest county with a population of more than 1 million. WPE projects that population, employment, accommodation and food service employment, gross regional product, and total retail sales will all grow in the MSA through 2025 albeit at a slower pace than the previous decade. Fulton County, which includes the City of Atlanta, has been one of the MSA’s slowest growing counties over the last decade, but North Fulton County has expanded more rapidly in terms of employment and population. Increases in population, employment, and accommodation and food service employment, and gross regional product correlate positively with increasing hotel demand.

The chart below illustrates the distribution of employment in Fulton County for 2015, as reported by WPE. The services sector is the largest segment, representing 55.5 percent of employment in the county, followed by FIRE at 12.6 percent, and trade at 11.5 percent.



The diversified mix of employment with a large base of service industries is conducive to future growth projections and offers some protection against downturns in specific industries.

Major Employers

The tables below present major employers in Roswell and Alpharetta, Georgia.

Roswell Major Employers	
Employer	**Employees**
Kimberly-Clark Corporation	1,300
UPS Supply Chain Solutions	1,200
GM IT Innovation Center	1,000
North Fulton Regional Hospital	950
City of Roswell	616
Source: North Fulton Economic Development	

Alpharetta Major Employers	
Employer	**Employees**
Verizon Wireless	3,500
McKesson Technology Solutions	2,450
AT&T Inc./Data Center	2,200
ADP LLC/National Account Services	2,100
Fiserv Inc.	1,900
HP Inc. Data Center	1,300
LexisNexis Risk Solutions	1,225
Equifax Inc.	1,000
Source: North Fulton Economic Development	

According to North Fulton Economic Development, the city of Roswell has five large employers that collectively have 5,066 employees. These along with other smaller employers are serviced by 367 good quality hotel rooms in the city of Roswell. Comparably, the neighboring city of Alpharetta’s eight largest employers have a combined 15,675 employees. Like Roswell these employees along with smaller employers are serviced by 2,491 good quality hotel rooms in Alpharetta. Comparatively, Alpharetta has more than three times the number of employees at its larger employers than does Roswell, but nearly seven times the number of good quality hotel rooms. Thus, a lot of the hotel demand that would be captured by hotels in Roswell is currently staying at hotels in Alpharetta.

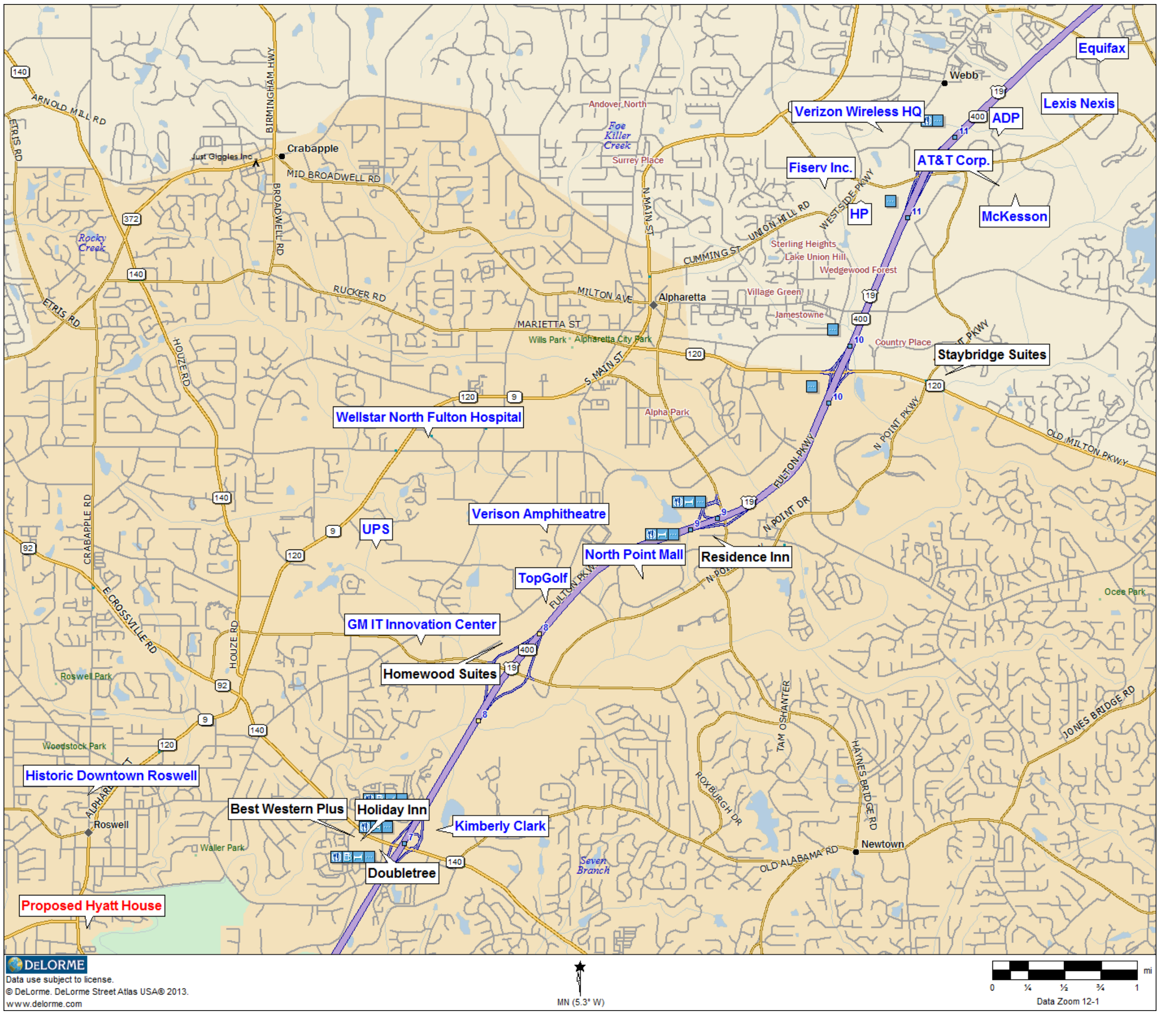
Site Location and Property Description

Site Description

The proposed Hyatt House would be on a site that is currently improved by Haigwood Studios and adjacent to Founders Square. Both Haigwood Studios and Founders Square would be razed to make way for the proposed hotel and a mixed-use development that would include retail, residential, and potentially some office space. The hotel site is also within walking distance of shopping and restaurants in the immediate area and is approximately one mile from Canton Street.

The following is a photo of the site.

The map following shows the location of the proposed Hyatt House, competitive hotels, and key demand generators.



Access

The hotel would have direct ingress and egress from State Route 9, known locally as Roswell Road. Roswell Road parallels Georgia 400 for much of its length and offers an alternative route to the Georgia 400 corridor. Access to Georgia 400 is either roughly three miles east via Holcomb Bridge or southeast via Northridge Road. Along its length, Roswell Road travels through the cities of Atlanta, Sandy Springs, Roswell, Alpharetta, Cumming, and Dahlonega.

Visibility

The hotel would have excellent visibility from Roswell Road and Marietta Highway. This is a major intersection with, according to the Georgia Department of Transportation (GDOT), a daily average of more than 32,000 vehicles passing the site on Roswell Road and 23,000 on Marietta Highway in 2015 (latest data available). Visibility to a major intersection would aid in marketing the hotel.

Convenience

The hotel site would be conveniently located to the Georgia Designated Great Street and roughly one mile from Canton Street. Both areas offer shopping and restaurants in a walkable environment. Furthermore, according to the Roswell Convention & Visitor's Bureau the site is well located to numerous wedding venues in the area. This is an advantage in a market that has historically under performed with leisure travelers on weekend nights. Despite being well located for leisure travel, our interviews with the corporate demand generators in Roswell revealed the site's distance from their respective offices as a disadvantage for their guests.

Property Description

The proposed Hyatt House would be up to a five-story interior corridor building depending on the final architectural drawings. Our projections assume the hotel would include the following principle features and amenities.

- 90 guest suits
- Full kitchens with refrigerator and stovetop in all guest rooms.
- Complimentary breakfast daily
- Complimentary evening social hour three to four nights per week
- Meeting room of approximately 1,500 square feet divisible
- H Market

- H Bar
- Swimming pool
- Fitness center
- Business center
- Free high speed internet access
- Guest laundry facility
- Complimentary high speed internet access in all guest rooms

Projections assume that a professional hotel management company with a proven record of success with similar hotels manages the proposed hotel.

Guestroom count may vary slightly depending on final building configuration.

Hyatt House

Hyatt House is an upscale extended-stay brand franchised by Hyatt. Other family brands include Park Hyatt, Grand Hyatt, Hyatt Regency, Hyatt, Andaz, Hyatt Centric, The Unbound Collection, and Hyatt Place. According to Hyatt, as of December 31, 2016 there were 10,186 Hyatt House rooms open nationally. Additionally, Hyatt reports that the Hyatt House brand achieved an average occupancy of 80 percent with an average rate of $149 in 2016. Hyatt House participates in the Hyatt Gold Passport frequent guest program and provides access to the Hyatt reservation system, which will be a significant advantage for this hotel as it builds its business. Currently, the closest Hyatt House is located roughly 15 miles away in the Galleria area.

Hotel Market

STR estimates there are a combined 4,198 hotel rooms in the Roswell and Alpharetta markets. Most Roswell hotels are along Georgia 400 off the Holcomb Bridge exit and the Mansell Road exit. Most of Roswell's hotels are poor quality. The Doubletree has been the market leader followed distantly by the Holiday Inn and Best Western Plus. The last hotel to open in Roswell was the Holiday Inn more than a decade ago. Business travelers are the primary source of demand at the best quality hotels in Roswell. Visitor attractions include Georgia Designated Great Street, Canton Street, the Chattahoochee River and Nature Center, and Andretti Indoor Karting and Games.

Competition

The proposed Hyatt House would be directly competitive with the best quality hotels in Roswell, which include the Doubletree, the Holiday Inn, and the Best Western Plus. Secondary competitors include the Homewood Suites, Staybridge Suites, and Residence Inn in Alpharetta because of their upscale extended-stay product offering. These six hotels have a total of 717 rooms.

The following table presents operating ranges for competitive hotels.

Competitive Market Summary									
Competitors	Total	Occupancy				Average Daily Rate			
Direct	Rooms	2013	2014	2015	2016	2013	2014	2015	2016
Doubletree Roswell	172	75-79%	75-79%	75-79%	75-79%	$100-104	$110-114	$115-119	$125-129
Holiday Inn Roswell	102	55-59%	55-59%	55-59%	55-59%	$90-94	$105-109	$110-114	$110-114
Best Western Plus Roswell	93	60-64%	60-64%	60-64%	60-64%	$80-84	$90-94	$100-104	$100-104
Subtotal	**367**	**67%**	**68%**	**69%**	**67%**	**$93**	**$104**	**$112**	**$118**
	Total	**Occupancy**				**Average Daily Rate**			
Indirect	**Rooms**	**2013**	**2014**	**2015**	**2016**	**2013**	**2014**	**2015**	**2016**
Homewood Suites Alpharetta	112	70-74%	60-64%	70-74%	75-79%	$90-94	$105-109	$125-129	$130-134
Staybridge Suites Alpharetta	118	80-84%	80-84%	80-84%	80-84%	$95-99	$95-99	$115-119	$125-129
Residence Inn Alpharetta	120	80-84%	80-84%	75-79%	75-79%	$95-99	$100-104	$115-119	$130-134
Subtotal	**350**	**79%**	**76%**	**78%**	**79%**	**$96**	**$103**	**$121**	**$131**
TOTAL	**717**	**73%**	**72%**	**73%**	**73%**	**$95**	**$104**	**$117**	**$125**

Source: The Highland Group

Directly competitive hotel occupancy increased modestly from 2013 through 2015. Based on year-to-date performance through November 2016, directly competitive hotel occupancy is projected to decline to 67 percent in 2016. Overall the indirectly competitive extended-stay hotels in Alpharetta are better quality hotels than the Roswell hotels, which enables them to achieve higher occupancy and average rate than the Roswell hotels. Average rates at all competitive hotels increased $22 from 2013 through 2015 and based on year-to-date performance we project average rates to be up another $8 in 2016.

The charts on the following pages summarize facilities, services, strengths and weaknesses of the competitive hotels. Photos of the competitors can be found in the addendum at the back of the report.

Competitive Hotels: Summary of Facilities and Services									
Hotel	**Year Open**	**Rooms/Suites**	**Weekday Rates**	**Weekend Rates**	**Total Meeting Sq. Footage**	**Pool**	**Restaurant**	**Comp. Breakfast**	**Free High Speed Internet**
Doubletree **1075 Holcomb Bridge Rd, Roswell, GA 30076** **(888) 370-0998**	**1985**	172 rooms	$199-$269	$109-$249	4 rooms / 11,296 s.f.	Outdoor	Yes	No	Yes
Holiday Inn **909 Holcomb Bridge Rd, Roswell, GA 30076** **(770) 817-1414**	**2006**	102 rooms	$131-$165	$84-$106	1 room / 4,180 s.f.	Outdoor	Yes	No	Yes
Best Western Plus **907 Holcomb Bridge Rd, Roswell, GA 30076** **(770) 552-5599**	**1996**	93 rooms	$159	$159	1 room / 2,000 s.f.	Outdoor	Cocktail Lounge	Yes	Yes
Homewood Suites **10775 Davis Dr** **Alpharetta, GA 30004** **(770) 998-1622**	**1998**	112 suites	$219-$299	$139-$239	1 room / 675 s.f.	Outdoor	No	Yes	Yes
Staybridge Suites **3980 North Point Pkwy** **Alpharetta, GA 30005** **(770) 569-7200**	**1998**	118 suites	$159-$205	$96-$169	1 room / 675 s.f.	Outdoor	No	Yes	Yes
Residence Inn **1325 North Point Dr, Alpharetta, GA 30022** **(770) 587-1151**	**1999**	120 suites	$239-$299	$104-$219	1 room / 800 s.f.	Outdoor	No	Yes	Yes
Sources: Competitive Hotels, The Highland Group									

Competitive Hotels: Summary of Strengths and Weaknesses Relative to Subject Hotel								
Hotel	**Distance From Subject Hotel**	**Last Renovation**	**Location**	**Access**	**Arrival Experience**	**Interior Finishes**	**Brand Strength**	**Overall Assessment**
Doubletree **1075 Holcomb Bridge Rd, Roswell, GA 30076** **(888) 370-0998**	**3 miles**	This hotel was renovated in 2011 when it converted to a Doubletree by Hilton.	Similar	Superior	Inferior	Inferior	Superior	Similar
Holiday Inn **909 Holcomb Bridge Rd, Roswell, GA 30076** **(770) 817-1414**	**2.5 miles**	This hotel has not been significantly renovated since opening in 2006.	Similar	Superior	Inferior	Inferior	Similar	Inferior
Best Western Plus **907 Holcomb Bridge Rd, Roswell, GA 30076** **(770) 552-5599**	**2.5 miles**	This hotel was renovated in 2015/16 when it converted to a Best Western Plus.	Similar	Superior	Inferior	Inferior	Inferior	Inferior
Homewood Suites **10775 Davis Dr** **Alpharetta, GA 30004** **(770) 998-1622**	**4 miles**	This hotel was completely renovated in 2014.	Superior	Superior	Inferior	Similar	Superior	Superior
Staybridge Suites **3980 North Point Pkwy** **Alpharetta, GA 30005** **(770) 569-7200**	**8.5 miles**	The fitness center was renovated in 2014.	Superior	Superior	Inferior	Inferior	Similar	Superior
Residence Inn **1325 North Point Dr, Alpharetta, GA 30022** **(770) 587-1151**	**7 miles**	This hotel was renovated in 2012.	Superior	Superior	Inferior	Inferior	Superior	Superior
Sources: Google Maps, Competitive Hotels, The Highland Group								

The proposed Hyatt House would be a highly competitive product overall in terms of location, brand, rates and quality.

New Supply

There is a 107-room Home2 Suites that is proposed for a location on Old Milton Parkway in Alpharetta. This hotel is included in our analysis because of its extended-stay product and is projected to open in January 2019. Additionally, we are aware of two other hotels that have been proposed in Roswell. We do not consider the 120-room boutique hotel proposed near Canton Street to be competitive because of its luxury product offering and higher price point. There is also a proposed SpringHill Suites to be located at the corner of Westside Parkway and Old Roswell Road, but this hotel is in the application process and is therefore still preliminary. There is also rumored to be a full-service Marriott proposed for a site at the corner of Mansell Road and Westside Parkway. However, Marriott already has 575 confirmed rooms proposed for the market not including the SpringHill Suites and potential Autograph near Canton Street. The probability that Marriott would also approve a full-service hotel in this market is extremely low. Therefore, we have not included it in supply.

Besides the Home2 Suites there are five other hotels proposed or under construction in the nearby city of Alpharetta. We have not included these hotels in our analysis because of their location, product offering and/or level of service. These hotels include a 330-room Hotel Avalon Autograph Collection, 125-room Courtyard, 120-room Aloft, 113-room Holiday Inn, and a 132-room Even Hotel. We are unaware of any other proposed hotels that would be competitive with the proposed Hyatt House. Any additions to supply other than those mentioned above could materially impact projections.

Competitive Hotel Supply and Demand

Overview

The table below presents a set of good quality limited-service and extended-stay hotels in Alpharetta and Roswell to get an overall history of the market. The three Roswell hotels selected are the three best hotels in the city of Roswell. The other 12 hotels are the best quality limited-service and extended-stay hotels in the city of Alpharetta south of Old Milton Parkway.

Hotel	City & State	Rooms
Homewood Suites Atlanta Alpharetta	Alpharetta, GA	112
Staybridge Suites Alpharetta North Point	Alpharetta, GA	118
Wingate By Wyndham Alpharetta	Alpharetta, GA	84
Hampton Inn Alpharetta Roswell	Alpharetta, GA	106
TownePlace Suites Atlanta Alpharetta	Alpharetta, GA	88
Fairfield Inn & Suites Atlanta Alpharetta	Alpharetta, GA	88
Holiday Inn Express Alpharetta Roswell	Roswell, GA	67
Residence Inn Atlanta Alpharetta North Point Mall	Alpharetta, GA	120
Hilton Garden Inn Atlanta Northpoint	Alpharetta, GA	125
Hyatt Place Atlanta Alpharetta North Point Mall	Alpharetta, GA	124
Embassy Suites Atlanta Alpharetta	Alpharetta, GA	150
Comfort Suites @ North Point Mall Alpharetta	Roswell, GA	75
Holiday Inn Atlanta Roswell	Roswell, GA	102
Best Western Plus Roswell Alpharetta	Roswell, GA	93
Doubletree Atlanta Roswell Alpharetta	Roswell, GA	172
Source: STR		1,624

The table below presents historical operating history for the set of hotels on the previous page.

Roswell/Alpharetta, GA - Competitive Hotel Market Operating History									
Year	Room Night Supply	Change in Supply	Occupancy	Room Night Demand	Change in Demand	Average Rate	Change in Rate	RevPar	Change in RevPar
1997	305,298		69.6%	212,513		$81.64		$56.83	
1998	360,693	18.1%	69.0%	248,974	17.2%	$81.18	-0.6%	$56.04	-1.4%
1999	460,095	27.6%	65.9%	303,129	21.8%	$82.02	1.0%	$54.04	-3.6%
2000	482,895	5.0%	67.6%	326,470	7.7%	$78.46	-4.3%	$53.05	-1.8%
2001	557,895	15.5%	55.1%	307,249	-5.9%	$79.29	1.1%	$43.67	-17.7%
2002	583,270	4.5%	55.7%	324,815	5.7%	$79.25	-0.1%	$44.13	1.1%
2003	583,270	0.0%	56.7%	330,756	1.8%	$76.41	-3.6%	$43.33	-1.8%
2004	583,270	0.0%	58.0%	338,522	2.3%	$79.25	3.7%	$46.00	6.2%
2005	567,648	-2.7%	62.6%	355,137	4.9%	$84.97	7.2%	$53.16	15.6%
2006	566,009	-0.3%	63.5%	359,678	1.3%	$91.26	7.4%	$57.99	9.1%
2007	593,855	4.9%	61.6%	365,541	1.6%	$98.16	7.6%	$60.42	4.2%
2008	593,855	0.0%	60.0%	356,127	-2.6%	$99.92	1.8%	$59.92	-0.8%
2009	593,855	0.0%	56.0%	332,844	-6.5%	$85.42	-14.5%	$47.88	-20.1%
2010	593,855	0.0%	62.0%	368,200	10.6%	$81.12	-5.0%	$50.29	5.0%
2011	593,671	0.0%	65.1%	386,302	4.9%	$83.76	3.3%	$54.50	8.4%
2012	593,490	0.0%	67.3%	399,325	3.4%	$87.17	4.1%	$58.65	7.6%
2013	593,490	0.0%	72.5%	429,988	7.7%	$91.81	5.3%	$66.52	13.4%
2014	592,938	-0.1%	73.6%	436,597	1.5%	$99.98	8.9%	$73.62	10.7%
2015	592,395	-0.1%	72.4%	429,151	-1.7%	$111.49	11.5%	$80.77	9.7%
CAG (1)		3.8%			4.0%		1.7%		2.0%
CAG (2)		0.0%			4.3%		4.5%		9.1%
Note: (1) Compound Annual Growth 1997 - 2015									
Note: (2) Compound Annual Growth 2009 - 2015									
Source: STR									

The Holiday Inn opened in October 2006 and since then there has been no increase in competitive hotel supply. The average annual increase in supply was 3.8 percent from 1997 through 2015.

Over the same period, demand increased at a compound annual average rate of 4 percent. Demand declined during the recession in 2008 and 2009, but growth restarted in 2010 as economic conditions improved and business travel increased. Demand growth continued until it declined 1.7 percent in 2015. The market is effectively full and this has allowed hotels to aggressively raise rates in the market as demonstrated by the strong rate increases in 2014 and 2015.

Historically average rates have grown at a compound annual growth rate of 1.7 percent over the period shown. However, since 2009 the compound annual growth rate has been more than double the historical average.

Roswell/Alpharetta, GA - Overall Competitive Hotel Operating History YTD (1)									
Year	**Room Night Supply**	**Change In Supply**	**Occupancy**	**Room Night Demand**	**Change In Demand**	**Average Rate**	**Change In Rate**	**RevPar**	**Change In RevPar**
2015	542,082		73.9%	400,681		$111.74		$82.59	
2016	542,143	0.0%	73.3%	397,402	-0.8%	$120.15	7.5%	$88.07	6.6%
Note: (1) Year-to-Date through November									
Source: STR									

Year-to-date through November 2016 average rates have increased 7.5 percent. This has continued to put downward pressure on demand compelling more price sensitive guests to seek more affordable accommodations. Occupancy in the market remains strong in the low 70s despite the substantial average rate increases.

Mix of Business

Mix of business in the competitive set is estimated at:

- 42 percent corporate
- 26 percent leisure
- 32 percent extended stay

The mix of business results in strong mid-week demand for rooms within the competitive set.

Seasonality of Demand

The table below presents a 12-month rolling average for occupancy, average rate and RevPar by day of the week, ending November 2016 for the selected hotels discussed in the section above.

Competitive Hotel Market Operating Performance by Day of Week-12/2015-11/2016							
	Sun	**Mon**	**Tue**	**Wed**	**Thu**	**Fri**	**Sat**
Occupancy	51.6%	77.3%	86.6%	85.3%	68.7%	64.0%	69.2%
ADR	$106.59	$132.50	$140.17	$136.10	$116.04	$93.63	$93.57
RevPar	$55.00	$102.46	$121.38	$116.08	$79.68	$59.92	$64.71
Source: STR							

As illustrated, occupancy peaks on Tuesday and Wednesday nights, which is typical of a market with a strong corporate travel component. Likewise, average rate also peaks on Tuesday and Wednesday nights with lower rates on weekends.

Interviews with Potential Sources of Demand

Roswell Inc. provided us with a list of major employers located in Roswell. We obtained interviews with seven of the employers and asked them about their current lodging use and needs. Furthermore, we asked them if their guests would use the proposed Hyatt House.

The table following shows the entities that we interviewed.

Company	Total Room Nights	Roswell Hotels	Room Nights	Alpharetta Hotels	Room Nights
Kimberly-Clark Corporation	8,000	Doubletree	5,000	Various	3,000
GM Innovation Center	1,820	Various	910	Various	910
Yardi	850	Doubletree	75	Various	775
Layla Grace	20	Doubletree	18	Various	2
Ron Blue	30	Doubletree	30	None	0
Docufree	72	None	-	Various	72
PaperHost.com, Inc.	12	Doubletree	2	Various	10
Total	**10,804**		**6,035**		**4,769**
Sources: Area companies, The Highland Group					

- Demand interviews with seven Roswell demand generators indicate estimated room nights of 10,804. By far the largest number of quantifiable room nights come from Kimberly-Clark Corporation and the GM Innovation Center.
- No company we interviewed reported that their guests stayed at a hotel in Roswell other than the Doubletree. When the Doubletree is full visitors often choose to stay at hotels in Alpharetta rather than stay at other hotels in the city of Roswell due to their quality. This has resulted in a substantial amount of room nights to be displaced to hotels in Alpharetta.
- Kimberly-Clark Corporation represents 80 percent of the room nights in the market. A representative of the company reports that the company relocates employees to the area frequently and those individuals stay in extended-stay hotels. These guests are not reflected in the number of room nights in the table above because the company's relocation business is handled by an outside company.
- A representative at the GM Innovation Center reports that the company brings in employees to do training at the center. Typically, employees book their own travel and are staying in the market on average one to three nights.
- Kimberly-Clark, GM Innovation Center, and Yardi collectively have nearly 3,000 room nights with an average length of stay of four nights. This represents 27 percent of the quantified demand.
- All companies interviewed indicated that proximity was a key factor when selecting a hotel in Roswell or Alpharetta. Traffic congestion on Georgia 400, Holcomb

Bridge Road, and Mansell Road during the morning and evening rush hour make the location of the hotel a deciding factor for guests when choosing a lodging.

- All demand generators mentioned that it is difficult to get a hotel room on Tuesday and Wednesday night in the market. These companies indicated that they would use the proposed Hyatt House on nights when the more convenient hotels to their respective offices are full.
- The only hotel that Roswell demand generators report using in the city of Roswell is the Doubletree. All other hotels used were in Alpharetta.

Competitive Market Projections

The following table presents supply and demand projections for the competitive set of hotels. The Proposed Hyatt House is expected to be open for a full year in 2019.

Projection of Supply and Demand by Segment											
		Actual					Projected				
Segment	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Corporate	81,132	81,072	82,143	81,146	83,580	83,580	100,296	103,305	106,404	108,532	108,532
Percent Change		0%	1%	-1%	3%	0%	20%	3%	3%	2%	0%
Segment Demand	81,132	81,072	82,143	81,146	83,580	83,580	100,296	103,305	106,404	108,532	108,532
Leisure	49,347	48,804	49,625	49,333	49,333	49,333	51,800	52,836	53,892	54,701	54,701
Percent Change		-1%	2%	-1%	0%	0%	5%	2%	2%	1%	0%
Segment Demand	49,347	48,804	49,625	49,333	49,333	49,333	51,800	52,836	53,892	54,701	54,701
Extended Stay	60,650	57,961	59,857	60,825	60,825	60,825	79,073	80,654	82,267	83,501	83,501
Percent Change		-4%	3%	2%	0%	0%	30%	2%	2%	1%	0%
Segment Demand	60,650	57,961	59,857	60,825	60,825	60,825	79,073	80,654	82,267	83,501	83,501
Total Demand	191,129	187,836	191,625	191,304	193,738	193,738	231,168	236,795	242,564	246,734	246,734
Total Supply	261,705	261,705	261,705	261,705	261,705	261,705	333,610	333,610	333,610	333,610	333,610
Total Demand Percent Change		**-2%**	**2%**	**0%**	**1%**	**0%**	**19%**	**2%**	**2%**	**2%**	**0%**
Total Supply Percent Change		**0%**	**0%**	**0%**	**0%**	**0%**	**27%**	**0%**	**0%**	**0%**	**0%**
Competitive Set Occupancy	**73%**	**72%**	**73%**	**73%**	**74%**	**74%**	**69%**	**71%**	**73%**	**74%**	**74%**
Source: The Highland Group											

Each segment of demand is discussed in the paragraphs below.

Corporate

Corporate demand is composed of business travelers staying on mid-week nights. Corporate demand generally occurs year-round, but slows down in November and December. Between 2013 and 2015, corporate demand increased at a compound average annual rate of 0.6 percent because the market is full and unable to accommodate more guests on mid-week nights. Corporate demand is projected to increase by an annual average rate of 4.2 percent from 2016 through 2023, reflecting expansion of hotel supply through the opening of the Hyatt House and Home2 Suites.

Leisure

Leisure demand relates to sports tournaments, weddings, family reunions, historical site visitors, and tourism. Between 2013 and 2015, leisure demand increased at a compound average annual rate of 0.3 percent. Leisure demand is projected to increase by an annual average rate of 1.5 percent from 2016 through 2023, reflecting the projected opening of the Hyatt House, which should be able to accommodate wedding related demand in the area.

Extended Stay

Extended-stay demand is from guests that need lodging for five nights or more and expect a room equipped with a full kitchen. Currently, the city of Roswell does not have an upscale extended-stay hotel. Between 2013 and 2015, extended-stay demand decreased at a compound annual average rate of 0.7 percent. This was due to renovations at the Homewood Suites in 2014, which suffered a decline in occupancy of more than 12 points in that year. Extended-stay demand is projected to increase by an annual average rate of

4.6 percent from 2016 through 2023. The projected growth rate reflects the opening of the Hyatt House and Home2 Suites in 2019.

Overall, supply and demand are expected to increase at a compound annual average rate of 3.5 percent and 3.7 percent respectively from 2016 through 2023. Demand growth projections are in line with demand growth from the historical period 1997 through 2015, as shown in the table on page 20.

Projections

Penetration Analysis

The table following presents market penetration projections for the proposed Hyatt House.

Hyatt House Penetration Analysis					
Segment	**2019**	**2020**	**2021**	**2022**	**2023**
Hyatt House	90	90	90	90	90
Fair Share Demand	10%	10%	10%	10%	10%
Corporate					
Fair Share Demand	9,876	10,172	10,477	10,687	10,687
Penetration	75%	80%	80%	80%	80%
Capture	7,407	8,138	8,382	8,550	8,550
Mix	35%	34%	34%	35%	35%
Leisure					
Fair Share Demand	5,101	5,203	5,307	5,386	5,386
Penetration	105%	110%	110%	110%	110%
Capture	5,356	5,723	5,837	5,925	5,925
Mix	25%	24%	24%	24%	24%
Extended Stay					
Fair Share Demand	7,786	7,942	8,101	8,222	8,222
Penetration	110%	125%	125%	125%	125%
Capture	8,565	9,927	10,126	10,278	10,278
Mix	40%	42%	42%	42%	42%
Total					
Fair Share Demand	22,763	23,317	23,885	24,295	24,295
Penetration	94%	102%	102%	102%	102%
Capture	21,327	23,788	24,345	24,752	24,752
Occupancy	**65%**	**72%**	**74%**	**75%**	**75%**
Source: The Highland Group					

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

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

Corporate

The Hyatt House will be located further from the corporate demand generators than the other competitive hotels in the market. However, as the newest hotel in the Roswell market by more than a decade it will appeal to some business travelers. Penetration in the corporate segment is expected to range from 75 to 80 percent and room nights are forecast to be approximately 35 percent of the hotel's total room nights over the projection period.

Leisure

The Hyatt House would appeal to leisure guests due to its proximity to Georgia Designated Great Street and to Canton Street where there are boutique shops and restaurants. In addition, there are many wedding venues in the area. The hotel would be attractive to travelers looking for a walkable environment; however, youth sports teams typically prefer areas with abundant chain affiliated store, restaurants, and entertainment venues. Penetration in the leisure segment is expected to range from 105 to 110 percent and room nights are forecast to be approximately 25 percent of the hotel's total room nights over the projection period.

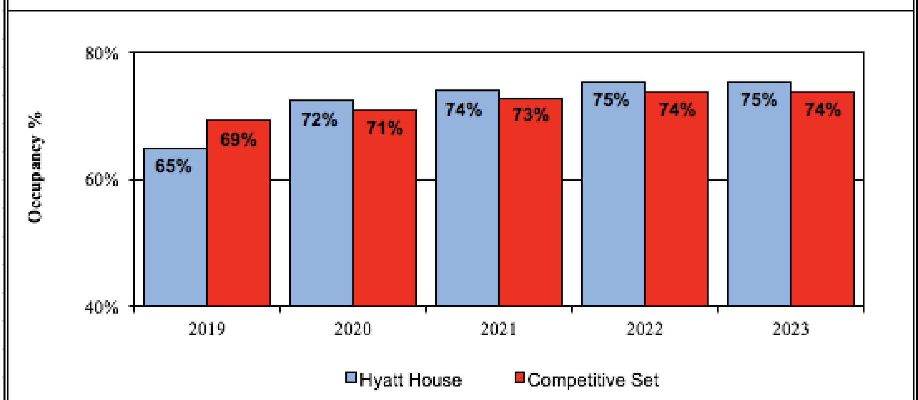
Extended Stay

The Hyatt House would be the only upscale extended-stay hotel in Roswell. Consequently, the proposed Hyatt House is expected to achieve above its fair share of extended-stay room nights in the Roswell market. The proposed hotel is positioned at a 110 percent penetration rate in year one rising to 125 percent in 2020 where it remains throughout the projection period. Extended-stay demand is projected to account for 40 to 42 percent of the hotel's total room nights over the projection period.

Overall market penetration is projected to range from 94 to 102 percent over the projection period.

Occupancy

The graph below illustrates the Proposed Hyatt House's occupancy compared to the competitive market over the projection period.



Source: The Highland Group

As the newest and only upscale extended-stay hotel in Roswell the proposed Hyatt House is expected to outperform the market occupancy by its second full year.

Average Rate

Average rates are based on current and projected rates at competitive hotels. In the table following hotels are sorted in descending order of estimated projected average rate in 2019 dollars.

Competitive Hotel Average Rate Projections									
Hotel	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Homewood Suites Alpharetta	$125-129	$130-134	$140-144	$145-149	$145-149	$150-154	$150-154	$155-159	$160-164
Residence Inn Alpharetta	$115-119	$130-134	$135-139	$140-144	$145-149	$145-149	$150-154	$150-154	$155-159
Staybridge Suites Alpharetta	$115-119	$125-129	$130-134	$135-139	$140-144	$140-144	$145-149	$150-154	$150-154
Doubletree Roswell	$115-119	$125-129	$130-134	$135-139	$140-144	$140-144	$145-149	$150-154	$150-154
Hyatt House	**-**	**-**	**-**	**-**	**$134**	**$140**	**$143**	**$146**	**$149**
Holiday Inn Roswell	$110-114	$110-114	$115-119	$120-124	$120-124	$125-129	$125-129	$130-134	$130-134
Best Western Plus Roswell	$100-104	$100-104	$105-109	$105-109	$110-114	$110-114	$115-119	$115-119	$115-119
Source: The Highland Group									

The Hyatt House would be priced below all the upscale extended-stay hotels in Alpharetta because of their superior location closer to the large corporate demand generators. Similarly, the proposed hotel would be priced below the Doubletree because of that hotel's location closer to demand sources such as Kimberly-Clark Corporation. However, the Hyatt House will be the newest and best quality hotel in Roswell and it should achieve a higher rate than both the Holiday Inn and Best Western Plus.

The following table shows average rate by demand segment projected for the Hyatt House.

Hyatt House Average Rate by Segment					
Segment	**2019**	**2020**	**2021**	**2022**	**2023**
Corporate					
Room Nights	7,407	8,138	8,382	8,550	8,550
Rate	$150	$155	$155	$155	$155
Leisure					
Room Nights	5,356	5,723	5,837	5,925	5,925
Rate	$128	$132	$132	$132	$132
Extended Stay					
Room Nights	8,565	9,927	10,126	10,278	10,278
Rate	$105	$108	$108	$108	$108
Current Dollar Average Rate	**$126**	**$130**	**$130**	**$130**	**$130**
Inflation	2%	2%	2%	2%	2%
Inflated Average Rate	**$134**	**$140**	**$143**	**$146**	**$149**
Source: The Highland Group					

Corporate rates would be the highest because rates are highest during mid-week corporate travel. The leisure rate is discounted but not as discounted as the rest of the market because of the hotels proximity to popular wedding venues in Roswell. The extended-stay rate is the lowest because of the discount typically offered to guests staying more than five nights.

Overall average rate in 2019 is projected at $126 in 2016 dollars. Rates in current dollars are projected to increase in 2020 as opening discounts are phased out. Average rates are also increased by 2 percent annually over the projection period, in line with an anticipated general level of inflation.

ADDENDUM

COMPETITIVE HOTEL PHOTOS

Doubletree Roswell

Holiday Inn Roswell

Best Western Plus Roswell

Homewood Suites Alpharetta

Staybridge Suites Alpharetta

Residence Inn Alpharetta