

PROJECTED UTILIZATION OF THE PROPOSED HOTEL

The supply and demand analysis included general overviews of the Umatilla, Florida market area, a detailed analysis of the properties projected to provide competition to the proposed hotel, a discussion of the characteristics of room-night demand, and projections of future room supply and demand within the competitive environment. In this section, the information which has been presented in the preceding chapters is synthesized to project the utilization of the proposed hotel.

Projected Market Penetration and Occupancy

Market Penetration.

The potential occupancy of the proposed hotel has been evaluated in terms of its “Fair Share” of market demand. Fair share is the number of rooms in the proposed hotel as a percentage of the total market area supply. There are presently two properties, representing 153 total available rooms which would compete with the proposed hotel. The number of units in the proposed hotel, the projected market area available rooms per day, and the resulting fair share percentage for the period 2021 through 2025 are listed below:

Fair Share of the Proposed Fairfield Inn & Suites 2021 – 2025			
<i>Year</i>	<i>Number of Rooms in Proposed Hotel</i>	<i>Projected Market Area Supply of Rooms</i>	<i>Projected Fair Share of Proposed Hotel</i>
2021	75	228	32.9%
2022	75	228	32.9%
2023	75	228	32.9%
2024	75	228	32.9%
2025	75	228	32.9%

Source: Interim Hospitality Consultants

Induced Room Demand represents hotel guests who are attracted to the Market Area due to new attractions or the specific hotel new amenities not found in the competitive hotels.

Assuming that each competitive property, including the proposed hotel, were to receive only its fair share of the market demand from 2021 through 2025, each would achieve projected occupancies ranging from 70.0% in 2021 to 74.0% in 2025, the projected market set occupancy, during the projection period.

To further refine the analysis and to take into account the qualitative factors affecting the occupancy of a lodging facility, the proposed hotel’s competitive position was evaluated by an analysis that relates the most important factors which influence a potential guest’s choice of lodging facilities. Such a comparison of the hotel’s advantages and disadvantages indicates the degree to which a hotel could penetrate a given market relative to its fair share. Market penetration (percent of fair share) is the percentage of demand actually accruing to a hotel, calculated as the ratio between the number of rooms occupied in the property and the fair share of occupied rooms attributable to that property. The proposed hotel must capture a portion of both (1) current room-night demand, and (2) growth in demand for overnight accommodations, to obtain the projected occupancy levels.

In this instance, the proposed property should have a number of competitive advantages. Its competitors may be considered less desirable by potential market users due to the lack of certain characteristics which will be unique to the proposed facility. The following factors and assumptions are major considerations in determining the penetration potential of the proposed hotel relative to its competitors:

1. *Location:* On the south side of Umatilla on Florida Route 19.

2. *Accessibility and Visibility:* Extremely good accessibility coupled with excellent street corner visibility.
3. *Market Orientation:* The proposed hotel would be directly positioned to the commercial guest in addition to the leisure market segment.
4. *Room Mix:*

Fairfield Inn & Suites Umatilla, Florida Proposed Room Mix	
25	King Studio
20	Queen Studio
10	King Suite
12	Queen Suite
8	Queen Suite, Wide
75	Total Rooms

Source: Interim Hospitality Consultants

Included in the room mix will be an appropriate number of rooms with full access for the physically challenged.

5. *Room Amenities:* Oversized beds with plush duvet covers and triple sheets, spacious work desk, ergonomic chair, two telephones with voice mail and data port, complimentary wireless and wired Internet access, plus hospitality center with a microwave oven, refrigerator/freezer, coffee maker with complimentary coffee and tea refreshed daily.
6. *Hotel Amenities:* Meeting space to accommodate 50 guests, a complimentary 24-hour business center, 24-hour fitness room, full Spa and Aquatic Center with swimming pool, whirlpool spa, and complimentary WiFi hot spots in public areas.
7. *Complimentary Breakfast:* A full hot breakfast is available every day to all guests.
8. *Newness:* The project will be the newest hotel in the competitive supply, thereby offering more appeal to the proposed property.
9. *National Franchise:* The facility will gain instant name recognition and set itself apart from other competitive hotels when it positions itself in the upscale, mid-priced transient hotel market.

10. *Hotel Management:* The facility will be professionally managed and aggressively marketed.

While the foregoing is primarily a qualitative analysis, it represents a fair approximation of the projected market situation based on the fieldwork.

The proposed hotel's market penetration and underlying assumptions are summarized as follows:

1. *Leisure:* Due to the hotel being marketed as the number-one quality product in the mid-priced limited-service hotel classification, the hotel's projected penetration of fair market share will range from 102.9% to 102.8% over the five-year projection period.
2. *Commercial:* The fair market share of commercial business is projected to run from 102.9% to 102.8%. This can be achieved with a professional sales marketing effort. If for any reason the tourist business declines through seasonality or energy shortages, state and local commercial solicitation must be made to offset the decline.
3. *Occupancy:* The projected occupancy should be attainable if the property is built as described, professionally operated in all facets, and business of the area continues to be positive. In years 3 to 5, additional competition may materialize to substantially reduce the projections.

Market Penetration

Market Penetration is the percentage of demand for rooms projected for the proposed Fairfield Inn & Suites. It is calculated as the ratio between the number of rooms projected to be occupied at the proposed hotel against the Fair Share of occupied rooms attributed to the hotel's Market Set.

To calculate Market Penetration, information from the Supply and Demand Analysis Section of this Study indicates:

Step One:

a.	Total of year round Hotel Market Set of Rooms	228
b.	Times estimated average occupancy	68.0%
c.	Times days in year	365
d.	Equals total Guest Room Nights	56,590
e.	Times Fairfield Inn & Suites' Fair Share	32.9%
f.	Equals the Goal of Guest Room Nights the Fairfield Inn & Suites must achieve	18,615

Step Two:

- a. Convert the projected 2021 occupancy of 68.0% into Occupied Guest Room Nights 19,163
- b. Divided by the Goal of 18,615
- c. Equals the Fairfield Inn & Suites Market Penetration 102.9%

Market Penetration must be at least 100% to be equal with the hotel’s Market Set of competitors. The higher the total is over 100, the stronger the leadership of the hotel. If the Market Penetration is under 100, then something is wrong in the hotel’s image, features, or marketing, and must be corrected.

Future Years Market Penetration			
2022	2023	2024	2025
102.9%	102.9%	102.8%	102.8%

Consecutive Market Penetration for future years with no addition to the Market Set and prior to operations success.

75-Room Fairfield Inn & Suites Projected Market Penetration, Room-Night Demand and Occupancy						
		2021	2022	2023	2024	2025
Projected Room Demand						
Leisure	55.0%	31,124	31,582	32,040	36,588	32,955
Commercial	45.0%	25,465	25,840	26,214	29,936	26,963
Total Demand	100.0%	56,590	57,422	58,254	55,524	59,918
Fair Share Ratio		32.9%	32.9%	32.9%	32.9%	32.9%
Projected Penetration as a Percentage of Fair Market Share						
		102.9%	102.9%	102.9%	102.8%	102.8%
Projected Market Penetration						
Leisure	55.0%	10,539	10,690	10,841	11,021	11,142
Commercial	45.0%	8,623	8,746	8,870	9,017	9,116
Total Market Penetration	100.0%	19,163	19,436	19,710	20,039	20,258
Available Rooms at the Proposed Hotel						
	75	27,375	23,375	23,375	27,450	27,375
Projected Occupancy		70.0%	71.0%	72.0%	73.0%	74.0%

Source: Interim Hospitality Consultants

Note: Totals may not foot due to rounding.

Fairfield Inn & Suites Umatilla, Florida Optimum Proforma Year One					
		<i>Season</i>	<i>Shoulder</i>	<i>Balance of Year</i>	<i>2021</i>
<i>Months Days</i>		<i>2,3,4 89</i>	<i>1,4,6,7,8,11,12 215</i>	<i>9,10 61</i>	<i>365</i>
<i>Room Mix</i>	<i># Rooms</i>				
King Studio	25	100.00	90.00	80.00	
Queen Studio	20	120.00	100.00	90.00	
King Suite	10	130.00	110.00	100.00	
Queen Suite	12	135.00	110.00	105.00	
Queen Suite, Wide	8	140.00	115.00	110.00	
Total Rooms:	75				
Optimum Revenue					
King Studio	25	222,500	483,750	122,000	828,250
Queen Studio	20	213,600	430,000	109,800	753,400
King Suite	10	115,700	236,500	61,000	413,200
Queen Suite	12	144,180	283,800	76,860	504,840
Queen Suite, Wide	8	99,680	197,800	53,680	361,160
Total Optimum Revenue	75	795,660	1,631,850	423,340	2,850,850
Seasonal Occupancy		80.0%	70.0%	60.0%	70.8%
Optimum Guest Room Nights		6,675	16,125	4,575	27,375
Seasonal Guest Room Nights		5,340	11,288	2,745	19,373
Seasonal Revenue		636,528	1,142,295	254,004	2,032,827
Seasonal Average Daily Rate		119.20	101.20	92.53	104.93
Average Daily Rate use					105.00
Occupancy use					70.0%

Source: Interim Hospitality Consultants, Inc.

Projected Average Room Rate

The projections of average room rate for the proposed hotel are based on the following factors:

1. The competitive market position of the proposed hotel as one of the newest projects in the area.
2. The assumption that the proposed hotel will be professionally managed and aggressively marketed.
3. The assumption that the proposed hotel will be affiliated with a national franchise chain.
4. The assumption that the proposed mid-priced hotel will command a rate, somewhat commensurate with competition of higher room rates.

A detailed review of recent trends in room rate increases to estimate the impact of inflation was conducted along with the consideration of the specific experience of the hotels in the competitive market.

Based on the above assumptions and details, the proposed Fairfield Inn & Suites should achieve an initial average rate \$105.00 in the first stabilized year of operations, 2021.

An inflation rate of 1.5% per year was assumed. The following table summarizes the current year (inflated) dollar room rates projected for the proposed hotel.

Fairfield Inn & Suites Projected Average Room Rate (Current Year Dollars)	
<i>Year</i>	<i>Average Room Rate</i>
2021	\$105.00
2022	\$107.00
2023	\$109.00
2024	\$111.00
2025	\$113.00

Source: Interim Hospitality Consultants

The projected average room rates could be materially different if significantly higher or lower rates of inflation are actually experienced. Since the actual rates of inflation cannot be predicted with any degree of certainty, no assurance is given that the actual average room rates achieved will not vary materially from those projected in this Study.

Summary

Based upon the occupancy of the Fairfield Inn & Suites, the proposed hotel's Total Market Penetration and underlying assumptions are summarized as follows:

1. *Leisure:* Due to the hotel being marketed as the number-one quality product in the mid-priced limited-service hotel classification, the hotel's projected penetration of fair market share will range from 102.9% to 102.8% over the five-year projection period.
2. *Commercial:* The fair market share of commercial business is projected to run from 102.9% to 102.8%. This can be achieved with a professional sales marketing effort. If for any reason the tourist business declines through seasonality or energy shortages, state and local commercial solicitation must be made to offset the decline.

3. *Occupancy:* The projected occupancy should be attainable if the property is built as described, professionally operated in all facets, and business of the area continues to be positive. In years 3 to 5, additional competition may materialize to substantially reduce the projections.

These projections are based on estimates and assumptions developed in connection with the Feasibility Study. However, certain assumptions may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the projection period may vary from the forecasts, and the variations may be material.

Proposed Fairfield Inn & Suites Umatilla, Florida			
Year	Occupancy	Average Daily Rate	Room Revenue
2021	70.0%	\$105.00	\$2,012,060
2022	71.0%	\$107.00	\$2,079,680
2023	72.0%	\$109.00	\$2,148,390
2024	73.0%	\$111.00	\$2,224,270
2025	74.0%	\$113.00	\$2,289,100

Source: Interim Hospitality Consultants