

2016 SOUTHERN CALIFORNIA

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COACHELLA VALLEY
COASTAL
INLAND EMPIRE
LOS ANGELES
ORANGE COUNTY
SAN DIEGO
SAN LUIS OBISPO
SANTA BARBARA
VENTURA

LODGING FORECAST

CBRE, Inc.

Valuation & Advisory Services

400 South Hope Street, 25th Floor

Los Angeles, CA 90071

www.cbrehotels.com | www.pkfc.com

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It is our pleasure to present *The 2016 Southern California Lodging Forecast*. This forecast has been prepared using our database, as well as information and comments solicited from local hoteliers, hotel owners, hotel developers, representatives of Destination Marketing Organizations, and others. We hope that this document will be helpful for planning and budgeting purposes. To those who have assisted us with this analysis, we extend our sincere appreciation. Without your assistance, this forecast could not have been completed.

As with previous forecasts, this year's document has been divided into the major markets that comprise the Southern California region. These include Los Angeles, Orange County, San Diego, Inland Empire, Coachella Valley, Ventura, Santa Barbara, and San Luis Obispo. As we have done previously, we have included the Coastal Resort market in this forecast, comprised of hotels on the Southern California coast from San Luis Obispo to San Diego. In addition, it should be noted that certain properties are included in multiple submarkets, but are not reported twice in the overall sample for their respective county or area. Each of these markets and the various submarkets therein will be discussed in further detail in the pages to follow.

If we can be of further assistance in the interpretation of this data, please feel free to contact us.

Sincerely,

PKF Consulting USA
a Subsidiary of CBRE, Inc.



Bruce Baltin
Managing Director

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ABOUT US

PKF CONSULTING USA | CBRE HOTELS

As a point of background, we would like to provide you with a brief overview of our Firm. PKF Consulting USA | CBRE Hotels (“PKF USA”) is part of CBRE, the World’s largest real estate services company. PKF USA is a national firm of management consultants, appraisers, real estate brokers and industry specialists who provide a full range of services to the hospitality and tourism industries. Headquartered in San Francisco, the Firm has offices in Boston, New York, Philadelphia, Portland, ME, Atlanta, Miami, Washington, D.C., Houston, Dallas, Indianapolis, Los Angeles, Seattle, Sacramento, and Bozeman with nearly 100 professionals and support staff.

Our Firm is comprised of two integrated divisions which provide consulting and research services to the hospitality industry.

Consulting

Our consulting group provides advisory services and industry expertise to help our private and public sector clients in planning, developing, managing, financing, problem-solving, improving operations, and valuing hotels and other hospitality assets, as well as destinations. Our engagements range from market and financial feasibility studies to investment structuring, and from appraisals to asset management.

Our consulting group is constantly providing clients both large and small with the most constructive and valuable advice in the industry, performing feasibility and market studies, acquisition due diligence and valuations involving hotels, resorts, restaurants, golf courses, and a variety of mixed-use developments and other hospitality products. We have the distinct advantage of being the only hospitality consulting firm with its own, proprietary database of U.S. hotel financial statistics.

Research

PKF Hospitality Research owns the database for *Trends® in the Hotel Industry*, the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. PKF’s professionals use the *Trends®* database to assist their clients in making informed decisions. In addition, the *Trends®* data is used to produce custom financial reports for clients that enable them to benchmark hotel revenues, expenses, and profits.

Beginning in 2007, PKF unveiled its powerful *Hotel Horizons®*, an economics-based hotel forecasting model that projects five years of supply, demand, occupancy, ADR, and RevPAR for the U.S. lodging industry. *Hotel Horizons®* reports are published on a quarterly basis for 61 markets and six national chain-scales.

With a long-standing tradition of tracking and forecasting the lodging industry, our Research Group has the technical capacity to conduct custom research, the analytical skills to interpret the data, and the access necessary to gather confidential performance information from the industry.

PKF Consulting USA | CBRE Hotels Services include:

- ❖ Asset Management and Management Company Selection
- ❖ Real Estate Appraisals and Business Valuation
- ❖ Market and Financial Feasibility Studies
- ❖ Litigation Support and Expert Testimony
- ❖ Acquisition Due Diligence
- ❖ Operational Studies
- ❖ Tourism and Recreational Studies
- ❖ Resort and Recreation Services
- ❖ Conference, Convention, and Public Assembly Facilities
- ❖ Financial Benchmarking
- ❖ Econometric Forecasting
- ❖ Custom Research

Local Market Knowledge

Our Firm has conducted numerous appraisals and market demand studies for existing and proposed hotels in the Southern California market area. Given the historical role of PKF Consulting in the hospitality and real estate industries, and our knowledge of the local market, we are of the opinion that there is no firm that can provide the services available through us. More background and information on our Firm can be obtained from our web site at www.pkfc.com.

PKF Consulting publishes the following publications as a service to the industry:

- ***Trends® in the Hotel Industry***, USA Edition
A statistical review incorporating operating and financial data on more than 6,000 lodging properties. This publication is designed as a reference and management aid for lodging properties and agencies or associations involved in travel and tourism.
- ***Trends® in the Hotel Industry***, Local Editions
Each of PKF Consulting's local offices publishes a monthly review of occupancy and average daily room rate trends in its local markets. The publication is designed to offer a quick statistical overview of current trends in a particular lodging submarket.
- ***Trends® in the Hotel Industry***, Caribbean Edition
PKF Consulting's report on the average property-level financial performance of resort hotels located throughout the Caribbean. Revenue, expense, and profit information is presented by room rate and size categories. In addition, the report contains commentary on current development trends in the region, as well as visitation data from a variety of sources.
- ***Trends® in the Hotel Spa Industry***, USA Edition
To assist hotel spa managers evaluate the financial performance of their operations, PKF Hospitality Research has developed *Trends® in the Hotel Spa Industry*. This report provides financial benchmarking data for the revenues and expense items most relevant to a hotel's spa department as well as editorial content on current issues facing the hotel spa industry. The data was compiled from the financial statements of over 100 hotels with significant spa operations. The report presents schedules for spa departments by location and by revenue category.

■ ***Hotel Horizons®***

Hotel Horizons® analyzes the historical and expected performance of 61 major U.S. lodging markets, as well as our national summary report of the entire U.S. lodging industry. These reports cover five years of supply, demand, occupancy, ADR, and RevPAR for the full-service and limited-service segments. A variety of economic, demographic, and other benchmarking statistics appear in the reports to provide the reader with a deeper understanding of local market conditions.

■ ***Conference Center Data***

Trends® in the Conference Center Industry covers Executive, Corporate, Resort, and College/University conference centers. Topics include Occupancy, Room Rates, Human Resources, Meeting Statistics, Marketing, Revenues, Expenses and Profits.

■ ***Hospitality Investment Survey***

The periodic *Hospitality Investment Survey* presents a study of investment criteria used by lenders and investors during hotel transactions.

INTRODUCTION AND REGIONAL OVERVIEW

Introduction and Regional Overview

The *2016 Southern California Lodging Forecast* estimates the growth in available and occupied rooms in major submarkets of Southern California and comments on trends in each of these areas. While we have made every effort to portray an accurate picture of each submarket, we cannot guarantee the accuracy of the historical or future occupancy levels or average daily room rates. Once again, this year we have redefined some of the submarkets based on market orientation and maturity. Therefore, the 2016 Southern California Lodging Forecast is not directly comparable with previous years' Forecasts, but historical data for each submarket within this forecast is consistent.

The Southern California lodging market is supported by sound fundamentals, which while tested during the worldwide recession and following economic certainty, have rebounded strongly and today Southern California as a destination is well positioned as one of the most visible and popular regions in the United States. The region has been a thriving economic powerhouse with technology and biotech, apparel manufacturing, shipping and freight, creative and financial services, aerospace engineering and manufacturing, and entertainment production providing the area with a large base of commercial demand generators. Favorable climate, hundreds of miles of pristine beaches, world-class theme parks, and unparalleled dining and shopping make Southern California a popular leisure destination for travelers from around the country and around the world. Cities like Los Angeles, Anaheim, and San Diego also boast state-of-the-art convention centers that draw large group meetings from both coasts to Southern California.

The Southern California lodging market has experienced a period of great expansion coming out of the recession and currently is forecast to reach record levels in all available metrics. The hotel industry performed much better than expected in 2010 and continued to do so in 2011, led primarily by growth in leisure and corporate travelers. These trends continued throughout 2012 as industry fundamentals continued to improve. However during this period and into the beginning of 2013, average rates did not increase as much as anticipated given governmental uncertainty and a prolonged recovery in the group meetings market. Group demand intensified in 2014 and by all nearly accounts helped to make 2014 a banner year for hoteliers. With many submarkets estimated to exceed stabilized occupancy levels in 2015, we estimate that the level of average daily rate growth will strengthen in the coming years.

In looking forward we are optimistic about the region's continued economic recovery, lodging fundamentals are projected to remain strongly positive. Entering the seventh year of economic expansion, the industry is anticipated to benefit from continued growth in corporate profits, international visitation, and personal income growth in the professional ranks. However for the first time in recent memory, new hotel supply could potentially be a concern in certain submarkets. In 2015, the Southern California lodging market as a whole is seeing the demand for hotel rooms approaching, and in many cases, surpassing record levels. Therefore as a result, we are forecasting that in many areas 2015 will be a year of strong average daily rate growth as markets focus their efforts on recapturing rate lost during the economic downturn, or in many cases, exceeding historical peaks. Supply additions are forecast to be more prevalent in the coming year, but below what the region experienced during the prior peak. Nonetheless, new supply is projected to outpace the gain in occupied room nights in certain markets. The following sections present our estimates for the Southern California lodging market and sub-markets.

LOS ANGELES COUNTY

Los Angeles County

EXECUTIVE SUMMARY

Los Angeles County typically acts as an excellent barometer for the performance of the greater Southern California lodging market. As the largest and most diverse of the major Southern California markets, individual hotel performance often greatly varies. However, when taken as a whole, the growing pains and opportunities of the Los Angeles County area often reflect those seen in other areas.

Los Angeles County, otherwise referred to as the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), includes 88 incorporated cities, covers an area of 4,084 square miles, and as of January 2015, had an estimated population of approximately 10.1 million people. In the past 80 years, the county has evolved into a large commercial/industrial urban community and has become the business and financial center of California and the Western United States. The regional economy has become more diversified with a larger number of people employed in aerospace and defense, apparel design and manufacturing, computer and electronic product manufacturing, professional and business services, financial services, health care services and biomedical, international trade, motion picture and video production, real estate and construction, retail, and travel and tourism.

The national economy is expected to see slightly faster growth over the next two years than years prior due to an increase in housing and construction, steady job growth across most sectors, and a general improvement in sentiment across the nation. In 2014, the U.S. labor market grew at a pace not seen in 15 years; the unemployment rate reached its lowest in six years. However the nation has experienced slower than expected growth with its main trading partners such as Europe, Japan and China, and the Federal Reserve is also expected to raise interest rates in the near future which may slow down the economy.

Los Angeles County finished 2014 with an 8.3 percent unemployment rate, down from 9.8 percent in 2013. As of July 2015, the unemployment rate in Los Angeles County was 7.2 percent, compared to 8.1 percent in June 2014. Between December 2013 and December 2014, total employment in Los Angeles County increased by 104,900 to 4,667,400. Employment increased by 2,400 to 4,713,400 in July 2015, while unemployment declined by 16,500 to 364,300 over the month. The civilian labor force decreased by 14,100 over the month to 5,077,700 in July 2015. Since 2012, California has added jobs at a rate faster than the nation; in 2014 the state recovered all the wage and salary jobs that were lost in the recession.

According to a report by the Los Angeles County Economic Development Corporation (LAEDC), LA County added 78,700 nonfarm jobs in 2014, equivalent to a 1.9 percent annual increase and in line with the U.S. as a whole. Health care and social assistance posted the largest year-over-year increase, adding 22,800 jobs. Administrative, support and waste services recorded an increase in employment of 14,300 jobs. The leisure and hospitality industry added 9,700 jobs. Professional, scientific and technical services (up 9,200), construction (up 8,200) entertainment (up 8,000), transportation and warehousing (up 3,600), and management of enterprises (up 2,700) all posted year-over-year gains. The manufacturing (down 12,100), finance and insurance

(down 1,600), wholesale trade (down 800), and government (down 1,800) sectors all lost employment over the year.

LAEDC forecasts Los Angeles County to continue the steady improvement it has been experiencing for the past three years. Most of these gains have been supported by a handful of industries and it's expected for this pattern to continue for the next few years. The long-term prospects for international trade are promising, with heavy investment in trade-related infrastructure being made and important new trade agreements in place or currently being negotiated. The entertainment industry achieved its highest annual employment in ten years (130,900 jobs), however it remains to be seen how the revamped and expanded California Film Tax Credit affects the sector. The "new economy" of Los Angeles County is largely technology driven, which includes bio-medical, digital information technology, and environmental technology. This new economy is built upon the advanced technical research capabilities present in the county. Another key economic driver is the creative industry, with firms combining technology and creativity into their products such as video games and film production. Silicon Beach in the Westside region of Los Angeles, home to hundreds of tech startups, video game, and video production companies, is an example of Los Angeles' booming creativity. The LAEDC forecasts the Southern California region to see job gains through 2015 and into 2016 with the biggest job gains in health care, leisure and hospitality, professional and business services, and the government sector. Construction and goods movement, including transportation and warehousing, will also see substantial advances.

As of June 2015, the Los Angeles County Board of Supervisors is considering raising the minimum wage to \$15 per hour, following Los Angeles City Council's and other U.S. cities' similar decisions to raise their minimum wages. It is uncertain what economic impact a minimum wage increase would have on the region's growth.

TOTAL VISITOR VOLUME

According to Los Angeles Tourism & Convention Board, total visitation to Los Angeles County in 2014 was approximately 44.2 million people, reflective of a 4.8 percent increase over 2013, marking the fourth consecutive year of record-breaking tourism. Included in the 44.2 million visitors were 29.5 million overnight visitors. The increase in total visitation experienced in 2014 marks a four-year climb in visitor numbers seen in Los Angeles County. Total domestic visitation reached 37.7 million visitors. International visitors made one of the largest impacts on Los Angeles' tourism with 6.5 million visitors to the city, a 5.6 percent increase over 2013, with the largest share of overseas visitors coming from China. Record visitor spend of \$19.6 billion increased 6.8 percent from the previous year, generating \$30.2 billion in total economic impact.

The overall increase in visitation stems from Los Angeles Tourism & Convention Board's successful digital, television, and online advertising campaigns launched in multiple domestic feeder cities such as San Francisco, San Diego, Phoenix, New York City coupled with improvements made to the city's tourism website, discoverLosAngeles.com. Furthermore, to spread awareness abroad, the tourism board operates two tourism offices in the cities of Shanghai and Beijing in China.

The following table summarizes the number of overnight visitors to Los Angeles County and their direct spending between 2004 and 2014. According to the Los Angeles Tourism & Convention Board, the total overnight visitor count was estimated to increase to 29.5 million in 2014, with an estimated contribution of \$18.7 billion to the local economy.

Overnight Visitor Volumes and Expenditure				
Los Angeles County				
Year	Overnight Visitation (Millions)	Percent Change	Direct Spending (Billions)	Percent Change
2004	24.3	-	\$12.3	-
2005	25.0	2.9%	13.4	8.9%
2006	25.4	1.6	14.0	4.5
2007	25.9	2.0	14.6	4.3
2008	25.7	-0.8	14.2	-2.7
2009	23.9	-7.0	12.2	-14.1
2010	26.1	9.2	13.8	13.1
2011	27.0	3.4	15.5	12.3
2012	27.9	3.3	16.6	7.1
2013	28.5	2.2	17.5	5.4
2014	29.5	3.5	18.7	6.9

Source: CIC Research, Los Angeles Tourism & Convention Board

The Los Angeles Tourism & Convention Board forecasts overnight visitation to Los Angeles to reach over 30 million in 2015, comprised of over 23 million domestic visitors and 6.7 million international visitors. The U.S. government is taking several steps to attract international visitors including: expanding the Visa Waiver Program, decreasing visa wait times, and increasing the number of countries with preclearance. The U.S. government also increased visa validity for Chinese travelers from one year to ten years, resulting in a 50 percent increase in visa demand by Chinese citizens; the number of Chinese visitors is expected to reach over 5.0 million per year by 2020. Chinese travelers are the largest international inbound market for Los Angeles with 686,000 visitors in 2014, or 10.5 percent of international inbound travel.

Los Angeles International Airport (LAX), the busiest airport on the West Coast, is a bustling domestic stop and an important international hub. In 2014, LAX ranked 5th busiest airport in the world based on passenger traffic and is the 2nd busiest in the U.S. The airport has an enormous impact on tourism and travel in the greater Los Angeles area as many international tourists use LAX as a gateway to the United States. Currently 59 airlines serve LAX. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts 2005 – 2014 & YTD				
Year	Domestic	International	Total	% Change
2005	44,000,000	17,500,000	61,500,000	1.3%
2006	44,100,000	16,900,000	61,000,000	-0.8
2007	45,200,000	17,200,000	62,400,000	2.3
2008	43,100,000	16,700,000	59,800,000	-4.2
2009	41,400,000	15,100,000	56,500,000	-5.5
2010	43,100,000	15,900,000	59,100,000	4.6
2011	45,100,000	16,700,000	61,800,000	4.6
2012	46,500,000	17,200,000	63,700,000	3.1
2013	48,800,000	17,900,000	66,700,000	4.7
2014	51,600,000	19,100,000	70,700,000	6.0
CAAG	1.6%	0.9%	1.4%	
07/14 ytd	30,055,515	11,148,726	41,204,241	N/A
07/15 ytd	31,161,868	11,861,724	43,023,592	4.4%

Source: Los Angeles World Airports and PKF Consulting USA

Airline travel was impacted by the World Economic Crisis that arose in 2008. Following two years of decline (2008 and 2009), passenger travel at LAX is showing continued signs of recovery, beginning in 2010 and through 2014. Overall, from 2005 to 2014, total passenger counts increased by an aggregate of 1.4 percent. Through year-to-date July 2015 total passenger counts are 4.4 percent greater than the same time last year.

LAX Modernization

Los Angeles World Airports (LAWA) is in the midst of a multi-billion dollar development program for Los Angeles International Airport (LAX). The centerpiece of the program is the recently completed Tom Bradley International Terminal Modernization (TBIT) Project which includes new gate and concourse areas and a great hall for luxury dining and retail. LAWA also completed a \$737 million renovation in 2010 of the existing TBIT that upgraded the facility with a new in-line baggage screening system and interior improvements to enhance service and convenience to the passengers and tenants who use LAX's premier international terminal. Additionally, there are several major airfield and facility projects underway that are in support of the development program. These include a new Central Utility Plant, new taxiways and taxi lanes, and renovations to other terminals.

In September 2013, LAX revealed a \$1.9 billion renovation to its Tom Bradley International Terminal. The renovation included nine new gates big enough to accommodate the Airbus A380, the world's largest passenger airliner. Furthermore, the waiting areas have been upgraded with new furniture, massive art displays, and more than 60 local and luxury restaurants and shops. With the latest expansion, the terminal doubled in size from 1.2 million square feet to 2.2 million. Phase II of the renovation, which will be completed by December 2015, will add nine more gates and update the security and customs areas.

The \$238 million renovation and modernization of Terminal 6 was completed in March of 2012, and included increased lobby space, new check-in kiosks in place of traditional ticket counters, bag check stations, and a new baggage handling system. Extra security screening areas were also included, decreasing the time passengers have to wait to pass through security.

The airport's \$438 million Central Utility Plant project that replaced the 50-year old existing Central Utility Plant (CUP) was completed in March of 2014. The new energy efficient facility with state-of-the-art computerized management systems doubled the airport buildings' cooling capacity, as well as increased the steam-heating capacity of the airport by a third. The plant will generate nearly nine megawatts of electricity for the airport, with any excess being exported to the Department of Power and Water.

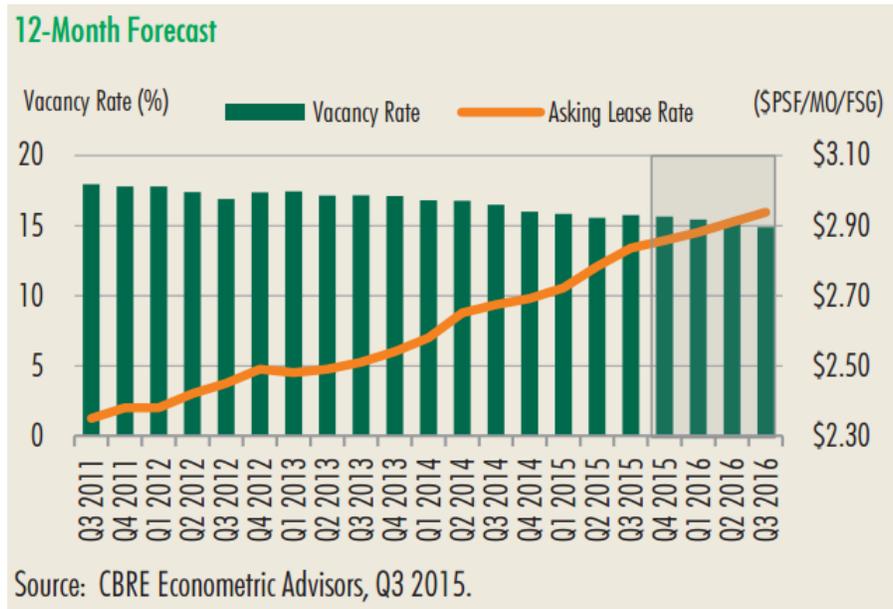
The airport's \$7 million Runway Status Light project was completed in September of 2014, and significantly increases the safety on the runways for pilots and passengers. Utilizing lights embedded in the tarmac along the runways, pilots will now be able to visually see whether or not a runway is safe to approach. This, along with the installation of a new advanced ground radar system, ASDE-X, which allows the air traffic control tower to identify the location of all aircraft and vehicles on the runways and taxiways, make LAX's safety measures some of the most modern and advanced available.

In June of 2015, LAX unveiled its newest updated terminal, Terminal 5, which serves Delta Airlines. The makeover provides a new dining court, new jet bridges, a larger ticketing lobby, and four additional security checkpoints. Delta also unveiled their VIP Delta One lounge, which provides select guests with a premium security line and access to Delta's new Sky Club, which provides shower suites and food service. Additional VIP services unveiled with the new terminal include pickup from the tarmac in a Porsche that will take travelers to a private location to meet their own personal drivers.

In addition, other planned renovations include the \$270 million Elevator, Escalator, and Moving Walkway project that will replace or refurbish 212 outdated systems with new, modern units throughout the airport; the \$613 million In-Line Baggage Handling & Screening System program will improve and automate the security screening of checked baggage at all LAX terminals and will make travel through LAX safer, faster and more convenient. The total scope of the program covers all nine LAX terminals, and it is expected to be completed by 2016; and the \$508 million renovation to Terminal 1 in collaboration with Southwest Airlines which will modernize the terminal's outdated equipment and infrastructure, double the amount of available concessions, create a brighter more open lobby, and introduce and automated system to handle checked bags. The project began in the summer of 2014, and is expected to be completed in 2018.

Office market activity is an excellent indicator of the county's economy. According to CBRE, as of the third quarter of 2015 (Q3 2015), Greater Los Angeles, which consists of Mid-Counties, West Los Angeles, Tri Cities/Glendale, Los Angeles Downtown, Hollywood/Wilshire Corridor, San Fernando Valley, South Bay, San Gabriel Valley, and Ventura County, recorded net absorption of -413,335 square feet; however net absorption year to date remains positive. The amount of net absorption pushed total vacancy rates up 20 basis points to 15.8 percent. Weighted average asking rental rates increased to \$2.84 per square foot, per month full service gross, up from \$2.78 per square foot last quarter and up a healthy 4.3 percent year to date. Just over 2.4 million square feet of office space is under construction in the Greater Los Angeles area. Hollywood remains the most active submarket with 1.2 million square foot currently in the works, but product in other submarkets is starting to deliver.

The following graph summarizes the Greater Los Angeles office market performance from Q3 2011 to Q3 2015, along with CBRE’s 12-month forecast.



Despite the slowdown in Q3 2015, the Greater Los Angeles office market remains in expansion mode and continues to possess healthy market fundamentals such as employment growth, steady demand, and increasing rental rates. CBRE Econometric Advisors predict office employment will reach the previous peak in 2016. Vacancy levels are expected to decline by 90 basis points by Q3 2016 and lease rates are projected to increase by 3.6 percent over the next twelve months.

Los Angeles Convention Center

The main demand generator for large convention and meeting activity in Los Angeles is the Los Angeles Convention Center, which contributes a large number of annual group room nights to the Los Angeles hotel market. The center offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. Its enclosed space makes it one of the largest meeting and convention facilities in the country. The Los Angeles Convention Center is owned and historically has been operated by the City of Los Angeles. However its operation has been privatized and AEG assumed management of the Center as of December 8, 2013.

The following table presents the actual and projected room nights generated by the Los Angeles Convention Center through 2019, based on definite convention bookings as of June 2015. It can be anticipated that additional conventions will continue to be booked in 2015 and beyond.

Los Angeles Convention Center Current and Projected Activity				
Year	Definite ¹	Tentative ²	Prospect ³	Total Room Nights
2004	226,414			226,414
2005	187,225			187,225
2006	171,463			171,463
2007	112,876			112,876
2008	231,695			231,695
2009	178,376			178,376
2010	207,320			207,320
2011	256,529			256,529
2012	290,528			290,528
2013	187,623			191,823
2014	212,586			212,586
2015	233,043	0	3,600	236,643
2016	172,124	126,302	40,781	339,207
2017	84,335	171,428	226,245	482,008
2018	70,722	88,552	255,538	414,812
2019	67,543	73,285	217,615	358,443

¹Contracted peak and total rooms for executed LACC License Agreement.
²As executed a Letter of Agreement.
³A group considering Los Angeles as a meeting destination for which a Sales Lead has been issued.
Source: Los Angeles Tourism & Convention Board and PKF Consulting | CBRE Hotels

The cyclical nature of bookings from year to year reflects a typical pattern for most convention markets, in part because many major conventions either meet in alternate years or in alternate cities. Numbers for 2005 through 2007 showed a lower than average room night count as convention groups remained smaller, fewer conventions were booked, and groups reserved room nights independently and therefore did not get counted as convention center bookings. However, with growing anticipation for the continued development in downtown Los Angeles, booking pace has notably improved. According to the Los Angeles Tourism & Convention Board, as of July 2015, there are 32 events scheduled at the Los Angeles Convention Center for 2016. In comparison there are a total of 24 events scheduled for 2015.

The Los Angeles Convention Center is slated for a renovation and upgrade in the coming years to bring the quality of the center up to par with other west coast convention centers including San Diego, San Francisco, and Las Vegas. Previous plans called for renovations to be performed at the Convention Center in tandem with the construction of Anschutz Entertainment Group’s (AEG) Farmers Field Football Stadium. AEG, however, announced in March of 2015 that it was unable to secure a NFL football team and would no longer be moving forward with the Farmer’s Field/Convention Center plans.

In June 2015, the Los Angeles City Council approved moving ahead with a design bid by firms Populous and HMC Architects. The design, estimated to be completed in 2020, calls for overhauling the existing 44-year old convention center and will have an 80,000-square foot meeting space built underneath a 100,000-square foot ballroom that will feature modern lighting and sound infrastructure. The new convention center will also have more access to outdoor space and an outdoor ballroom. Total meeting and exhibition space after completion is estimated to be 1.28 million square feet. The revamping of the Los Angeles Convention Center is part of a move to attract larger, higher-profile events and increase competitiveness with nearby cities San Diego, Anaheim, and Las Vegas. The plan, which would bolster the size of the Convention Center to about 1 million square feet, is expected to cost between \$300 and \$350 million. According to the

Chief Legislative Analyst’s office, final design and financing details are expected to be decided upon by the end of the year as the plan goes before the City Council.

In September 2015 the Convention Center announced that it achieved LEED Gold recertification status. The Convention Center first achieved LEED Gold status in 2010. The venue became the first LEED Existing Building for Operations & Maintenance (LEED-EB: O&M) Gold certified building in the City of Los Angeles in 2010 and now holds the first convention center Gold recertification on the West Coast. The Convention Center plans to continue sustainability efforts such as water and energy conservation projects in the future.

In terms of the *Los Angeles hotel market*, the overall market has seen a faster recovery than anticipated, from when the economy began to falter in the latter part of 2007. As the hotel market continues to recover, occupancy and average daily rate posted positive gains in 2012, 2013 and 2014, and are forecast to show continued positive growth through 2015 and 2016.

The following table displays our Los Angeles County lodging sample set in terms of average daily and total annual rooms supply, annual occupied rooms, market occupancy percentage, and average daily room rate. These statistics illustrate the total lodging supply and demand for the county, including all types of lodging properties. Overall occupancy levels and average daily room rates reflect the composite forecast for the submarkets presented herein, extrapolated to the overall Los Angeles County hotel supply. The table presented below includes the sum of our aggregated sub markets, extrapolated to the overall supply.

Los Angeles County 2015										
Historical Market Performance of the Competitive Supply										
Year	Daily Supply	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	97,555	35,607,575	N/A	25,515,497	N/A	71.7%	\$138.02	N/A	\$98.90	N/A
2011	96,380	35,178,700	-1.2%	26,410,989	3.5%	75.1	146.79	6.4%	110.21	11.4%
2012	95,354	34,804,210	-1.1	27,164,821	2.9	78.1	154.77	5.4	120.80	9.6
2013	99,220	36,215,440	4.1	28,955,331	6.6	80.0	162.10	4.7	129.61	7.3
2014	100,308	36,612,377	1.1	29,712,406	2.6	81.2	174.69	7.8	141.77	9.4
2015E	100,932	36,840,198	0.6	30,061,771	1.2	81.6	187.58	7.4	153.06	8.0
2016F	102,650	37,467,374	1.7	30,535,381	1.6	81.5	197.82	5.5	161.22	5.3
CAAG	0.9%	0.9%		3.0%			6.2%		8.5%	

Source: PKF Consulting USA | CBRE Hotels

Los Angeles County finished 2014 at an occupancy rate of 81.2 percent. This signifies an increase in occupied room nights of 2.6 percent last year amidst a 1.1 percent increase in annual supply. With supply increasing in 2015 at 0.6 percent, we estimate that the county’s occupancy will increase to 81.6 percent as occupied room nights grow by 1.2 percent. In 2015, we estimate ADR (Average Daily Room Rate) to increase to \$187.58, an increase of 7.4 percent. With supply increasing in 2016 at 1.7 percent, we forecast that the county’s occupancy will decrease to 81.5 percent as occupied room nights increase by 1.6 percent. In 2016, we forecast ADR to increase to \$197.82, an increase of 5.5 percent. It should be noted that many submarkets and the County as a whole are currently experiencing occupancy levels above their long term averages and, in some cases, previous highs. While we anticipate continued demand growth county wide, in certain submarkets the addition of new hotel rooms may outpace the gain in occupied room nights, as many markets are currently far exceeding their long term stabilized level of occupancy.

DOWNTOWN LOS ANGELES

Downtown Los Angeles, following a model set forth in other city centers where redevelopment has been successful, has been working to improve its image and attract more residents and consumers. Some of the initial catalysts were the openings of the \$375 million Staples Center in 1999 and the \$274 million Walt Disney Concert Hall in 2003, which spurred new restaurants, such as the Patina Group's Patina, Kendall's Brasserie, the Daily Grill, and Pinot Cafe, as well as other residential and commercial developments in Downtown Los Angeles. This momentum continued at a strong pace and even to some degree through the Great Recession, in large part to the continued success of L.A. Live, South Park's \$3.5 billion entertainment, lodging and residential complex.

Over the past ten years, Downtown Los Angeles has experienced an extraordinary commercial and residential renaissance. With some 59,000 residents, 500,000 weekday employees and more than ten million annual non-local visitors, Downtown Los Angeles has become Southern California's economic engine. According to the Downtown Center Business Improvement District, approximately \$19.2 billion has been invested in Downtown Los Angeles since 1999. As a whole, given these and other exciting developments, Downtown Los Angeles has experienced marked economic activity and is quickly becoming a world-class destination.

Residential Developments

Downtown Los Angeles continues to build towards a residential core, and to create a 24-hour activity zone in the central city. Throughout the downtown area, empty buildings have been, and continue to be redeveloped into residential units. A combination of new residential, market-rate units and redevelopment of existing historic buildings into loft-style units created a very attractive place to live for many people who had previously commuted to downtown from the Westside, San Fernando Valley, and Orange County. The renovation of existing historic buildings in downtown's South Park, Bank, and Historic Districts has become increasingly popular with developers who are taking advantage of the 1999 Adaptive Re-Use Ordinance for the downtown Business District of Los Angeles.

Over a period of many years, several historic office buildings became vacant upward of the first story. Storefronts were maintained on the street level and continued to be successful while the upper floors fell into disrepair. With vacant office space in abundance, combined with a shortage of residential units and a lack of activity in Los Angeles' downtown District, the Adaptive Re-Use Ordinance was born. The ordinance provided for several pockets of commercial-zoned land to be rezoned as commercial/residential or mixed-use areas, allowing the redevelopment of office buildings into rental apartments and live-work lofts. According to the Downtown Los Angeles Business Improvement District, Downtown's resident population has increased from 18,700 people in 1999 to 59,187 residents as of mid-year 2015.

According to the Downtown Center Business Improvement District, as of Q2 2015, there are 34,612 residential units in Downtown Los Angeles, compared to 11,626 in 1999. There are currently 10,369 units under construction, of which 8,299 are market rate units and 2,001 are condos. There are currently 12,039 units proposed for development in Downtown LA. The downtown lodging market is expected to benefit from this increase in residential development as visitors to these apartments and condominiums will seek lodging in the immediate area. The

influx of residential developments will increase the hotels' abilities to capture higher food and beverage revenues from local residents and clientele.

With the Sports and Entertainment district developed and other cultural icons being constructed, Downtown Los Angeles is able to draw visitors from all across Southern California and the world. Coupled with the creation of a viable residential base, Downtown Los Angeles is steadily becoming a place that can sustain its own tourism segment and continues to be a driving submarket in the region.

Wilshire Grand Redevelopment

The owner of the Wilshire Grand, the parent company of Korean Airlines, is in the process of implementing the replacement/redevelopment of the hotel. Korean Airlines had originally partnered with Thomas Properties Group to potentially redevelop the Wilshire Grand site into a 45-story tower with 560 hotel rooms and a second-phase 60-story office complex. However, Korean Airlines has now partnered with Martin Project Management and new plans call for a 900-room InterContinental Hotel, with a diminished office component. Demolition of the former hotel is complete and construction of the new hotel is under way. This project, which we have assumed will be completed in mid-2017, will add another block of good quality guestrooms that will assist the convention center and overall downtown area in attracting additional demand.

The Bloc

Located at 700 South Flower Street, the mega development project The Bloc is expected to open by end of 2015. Occupying an entire city block, the multi-use development will have a 250,000-square foot Macy's department store, 150,000-square feet of retail space, a 33-story tower with 700,000 square feet of office space, and a 478-room Sheraton Hotel. The Bloc's design calls for removal of the roof of the former mall, giving the three levels of retail space an outdoor open-air atmosphere.

The hospitality sector continues to expand with over 2,700 hotel rooms under construction, adding to the existing 7,900 rooms. New brands announced are the Metropolis (Hotel Indigo from IHG), and the Grand Avenue Project (Equinox Hotels). The Kor Group announced an operator and brand for their Case Hotel project, which will now be known as The Los Angeles Proper, and is expected to open in early 2017. The JW Marriott L.A. Live has chosen to move forward with a \$600 million expansion that will bring 750 rooms and a pedestrian bridge for better access to the Convention Center. Expected to be completed in late 2018, the JW Marriott will be the second largest hotel in California.

In the first half of 2015, The Ace Hotel, a refurbished hotel that opened a year earlier, was sold for \$103 million, over nine times its 2011 purchase price. In August 2015 Starwood Hotels signed an agreement with Shenzhen Hazens Real Estate Group to open a 250-guestroom W Hotel in downtown LA. Located at S. Figueroa Street and 11th Street, the W Hotel will be part of a larger development project that will include 650 residential units and retail and restaurant space. The W Hotel is slated to open in early 2019. The opening of the 348-room Clark Hotel on South Hill Street has been repeatedly delayed and opening of the property remained indeterminate. The 183-room Embassy Hotel's opening has also been pushed back numerous times and shares the same owner, Chetrit Group, as the Clark Hotel.

The following tables represent the historical and projected performance of the Downtown Los Angeles lodging market, which is segmented into two markets based on average rate. The first segment, Downtown 1, is made of the downtown hotels that typically have average daily rates exceeding \$130.00.

Downtown 1									
Historical 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	1,956,035	N/A	1,260,998	N/A	64.5%	\$132.95	N/A	\$85.71	N/A
2011	2,290,375	17.1%	1,540,007	22.1%	67.2	152.43	14.7%	102.49	19.6%
2012	2,014,800	-12.0	1,500,330	-2.6	74.5	170.53	11.9	126.98	23.9
2013	2,014,800	0.0	1,532,402	2.1	76.1	178.44	4.6	135.71	6.9
2014	2,117,365	5.1	1,610,934	5.1	76.1	192.93	8.1	146.78	8.2
2015E	2,218,105	4.8	1,706,132	5.9	76.9	204.52	6.0	157.31	7.2
2016F	2,229,055	0.5	1,731,724	1.5	77.7	216.79	6.0	168.42	7.1
CAAG	2.2%		5.4%			8.5%		11.9%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the Downtown 1 market will see an increase in occupied room nights of 5.9 percent in 2015 amid a 4.8 percent increase in supply, due to the reopening of the Sheraton Downtown Hotel, following a substantial renovation, and as the 174 room Courtyard LA Live and 219 room Residence Inn LA Live, which opened on May 29, 2014, continue to be absorbed into the market. Average daily rate is estimated to increase 6.0 percent in 2015 to \$204.52. In 2016, we forecast occupied rooms to increase by 1.5 percent amid an average daily rate increase of 6.0 percent. Supply in 2016 is forecast to experience a 0.5 percent increase, as the combined market absorbs the remaining rooms of the Sheraton Downtown Hotel.

The Downtown 2 Los Angeles hotel market is made of the smaller downtown hotels and those that have average daily rates typically not exceeding \$130.00 or are located outside of the downtown core.

Downtown 2									
Historical 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	491,290	N/A	342,691	N/A	69.8%	\$84.95	N/A	\$59.26	N/A
2011	491,290	0.0%	341,234	-0.4%	69.5	88.52	4.2%	61.48	3.8%
2012	423,765	-13.7	307,556	-9.9	72.6	94.45	6.7	68.55	11.5
2013	355,875	-16.0	269,736	-12.3	75.8	97.42	3.2	73.84	7.7
2014	495,670	39.3	371,029	37.6	74.9	118.56	21.7	88.74	20.2
2015E	495,670	0.0	378,452	2.0	76.4	125.79	6.1	96.04	8.2
2016F	495,670	0.0	382,236	1.0	77.1	132.71	5.5	102.34	6.6
CAAG	0.1%		1.8%			7.7%		9.5%	

Source: PKF Consulting USA | CBRE Hotels

For the year ending 2015, we estimate that occupied room nights will increase by 2.0 percent in the Downtown 2 market with supply remaining flat. This would create a year-end 2015 occupancy for this market of 76.4 percent. In addition, we estimate that average daily rate in the market will increase by 6.1 percent in 2015, finishing 2015 with an ADR of \$125.79. Occupancy level is forecast to increase to 77.1 percent and average daily rate is expected to grow 5.5 percent to \$132.71 in 2016, amidst no additions to annual supply.

LONG BEACH

In the last decade few cities have seen as large a turnaround as the City of Long Beach. Its downtown area has been revitalized with ample shopping and dining opportunities. The Grand Prix of Long Beach, the Aquarium of the Pacific, and the redevelopment of downtown with mixed-use developments have all provided Long Beach with a growing base of leisure business to complement its traditional commercial business.

Long Beach continues to position itself as a regional destination, offering numerous quality lodging facilities, leisure amenities, a 340,000 square foot convention center, and a vibrant downtown area. In February 2009, The Long Beach Convention and Entertainment Center completed a four month long, \$8 million renovation, which most notably included a new coat of paint and upgrades to the restroom complexes. Additionally, multi-colored LED lighting was installed to highlight the Center lobby's glass atrium, glass palm trees, and Terrace Theater fountain. The lights were installed in conjunction with the multi-colored illumination of Downtown Long Beach to promote a pedestrian friendly environment. The Convention Center Arena completed a \$10 million renovation in November 2013, redesigning the meeting spaces and customizing the 45,000 square foot Ballroom to accommodate all types of groups or events. The Ballroom features a floating tension grid and moveable, floor to ceiling curtain walls, and state of the art lighting, sound and video system that is controlled by an iPad.

Long Beach Airport (LGB) is often seen as an excellent alternative to other regional airports. With what was once one of the best kept secrets in Los Angeles County, the addition of flights from JetBlue has boosted the visibility of this airport and the terminal renovation that completed in December 2012 has also increased airport popularity. The Long Beach Airport Modernization project was approved in 2010 and was completed in 2012. The \$45 million dollar renovation project has completely modernized the airport, while maintaining its art-deco, vintage appeal. Offering a variety of new shopping destinations, the concourse is comprised of 74,000 square feet of new construction with a peaceful garden core with a variety of vibrant, native plant life. This project brings the overall terminal area to 77,850 square feet. Plans included a new 1,989 space parking structure which opened in July 2011, ramp improvements, a concourse with a central garden, and 11 gates to replace temporary passenger waiting trailers. The new modernized terminal was completed and opened to the public on December 12, 2012. Approximately \$2 million was spent in refurbishing the terminal. The airport maintains its open feel with passengers boarding planes directly from the tarmac. Year to date through July 2015, LGB posted a 12.6 percent decrease in passenger counts, at 1,468,920 in 2015 versus 1,681,337 for the prior year.

Long Beach									
Historical 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	1,426,055	N/A	914,544	N/A	64.1%	\$124.23	N/A	\$79.67	N/A
2011	1,426,055	0.0%	975,473	6.7%	68.4	124.09	-0.1%	84.88	6.5%
2012	1,426,055	0.0	1,034,594	6.1	72.5	129.40	4.3	93.88	10.6
2013	1,472,775	3.3	1,088,552	5.2	73.9	131.01	1.2	96.83	3.1
2014	1,484,090	0.8	1,134,194	4.2	76.4	138.12	5.4	105.56	9.0
2015E	1,484,090	0.0	1,139,497	0.5	76.8	153.15	10.9	117.59	11.4
2016F	1,484,090	0.0	1,139,497	0.0	76.8	163.10	6.5	125.23	6.5
CAAG	0.7%		3.7%			4.6%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that occupied rooms will have increased in the Long Beach market by 0.5 percent in 2015, as supply in the market remains unchanged. This results in estimated market occupancy of 76.8 percent. We estimate a 10.9 percent increase in ADR to \$153.15 in 2015, results of a strong convention calendar and effective revenue management by hotels. As hotels continue to raise rates no increase in demand is forecasted for 2016; we forecast an increase in average daily rate of 6.5 percent. We expect no additions to supply in 2016.

SOUTH BAY

Comprised of a large number of beach and industrial communities south of Los Angeles International Airport, the South Bay is typically known to be industrial due to its location near the Ports of Los Angeles and Long Beach. The Port of Los Angeles, located in San Pedro, represents one of the busiest ports in the United States and generates a significant amount of commercial demand, as well some transient demand from the daily departures and arrivals of cruise lines.

In addition to a large industrial base, the South Bay is home to the StubHub Center. Located in Carson, the former Home Depot Center continues to draw major events and concerts, including sports teams, X-Games, and headliners. The center contains a 27,000 seat stadium that is home to the Los Angeles Galaxy Major League Soccer team. This state-of-the-art stadium also features a 8,000-seat tennis stadium and a number of other training facilities for track and field, baseball, softball, crossfit, and cycling. In addition, the owners of this center also host a significant number of concerts at this venue when it is not in use for athletic events. In recent years attendance numbers for Major League Soccer games have increased and this trend is expected to continue into the future.

South Bay									
Historical 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	2,208,980	N/A	1,587,728	N/A	71.9%	\$119.69	N/A	\$86.03	N/A
2011	2,185,255	-1.1%	1,633,336	2.9%	74.7	125.18	4.6%	93.56	8.8%
2012	2,208,980	1.1	1,688,286	3.4	76.4	131.11	4.7	100.21	7.1
2013	2,208,980	0.0	1,748,141	3.5	79.1	138.13	5.4	109.31	9.1
2014	2,242,195	1.5	1,856,816	6.2	82.8	145.10	5.0	120.16	9.9
2015E	2,325,415	3.7	1,957,699	5.4	84.2	156.07	7.6	131.39	9.3
2016F	2,340,380	0.6	1,996,853	2.0	85.3	166.21	6.5	141.82	7.9
CAAG	1.0%		3.9%			5.6%		8.7%	

Source: PKF Consulting USA | CBRE Hotels

In 2015, we estimate that occupied rooms will increase 5.4 percent to an occupancy of 84.2 percent, with a 3.7 percent change in supply due to the reopening of the 111-room Redondo Beach Hotel (formerly the Best Western Sunrise Hotel), and as the market continues to absorb the introduction of the 172-room Residence Inn Redondo Beach and 147-room Hilton Garden Inn Redondo Beach, both of which opened in 2014. Average daily rate is estimated to increase 7.6 percent to \$156.07 for 2015. In 2016, we expect total occupied rooms to grow by 2.0 percent, resulting in 85.3 percent occupancy, and 6.5 percent growth in average daily rate to \$166.21. Supply in 2016 is expected to grow 0.6 percent as the 54-room Shade Hotel Redondo Beach opens in April 2016.

LOS ANGELES INTERNATIONAL AIRPORT

The Los Angeles International Airport market has typically been one of the best performing markets in Los Angeles County from an occupancy standpoint. This market has historically been resilient in maintaining occupancy in the face of a recession and slowdown in travel. This is partially attributed to this being an airport market with captive streams of demand such as airline crews and distressed passengers. The airport market also serves SMERF, corporate and association group demand.

Los Angeles International Airport Historical 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	3,903,675	N/A	3,050,279	N/A	78.1%	\$90.09	N/A	\$70.39	N/A
2011	3,903,675	0.0%	3,217,190	5.5%	82.4	96.32	6.9%	79.38	12.8%
2012	3,903,675	0.0	3,271,035	1.7	83.8	101.32	5.2	84.90	7.0
2013	3,951,490	1.2	3,402,993	4.0	86.1	107.17	5.8	92.30	8.7
2014	3,994,013	1.1	3,441,475	1.1	86.2	117.32	9.5	101.09	9.5
2015E	3,868,453	-3.1	3,387,846	-1.6	87.6	131.67	12.2	115.31	14.1
2016F	4,060,199	5.0	3,540,299	4.5	87.2	142.20	8.0	124.00	7.5
CAAG	0.7%		2.5%			7.9%		9.9%	

Source: PKF Consulting USA | CBRE Hotels

In 2015, we estimate that demand, as measured by occupied rooms will decrease by 1.6 percent as hotel operators continue to push rate, with a 3.1 percent decrease to supply reflecting the closure of the 627-room Hacienda Hotel. The Hacienda Hotel is expected to reopen as 246-room aLoft Hotel and a 288-room Fairfield Inn & Suites. This results in estimated market occupancy of 87.6 percent. Average daily rate is estimated to increase by 12.2 percent, reflecting an ADR of \$131.67 for 2015; the strong growth in ADR contributing to the decrease in demand. We forecast that occupied rooms will have an increase of 4.5 percent in 2016, resulting in estimated market occupancy of 87.2 percent. For 2016, we forecast that average daily rates will increase by 8.0 percent. Supply will increase 5.0 percent in 2016 due to the re-opening of the former Hacienda Hotel into the aforementioned aLoft and Fairfield Inn & Suites.

SANTA MONICA

Santa Monica presents a number of luxury and mid-level, full-service ocean front properties. Its waterfront location and vibrant atmosphere assisted in making this market one of the strongest in the county. The stability of the market can be attributed to the presence of a stable commercial segment combined with high end group and leisure business. Local businesses consist of entertainment, financial services, and creative arts businesses that are based in Santa Monica, as

well as new incoming tech companies settling into Silicon Beach. Many of the hotels in this market are located within walking distance of the Pacific Ocean, one of the most important demand generators in Southern California. The hotels and resorts that line the beaches provide accommodations for travelers from virtually every price point.

In recent years “Silicon Beach,” a burgeoning high-technology hub comprising the coastal areas stretching from Santa Monica through the South Bay, including Playa Vista, Santa Monica, Venice and Marina del Rey, has begun to emerge. These coastal communities have attracted some of the most innovative companies in the country, including Facebook (Playa Vista), Yahoo! (Santa Monica), YouTube (Playa Vista), Microsoft (Playa Vista), Electronic Arts (Playa Vista), high-tech manufacturer Equipos (Playa Vista) and search engine giant Google (Venice and Playa Vista). In addition, YouTube recently signed an 11-year lease for a 41,000 square-foot office building in Playa Vista for its Los Angeles Next Lab outpost, and Snapchat recently announced a 40,000-square-foot expansion of their Venice-based headquarters.

These technology- and entertainment-based companies are expected to fuel the current expansion phase as growth in both sectors is accelerating. Companies, such as Core Digital Media, Riot Games, IMAX, and Twitter are expanding their presence in Silicon Beach, which is already home to more than 500 tech startups. Tech companies are staffing up, and the outlook for job growth is strong in Silicon Beach. Continued growth of technology clusters is expected to attract other Internet companies and related enterprises, such as entertainment, advertising and digital media firms.

The LA Metro Expo Line extension is currently underway and is expected to be completed in early 2016. When completed, Metro Rail passengers will be able to travel between Downtown Los Angeles and Santa Monica directly and is expected to boost visitation between the two submarkets. The Expo Line currently runs between Downtown Los Angeles and Culver City.

Santa Monica									
Historical 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	974,550	N/A	799,073	N/A	82.0%	\$250.84	N/A	\$205.68	N/A
2011	989,515	1.5%	822,519	2.9%	83.1	275.64	9.9%	229.12	11.4%
2012	1,034,410	4.5	867,221	5.4	83.8	289.26	4.9	242.51	5.8
2013	1,034,410	0.0	881,811	1.7	85.2	308.51	6.7	262.99	8.4
2014	1,034,410	0.0	887,455	0.6	85.8	335.61	8.8	287.93	9.5
2015E	1,034,410	0.0	871,604	-1.8	84.3	354.60	5.7	298.79	3.8
2016F	1,107,958	7.1	923,900	6.0	83.4	372.33	5.0	310.48	3.9
CAAG	2.2%		2.4%			6.8%		7.1%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the Santa Monica hotel market will see a decrease in occupied rooms of 1.8 percent in 2015 as hotels continue to push rate. This will result in market occupancy of 84.3 percent, with no change to supply. We estimate that average daily rate will increase by 5.7 percent to \$354.60. We forecast that growth in occupied rooms will increase by 6.0 percent and supply will increase by 7.1 percent in 2016, amid a 5.0 percent increase in ADR. The supply increase is due to the 134 room Courtyard Hotel and 143-room Hampton Inn & Suites opening in 2016.

MARINA DEL REY

South of Santa Monica lies the Marina del Rey area. While this market lies proximate to the ocean, most of the hotels in the competitive market are not the ocean front hotels that can be found in the Santa Monica market. This market serves as a lower-priced alternative for Santa Monica and other West Los Angeles hotel markets. However, properties such as the Ritz Carlton, Marriott, and independent Marina del Rey hotels have completed, or are planning extensive capital programs in order to compete with the full-service and luxury properties in the surrounding markets.

Located to the south of Marina del Rey is the Playa Vista area. This area was once used by Howard Hughes to test aircraft. Now, it is being redeveloped into one of the first communities to open in West Los Angeles in over 40 years. Phase One of Playa Vista has been completed including about 3,200 new residential units available in a variety of housing types. In addition to numerous parks and recreational amenities, this residential development also includes Concert Park and the Shops at Concert Park, the Playa Vista Branch of the Los Angeles Public Library, the Center Pointe, Los Angeles Fire Department station number 67, and the Los Angeles Clippers practice facility. Playa Vista is well on its way to becoming a major master planned community that will offer extensive amenities and facilities.

Marina del Rey Historical 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	500,780	N/A	377,611	N/A	75.4%	\$153.38	N/A	\$115.66	N/A
2011	541,295	8.1%	404,367	7.1%	74.7	168.65	10.0%	125.99	8.9%
2012	527,790	-2.5	412,074	1.9	78.1	181.73	7.8	141.88	12.6
2013	485,450	-8.0	386,912	-6.1	79.7	200.03	10.1	159.43	12.4
2014	487,275	0.4	385,542	-0.4	79.1	222.55	11.3	176.08	10.4
2015E	547,135	12.3	439,465	14.0	80.3	238.78	7.3	191.79	8.9
2016F	547,135	0.0	443,860	1.0	81.1	255.50	7.0	207.27	8.1
CAAG	1.5%		2.7%			8.9%		10.2%	

Source: PKF Consulting USA | CBRE Hotels

Annual supply is projected to increase by 12.3 percent in 2015 due to the 164-room Marina del Rey Hotel reopening after its extensive renovation and repositioning. We estimate that the Marina del Rey market will see an increase in occupied rooms of 14.0 percent in 2015 in observance of the Marina del Rey Hotel reopening. The market ADR is estimated to end 2015 with a 7.3 percent increase to \$238.78. In 2016, we forecast occupied rooms to increase 1.0 percent and ADR to increase 7.0 percent. There are no forecasted additions to supply in 2016.

BEVERLY HILLS/WEST LOS ANGELES

The Beverly Hills and West Los Angeles hotel markets have historically been positioned among the highest rated markets in the United States. The Beverly Hills and West Los Angeles hotel markets include hotels in and around the City of Beverly Hills, as well as areas such as: Century City, Hollywood, Westwood, West Hollywood, and other neighborhoods; it does not include Santa Monica and Marina del Rey. The following table presents the historical and projected market performance for hotels within the city limits of Beverly Hills only.

Beverly Hills									
Historical 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	757,740	N/A	528,172	N/A	69.7%	\$372.26	N/A	\$259.48	N/A
2011	757,740	0.0%	559,987	6.0%	73.9	399.94	7.4%	295.56	13.9%
2012	757,740	0.0	578,228	3.3	76.3	416.02	4.0	317.46	7.4
2013	757,740	0.0	586,202	1.4	77.4	430.13	3.4	332.76	4.8
2014	757,740	0.0	598,998	2.2	79.1	472.12	9.8	373.21	12.2
2015E	757,740	0.0	595,850	-0.5	78.6	492.42	4.3	387.22	3.8
2016F	757,740	0.0	595,850	0.0	78.6	517.05	5.0	406.58	5.0
CAAG	0.0%		2.0%			5.6%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

In Beverly Hills, we estimate that occupied rooms will decrease 0.5 percent in 2015, resulting in market occupancy to decrease to 78.6 percent. We expect there will be no additions in supply for 2015 or 2016. Average daily rate is estimated to increase 4.3 percent in 2015. In turn, RevPAR will increase 3.8 percent. We forecast a 5.0 percent growth in average daily rate in 2016. Occupied rooms are forecast to remain flat in 2016, resulting in market occupancy of 78.6 percent.

Construction has begun on the 170 room Waldorf Astoria Beverly Hills and is expected to open in 2017. The Waldorf Astoria will have luxury retail space and four acres of open space and gardens. The Waldorf Astoria is expected to open in 2017 and will be one half of a larger project that may potentially include 110 residential units comprised in two towers.

The following table shows the performance of the combined Beverly Hills and West Los Angeles hotel markets. This discussion is then followed by an analysis of the three primary segments that make up the West Los Angeles hotel market: the Luxury, Deluxe, and First Class markets. The Luxury segment is defined as those hotels that have average daily rates in excess of \$400 on a stabilized basis. The Deluxe market contains West Los Angeles hotels that have average daily rates generally between \$220 and \$400 on a stabilized basis. The First Class market is comprised of hotels that have average daily rates below \$220 on a stabilized basis.

Beverly Hills/West Los Angeles									
Historical 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	2,735,310	N/A	1,987,874	N/A	72.7%	\$254.43	N/A	\$184.91	N/A
2011	2,780,935	1.7%	2,125,508	6.9%	76.4	275.45	8.3%	210.53	13.9%
2012	2,860,870	2.9	2,245,348	5.6	78.5	289.82	5.2	227.47	8.0
2013	2,861,965	0.0	2,316,895	3.2	81.0	302.97	4.5	245.27	7.8
2014	2,864,155	0.1	2,335,917	0.8	81.6	327.40	8.1	267.02	8.9
2015E	2,872,185	0.3	2,301,228	-1.5	80.1	345.88	5.6	277.12	3.8
2016F	2,920,411	1.7	2,325,336	1.0	79.6	365.12	5.6	290.72	4.9
CAAG	1.1%		2.6%			6.2%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

The combined Beverly Hills/West Los Angeles hotel market is estimated to experience a decrease in occupied rooms of 1.5 percent in 2015 amidst a small change in supply of 0.3 percent. Market occupancy in 2015 is estimated to decrease to 80.1 percent with average daily rate increasing by 5.6 percent to \$345.88. We forecast a growth in occupied room nights of 1.0

percent in 2016 resulting in market occupancy of 79.6 percent, amid an increase in supply of 1.7 percent. Average daily rate in 2016 is forecast to grow 5.6 percent, which results in a RevPAR increase of 4.9 percent.

West Los Angeles Luxury									
Historical 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	535,455	N/A	359,255	N/A	67.1%	\$504.04	N/A	\$338.18	N/A
2011	543,120	1.4%	387,575	7.9%	71.4	538.25	6.8%	384.10	13.6%
2012	573,050	5.5	420,631	8.5	73.4	567.32	5.4	416.42	8.4
2013	573,050	0.0	434,678	3.3	75.9	590.90	4.2	448.22	7.6
2014	573,050	0.0	445,058	2.4	77.7	643.16	8.8	499.51	11.4
2015E	573,050	0.0	444,577	-0.1	77.6	665.78	3.5	516.52	3.4
2016F	573,050	0.0	444,577	0.0	77.6	699.07	5.0	542.35	5.0
CAAG	1.1%		3.6%			5.6%		8.2%	

Source: PKF Consulting USA | CBRE Hotels

The West Los Angeles Luxury Segment is projected to have a slight decrease in demand in 2015 while average daily rate is expected to grow 3.5 percent, finishing the year at \$665.78. There will be no change in supply in 2015 and 2016. We forecast demand to remain unchanged from the year prior in 2016, maintaining a market occupancy of 77.6 percent, with 5.0 percent growth in average daily rate.

West Los Angeles Deluxe									
Historical 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	1,441,385	N/A	1,022,502	N/A	70.9%	\$227.02	N/A	\$161.04	N/A
2011	1,487,740	3.2%	1,136,475	11.1%	76.4	242.84	7.0%	185.50	15.2%
2012	1,487,740	0.0	1,194,056	5.1	80.3	251.30	3.5	201.70	8.7
2013	1,487,740	0.0	1,221,795	2.3	82.1	260.79	3.8	214.17	6.2
2014	1,489,930	0.1	1,221,906	0.0	82.0	279.72	7.3	229.40	7.1
2015E	1,497,230	0.5	1,205,385	-1.4	80.5	296.54	6.0	238.74	4.1
2016F	1,545,456	3.2	1,229,493	2.0	79.6	314.33	6.0	250.07	4.7
CAAG	1.2%		3.1%			5.6%		7.6%	

Source: PKF Consulting USA | CBRE Hotels

In the past six years, several West Los Angeles Deluxe properties have undergone major renovations and repositioning efforts, such as the renovation of the Mondrian, Wyndham Bel Age into the London West Hollywood, and Hyatt West Hollywood into the Andaz, as well as the closing of Le Meridien and subsequent re-opening as the first SLS-branded hotel by Starwood. The InterContinental Los Angeles Century City at Beverly Hills is currently undergoing a redesign of its 363 guestrooms and is expected to be completed in 2016. The InterContinental's meeting space and Lobby Lounge were recently renovated in 2012, and a new spa and restaurant concept are also in the works. The number of occupied rooms is estimated to decrease in 2015 by 1.4 percent, resulting in market occupancy of 80.5 percent. Average daily rate is expected to increase 6.0 percent in 2015 to \$296.54 resulting in a RevPAR growth of 4.1 percent. Supply is forecasted to increase in 2016 by 3.2 percent as the 286-room James Hotel and 105-room Kimpton La Peer open while demand increases by 2.0 percent, resulting in market occupancy of 79.6 percent. In 2016, we forecast ADR to grow by 6.0 percent ending the year at \$314.33.

West Los Angeles First Class Historical 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	758,470	N/A	606,118	N/A	79.9%	\$152.73	N/A	\$122.05	N/A
2011	750,075	-1.1%	601,458	-0.8%	80.2	167.73	9.8%	134.50	10.2%
2012	800,080	6.7	630,661	4.9	78.8	177.67	5.9	140.05	4.1
2013	801,175	0.1	660,422	4.7	82.4	191.51	7.8	157.87	12.7
2014	801,175	0.0	668,953	1.3	83.5	204.42	6.7	170.69	8.1
2015E	801,905	0.1	651,266	-2.6	81.2	218.82	7.0	177.72	4.1
2016F	801,905	0.0	651,266	0.0	81.2	233.05	6.5	189.27	6.5
CAAG	0.9%		1.2%			7.3%		7.6%	

Source: PKF Consulting USA | CBRE Hotels

The West Los Angeles First Class hotel market has maintained occupancy percentages in the high 70's to mid-80's during the five-year period and is projected to close 2015 with market occupancy of 81.2 percent. Average daily rate is estimated to increase 7.0 percent in 2015, with a rate of \$218.82. In 2016, we forecast that occupied rooms will remain flat, amid no change in supply. Average daily rate is forecast to grow 6.5 percent in 2016.

HOLLYWOOD

Hollywood has been one of the most visible hotel and retail markets in the recent years. The opening of the Renaissance Hollywood Hotel (now Loews Hollywood Hotel) in late 2001, the repositioning of the Hollywood Roosevelt, and the opening of the W Hollywood Hotel and Residences have redefined the quality level of this market. Many other area attractions continue to assist in making Hollywood the place to stay for visitors to the area as Hollywood is most famous for its movie stars and movie theaters. Recent and future additions to this vibrant community have included, and will continue to include cutting edge restaurants, supper clubs and nightclubs, which are anticipated to cement Hollywood's place among the top entertainment destinations in the country. Considering the number of changes being made to restore the glitter of Hollywood, the overall long-term outlook for the neighborhood is good. The commitments of the Hollywood Business Improvement District and the Hollywood Chamber of Commerce are to create a safer and more attractive neighborhood and a number of significant renovations and new projects will allow Hollywood to continue to evolve as a tourism destination.

The Hollywood submarket is experiencing revitalization in the office sector. The CIM Group sold the 87,000-square foot office tower at 1800 N. Highland Ave in September with sources saying the purchase price was \$45 million. CIM purchased the property in 2004 for \$14.0 million and implemented a significant renovation and capital improvements program into the property. Kilroy Realty's Columbia Square and Hudson Pacific Properties' ICON at Sunset Bronson Studios are the two largest developments in the Hollywood market currently. At Columbia Square, Kilroy recently inked leases with Viacom—for 180,000 square feet—and private workspace collective NeueHouse, while Hudson Pacific Properties signed a major deal with Netflix for 200,000 square feet at ICON.

Hollywood									
Historical 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	604,075	N/A	451,185	N/A	74.7%	\$180.37	N/A	\$134.72	N/A
2011	622,690	3.1%	497,478	10.3%	79.9	195.23	8.2%	155.97	15.8%
2012	622,690	0.0	508,718	2.3	81.7	204.08	4.5	166.73	6.9
2013	622,690	0.0	511,646	0.6	82.2	208.76	2.3	171.53	2.9
2014	622,690	0.0	505,027	-1.3	81.1	232.63	11.4	188.67	10.0
2015E	635,465	2.1	519,222	2.8	81.7	249.44	7.2	203.81	8.0
2016F	717,590	12.9	571,144	10.0	79.6	265.65	6.5	211.44	3.7
CAAG	2.9%		4.0%			6.7%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the market will see an increase in occupied room nights in 2015 of 2.8 percent, with market occupancy increasing to 81.7 percent. Supply in the Hollywood submarket is expected to grow 2.1 percent due to the opening of the 70-room Mama Shelter Hotel in July 2015. Average daily rate is expected to increase to \$249.44 in 2015, commensurate with an increase of 7.2 percent. We forecast occupied room nights to increase 10.0 percent and average daily rate to increase 6.5 percent in 2016 as the 179-room Dream Hotel and 112-room Hampton Inn & Suites open in 2016. The openings of these two hotels represent a 12.9 percent increase in supply.

WEST HOLLYWOOD

West Hollywood and the Sunset Strip have always been associated with the creative industries and tourism and an exciting night life. From its beginnings as a decadent night club scene to the present where the most hip come to play, West Hollywood features unique properties such as the Standard, Mondrian, London, and Andaz which continue to reinvent themselves.

West Hollywood									
Historical 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	676,710	N/A	502,551	N/A	74.3%	\$214.60	N/A	\$159.37	N/A
2011	676,710	0.0%	526,744	4.8%	77.8	231.69	8.0%	180.34	13.2%
2012	676,710	0.0	533,408	1.3	78.8	241.24	4.1	190.15	5.4
2013	676,710	0.0	553,508	3.8	81.8	249.74	3.5	204.27	7.4
2014	678,900	0.3	573,044	3.5	84.4	263.46	5.5	222.38	8.9
2015E	686,200	1.1	566,856	-1.1	82.6	283.66	7.7	234.33	5.4
2016F	734,426	7.0	589,530	4.0	80.3	302.10	6.5	242.50	3.5
CAAG	1.4%		2.7%			5.9%		7.2%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the West Hollywood market will experience an increase in average daily rate of 7.7 percent in 2015. Additions to the market in 2015 see a 1.1 percent increase in annual supply due to the market's annualization of the London Hotel's additional 26 suites and \$23 million renovation completed in 2014. We estimate that the West Hollywood hotel market will see a decrease in occupancy to 82.6 percent for 2015, with a decrease in occupied rooms of 1.1 percent. We forecast a 4.0 percent increase in occupied rooms in 2016. Average daily rate is forecasted to grow 6.5 percent in 2016 to \$302.10. Annual supply is forecasted to increase by 7.0 percent in 2016 as the 286-room James Hotel and 105-room Kimpton La Peer enter into the market.

PASADENA/ARCADIA/MONROVIA

Best known for the annual Rose Bowl and Tournament of Roses Parade, the City of Pasadena was incorporated in 1886, making it one of the oldest suburbs of Los Angeles. Located ten miles northeast of downtown Los Angeles, the City of Pasadena is bordered by neighboring cities including La Canada Flintridge, South Pasadena, Arcadia, and Sierra Madre located to the east and south, Glendale and Los Angeles located to the west, and unincorporated Altadena located to the north.

The City of Pasadena encompasses more than 23 square miles. As an independent city, and part of the San Gabriel Valley, Pasadena is known for its historic architecture and many restored craftsman-style homes. Since 1980, the City of Pasadena has undergone an aggressive development program in an effort to attract major corporations. These efforts have been successful as industry leaders such as Jacobs Engineering, The Parsons Company, Avery Dennison, and the J.G. Boswell Company have made Pasadena their home. The \$162 million renovation and expansion of the convention center, which was completed in February 2009, and continued investment of \$1.9 million on maintenance, has sparked the interest of developers to add more hotels to the area. Chinese e-commerce giant Alibaba Group has chosen Pasadena for the first U.S. branch of its movie licensing and distribution arm, Alibaba Pictures. Alibaba Group, one of the most valuable tech companies in the world, signed a top floor 22,000-square foot, 10-year lease in the newly constructed 155,000-square foot Playhouse Plaza.

Pasadena									
Historical 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	602,615	N/A	423,556	N/A	70.3%	\$150.14	N/A	\$105.53	N/A
2011	602,615	0.0%	461,742	9.0%	76.6	149.62	-0.3%	114.65	8.6%
2012	602,615	0.0	505,862	9.6	83.9	155.85	4.2	130.83	14.1
2013	602,615	0.0	509,699	0.8	84.6	162.44	4.2	137.39	5.0
2014	612,470	1.6	513,391	0.7	83.8	179.93	10.8	150.83	9.8
2015E	650,430	6.2	545,719	6.3	83.9	185.75	3.2	155.85	3.3
2016F	681,820	4.8	567,548	4.0	83.2	193.18	4.0	160.80	3.2
CAAG	2.1%		5.0%			4.3%		7.3%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that occupied room nights will increase in this market by 6.3 percent in 2015, with market occupancy estimated at 83.9 percent. Average daily rate is estimated to increase 3.2 percent to \$185.75 in 2015. ADR is forecast to grow 4.0 percent in 2016, while occupied room nights are forecast to grow by 4.0 percent in 2016. Annual supply is projected to increase by 6.2 percent in 2015 as the market continues to absorb the 142 room DusitD2 Constance and increase by 4.8 percent in 2016 as the 144-room Residence Inn Pasadena opens.

The Cities of Arcadia and Monrovia are located just east of Pasadena and are proximate to Interstate 210 (Foothill Freeway). Commercial enterprises, as well as the expanded Santa Anita Mall and Santa Anita Race Track, are the main demand generators for the City of Arcadia. With the completion of an AMC movie theater, retail shops, and restaurants, the Santa Anita Mall has been able to increase its sphere of influence, attracting a broader range of customers from surrounding areas.

Arcadia/Monrovia									
Historical 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	355,875	N/A	267,441	N/A	75.2%	\$111.60	N/A	\$83.87	N/A
2011	355,875	0.0%	277,661	3.8%	78.0	115.71	3.7%	90.28	7.6%
2012	355,875	0.0	288,585	3.9	81.1	122.47	5.8	99.31	10.0
2013	355,875	0.0	292,117	1.2	82.1	128.18	4.7	105.21	5.9
2014	355,875	0.0	301,466	3.2	84.7	137.44	7.2	116.43	10.7
2015E	355,875	0.0	302,983	0.5	85.1	143.69	4.5	122.33	5.1
2016F	355,875	0.0	302,983	0.0	85.1	151.59	5.5	129.06	5.5
CAAG	0.0%		2.1%			5.2%		7.4%	

Source: PKF Consulting USA | CBRE Hotels

We estimate an increase of 0.5 percent in occupied rooms for 2015, concurrent with a 4.5 percent increase in average daily rate to \$143.69. In turn, RevPAR will increase 5.1 percent for the Arcadia/Monrovia market. For 2016, occupied rooms are forecast to remain flat with occupancy of 85.1 percent. Additionally, we forecast average daily rate to increase by 5.5 percent in 2016, as the market achieves a stabilized level of occupancy. We are not aware of any additions to market supply for 2016.

SAN FERNANDO VALLEY

The San Fernando Valley, located to the north and east of downtown Los Angeles, contains the production centers for a large number of television, film, and music firms. The eastern portion of the Valley is a mix of traditional office space commingled with entertainment giants like Walt Disney and DreamWorks. The western portion of the Valley is more heavily dependent on traditional sources of commercial and leisure demand. While it may lack some of the glamour of its eastern counterpart, this market is still a powerful force in the Los Angeles economy.

The new Fast & Furious – Supercharged attraction opened at Universal Studios Hollywood in 2015, capitalizing off the successful Fast and Furious movie franchise with the most recent film in the franchise Furious 7 also released in 2015. Scheduled to open in spring 2016 is The Wizarding World of Harry Potter. Similar to its east coast counterpart in Universal Studios Orlando, The Wizarding World of Harry Potter will have a hyper realistic 3D ride “Harry Potter and the Forbidden Journey”, outdoor ride “Flight of the Hippogriff”, and various dining and retail operations. The first Wizarding World of Harry Potter opened in Orlando in 2010 and was successful in boosting park attendance.

San Fernando Valley									
Historical 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	2,004,580	N/A	1,390,955	N/A	69.4%	\$128.06	N/A	\$88.86	N/A
2011	2,023,925	1.0%	1,482,308	6.6%	73.2	131.34	2.6%	96.19	8.3%
2012	1,998,010	-1.3	1,523,208	2.8	76.2	135.65	3.3	103.41	7.5
2013	2,029,400	1.6	1,587,420	4.2	78.2	139.95	3.2	109.47	5.9
2014	2,065,535	1.8	1,666,836	5.0	80.7	149.90	7.1	120.96	10.5
2015E	2,093,975	1.4	1,686,039	1.2	80.5	161.06	7.4	129.68	7.2
2016F	2,216,006	5.8	1,754,867	4.1	79.2	170.65	6.0	135.14	4.2
CAAG	1.7%		3.9%			4.9%		7.2%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the San Fernando Valley hotel market should experience an increase in occupied rooms of 1.2 percent in 2015, amid an increase of 1.4 percent in supply, with the opening of the 170-room Springhill Suites Burbank. The market ADR is estimated to end 2015 with a 7.4 percent increase to \$161.06. We forecast occupied rooms to increase 4.1 percent and the average daily rate to increase 6.0 percent in 2016, with an increase in supply of 5.8 percent. This increase in supply in 2016 is represented by the market’s continued absorption of the Spring Hill Suites Burbank, and the openings of the 93-room Hampton Inn & Suites Glendale and 209-room Hilton Garden Inn Burbank.

The Eastern San Fernando Valley consists of cities such as Burbank, Universal City, and Glendale. Burbank has been called the “Media Capital of the World” as it plays host to a number of media and entertainment companies, including The Walt Disney Company, and Warner Brothers. Glendale is the third largest city in Los Angeles County. An ethnically diverse city, Glendale is known for its rich history, natural beauty, and commercial accomplishments. In the past, it has been rated the safest city in California with a population over 200,000 people. Its neighborhoods are clean, business districts are intelligently designed, and social amenities are abundant. It has also been estimated that Glendale is the third largest financial center in the state, where its economy is dominated primarily by retail and service industry, including the recently developed Caruso’s Americana at Brand Shopping Center. Nestled beneath the Verdugo Mountains, Glendale is approximately eight miles north of Los Angeles and is bordered by the City of Pasadena to the east, the City of Los Angeles to the south, to the north by the Verdugo Mountains and the Cities of La Crescenta and La Canada/Flintridge, to the west by Los Angeles and Burbank.

East San Fernando Valley									
Historical 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	1,344,660	N/A	978,995	N/A	72.8%	\$130.50	N/A	\$95.01	N/A
2011	1,364,005	1.4%	1,044,765	6.7%	76.6	134.98	3.4%	103.39	8.8%
2012	1,373,495	0.7	1,073,369	2.7	78.1	139.80	3.6	109.25	5.7
2013	1,377,510	0.3	1,084,789	1.1	78.8	145.68	4.2	114.72	5.0
2014	1,406,345	2.1	1,130,838	4.2	80.4	157.54	8.1	126.67	10.4
2015E	1,434,785	2.0	1,147,131	1.4	80.0	169.78	7.8	135.74	7.2
2016F	1,556,816	8.5	1,215,959	6.0	78.1	179.97	6.0	140.57	3.6
CAAG	2.5%		3.7%			5.5%		6.7%	

Source: PKF Consulting USA | CBRE Hotels

The East San Fernando Valley is estimated to see an increase in occupied room nights of 1.4 percent in 2015. The market occupancy will increase to 80.0 percent, with a 2.0 percent increase in supply with the opening of the 170-room Springhill Suites Burbank in July 2015. Average daily rate is estimated to increase 7.8 percent in 2015. The East San Fernando Valley market will see an 8.5 percent increase in annual supply for 2016 with the openings of the 93-room Hampton Inn & Suites Glendale and 209-room Hilton Garden Inn Burbank. Occupied rooms and ADR are forecast to increase 6.0 percent in 2016, resulting in a RevPAR increase of 3.6 percent.

The West San Fernando Valley is composed of cities such as Calabasas, Sherman Oaks, Van Nuys, and Woodland Hills.

West San Fernando Valley									
Historical 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	659,920	N/A	411,961	N/A	62.4%	\$122.25	N/A	\$76.31	N/A
2011	659,920	0.0%	437,543	6.2%	66.3	122.64	0.3%	81.31	6.6%
2012	624,515	-5.4	449,840	2.8	72.0	125.74	2.5	90.57	11.4
2013	651,890	4.4	502,630	11.7	77.1	127.59	1.5	98.37	8.6
2014	659,190	1.1	535,997	6.6	81.3	133.78	4.9	108.78	10.6
2015E	659,190	0.0	538,908	0.5	81.8	142.49	6.5	116.49	7.1
2016F	659,190	0.0	538,908	0.0	81.8	149.61	5.0	122.31	5.0
CAAG	0.0%		4.6%			3.4%		8.2%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that this half of the Valley will see an increase in occupied rooms of 0.5 percent in 2015 with no change in market supply, resulting in market occupancy of 81.8 percent. Average daily rate is estimated to increase 6.5 percent in 2015, ending the year at \$142.49. We forecast demand to remain flat in 2016, with no additional supply in the market, and ADR to increase by 5.0 percent to \$149.61.

THOUSAND OAKS/AGOURA HILLS

Agoura Hills is a small community contained in 7.9 square miles. Agoura Hills also offers a number of neighborhood amenities including restaurants, shopping, and entertainment. Overall, Agoura Hills and the surrounding areas of Westlake Village and Thousand Oaks are continuing to grow and develop.

Agoura Hills attracts primarily business travelers, as well as leisure demand mostly from travelers along the 101 Freeway, and from visitors to families in the area. Additional leisure demand is captured in the summer months from the beaches of Malibu, located approximately 12 miles away. Other leisure attractions in the area include the Camarillo Premiere Outlet Malls, Thousand Oaks Civic Arts Plaza, Ronald Reagan Presidential Library, and the areas proximate to Los Angeles, Universal Studios & Hollywood. Group business in this market is derived mainly from the residents and smaller businesses in the surrounding area. Group demand consists of weddings, restaurant marketing, social venues, and mitzvahs.

Thousand Oaks is located in the Conejo Valley. The city was incorporated in 1964 and has been developed under a master-plan community concept. The city's location tucked away in a quiet valley and proximity to Los Angeles allows it to offer a unique blend of rural and urban lifestyles. Thousand Oaks has gained nationwide recognition as one of the safest cities of its size, as noted by the Federal Bureau of Investigation.

Over the last ten years, Thousand Oaks has become an attractive locale for high- and bio-technology companies and has evolved as part of the Technology Corridor which houses aerospace, electronics and defense system manufacturing, computer-related business and research and development firms along a 26-mile expanse.

Thousand Oaks - Agoura Hills									
Historical 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	664,300	N/A	439,555	N/A	66.2%	\$119.49	N/A	\$79.07	N/A
2011	664,300	0.0%	484,218	10.2%	72.9	121.30	1.5%	88.42	11.8%
2012	664,300	0.0	495,145	2.3	74.5	126.11	4.0	93.99	6.3
2013	664,665	0.1	495,800	0.1	74.6	132.26	4.9	98.66	5.0
2014	664,665	0.0	516,984	4.3	77.8	143.56	8.5	111.66	13.2
2015E	664,665	0.0	521,371	0.8	78.4	154.85	7.9	121.46	8.8
2016F	664,665	0.0	523,978	0.5	78.8	164.14	6.0	129.40	6.5
CAAG	0.0%		3.0%			5.4%		8.6%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the market will increase 0.8 percent in occupied rooms in 2015 with no change in supply; ending the year at an expected occupancy of 78.4 percent. Furthermore, we estimate a 7.9 percent increase in ADR for 2015. In 2016, we forecast a 0.5 percent increase in occupied rooms and 6.0 percent growth in ADR with no change in supply.

SAN GABRIEL VALLEY

The San Gabriel Valley is bordered by the San Gabriel Mountains to the north, Los Angeles and Orange County to the south, San Bernardino County line to the east and Interstate 5 to the west. The San Gabriel Valley is comprised of approximately 30 incorporated cities including Alhambra, Arcadia, Azusa, Baldwin Park, Bradbury, Claremont, Covina, Diamond Bar, Duarte, El Monte, Glendora, Industry, Irwindale, La Cañada Flintridge, La Puente, La Verne, Monrovia, Monterey Park, Pasadena, Pomona, Rosemead, San Dimas, San Gabriel, San Marino, Sierra Madre, South El Monte, South Pasadena, Temple City, Walnut, and West Covina, as well as unincorporated parts of Los Angeles County.

The San Gabriel Valley was settled in 1771 and was known for its abundant harvest of wheat, corn, barley, citrus fruits and herds of cattle and sheep. Today, the San Gabriel Valley is home to many corporations such as Edison International, Avery Dennison Corporation, Trader Joe's Company, Ameron International Incorporated, and International Aluminum. Additionally, the Valley has become a very important center of the Asian community within the United States.

San Gabriel Valley									
Historical 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	898,265	N/A	542,505	N/A	60.4%	\$97.29	N/A	\$58.76	N/A
2011	921,625	2.6%	596,307	9.9%	64.7	99.07	1.8%	64.10	9.1%
2012	938,780	1.9	654,145	9.7	69.7	102.35	3.3	71.32	11.3
2013	888,045	-5.4	625,839	-4.3	70.5	109.59	7.1	77.24	8.3
2014	905,565	2.0	644,862	3.0	71.2	116.13	6.0	82.70	7.1
2015E	924,910	2.1	675,131	4.7	73.0	122.12	5.2	89.14	7.8
2016F	940,970	1.7	695,385	3.0	73.9	128.23	5.0	94.76	6.3
CAAG	0.8%		4.2%			4.7%		8.3%	

Source: PKF Consulting USA | CBRE Hotels

The San Gabriel Valley market is estimated to realize an increase of 4.7 percent in occupied rooms in 2015. This would increase market occupancy to 73.0 percent. The average daily rate in the San Gabriel Valley is estimated to experience an increase of 5.2 percent in 2015, ending the

year at \$122.12. We forecast occupied rooms to increase by 3.0 percent in 2016 with market occupancy of 73.9 percent. Average daily rate is forecasted to realize an increase of 5.0 percent in 2016. The DoubleTree Rosemead has recently completed a \$19 million expansion, which included a new 53-room guestroom tower, and upgrades to common areas and amenities. We have included the addition of the 53 rooms in our projections entering the market in July 2015. Other changes to supply in 2015 include the Hilltop Suites Hotel (formerly known as the Shilo Inn & Suites) exiting the market as they undergo renovation and rebrand as a Doubletree in the future. In aggregate, supply in 2015 is expected to increase 2.1 percent. In 2016, supply is forecasted to increase 1.7 percent as the market continues to absorb the DoubleTree Rosemead expansion as well as the expected opening of the 133-room Hilton Garden Inn El Monte.

WHITTIER/I-5 CORRIDOR

The Whittier/I-5 Corridor is composed of hotels in the cities of Whittier, Norwalk, Downey, La Mirada, Cerritos, and Commerce. This area has a large base of commercial business that is related to the extensive manufacturing, distribution, technology services that have come to characterize these cities. While this market does not typically get a large amount of leisure business, it has a strong commercial base and captures SMERF group demand during the weekends and summer months.

Whittier/I-5 Corridor									
Historical 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	601,520	N/A	437,643	N/A	72.8%	\$103.28	N/A	\$75.14	N/A
2011	601,520	0.0%	461,437	5.4%	76.7	106.24	2.9%	81.49	8.5%
2012	601,520	0.0	482,390	4.5	80.2	108.14	1.8	86.73	6.4
2013	601,520	0.0	497,315	3.1	82.7	113.34	4.8	93.70	8.0
2014	601,520	0.0	504,964	1.5	83.9	120.11	6.0	100.83	7.6
2015E	604,531	0.5	502,410	-0.5	83.1	133.03	10.8	110.56	9.6
2016F	640,666	6.0	522,507	4.0	81.6	139.68	5.0	113.92	3.0
CAAG	1.1%		3.0%			5.2%		7.2%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that the Whittier/I-5 Corridor market will see a decrease in occupied room nights of 0.5 percent in 2015. This corresponds with occupancy of 83.1 percent. Average daily rate is estimated to increase in 2015 by 10.8 percent, equating to a 9.6 percent increase in RevPAR for the year. We forecast that the number of occupied rooms will increase by 4.0 percent and average daily rate to increase 5.0 percent in 2016. Supply in the Whittier/I-5 Corridor market is expected to increase by 0.5 percent and 6.0 percent in 2015 and 2016 respectively. This is due to the Bicycle Casino adding a hotel component which is expected to open in December 2015. The 99-room Bicycle Hotel & Casino will stand seven stories tall and include The Bike Brewery dining concept, full spa, and outdoor pool deck.

SANTA CLARITA

The City of Santa Clarita and its surrounding communities of Valencia, Stevenson Ranch, and Newhall are located just to the north of Los Angeles. This area, due to its proximity to Los Angeles and the San Fernando Valley, has seen an explosion in growth over the past 20 years. Housing, commercial, and retail development have thrived in recent years as people have moved out of the City of Los Angeles and into this community for safety, education, and lifestyle

reasons. The Santa Clarita community not only benefitted from its expanding business and residential base, but from its proximity to Magic Mountain as well. Major employment sectors include professional business services, leisure and hospitality, government, manufacturing, and some entertainment due to several rental sound stages in the area.

Santa Clarita Valley									
Historical 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	521,585	N/A	342,324	N/A	65.6%	\$101.47	N/A	\$66.59	N/A
2011	521,585	0.0%	376,704	10.0%	72.2	101.22	-0.2%	73.10	9.8%
2012	521,585	0.0	390,587	3.7	74.9	104.65	3.4	78.37	7.2
2013	521,585	0.0	396,702	1.6	76.1	109.77	4.9	83.49	6.5
2014	521,585	0.0	408,129	2.9	78.2	118.91	8.3	93.05	11.5
2015E	521,585	0.0	419,728	2.8	80.5	129.89	9.2	104.52	12.3
2016F	521,585	0.0	423,925	1.0	81.3	138.98	7.0	112.96	8.1
CAAG	0.0%		3.6%			5.4%		9.2%	

Source: PKF Consulting USA | CBRE Hotels

We estimate that occupied rooms in the Santa Clarita Valley hotel market will increase 2.8 percent in 2015, amidst no change in rooms supply; ending the year with a market occupancy of 80.5 percent. Average daily rate is estimated to increase 9.2 percent, resulting in 12.3 percent growth in RevPAR for this submarket. We forecast that there will be a 1.0 percent increase in occupied rooms in 2016, amidst no change in rooms supply, ending the year with market occupancy of 81.3 percent. The average daily rate is expected to increase 7.0 percent to end 2016 at \$138.98.

ORANGE COUNTY

Orange County

EXECUTIVE SUMMARY

Orange County, which includes 34 incorporated cities and a number of unincorporated communities, had an estimated 2015 population of 3.15 million people based on numbers from the US Census Bureau, making it the third most populous county in California behind Los Angeles and San Diego Counties. Known for its ideal year-round climate, Orange County spans 798 square miles and includes 42 miles of scenic coastline. During the past 30 years, Orange County has evolved from an agricultural economy into a large commercial, industrial, and urban community. As a result of this growth, Orange County has developed into a well-respected business, financial, and recreational center of California and the Western United States. The County has attracted both national and regional offices for a number of the nation's most successful electronics, computer, wholesale and retail firms.

Orange County continues to attract a large number of visitors to the area. In 2014, the estimated number of visitors totaled 46.1 million. These visitors to the county spent an estimated \$10.7 billion. In 2014, the number of visitors increased by 3.9 percent and spending increased by 11.2 percent over 2013. In 2013, related spending for visitors to the county was \$9.6 billion. This performance marks a complete recovery from prerecession peaks, with the majority of overnight visitors contributing to the resurgence coming from the western part of the United States. The peak months of visitation for the last four years have been July through September.

Orange County is also home to the Disneyland Resort and Knott's Berry Farm theme parks, two of the nation's most popular recreational attractions. Additional activities in the County include beautiful beaches, numerous shopping venues, and the Anaheim Convention Center, together providing for a popular destination amongst international/domestic tourists and business travelers. Two professional sports teams, the Anaheim Ducks of the NHL and the Los Angeles Angels of Anaheim of the MLB, also have their home venues located in Orange County.

Throughout the recent years, Orange County has undergone, and is continuing to undergo, changes that enhance its offerings to both visitors and residents. In the greater Anaheim area, the completion of the Anaheim Regional Transportation Intermodal Center (ARTIC) transportation facility in 2014 has created a new state-of-the-art transportation hub in the heart of Orange County. Disneyland began its 60-year diamond celebration in May of 2015, offering brand new attractions and decorations that have attracted a record number of visitors to the park. By the same token, Knott's Berry Farm has also expanded numerous rides and completed renovations of its Boardwalk area. The Anaheim Convention Center also began work in April of 2015 on an expansion to increase total meeting space to one million square feet, bringing it up to the level of or surpassing the other premiere convention centers along the west coast. Further south within the county and along the coast, developments such as Huntington Beach's Pacific City and Irvine's Great Park are creating more and more reasons for travelers to visit Orange County.

In efforts to increase awareness of Orange County as a premier destination, the Orange County Visitors Association (OCVA) has embarked on a marketing initiative to differentiate the county from other Southern California leisure markets and improve branding of the county abroad. In

order to promote Orange County to international markets, the OCVA opened sales offices in Beijing and Shanghai in 2013 with the goal of increasing exposure of the county as a destination to the rapidly expanding Asian market. As part of a promotional deal, special room rates across all price tiers will be offered at 28 Orange County hotels in cities such as Anaheim, Huntington Beach, Costa Mesa, Laguna Beach, Tustin, Newport Beach, Buena Park, and Dana Point. Furthermore, a Chinese language website highlighting attractions, events, and activities in Orange County, went live in March of 2014. The Anaheim/Orange County Visitor & Convention Bureau (AOCVCB) changed its name to Visit Anaheim in June of 2015, reaffirming its focus on bringing more tourism dollars to the area via the Disneyland theme parks, sports stadiums, and the Anaheim Convention Center.

John Wayne Airport has, in recent years, become one of the country’s busiest regional airports. As such, the County of Orange approved the John Wayne Airport Improvement Program to increase the terminal size and accommodate six additional gates. An extension to the South of Terminal B houses the new bridged passenger boarding gates called Terminal C. Construction of the Improvement Program was completed in 2012. Since 2000, annual passenger traffic has increased at a compound annual rate of 1.3 percent as demonstrated in the following table. John Wayne Airport reported total passenger counts in 2014 of approximately 9.4 million total passengers, an increase of 1.7 percent from 2013. The addition of service to three new destinations in Mexico by AirTran and Interjet, as well as the new international service and improvements in the general domestic travel market, has aided in positive growth going forward, as can be seen as of year-to-date through July with a 5.8 percent increase year-over-year. The following table details the historical passenger traffic at John Wayne Airport from 2000 to 2014 and year-to-date figures through July.

John Wayne Airport Activity 2000 – 2014 & YTD 2015		
Year	Total Passengers	Percent Change
2000	7,772,800	4.0%
2001	7,324,554	(5.8)
2002	7,903,066	7.9
2003	8,535,130	8.0
2004	9,272,394	8.6
2005	9,627,172	3.8
2006	9,613,480	(0.1)
2007	9,979,699	3.8
2008	8,989,603	(9.9)
2009	8,705,199	(3.2)
2010	8,663,452	(0.5)
2011	8,609,008	(0.6)
2012	8,857,944	2.9
2013	9,232,789	4.2
2014	9,386,033	1.7
CAAG	1.3%	
YTD 7/14	5,407,627	N/A
YTD 7/15	5,720,699	5.8%

Source: John Wayne Airport

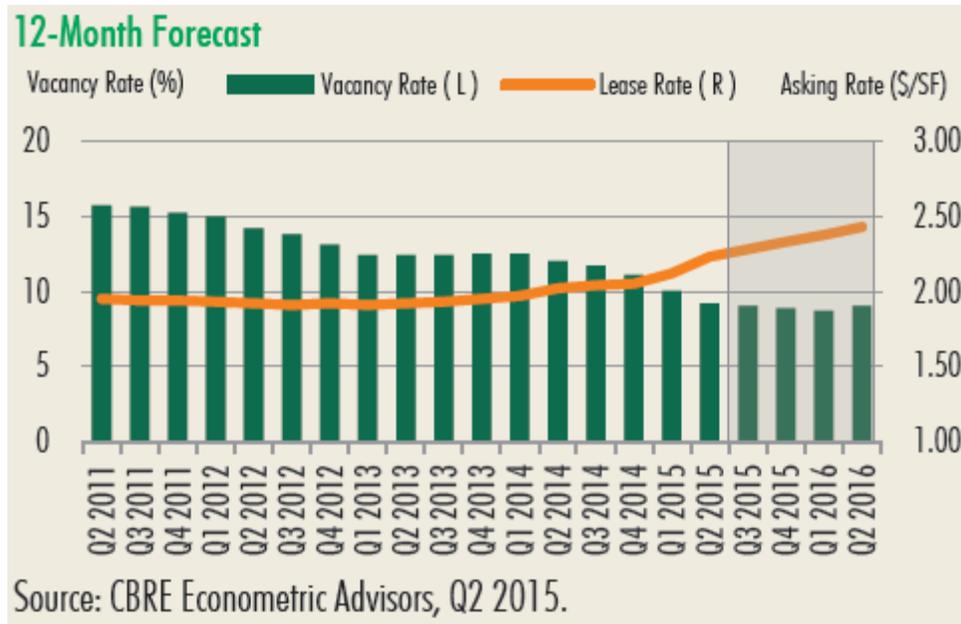
The Orange County area has a diverse employment structure with major employers in industries including tourism, theme parks, recreation, businesses, government, healthcare, education, high-tech, manufacturing, service, and finance. Construction of new business parks is expected to continue over the long-term to create jobs in business services, engineering services, and

wholesale trade. The Irvine Company's project located at 200 Spectrum is currently under construction, and is expected to bring an additional 425,000 square feet of Class A office space to the market in April of 2016. The City of Tustin recently entered into an agreement for the 760,000 square foot Cornerstone I office campus with Lincoln Property Company, which will also include 100,000 square feet of additional supporting space and amenities. Trammell Crow Company is also set to begin construction soon on The Boardwalk project in the airport office area, which will feature 545,000 square feet of office campus across two nine-story towers separated by pedestrian-friendly areas and accessory retail.

After exiting the economic recession, Orange County has shown strong growth in relation to its housing market and leisure activity. With the economy on its steady upward path, the County has pushed forward with the help of its strong leisure and commercial demand generators. As of July 2015, the unemployment rate in Orange County was 4.7 percent, down from prior rates of 6.0 percent in July of 2014, and the lowest in the county since 2007. For comparison, California's unemployment rate as of July 2015 was 6.2 percent and the nation's unemployment rate was 5.3 percent. Occupations with the fastest expected growth rate through 2020 include biomedical engineers, home health aides, logisticians, personal care aides, and health educators.

The Orange County office market continues to experience positive momentum as occupancy levels steadily improve resulting from constant demand, moving the market back towards prerecession conditions. With the lowest unemployment rate in the Southern California region, job growth is also spurring demand as companies expand their payrolls. Rental rates for office space in Orange County are finally beginning to reflect the overall improvement in the economy, with an \$0.11 increase in lease asking rate in Q2 2015 over Q1 2015. Asking rates are now up 10.0 percent year-over-year, with every area of the market contributing to the overall improvement. This trajectory is projected to continue well into 2016 as vacancy continues to decline coupled with sustained job growth. In Q2 2015, a total of 812,720 square feet of positive net absorption was recorded. This adds to the nearly 1.1 million square feet recorded in the first quarter of the year and brings the year-to-date total to 1.9 million square feet of positive net absorption.

Sustained demand has pushed the overall vacancy to 9.2 percent in Q2 2015, the lowest levels since Q2 2007. 11 of 13 submarkets within the county exhibited vacancy declines from Q1 2015, due to both new tenants entering the market and the growth of current companies. Notable expansions and renewals within the market include Loan Depot's 90,000 square foot expansion in Foothill Ranch, Cox Communications' 73,719 square foot signing in Foothill Ranch, and Zenith Education Group's renewal of 105,636 square feet in Santa Ana. The following table summarizes the Orange County market performance from Q2 2011 to Q2 2015, along with CBRE's 12-month forecast.



Our sample set of hotels includes the sum of our aggregated sub markets, which we estimate to be approximately 70 percent of the total existing lodging supply in Orange County. Based on the sample set of hotels used in our analysis, the overall Orange County lodging market is estimated to increase by 0.9 percent in annual rooms supply in 2015. This increase in annual supply is due to the annualized rooms of the 210-room Courtyard Irvine Spectrum, the 120-room SpringHill Suites Anaheim Maingate, the 172-room SpringHill Suites Convention Center, and the 178-room Hyatt Place Anaheim Resort/Convention Center. New hotel openings in 2015 include the 170-room Hilton Garden Inn Irvine Orange County Airport in August, the 221-room Courtyard Anaheim Downtown Harbor in August, and the 215-room Homewood Suites Anaheim Resort Convention Center in December.

The competitive market supply is anticipated to increase by 4.4 percent in 2016 with the annualized rooms of the previously mentioned hotels entering the market in addition to the opening of several other hotel properties. These include the 96-room Holiday Inn Express & Suites Anaheim Resort Area in January, the 253-room Hyatt House Anaheim Resort & Spa in March, the 101-room Hampton Inn & Suites Mission Viejo in April, the 129-room Homewood Suites Aliso Viejo in April, the 250-room Pasea Hotel in June, the 126-room SpringHill Suites Huntington Beach in July, the 180-room AC Hotel Irvine in July, the 296-room Residence Inn along Katella Avenue in July, and the 149-room Hyatt House Irvine in November.

Our 2016 estimate for the overall Orange County market is positive across all econometric indicators. In 2016, we anticipate a 4.4 percent increase in supply for the year with the openings of the aforementioned hotels, following a 0.9 percent increase in 2015. We forecast a 3.7 percent increase in occupied rooms, a 5.1 percent increase in ADR, and a 4.4 percent increase in RevPAR. Market occupancy is expected to reach 77.2 percent in 2016, which is just below our year-end estimates for 2015.

Orange County Historical 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	17,192,230	N/A	11,855,627	N/A	69.0%	\$116.66	N/A	\$80.45	N/A
2011	18,214,595	5.9%	13,002,366	9.7%	71.4	124.45	6.7%	88.83	10.4%
2012	18,976,715	4.2	13,923,482	7.1	73.4	130.99	5.3	96.11	8.2
2013	19,040,809	0.3	14,285,464	2.6	75.0	138.86	6.0	104.18	8.4
2014	19,312,922	1.4	14,809,747	3.7	76.7	147.73	6.4	113.28	8.7
2015E	19,480,136	0.9	15,156,995	2.3	77.8	156.74	6.1	121.95	7.7
2016F	20,342,814	4.4	15,713,386	3.7	77.2	164.80	5.1	127.29	4.4
CAAG	2.8%		4.8%			5.9%		7.9%	

Source: PKF Consulting USA | CBRE Hotels

CENTRAL ORANGE COUNTY

The Central Orange County market includes: Laguna Hills, Lake Forest, Foothill Ranch, Irvine Spectrum, Aliso Viejo, Laguna Woods, Mission Viejo, and Rancho Margarita. This market has continuously outpaced other markets in terms of residential and commercial development through the historical period. The Central Orange County market caters primarily to the business and leisure market segments, as well as some group travel business.

We expect 2015 to end with a 6.8 percent increase in occupied rooms, equating to a market occupancy rate of 79.7 percent, compared to 78.2 percent in the prior year. This is largely a reflection of the demand induced by the mid-2014 opening of the Courtyard Irvine Spectrum, as well as strong economic growth overall in the market. ADR is expected to continue climbing, growing at 6.2 percent, slightly above the previous period growth of 6.1 percent. Revenue per available room is expected to increase by 8.2 percent to \$111.03.

In 2016, annual rooms supply is anticipated to increase 7.7 percent with the April openings of the 101-room Hampton Inn & Suites Mission Viejo and the 129-room Homewood Suites Aliso Viejo. We estimate a 5.0 percent growth in occupied rooms, equating to a market occupancy rate of 77.7 percent. Average daily rate is estimated to increase by 5.0 percent to \$146.19. Revenue per available room is expected to increase by 2.3 percent to \$113.62, a historical high. We anticipate that as this submarket’s performance balances out, occupancy will stabilize at around this level and rate will grow at or above the general rate of inflation going forward.

Central Orange County Historical 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	762,120	N/A	517,580	N/A	67.9%	\$104.89	N/A	\$71.24	N/A
2011	762,120	0.0%	551,643	6.6%	72.4	109.42	4.3%	79.20	11.2%
2012	762,120	0.0	539,207	-2.3	70.8	115.50	5.6	81.72	3.2
2013	762,120	0.0	565,861	4.9	74.2	123.60	7.0	91.77	12.3
2014	800,445	5.0	626,273	10.7	78.2	131.16	6.1	102.62	11.8
2015E	838,770	4.8	668,903	6.8	79.7	139.23	6.2	111.03	8.2
2016F	903,694	7.7	702,348	5.0	77.7	146.19	5.0	113.62	2.3
CAAG	2.9%		5.2%			5.7%		8.1%	

Source: PKF Consulting USA | CBRE Hotels

ANAHEIM AND GREATER ANAHEIM

Tourism in Anaheim is the principal economic force and the center of Orange County's lodging industry. The Greater Anaheim submarket, the largest in Orange County in terms of rooms revenue, is situated in north-central Orange County, and also includes those properties in the cities of Garden Grove and Orange that compete directly with Anaheim Resort hotels. For presentation purposes, we have separated the Anaheim and Greater Anaheim (Garden Grove, Orange) properties.

Located in the heart of Southern California, Anaheim is one of the most dynamic communities for residents, businesses, and visitors alike. Between 1880 and 1960, Anaheim was host to several orange growers and processors who used their orange crate labels to identify their brand and advertise a golden California lifestyle. Anaheim has since been transformed from a small farming community to a major sports, entertainment, recreational, and industrial community. The city offers the "best of both worlds" with its strong and diverse economy coupled with its position as an internationally recognized leisure and convention destination.

Orange County, one of the nation's most populous and affluent regions, is famous for world-class theme parks such as Disneyland, Disney California Adventure and Knott's Berry Farm, distinguished shopping centers and trendy beach towns such as Huntington Beach, Newport Beach and Laguna Beach. The hub of Orange County's tourism industry is in Anaheim, the largest city in the county and home to Disneyland, the Anaheim Convention Center, Angel Stadium of Anaheim, home to the Anaheim Angels of the MLB, the Honda Center, home to the NHL's Anaheim Ducks, as well as a number of unique entertainment and dining venues.

The Anaheim Convention Center is a critical draw for the group and convention business in Anaheim, which has spurred further expansion. Located immediately across from Disneyland, the Anaheim Convention Center is one of the major sources of hotel room demand in the Orange County area, with almost 20 percent of total visitors to Anaheim attending a convention. The Anaheim Convention Center is a critical draw for the group and convention business in Anaheim, especially as a result of the renovations done to the center.

The Anaheim Convention Center completed a \$180 million expansion and refurbishment project on December 28, 2000, propelling it into the position of largest and one of the most modern exhibit facilities on the West Coast. Meeting space totaled more than 1.4 million square feet after the renovation, and allowed it to simultaneously accommodate larger groups and multiple medium sized groups. Renovations and expansions continued at a regular interval through January of 2013, when the Convention Center completed its sixth expansion and welcomed the Grand Plaza, a 100,000 square foot multi-use space located outside the Center's front entrance off Convention Way. The pedestrian plaza features a 48-foot illuminated entry monument and fountain followed by a pathway of LED lights which ultimately leads to an ocean fountain that can shoot water up to 40 feet. The Grand Plaza provides lush landscaping and flexible outdoor space that can be used for dining, exhibit space, outdoor concerts, and other uses.

Recently plans for the next expansion of the Anaheim Convention Center have been solidified, which will add significantly more meeting and exhibit space to the already 1.6 million-square-foot center. The expansion will include an additional 200,000 square feet of space for exhibits

and meetings, with an estimated 3,200 parking spaces. Overall, the expansion aims to attract higher-tiered convention business meetings in the national convention market. According to Anaheim Convention Center officials, the \$180 million expansion was originally expected to break ground by mid-2014 and be completed by mid to late-2016. However, in May of 2014, Citigroup Bank's decision to back out of underwriting bonds to finance the expansion forced the council to look for alternative financing options, which has been done. The expansion is now moving forward with the official groundbreaking for the expansion having occurred on April 21, 2015. The expansion is anticipated to be completed in approximately two years' time and open in the summer of 2017.

The following table summarizes the historical data on overall convention attendance as provided by Visit Anaheim, as well as the number of bookings based on actual bookings through 2014. Prior to the start of the expansion and refurbishment of the Anaheim Convention Center in 1998, the group meeting market in the Anaheim area averaged approximately 950,000 attendees per year. In the most recent two calendar years, the number of convention delegates has increased at a rate of 18.3 and 5.5 percent, respectively. One of the Center's most loyal and profitable conventions, the National Association of Music Merchants (NAMM), committed in 2013 to keep its annual gathering at the Anaheim Convention Center through 2018. The NAMM Show produces more than 94,000 attendees and is estimated to contribute approximately \$70 million in economic spending.

Anaheim/Orange County Convention and Meeting Activity 2000 – 2014			
Year	Number of Delegates	Percent Change	Number of Bookings
2000	923,301	20.3%	496
2001	959,000	3.8	489
2002	1,008,171	5.1	547
2003	1,160,954	15.2	590
2004	1,194,090	2.9	653
2005	1,113,224	-6.8	625
2006	1,126,000	2.0	630
2007	1,197,168	6.3	746
2008	1,252,067	4.6	764
2009	1,292,179	5.3	583
2010	1,128,285	-9.3	465
2011	1,069,472	-5.2	468
2012	1,004,397	-6.1	509
2013	1,187,920	18.3	538
2014	1,253,633	5.5	503

Source: Visit Anaheim

The following table presents historical and future room nights associated with Anaheim Convention Center bookings derived from Anaheim and Garden Grove lodging. The historical information is based on actual room nights consumed and/or booked as of April 2015. Projected room nights are those booked as definite as of the date of our fieldwork. Based on the uncertainty of the economy and convention trends, it should be noted that more or less groups may be booked through 2018 and beyond.

Convention Related Definite Room Nights & Groups Anaheim/Garden Grove		
Year	Room Nights	Groups
Historical		
2002	539,437	36
2003	534,158	33
2004	512,997	35
2005	455,473	33
2006	459,954	35
2007	586,262	41
2008	508,890	37
2009	550,494	43
2010	502,849	41
2011	427,298	33
2012	401,442	34
2013	420,926	38
2014	444,631	37
Future Bookings		
2015	453,456	39
2016	398,906	31
2017	429,412	25
2018	163,132	8
Source: Visit Anaheim		

Disneyland, which opened on July 17, 1955, began celebrations for its 60th birthday on May 22 of 2015. The Diamond Celebration brought several new evening shows, new rides, and redesigned areas of the park. With record numbers of visitors to the parks, Disney has also continued focusing on expanding its parks, while also receiving support from the city in the form of a tax ban on ticket sales at the parks. Disney announced in August of 2015 that its expansion would feature a new 14-acre “Star Wars” land, and is expected to begin construction in January of 2016.

Other notable destinations within the Anaheim area include Knott’s Berry Farm, one of the top 20 tourist attractions in the United States. Near both the Convention Center and the Disneyland theme parks, Anaheim Garden Walk is a 440,000 square-foot mall featuring retail, dining, and entertainment space in a unique outdoor setting. Opened in December of 2014, ARTIC is Anaheim’s regional transportation gateway that connects multiple types of transportation in one location. The 67,000 square foot structure contains retail, office, and restaurant space, and is designed to become the hub through which all public transportation passes through in Anaheim.

Continuing the positive growth pace from the previous year, 2015 is expected to close with an 8.5 percent increase in RevPAR at \$110.74 for the Greater Anaheim submarket. Assisting the positive growth is a 2.5 percent increase in occupied rooms, reflecting a market occupancy rate of 77.7 percent, as well as a 6.8 percent increase in average daily rate to \$142.52. We anticipate a 0.9 percent increase in supply for the year, based on the annualized rooms of the Hyatt Place and two SpringHill Suites hotel openings from 2014, the room reduction of the Quality Inn and Suites in mid-2014, the October opening of the 221-room Courtyard Anaheim Downtown Harbor, the December opening of the 215-room Homewood Suites Anaheim Resort Convention Center, and the 13-room expansion of the Ramada Maingate completed in September.

In 2016, we anticipate a 5.6 percent increase in supply for the year with the annualized rooms of the Courtyard Anaheim Downtown Harbor, the Homewood Suites Anaheim Resort Convention Center, and the Ramada Maingate from 2015, the January opening of the 96-room Holiday Inn Express & Suites Anaheim Resort area, the March opening of the 253-room Hyatt House Anaheim Resort & Spa, the July opening of the 296-room Residence Inn along Katella Avenue, and the March opening of the 600-room Great Wolf Lodge Southern California in Garden Grove. We estimate the Greater Anaheim submarket to achieve 4.8 percent growth in occupied rooms, resulting in a market occupancy rate of 77.1 percent. We anticipate this submarket will stabilize around this level going forward. We believe this properly reflects the changes taking place in the market, including the addition of new attractions, new hotels, and hotel renovations and expansions. We forecast average daily rate will increase by 6.3 percent to \$151.44, a historical high. When combined, we expect revenue per available room will reach \$116.80 in 2016, representing a 5.5 percent increase year over year.

The following table presents the market results for Greater Anaheim, including Garden Grove, during the period 2010 through 2014, as well as our 2015 estimate and 2016 forecast. It must be noted that our historical figures have been revised from previous years to reflect updated data that we have received from the City of Anaheim.

Greater Anaheim Hotels									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	8,517,640	N/A	5,936,716	N/A	69.7%	\$102.47	N/A	\$71.42	N/A
2011	8,517,640	0.0%	6,094,131	2.7%	71.5	111.12	8.4%	79.50	11.3%
2012	8,517,640	0.0	6,299,318	3.4	74.0	117.19	5.5	86.67	9.0
2013	8,517,640	0.0	6,425,194	2.0	75.4	124.95	6.6	94.26	8.8
2014	8,597,088	0.9	6,575,276	2.3	76.5	133.41	6.8	102.03	8.3
2015	8,675,320	0.9	6,741,032	2.5	77.7	142.52	6.8	110.74	8.5
2016	9,159,675	5.6	7,064,649	4.8	77.1	151.44	6.3	116.80	5.5
CAAG	1.2%		2.9%			6.7%		8.5%	

Source: PKF Consulting USA | CBRE Hotels

We forecast continued growth going into 2016 for the Anaheim submarket. Occupied rooms are anticipated to grow by 3.8 percent reaching a market occupancy rate of 77.7 percent. We expect this submarket will stabilize at or near this rate, which takes into consideration historical market performance and anticipated improvements within the area. Furthermore, we forecast average daily rate to increase by 6.2 percent to \$152.45. Combined, revenue per available room will grow by 5.9 percent in 2016 to \$118.43 for the Anaheim submarket.

Anaheim Hotels									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	7,206,560	N/A	5,030,226	N/A	69.8%	\$101.96	N/A	\$71.17	N/A
2011	7,206,560	0.0%	5,138,858	2.2%	71.3	111.08	8.9%	79.21	11.3%
2012	7,206,560	0.0	5,294,826	3.0	73.5	117.81	6.1	86.56	9.3
2013	7,206,560	0.0	5,412,414	2.2	75.1	125.78	6.8	94.47	9.1
2014	7,264,838	0.8	5,549,780	2.5	76.4	134.20	6.7	102.52	8.5
2015	7,313,505	0.7	5,696,735	2.6	77.9	143.59	7.0	111.85	9.1
2016	7,615,360	4.1	5,915,921	3.8	77.7	152.45	6.2	118.43	5.9
CAAG	0.9%		2.7%			6.9%		8.9%	

Source: PKF Consulting USA | CBRE Hotels

The following table presents the market summary for those hotels, in this sub-market, located outside the City of Anaheim, but within the greater Disneyland Resort area. For 2016, we forecast a 10.0 percent increase in occupied rooms to 74.4 percent occupancy due to the opening of the Great Wolf Lodge, and a 7.0 percent increase in ADR to \$146.22. Combined, revenue per available room is forecasted to increase by 3.8 percent to \$108.77.

Non-Anaheim/Garden Grove Hotels									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	1,311,080	N/A	906,490	N/A	69.1%	\$105.28	N/A	\$72.79	N/A
2011	1,311,080	0.0%	955,274	5.4%	72.9	111.34	5.7%	81.12	11.4%
2012	1,311,080	0.0	1,004,492	5.2	76.6	113.94	2.3	87.29	7.6
2013	1,311,080	0.0	1,012,780	0.8	77.2	120.54	5.8	93.11	6.7
2014	1,332,250	1.6	1,025,496	1.3	77.0	129.11	7.1	99.38	6.7
2015	1,361,815	2.2	1,044,298	1.8	76.7	136.66	5.8	104.79	5.5
2016	1,544,315	13.4	1,148,728	10.0	74.4	146.22	7.0	108.77	3.8
CAAG	2.8%		4.0%			5.6%		6.9%	

Source: PKF Consulting USA | CBRE Hotels

ORANGE COUNTY AIRPORT

The Orange County Airport market includes cities proximate to John Wayne Airport including Irvine, Santa Ana, Tustin, parts of Newport Beach, and extends to Fountain Valley. This area is a dynamic business center and home to dozens of Fortune 500 companies. The area primarily caters to business travelers and secondarily to the leisure and group market segments. The Orange County Airport market is heavily dependent on commercial travel generated by the John Wayne Airport and businesses in the area.

Annual supply will increase by 0.9 percent in 2015 with the August opening of the 170-room Hilton Garden Inn Irvine Orange County Airport. Occupied rooms are expected to increase by 2.7 percent to a market occupancy rate of 77.9 percent. We believe it will stabilize just below this rate. Average daily rate should increase by 7.7 percent over the previous year to \$137.02. Combined, revenue per available room is expected to increase to \$106.74, representing a 9.6 percent increase over the previous year.

For 2016, annual supply will increase an additional 4.6 percent as a result of the annualized rooms of the previously mentioned Hilton Garden Inn, and the openings of the 126-room SpringHill Suites Huntington Beach in July, the 180-room AC Hotel Irvine in July, and the 149-room Hyatt House Irvine in November. Occupied rooms are forecasted to grow by 2.5 percent to an occupancy level of 76.4 percent, and average daily rate is forecasted to grow by 5.0 percent to \$143.87. Revenue per available room, therefore, is expected to also grow by 2.9 percent to \$109.87.

OC AIRPORT									
Historical 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	2,096,925	N/A	1,508,495	N/A	71.9%	\$108.41	N/A	\$77.99	N/A
2011	2,132,330	1.7%	1,557,592	3.3%	73.0	113.23	4.4%	82.71	6.1%
2012	2,153,500	1.0	1,596,605	2.5	74.1	115.56	2.1	85.67	3.6
2013	2,202,136	2.3	1,662,476	4.1	75.5	120.62	4.4	91.06	6.3
2014	2,307,895	4.8	1,766,995	6.3	76.6	127.24	5.5	97.42	7.0
2015E	2,328,700	0.9	1,814,143	2.7	77.9	137.02	7.7	106.74	9.6
2016F	2,434,854	4.6	1,859,497	2.5	76.4	143.87	5.0	109.87	2.9
CAAG	1.8%		3.1%			4.0%		5.4%	

Source: PKF Consulting USA | CBRE Hotels

SOUTH COAST METRO MARKET

The City of Costa Mesa is a discernible entity, characterized physically by its strategic crossroads location, proximity to the Pacific Ocean, richness in culture, shopping and dining, and comfortable year-round climate. Costa Mesa encompasses a total of 16 square miles with its southernmost border only one mile from the Pacific Ocean. The City was incorporated in 1953 and since that time, it has evolved from a semi-rural farming community to a city with its local economy primarily based upon retail, commercial business, and manufacturing of electronics, pharmaceuticals and plastics. According to the Employment Development Department, the unemployment rate in Costa Mesa was at 4.7 percent as of July 2015, 140 basis points lower than the same period last year. As of January 2015, the California Department of Finance estimated a population for Costa Mesa of 113,455, which is above the 2000 Census population of 108,724, as Costa Mesa is largely built out.

The City of Costa Mesa is considered to already have been a viable municipal economy prior to the overall county's growth observed in the last five years. This notion is reflected in the strength of the city's lodging market in comparison to other markets in Orange County. Costa Mesa has consistently posted occupancies from the low-70s to the low 80s over the past several years, and has performed above 80 percent in 2014 and 2013. The Costa Mesa hotel market primarily caters to business travelers; however, it also caters to the leisure and group segments. Commercial demand is based primarily upon a hotel's location near the commercial business districts of Costa Mesa and Santa Ana, as well as their location relatively proximate to John Wayne Airport. Group demand is a combination of incentive meetings for sales and marketing staffs, executive level conferences, educational sessions for professionals such as doctors and attorneys, and social and fraternal retreats. The leisure demand consists of pleasure travelers to and around Southern California. South Coast Plaza and the Segerstrom Center for the Arts also contribute to the strength of the local lodging market.

Annual supply has remained constant at 781,465 rooms, with no hotels slated to open in the near future. Overall market occupancy for the area is expected to reach 81.0 percent by year-end 2015, representing a 0.2 percent increase in occupied room nights. Average daily rate is expected to grow 4.9 percent to \$135.51 and revenue per available room is expected to reach \$109.72, representing a 5.2 percent increase over the previous year.

For 2016, we forecast a 1.0 percent increase in occupied rooms amidst a further 5.0 percent increase in average daily rate, as the market’s occupancy rate nears capacity. Revenue per available room is expected to increase by 6.1 percent in 2016 to \$116.36.

Costa Mesa									
Historical 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	781,465	N/A	562,979	N/A	72.0%	\$108.53	N/A	\$78.19	N/A
2011	781,465	0.0%	573,478	1.9%	73.4	113.19	4.3%	83.06	6.2%
2012	781,465	0.0	578,812	0.9	74.1	118.14	4.4	87.51	5.3
2013	781,465	0.0	625,565	8.1	80.1	121.33	2.7	97.13	11.0
2014	781,465	0.0	631,222	0.9	80.8	129.13	6.4	104.31	7.4
2015E	781,465	0.0	632,771	0.2	81.0	135.51	4.9	109.72	5.2
2016F	781,465	0.0	639,099	1.0	81.8	142.28	5.0	116.36	6.1
CAAG	0.0%		2.1%			4.6%		6.9%	

Source: PKF Consulting USA | CBRE Hotels

NORTH ORANGE COUNTY

The North Orange County submarket follows the northern border of the county and includes the cities of Yorba Linda, Placentia, Brea, Fullerton, Buena Park, Cypress, Los Alamitos, and Seal Beach. Lodging demand is largely driven by the strong commercial sector in Yorba Linda, Brea, Cypress, Los Alamitos, and Seal Beach, while Fullerton generates demand through its numerous higher education campuses and Buena Park relies heavily on leisure business generated by Knott’s Berry Farm.

Knott’s Berry Farm revealed a multimillion dollar expansion in summer 2013 which included renovation of the west-side Boardwalk area, the addition of three new family style rides, and the renovation of one of the park’s most popular rides. The new rides include the Coast Rider roller coaster, Surfside Glider aerial view ride, and the Pacific Scrambler spin ride. 2014 saw a refresh to the 1969 Timber Mountain log ride. The most recent update to the park was the opening of the Voyage to the Iron Reef interactive 4D ride. The ride, which opened in May of 2015, takes guests on a four minute interactive shooter ride fighting deep sea creatures that are tied into the park’s actual 2013 renovation of the Boardwalk area.

The North Orange County market has maintained an annual room count of 1,431,165 for the past several years, with no additional hotel rooms anticipated to open in the immediate future. In 2015, the North Orange County market is expected to experience growth in occupied rooms and average daily rate, as the submarket continues to strengthen. Occupied rooms are anticipated to grow by 1.5 percent, resulting in a market occupancy of 77.0 percent. Average daily rate is expected to increase by 5.5 percent to \$108.03. Combined, revenue per available room is expected to grow by 7.1 percent by year-end 2015 to \$83.23.

For 2016, we forecast continued strength in the North Orange County submarket. Occupied rooms are forecasted to increase by 1.0 percent, resulting in a market occupancy of 77.8 percent, where we expect it to stabilize at or about this rate. Average daily rate is forecasted to increase by 4.5 percent to \$112.90. Combined, revenue per available room should increase by 5.5 percent to \$87.84.

North Orange County									
Historical 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	1,431,165	N/A	931,539	N/A	65.1%	\$92.91	N/A	\$60.47	N/A
2011	1,431,165	0.0%	999,479	7.3%	69.8	91.06	-2.0%	63.59	5.2%
2012	1,431,165	0.0	1,034,139	3.5	72.3	93.58	2.8	67.62	6.3
2013	1,431,165	0.0	1,057,458	2.3	73.9	96.92	3.6	71.61	5.9
2014	1,431,165	0.0	1,085,905	2.7	75.9	102.44	5.7	77.73	8.5
2015E	1,431,165	0.0	1,102,556	1.5	77.0	108.03	5.5	83.23	7.1
2016F	1,431,165	0.0	1,113,581	1.0	77.8	112.90	4.5	87.84	5.5
CAAG	0.0%		2.8%			2.5%		5.5%	

Source: PKF Consulting USA | CBRE Hotels

NEWPORT BEACH

Newport Beach is situated in southern Orange County between Huntington Beach to the north and Laguna Beach to the south. The city is approximately 50 miles southeasterly of Los Angeles and 85 miles northerly of San Diego. Newport Beach is approximately 40 square miles, of which 22 square miles is water. The city is acclaimed for its beaches, mild year-round weather, boating/yachting community, sophisticated atmosphere, international film festival, three annual epicurean festivals and the oldest holiday boat parade in the nation.

Nine district neighborhoods make up Newport Beach, each lending a unique culture, charm, natural beauty and history to the city. They are: Balboa Island and surrounding islands, Balboa Peninsula, Corona Del Mar, Mariner's Mile, Cannery Village, Back Bay, Airport/Business District, Fashion Island and Newport Coast/Crystal Cove.

Newport Beach is a leisure destination area, and relies heavily upon retail and leisure expenditures along with its strong commercial base. The community is home to 17 full-service resorts, hotels, boutique hotels and inns, accounting for more than 2,900 hotel rooms and 17,000 square feet of meeting space under a variety of branded and independent hotel flags. There are over 300 restaurants in Newport Beach. Development consists primarily of restaurant, and commercial uses including a concentration of marine oriented businesses. In addition, Newport Beach is a well-known shopping destination featuring Fashion Island, an outdoor mecca filled with over 200 specialty shops and chic boutiques, as well as quaint retail storefronts along Pacific Coast Highway.

The Newport Beach submarket continues to experience strong growth across all three econometric indicators. In 2015, we expect the submarket to experience a 1.5 percent increase in occupied rooms, reflecting a year-end occupancy rate of 75.5 percent, as average daily rate increases by 4.5 percent to \$250.18. Combined, revenue per available room is expected to reach \$188.92, or 6.0 percent growth over the prior year.

For 2016, we forecast the occupancy rate to increase slightly to 76.3 percent, a 1.0 percent growth in occupied room nights. This reflects our belief that the market will stabilize near this rate, and while this rate is above recent historical levels, we find this estimate to be reasonable given the strength of the high-end coastal market and demand for lodging of this type. Average daily rate is estimated to grow by 4.5 percent to \$261.44. Revenue per available room is estimated to increase by 5.5 percent to \$199.40. The development of the Lido House Hotel on

the former City Hall site on Newport Boulevard was approved by the California Coastal Commission on October 8, 2015 but this hotel is not expected to enter the market until after 2016.

Newport Beach									
Historical 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	1,010,320	N/A	662,213	N/A	65.5%	\$176.83	N/A	\$115.90	N/A
2011	1,010,320	0.0%	710,851	7.3%	70.4	191.44	8.3%	134.69	16.2%
2012	1,010,320	0.0	732,438	3.0	72.5	207.46	8.4	150.40	11.7
2013	1,010,320	0.0	733,441	0.1	72.6	226.43	9.1	164.38	9.3
2014	1,010,320	0.0	751,941	2.5	74.4	239.42	5.7	178.19	8.4
2015E	1,010,320	0.0	762,938	1.5	75.5	250.18	4.5	188.92	6.0
2016F	1,010,320	0.0	770,567	1.0	76.3	261.44	4.5	199.40	5.5
CAAG	0.0%		2.6%			6.7%		9.5%	

Source: PKF Consulting USA | CBRE Hotels

COASTAL ORANGE COUNTY

The coastal area of Orange County includes: Huntington Beach and communities located south along the coast, including Newport Beach, Laguna Beach, Dana Point, Corona Del Mar, San Clemente and San Juan Capistrano. This area primarily caters to group and leisure travelers, but also captures a significant level of business travel.

Coastal Orange County is home to several hotels with some of the highest average daily rates in Southern California, including the Ritz Carlton Laguna Niguel, the Montage Laguna Beach, and Pelican Hill Resort. In addition to the inflow of travelers visiting the area, investors have also taken interest in the high-quality hotels in the area. In September of 2015, Blackstone Group LP bought Strategic Hotels & Resorts Inc. whose portfolio of 18 properties also includes two of the aforementioned hotels: the Ritz Carlton Laguna Niguel, and the Montage Laguna Beach.

In 2015, supply is expected to remain at the same levels with no new hotels opening in the market. We expect the number of occupied rooms to increase by 0.8 percent, resulting in a market occupancy rate of 76.6 percent. Average daily rate is expected to grow by 5.0 percent to \$291.70. Revenue per available room is estimated to increase by 5.8 percent to \$223.48.

For 2016, we forecast the Coastal Orange County submarket to continue growing. Supply is expected to grow by 2.7 percent with the opening of the 250-room Paséa Hotel in June. Occupied rooms are forecasted to grow by 2.5 percent to a market occupancy rate of 76.4 percent, and average daily rate is forecasted to grow by 5.5 percent, reaching \$307.74. Overall, revenue per available room is forecasted to grow by 5.3 percent to reach \$235.24 by year-end 2016.

Coastal Orange County									
Historical 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	1,895,080	N/A	1,220,609	N/A	64.4%	\$221.77	N/A	\$142.84	N/A
2011	1,899,460	0.2%	1,305,507	7.0%	68.7	235.18	6.0%	161.64	13.2%
2012	1,942,895	2.3	1,389,630	6.4	71.5	247.69	5.3	177.16	9.6
2013	1,946,910	0.2	1,398,514	0.6	71.8	264.46	6.8	189.97	7.2
2014	1,946,910	0.0	1,480,077	5.8	76.0	277.77	5.0	211.16	11.2
2015E	1,946,910	0.0	1,491,598	0.8	76.6	291.70	5.0	223.48	5.8
2016F	2,000,139	2.7	1,528,888	2.5	76.4	307.74	5.5	235.24	5.3
CAAG	0.9%		3.8%			5.6%		8.7%	

Source: PKF Consulting USA | CBRE Hotels

SAN DIEGO COUNTY

San Diego County

EXECUTIVE SUMMARY

The San Diego Metropolitan Statistical Area (MSA), which consists of San Diego County, is located approximately 125 miles south of Los Angeles and is immediately north of the Mexican border. The San Diego community, once dominated by the presence of nearby Naval, Air Force, and Marine bases, as well as the defense-related aerospace industry, has diversified. San Diego continues to be one of America's foremost centers of technology, particularly in the emerging biomedical field. Manufacturing has shifted towards electronics, computers, instrumentation and other high technology products, and development of such sectors as services, research and development, and health services has been strong. According to the United States Census Bureau, San Diego County had an estimated population of approximately 3.23 million in 2015.

San Diego is home to LEGOLAND, SeaWorld, and the San Diego Zoo and Safari Park. Additional activities in the region include beaches, casinos, racetracks, concert and sports facilities, numerous shopping venues, dozens of golf facilities, and the San Diego Convention Center. These attractions provide for a popular destination amongst international/domestic tourists and business travelers. Throughout the periods of economic growth and decline, these sources are the major drivers of tourism activity and, ultimately, hotel demand. San Diego heavily relies on tourism as one of its primary economic drivers, and marketing and funding challenges impacted the market's performance for late 2012 and 2013. Funding for San Diego Tourism marketing returned in 2014 and the City is in the process of rebounding from the downturn they experienced. In March 2014, the Tourism Marketing District allocated \$25.5 million to ten groups and organizations. Nearly \$23.8 million went to the San Diego Tourism Authority for national advertising, promotional outreach at industry conventions and personnel and overhead expenses. Of that, \$3 million was set aside for sub regional promotions in Mission Bay, Mission Valley and La Jolla.

The San Diego hotel sector has regained ground since 2012 and continues to maintain premium occupancy rates and prices. San Diego is on pace to achieve between eight and nine percent RevPAR growth in 2015. For 2015, we estimate a growth in occupied rooms well above the growth in supply. This is estimated to combine with a 5.8 percent growth in ADR to post RevPAR growth of 8.8 percent. In 2016, we forecast that growth in occupied rooms, 2.6 percent will be slightly below the growth in supply, 3.4 percent, as numerous new hotels enter the markets across the county, a majority of which are expected in Downtown San Diego. However, with another strong year of ADR growth at 5.1 percent, we estimate a RevPAR growth of 4.3 percent.

The Convention Center has demonstrated a high level of success in capturing convention demand, though the 2008-2009 downturn impacted this market along with every other convention market. Lack of funding along with uncertainty on the expansion project impacted the center's ability to generate room nights in 2013 and 2014. According to the San Diego Convention and Visitors Bureau, the events of 2014 generated 679,262 hotel room nights. A study completed by CIC Research indicated that 30 to 40 percent of hotel room nights that

attendees' book are not part of the official block. The following presents historical bookings through year end 2014.

San Diego Convention Center Actual Bookings	
Fiscal Year	Room Nights
2000	502,000
2001	519,000
2002	564,000
2003	667,000
2004	536,000
2005	633,000
2006	714,000
2007	745,000
2008	696,000
2009	750,000
2010	704,000
2011	728,000
2012	766,810
2013	704,029
2014	679,262

Source: San Diego Convention Center Corporation

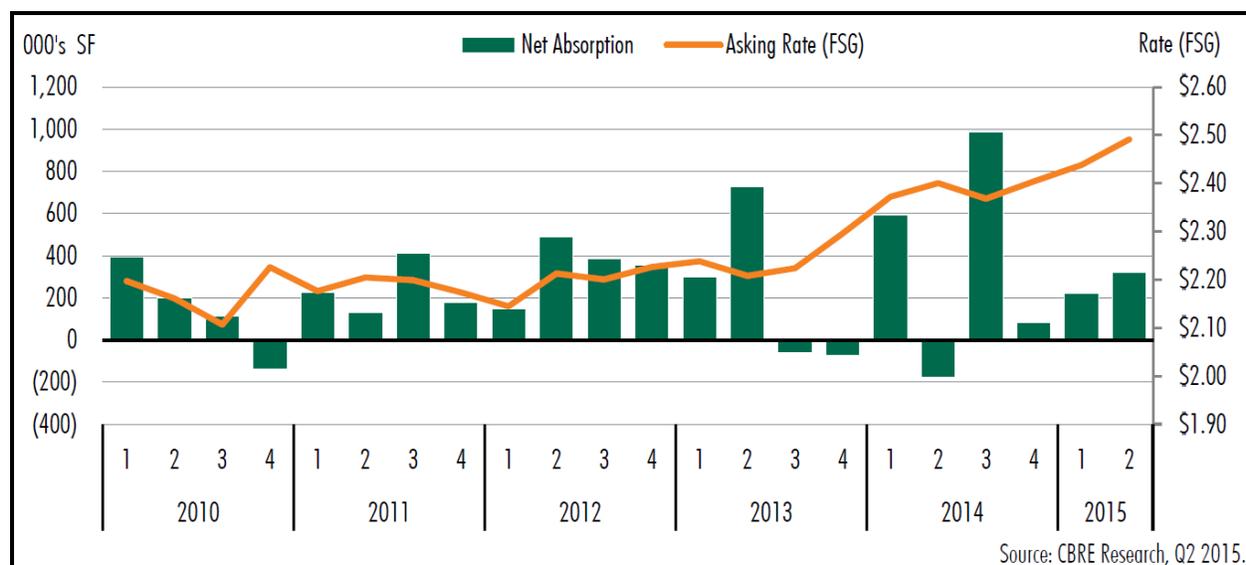
Through August 2015, the center has achieved 491,710 room nights, representing a 0.3 percent increase over the same period in 2014. Based on our discussions with Convention Center officials, we expect a strong convention calendar for the remainder of 2015 and the entirety of 2016. The San Diego Convention Center plans to continue to attract more conventions and meetings during the slow periods of the year, such as during holidays and the winter season. They continue to attract groups with incentives and discounts, in an effort to fill the convention center in the shoulder months.

An expansion is still being evaluated of the San Diego Convention Center. On October 10, 2013, the California Coastal Commission unanimously approved the expansion plan. However, on August 1, 2014, the financing plan for the expansion project was ruled invalid by a state appeals court. The court said the plan was a tax that should have been put before voters. The litigation challenging the ruling is still underway, but is expected to be over within the next year. A study conducted in 2015 found that a contiguous expansion along the waterfront would be more beneficial for all parties invested in the Convention Center. Additionally, there is a high level of uncertainty surrounding the decisions of the San Diego Chargers leaving Qualcomm Stadium to relocate to a new stadium in Los Angeles. It appears the Chargers are still open to negotiating with San Diego County to remain in Mission Valley but are still pursuing opportunities in the Los Angeles area for relocation.

There have been few additions to the San Diego lodging market in 2014, with several openings in 2015 and several slated for 2016. There were a number of additions to supply in the San Diego market in 2015. In 2015, the Downtown market saw the opening of Hotel Z in July which will be followed by the Courtyard by Marriott Gaslamp Quarter by the end of October, Mission Valley experienced the opening of the Holiday Inn Express Hotel Circle in May, and the North Coastal market saw the openings of the Holiday Inn and Staybridge dual-branded hotel in April and the Fairfield Suites Carlsbad in May.

By year end 2016, the County is expected to see an influx of hotel rooms mostly located within the Downtown market. January openings include the 364-room Hilton Garden Inn/Homewood Suites Downtown Bayside and the 179-room Hilton Garden Inn Old Town SeaWorld. The 400-room Lane Field Residence Inn and SpringHill Suites Hotels are expected to open in April and the 105-room SpringHill Suites Escondido is expected in June. August is expected to be a month of numerous openings with the 239-room Carte Hotel and Suites in Downtown, 136-room SpringHill Suites Mission Valley, and 103-room SpringHill Suites Carlsbad entering the San Diego County hotel market. Additionally, the Downtown market will gain the 317-room Pendry Gaslamp Hotel in November. Numerous projects are in the planning phase for 2017 and beyond, including multiple projects in downtown, the Bay areas, and throughout the county. We expect additional projects to enter the pipeline in Downtown, South Bay, and North Coastal over the next several years.

According to CBRE, the San Diego office market recorded 319,992 square feet of positive net absorption in the second quarter of 2015, the 19th quarter of positive net absorption out of the last 23. The majority of the positive net absorption can be attributed to substantial transactions completed within Downtown and the Central San Diego corridors. San Diego’s overall office vacancy experienced a slight decrease in the second quarter of 2015, dropping 20 basis points over the previous quarter, to its current rate of 12.6 percent. This vacancy rate is the lowest vacancy rate recorded in the overall San Diego office market since the third quarter of 2006. Reinforced by an impressive volume of on-going construction, San Diego’s office market appears to be in a growth cycle.



San Diego International Airport at Lindbergh Field had approximately 18.8 million airport passengers in 2014. Year to date through July 2015, total passenger traffic is up 6.9 percent over the same period in 2014. Presented in the following table is a summary of airport activity at Lindbergh Field, including year-to-date figures through July 2015.

San Diego International Airport at Lindbergh Field Passenger Counts			
Year	Enplaned	Deplaned	Total
2004	8,200,687	8,176,617	16,377,304
2005	8,692,694	8,679,827	17,372,521
2006	8,759,668	8,722,273	17,481,941
2007	9,040,280	9,016,691	18,056,971
2008	9,061,155	9,064,478	18,125,633
2009	8,472,781	8,501,391	16,974,172
2010	8,456,176	8,433,446	16,889,622
2011	8,441,987	8,449,703	16,891,690
2012	8,642,830	8,607,435	17,250,265
2013	8,860,009	8,850,232	17,710,241
2014	9,384,869	9,373,882	18,758,751
CAAG	1.4%	1.4%	1.4%
07/14	5,399,336	5,403,312	10,802,648
07/15	5,776,474	5,773,387	11,549,861

Source: San Diego County Regional Airport Authority

In August 2013, San Diego International Airport completed its \$900 million “Green Build” expansion of Terminal 2 which included ten new jet gates, additional shopping and dining options, check-in enhancements, improved security, new baggage handling system, and dual-level roadway for arrivals and departures.

The table below presents a summary of the most recent data available for visitor activity between 2004 and 2014.

Year	Overnight Visitors	Visitor Spending (millions)	Attraction Attendance
2004	15,741,000	\$6,871	11,408,266
2005	15,724,000	7,224	12,014,917
2006	15,812,000	7,719	12,576,044
2007	15,356,000	7,899	12,808,097
2008	15,160,000	7,908	12,835,746
2009	14,435,000	6,958	12,406,951
2010	15,080,000	7,080	12,637,391
2011	15,760,000	7,485	13,796,344
2012	16,129,000	7,979	14,322,658
2013	16,671,000	8,394	14,763,787
2014	16,879,000	9,209	14,372,244
CAAG	0.7%	3.0%	2.3%

Source: San Diego Convention and Visitors Bureau; CIC Research

The following table sets forth our estimate of historical and projected supply, demand, occupancy, and average room rate for the overall San Diego market. We have estimated the overall San Diego hotel market occupancy to increase to 78.3 percent by year-end 2015, correlating to a 3.5 percent increase in occupied room nights amidst a 0.6 percent increase in supply. Average daily rate is estimated to increase 5.8 percent to \$179.67, as the San Diego market continues to hold significant growth year-over-year. In 2016, we forecast growth of 2.6 percent in occupied rooms amidst a 3.4 percent increase in supply. We forecast 5.1 percent growth in ADR to result in RevPAR growth of 4.3 percent. We are aware that the previously defined market area as a whole contains approximately 21.8 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 63 percent of the total existing lodging supply.

San Diego County Historical 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	13,185,260	N/A	9,201,538	N/A	69.8%	\$146.71	N/A	\$102.39	N/A
2011	13,224,315	0.3%	9,554,028	3.8%	72.2	151.16	3.0%	109.21	6.7%
2012	13,337,100	0.9	9,812,492	2.7	73.6	156.27	3.4	114.97	5.3
2013	13,467,040	1.0	9,982,333	1.7	74.1	160.56	2.7	119.02	3.5
2014	13,606,268	1.0	10,364,141	3.8	76.2	169.84	5.8	129.37	8.7
2015E	13,693,462	0.6	10,726,358	3.5	78.3	179.67	5.8	140.74	8.8
2016F	14,161,027	3.4	11,007,650	2.6	77.7	188.87	5.1	146.81	4.3
CAAG	1.2%		3.0%			4.3%		6.2%	

Source: PKF Consulting USA | CBRE Hotels

DOWNTOWN SAN DIEGO/EMBARCADERO

Downtown San Diego has undergone a significant expansion in recent years, including hotel, residential, entertainment, and supporting amenities and facilities. For the lodging industry, this was realized in the form of 65 percent of all additions to San Diego County over the last decade. While this market has historically absorbed new supply at a healthy rate, 2008 and 2009 brought the culmination of economic woes, including an impacted convention calendar with reduced pickup, contraction of corporate and leisure demand, and a reduction in airline travel as well as travel in general. After several years of slow recovery, the impacts from tourism defunding further dinged the market in 2013 and 2014, with sub-markets such as Downtown leading the way. The San Diego convention market has regained business and is expected to continue growing through 2016 and beyond. The leisure and corporate business to Downtown remains a strong driver of business to the area when group business is slow. Based on year to date 2015 data, the market continues to recapture lost occupied rooms and successfully pushes ADR, which is estimated to end the year with high growth in both metrics.

Vital to the city's continued positioning as a national and regionally competitive Convention destination, the proposed expansion of the convention center would include an additional 200,000 square feet of exhibit space, a third ballroom, and 100,000 square feet of meeting rooms. The project may also include additional hotel rooms proximate to the Center. This would give the center a total of 815,000 square feet of exhibition space, similar to the size of Anaheim's convention center and sufficient to keep conventions such as Comic-Con.

In 2015, Downtown San Diego experienced the July opening of the 96-room Hotel Z which is expected to be followed by the 90-room Courtyard by Marriott Gaslamp Quarter by the end of October. Currently under construction and opening in 2016 in Downtown San Diego are the 364-room Hilton Garden Inn and Homewood Suites Bayside dual project expected in January, 400-room Lane Field Residence Inn and SpringHill Suites hotels expected in April, 239-room Carte Hotel and Suites expected in August, and 317-room Pendry Hotel expected in November.

In 2015, we estimate occupied rooms to increase 1.1 percent, outpacing the growth in annual supply of 0.6 percent, correlating to an occupancy rate of 82.3 percent. Average daily rate is expected to increase 7.7 percent from 2014 levels, correlating to a \$203.07 market average daily rate. San Diego has historically had challenges in pushing rates, which was further magnified by the limitations in tourism marketing efforts. However, with the return of marketing efforts, San Diego has been able to significantly push rates. In 2016, as the numerous hotels enter the market,

we estimate growth in occupied rooms at 5.0 percent, below the growth in supply of 8.0 percent as the market begins to absorb the significant increase in available hotel rooms. In 2016, we estimate ADR will grow significantly by 6.0 percent with the influx of high-quality new hotel rooms.

San Diego Downtown									
Historical 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	4,216,845	N/A	3,131,915	N/A	74.3%	\$164.17	N/A	\$121.93	N/A
2011	4,216,845	0.0%	3,258,251	4.0%	77.3	169.34	3.2%	130.85	7.3%
2012	4,216,845	0.0	3,324,182	2.0	78.8	175.89	3.9	138.65	6.0
2013	4,216,845	0.0	3,359,463	1.1	79.7	179.26	1.9	142.81	3.0
2014	4,216,845	0.0	3,452,723	2.8	81.9	188.51	5.2	154.35	8.1
2015E	4,242,760	0.6	3,490,815	1.1	82.3	203.07	7.7	167.08	8.2
2016F	4,582,727	8.0	3,665,356	5.0	80.0	215.25	6.0	172.16	3.0
CAAG	1.4%		2.7%			4.6%		5.9%	

Source: PKF Consulting USA | CBRE Hotels

SAN DIEGO BAY MARKET

The San Diego Bay submarket includes hotels on Harbor Island, Shelter Island, and Coronado Island. Catering primarily to group and leisure business with an emphasis on boating and beach activities, these resorts and waterfront properties have earned some of the highest occupancies and rates in San Diego County. There have been no changes in supply in the San Diego Bay hotel market through the historical period, nor are there any expected in 2015 or 2016. Plans for the addition of 41 rooms to the Kona Kai Resort and Spa have been submitted; however, the plan is still preliminary and has not been included in our analysis.

The Bay Areas’ market is driven primarily by leisure and group demand. The existing inventory consists largely of full service hotels with significant food and beverage facilities and meeting space. With the return of leisure and more recently group travel to the San Diego Bay market, we anticipate occupied room nights to increase by 5.2 percent to 78.5 percent occupancy in 2015. Average daily rate is anticipated to end the year with a 7.0 percent increase at \$220.18. In 2016, we forecast a 0.5 percent growth in occupied rooms, resulting in a 78.9 percent occupancy. We forecast rate to increase by 6.0 percent to \$233.39.

Bay Areas									
Historical 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	1,341,740	N/A	946,727	N/A	70.6%	\$176.32	N/A	\$124.41	N/A
2011	1,341,740	0.0%	997,593	5.4%	74.4	180.70	2.5%	134.35	8.0%
2012	1,341,740	0.0	1,012,477	1.5	75.5	184.80	2.3	139.45	3.8
2013	1,341,740	0.0	1,000,582	-1.2	74.6	194.89	5.5	145.34	4.2
2014	1,341,740	0.0	1,001,037	0.0	74.6	205.80	5.6	153.54	5.6
2015E	1,341,740	0.0	1,053,113	5.2	78.5	220.18	7.0	172.82	12.6
2016F	1,341,740	0.0	1,058,378	0.5	78.9	233.39	6.0	184.10	6.5
CAAG	0.0%		1.9%			4.8%		6.7%	

Source: PKF Consulting USA | CBRE Hotels

LA JOLLA

The community of La Jolla lies within the boundaries and jurisdiction of the City of San Diego, in the County of San Diego. Its location approximately 12 miles north of downtown has helped it establish its own identity as a refuge from “big city” life and La Jolla continues to be a popular destination for the high-end leisure market. La Jolla is the jewel of the City of San Diego featuring secluded coves and beaches, numerous small parks, the renowned Coast Walk cliff-top promenade, cafes, boutiques, fine restaurants, and thriving commercial business centers. La Jolla is also home to several renowned academic and scientific institutions, including the University of California at San Diego, the Salk Institute for Biological Studies, and the Scripps Institution of Oceanography.

We are not aware of any hotel openings in the La Jolla area for either 2015 or 2016. It is estimated that the La Jolla submarket will end 2015 with a 77.3 percent occupancy rate and an average daily rate of \$230.61, representing a 2.1 percent increase in occupied rooms and a 7.2 percent increase in average daily rate, respectively. In 2016, we forecast occupied rooms to increase by 1.0 percent to reach an occupancy of 78.0 percent, while ADR is forecast to increase by 6.5 percent to \$245.60.

La Jolla									
Historical 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	589,475	N/A	398,623	N/A	67.6%	\$178.86	N/A	\$120.95	N/A
2011	589,475	0.0%	404,790	1.5%	68.7	187.08	4.6%	128.46	6.2%
2012	589,475	0.0	408,911	1.0	69.4	198.78	6.3	137.89	7.3
2013	589,475	0.0	425,684	4.1	72.2	204.68	3.0	147.81	7.2
2014	589,475	0.0	446,044	4.8	75.7	215.03	5.1	162.71	10.1
2015E	589,475	0.0	455,491	2.1	77.3	230.61	7.2	178.20	9.5
2016F	589,475	0.0	460,046	1.0	78.0	245.60	6.5	191.68	7.6
CAAG	0.0%		2.4%			5.4%		8.0%	

Source: PKF Consulting USA | CBRE Hotels

MISSION BAY

The hotels in this market orient themselves around Mission Bay, a protected bay environment with sandy beaches used by families, and a premier site for many water sports such as jet skiing, windsurfing, sailing, and more. Occupancies are heavily influenced by visitation to SeaWorld, a major demand generator, which posted a 4.2 percent decline in visitation for 2014. Factors influencing this significant decrease in visitation include higher ticket prices, continued criticism of its treatment of killer whales, and an inability to lure visitors from other theme parks that are debuting mega attractions. In 2014, SeaWorld lost its ties with Southwest and Virgin America due to the pressures from the recent media coverage. In an effort to increase visitation, SeaWorld announced in late 2014 an extensive expansion plan of their orca tanks, beginning at the park in San Diego. The expansion plan will represent SeaWorld’s single biggest investment in the parks and nearly double the current size of the killer whale habitat. On October 8, 2015 the Coastal Commission approved SeaWorld San Diego’s \$100 million plan to build a ten million gallon tank for the orcas, although with conditions that may hinder its development. The plan was approved with a gap of 15 orcas allowed at one time; SeaWorld currently has 11 in their existing environment. This cap was set to keep SeaWorld San Diego from overcrowding the new tank environment, which was a concern of many opponents of the plan. SeaWorld San Diego expects

to begin construction in 2016 and complete the new tank by 2018. Other attractions in the Mission Bay area include Belmont Park and a boardwalk stretching miles for biking, jogging, and rollerblading.

With the exception of the addition of the 48-room boutique hotel Tower 23 in 2005, the lodging supply in the Mission Bay area has not changed in over 15 years. Furthermore, to our knowledge there are no planned additions to supply in 2015 or 2016. The Hampton Inn SeaWorld is currently undergoing an eight million dollar transformation to a Four Points by Sheraton. Renovations are expected to be complete by the end of the year.

The Mission Bay submarket is anticipated to complete 2015 with an occupancy rate of 78.1 percent and an average daily rate of \$196.69, reflecting growths of 1.4 percent and 6.5 percent, respectively. In 2016, we expect this to continue, with the market achieving an additional 5.5 percent growth in ADR to \$207.51. Occupancy is forecasted to increase slightly to 78.8 percent, representing an increase of 1.0 percent.

Mission Bay									
Historical 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	896,805	N/A	639,641	N/A	71.3%	\$154.67	N/A	\$110.32	N/A
2011	896,805	0.0%	664,266	3.8%	74.1	162.52	5.1%	120.38	9.1%
2012	896,805	0.0	688,547	3.7	76.8	167.95	3.3	128.95	7.1
2013	896,805	0.0	675,853	-1.8	75.4	172.54	2.7	130.03	0.8
2014	896,805	0.0	690,572	2.2	77.0	184.74	7.1	142.26	9.4
2015E	896,805	0.0	700,023	1.4	78.1	196.69	6.5	153.53	7.9
2016F	896,805	0.0	707,023	1.0	78.8	207.51	5.5	163.59	6.6
CAAG	0.0%		1.7%			5.0%		6.8%	

Source: PKF Consulting USA | CBRE Hotels

MISSION VALLEY/OLD TOWN

Mission Valley is located just north of the downtown area between the San Diego Sports Arena area and Qualcomm Stadium (formerly Jack Murphy Stadium), current home of the San Diego Chargers. The area is known as the region's retail hub, with nearly 4.4 million square feet of retail space in ten major centers including Fashion Valley and the Fenton Marketplace, which is located just west of Qualcomm Stadium. The majority of hotels in the Mission Valley submarket are located along Interstate 8 from Interstate 5 to Interstate 15. The uncertainty surrounding the future of the San Diego Chargers at Qualcomm Stadium has the possibility to add a moderate level of risk to hotels within the Mission Valley submarket.

Old Town is located just southwest of the heart of Mission Valley and was the original center of San Diego. Now, Old Town is a designated historic area and includes the popular Bazaar del Mundo, Heritage Square, and a number of historic buildings that give the flavor of San Diego under Spanish and Mexican rule.

In addition to self-contained group business and military related demand, the hotels in Old Town and Mission Valley accommodate the overflow demand from the downtown convention market. Lack of overflow from downtown, combined with a challenging group segment, has resulted in significant impact to this submarket. This compression has dropped significantly in recent years,

largely as a result of new supply in Downtown and an increase in rooms dedicated to convention room blocks. However, year-to-date results suggest a return of leisure travel to the area and a regain of all occupied room nights and rates lost during the recession and marketing challenges.

The 89-room Holiday Inn Express Hotel Circle opened in May 2015. The Mission Valley hotel market is expected to experience the opening of two new hotels in 2016, which are both currently under construction. The 179-room Hilton Garden Inn Old Town SeaWorld is expected to open in January and the 136-room SpringHill Suites Mission Valley is due to open in August.

The Mission Valley and Old Town submarket is expected to end 2015 at a 72.6 percent occupancy rate and a \$127.29 average daily rate. This reflects a 7.3 percent increase in occupied rooms amidst a 3.5 percent increase in ADR. In 2016, we forecast that the market will decrease slightly to 71.5 percent occupancy, with the increase in hotel room nights, and obtain an average daily rate of \$131.11. This equates to a 3.5 percent increase in occupied rooms and a 3.0 percent growth in ADR.

Mission Valley - Old Town									
Historical 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	1,731,925	N/A	1,181,369	N/A	68.2%	\$109.60	N/A	\$74.76	N/A
2011	1,731,925	0.0%	1,175,246	-0.5%	67.9	109.95	0.3%	74.61	-0.2%
2012	1,731,925	0.0	1,189,986	1.3	68.7	111.96	1.8	76.92	3.1
2013	1,731,925	0.0	1,200,549	0.9	69.3	112.94	0.9	78.29	1.8
2014	1,765,140	1.9	1,231,810	2.6	69.8	123.02	8.9	85.85	9.7
2015E	1,820,012	3.1	1,321,720	7.3	72.6	127.29	3.5	92.44	7.7
2016F	1,912,722	5.1	1,367,980	3.5	71.5	131.11	3.0	93.77	1.4
CAAG	1.7%		2.5%			3.0%		3.8%	

Source: PKF Consulting USA | CBRE Hotels

NORTH CITY/UNIVERSITY TOWNE CENTER (UTC)/SORRENTO MESA

The North City/University Towne Center (UTC) areas are two distinct communities. Neighborhoods of condominiums, apartments, and commercial development make up the north, and the south is a collection of older homes situated inside the semi-circular Marian Bear Memorial Park. It is a closely-knit community devoted to school, local organizations, churches, and sports leagues.

University City is generally known as the “Golden Triangle,” named by developers of the University Towne Centre Mall for the triangle formed by Highways 5, 805, and 52 and the collection of hotels, office buildings, and restaurants that fill the triangle’s northern point. The southern portion of the triangle includes family oriented neighborhoods and a plethora of open space. A mixture of residents including singles, young married couples, and business and academic professionals live in University City mostly because of its central location to San Diego and other northerly communities.

This sub-market also includes Sorrento Mesa, which lies just north of the UTC area and east of the 805 Freeway. Known as “Wireless Valley,” Sorrento Mesa/Sorrento Valley is the third largest office market in San Diego County, after Downtown and Kearny Mesa. Located just east

of the 805 Freeway and just outside of the UTC/Golden Triangle border, the area is home to many telecommunication companies including Qualcomm.

The UTC/North City/Sorrento Mesa market is estimated to achieve an occupancy and average daily rate in 2015 of 82.6 percent and \$163.19, with no additions to supply. This represents a 4.4 percent increase in occupied room nights, and an increase of 5.8 percent in average daily rate over 2014 levels. In 2016, we forecast a 0.5 percent increase in occupied rooms, reflecting an 83.0 percent market occupancy, and a 5.5 percent increase in ADR to \$172.17.

North City - UTC									
Historical 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	922,355	N/A	616,902	N/A	66.9%	\$136.36	N/A	\$91.20	N/A
2011	922,355	0.0%	661,907	7.3%	71.8	139.36	2.2%	100.01	9.7%
2012	922,355	0.0	681,491	3.0	73.9	146.41	5.1	108.18	8.2
2013	922,355	0.0	703,513	3.2	76.3	149.91	2.4	114.35	5.7
2014	922,355	0.0	729,222	3.7	79.1	154.23	2.9	121.94	6.6
2015E	922,355	0.0	761,434	4.4	82.6	163.19	5.8	134.72	10.5
2016F	922,355	0.0	765,241	0.5	83.0	172.17	5.5	142.84	6.0
CAAG	0.0%		3.7%			4.0%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

NORTH COASTAL MARKET

The North Coastal market includes the beach communities in northern San Diego including the cities of Del Mar, Carlsbad, and Oceanside. The area stretches as far inland as Rancho Santa Fe with a northern boundary formed by the Camp Pendleton Marine Corps Base. The location of the communities within this market along the beach and surrounding concentrations of commercial office parks has enabled the resort properties and hotels to capture demand from the commercial, leisure, and group segments.

Due to the La Jolla, UTC, and Sorrento Mesa areas haven approached build-out, the North County has experienced growth in the commercial office space market. More than 1,400,000 square feet of office is proposed for Carlsbad and Oceanside, with approximately 102,000 square feet of office space currently under construction.

Although a majority of the North County caters to commercial demand, area attractions such as the Del Mar racetrack, fairgrounds, beaches, shopping outlets and LEGOLAND in Carlsbad, and San Diego Wild Animal Park have contributed to the growth of the leisure segment. The hotels surrounding the Del Mar racetrack were able to capture additional demand with the introduction of an additional 24-day racing season which began November 2014 following the closing of the Hollywood Park Race Track.

Additions included a 101-room Holiday Inn in Oceanside which opened in November 2009 and a 140-room Courtyard in late 2011. The Hilton Carlsbad opened in July 2012 with 215 rooms. The 250-room LEGOLAND Hotel opened in April 2013. The 149-room SpringHill Suites Oceanside entered the market in February 2014. In 2015, the market experienced the openings of the 133-room Holiday Inn Carlsbad and 106-room Staybridge Suites Carlsbad in April and the 96-room

Fairfield Suites Carlsbad in May. The North Coastal market is expected to see the opening of the 103-room SpringHill Suites Carlsbad in August 2016.

We estimate that year-end 2015 occupancy will increase to 77.7 percent. This represents a 6.4 percent increase in occupied rooms from 2014, with a 0.3 percent increase in supply. We estimate average daily rate to finish 2015 at \$182.95, an increase of 3.2 percent led largely by increases in resort travel to the area. In 2016, we forecast occupied rooms to increase by 1.0 percent, resulting in market occupancy of 78.0 percent amidst a 0.6 percent increase in supply. We forecast ADR to grow by 3.5 percent to \$189.36.

North Coastal									
Historical 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	1,695,060	N/A	1,129,375	N/A	66.6%	\$149.83	N/A	\$99.83	N/A
2011	1,699,440	0.3%	1,165,156	3.2%	68.6	154.73	3.3%	106.08	6.3%
2012	1,786,310	5.1	1,219,763	4.7	68.3	158.42	2.4	108.18	2.0
2013	1,887,050	5.6	1,304,835	7.0	69.1	166.83	5.3	115.36	6.6
2014	1,964,593	4.1	1,439,418	10.3	73.3	177.27	6.3	129.88	12.6
2015E	1,971,000	0.3	1,531,842	6.4	77.7	182.95	3.2	142.19	9.5
2016F	1,983,532	0.6	1,547,160	1.0	78.0	189.36	3.5	147.70	3.9
CAAG	2.7%		5.4%			4.0%		6.7%	

Source: PKF Consulting USA | CBRE Hotels

I-15/KEARNY MESA

This market encompasses hotels located along Interstate 15 in the inland, northern and central portions of San Diego County. This area is part of a growing market, which includes the cities and communities of Escondido, Fallbrook, Vista, and San Marcos. Also included in this submarket are the communities of Rancho Penasquitos, Rancho Bernardo, Kearny Mesa, Miramar, and Poway. The Miramar Naval Air Station is located in this area as are concentrations of commercial and industrial office markets.

We estimate the market to end 2015 with an occupancy rate of 74.2 percent, an increase of 2.2 percent in occupied rooms over 2014. There are no changes to supply expected for the I-15/Kearny Mesa market for 2015. We estimate a 3.6 percent increase in ADR to \$128.12 for the I-15/Kearny Mesa submarket in 2015. In June 2016, the 105-room SpringHill Suites Escondido is expected to open. In 2016, we forecast occupied rooms to grow by 2.0 percent amidst supply growth of 1.6 percent, resulting in a year end market occupancy of 74.5 percent. We forecast ADR to increase 3.0 percent to \$131.97.

I-15 Kearny Mesa									
Historical 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	1,315,825	N/A	866,297	N/A	65.8%	\$108.39	N/A	\$71.36	N/A
2011	1,350,500	2.6%	924,481	6.7%	68.5	111.52	2.9%	76.34	7.0%
2012	1,376,415	1.9	975,792	5.6	70.9	114.93	3.1	81.47	6.7
2013	1,405,615	2.1	996,282	2.1	70.9	116.66	1.5	82.69	1.5
2014	1,405,615	0.0	1,019,903	2.4	72.6	123.63	6.0	89.70	8.5
2015E	1,405,615	0.0	1,042,502	2.2	74.2	128.12	3.6	95.03	5.9
2016F	1,427,971	1.6	1,063,352	2.0	74.5	131.97	3.0	98.27	3.4
CAAG	1.4%		3.5%			3.3%		5.5%	

Source: PKF Consulting USA | CBRE Hotels

SOUTH BAY

Situated between downtown San Diego and the Mexican border is the South Bay submarket, which includes the cities of Chula Vista, Imperial Beach, National City, and San Ysidro. The South Bay area is particularly known for its huge naval presence, with the 32nd Street Naval Base, or Naval Station San Diego, as the center of activity and as the gateway to Mexico. The Navy SEALs have proposed a new \$1 billion campus south of their current Silver Strand South Training Campus. The 60-acre complex would add 1.5 million square feet of additional facilities for the Naval Base Coronado. The new complex is expected to bring in 3,500 additional personnel. Hotels in this submarket serve largely a commercial market and some leisure business from area attractions and from border traffic.

The South Bay has been affected by San Diego's flux in tourism efforts, though it has still achieved significant growth. The South County Economic Development Council found that South County is outpacing the rest of San Diego County and the rest of the nation in terms of economic growth. We credit this to the lower starting point, as South Bay experienced more significant declines during the downturn.

Changes in supply include the opening of the 172-room Best Western Marina Gateway in National City mid-2009 and the opening of the 78-room Pier South Resort in Imperial Beach in January 2014 as a Marriott affiliated Autograph Collection property. We are not aware of any other definitive additions to supply in 2015 or 2016.

The South Bay submarket is anticipated to end 2015 with an occupancy rate of 73.3 percent and an average daily rate of \$101.28. Occupied rooms are estimated to increase 4.5 percent and average daily rate to increase 3.5 percent. In 2016, demand is forecast to increase 1.0 percent, resulting in an occupancy of 74.1 percent. ADR is forecast to increase by 3.0 percent, ending the year at \$104.32.

South Bay									
Historical 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	475,230	N/A	290,689	N/A	61.2%	\$75.55	N/A	\$46.21	N/A
2011	475,230	0.0%	302,338	4.0%	63.6	78.34	3.7%	49.84	7.8%
2012	475,230	0.0	311,342	3.0	65.5	84.45	7.8	55.33	11.0
2013	475,230	0.0	315,572	1.4	66.4	85.20	0.9	56.58	2.3
2014	503,700	6.0	353,413	12.0	70.2	97.84	14.8	68.65	21.3
2015E	503,700	0.0	369,420	4.5	73.3	101.28	3.5	74.28	8.2
2016F	503,700	0.0	373,114	1.0	74.1	104.32	3.0	77.27	4.0
CAAG	1.0%		4.2%			5.5%		8.9%	

Source: PKF Consulting USA | CBRE Hotels

INLAND EMPIRE

Inland Empire

The metropolitan area is comprised of Riverside and San Bernardino counties, and is often called the “Inland Empire.” The Inland Empire refers to a collection of Southern California cities located in Riverside and San Bernardino Counties. The Inland Empire is comprised of some of the oldest cities in the region: Ontario, San Bernardino, Redlands, and Riverside. These cities were established near the end of the 19th century and were major centers of agriculture including citrus, dairy, and wine-making. The name “Inland Empire” was first used in the 1950s to distinguish the region from the communities of the Los Angeles area.

The “Inland” part of the name is derived from the region's location about 37 miles inland from the Pacific Ocean and east of Downtown Los Angeles. Between the Los Angeles area and the Inland Empire, there was limited development until the 1970s, and this relatively open, rural space between two developed regions served as a natural boundary. However, since then, rapidly growing population and, therefore, commercial, and industrial development, has led to cities being established in this rural, intermediate area. Interconnectivity provided by a vast automobile-oriented transportation network, including perhaps one of the most comprehensive freeway systems in the United States, has further eroded any real or perceived boundary between the Inland Empire and its surrounding counties.

The "Inland Empire" is bordered by Los Angeles and Orange County on the west, and on the east by the states of Nevada and Arizona. Riverside County covers 7,304 square miles while San Bernardino covers 20,106. The January 2015 population of the area totals approximately 4.4 million people. The area's population count makes it larger than 24 states. The majority of the county's acreage is a mixture of mountainous terrain and arid deserts. The center of the Inland Empire is located approximately 60 miles east of the center of Los Angeles, 110 miles northeast of San Diego, and 200 miles southwest of Las Vegas.

The Inland Empire and specifically Ontario, is the hub of the Southern California Global Gateway. It is a major transportation hub for both rail and truck service, is home to the LA/Ontario International Airport (a UPS hub, both small packages and air freight, and for service from Asia), and is a major distribution center for firms moving goods through Southern California's ports to the rest of the U.S. The LA/Ontario International Airport, strategic freeway access, two rail lines, and service by Amtrak and MetroLink make the region a transportation hub. There are also three ex-military air fields that are being redeveloped for commercial use: George Air Force Base as the Southern California Logistics Airport, Norton AFB as the San Bernardino International Airport, and March AFB as the March Inland Port. Norton AFB completed the majority of its renovations in 2011. The airport is now used as a cargo and general aviation facility, with no commercial flights contracted to pass through the airport.

This area also has an impressive array of higher educational institutions, including the University of California Riverside (UCR), Cal State San Bernardino, University of Redlands, Loma Linda School of Medicine, and the University of La Verne College of Law, the Inland Empire's only ABA accredited law school. In 2013 UCR welcomed its charter class of medical students to the University of California, Riverside School of Medicine. Just to the west of the county line in Los Angeles are the Claremont College group and Cal Poly Pomona. There are also numerous

community colleges serving the area. The two-county area also has a diverse portfolio of quality of life elements. These include desert resorts with championship golf courses, mountain resorts that offer skiing in the winter and biking and hiking trails in the summer, Southern California's leading wine country, a natural hot springs spa destination, and relative proximity to internationally recognized destinations in Los Angeles and Orange Counties. There are also fine and performing arts centers. The Auto Club Speedway in Fontana is the largest auto racetrack in Southern California.

Affordable home ownership had historically been the primary motivating factor behind growth in the Inland Empire as homes in these communities are generally less expensive than comparable homes in Orange and Los Angeles Counties, and employees are willing to work for less to avoid long commutes. This began to change by mid last decade, as prices shot up sharply with speculators and first time buyers taking advantage of extremely attractive financing options, including subprime and alt-A mortgages. Unemployment was trending downwards hovering around five percent, and the entire region was experiencing widespread growth at a lightning fast pace. Such a trend continued unabated through the end of 2006, and this new wealth in turn helped to fuel the region's booming growth and prosperity. However, in the Fall of 2007 the economy began to unravel, with rising unemployment levels, increased office and industrial vacancy rates, reduced customer spending, and a wave of foreclosures. The Inland Empire was one of the local economies hit hardest by the recession, but the region has shown resiliency in the past couple of years. Economic conditions as measured by nearly any available indicator reached a low point in 2009 as many of the industries responsible for growth in the Inland Empire, such as construction and logistics were battered by the recession. There is little doubt that the situation was challenging, but by at least late 2010, or the beginning of 2011, industry wide declines began to abate and increased optimism was noted in key areas, such as a noteworthy increase in port traffic in Los Angeles and Long Beach, and increased activity within the industrial office market. The region's economy had swept through the 2001 downturn with hardly a pause – driven by the abandon of the housing markets and continued consumer spending, but in 2007, those same strengths became the area's greatest weakness. Until recently, the pace of foreclosures in the Inland Empire was one of the highest in the nation, with the region subject to the brunt of the economic downturn. The Inland Empire entered the recession earlier than other areas, with financial activity employment dropping first, followed by a loss of jobs in the construction sector, and unemployment reached levels near 15 percent. The effects of the recession fully infected financial markets and consumer spending, leading to pervasive losses, and accelerated declines in manufacturing and retail trade.

Over the past several years more and more positive signs have continued to emerge. Upbeat signs of economic recovery include a quickly accelerating housing recovery and an upswing in job gains from the professional and business services sector, which are helping to fuel the regional economy. The Inland Empire added 53,100 jobs in 2014, and through the early portion of 2015 has experienced a 4.0 percent increase over the previous year. It is estimated that roughly 52,400 jobs will be added in 2015. In the Inland empire quarterly economic report, John Husing predicts that the region will add an additional 57,700 jobs in 2016 with the largest gains coming from the blue collar/technical sectors (with a primary focus on growth in logistics jobs), followed by office jobs (with growth coming primarily from the healthcare sector), and nominal growth in the high paying sector. The diversity of hiring across pay scales and industries has ensured that wages and salaries are currently rising much faster than in the rest of California and

the rest of the U.S. The availability of land will ensure that homebuilding will continue to increase, which will positively affect the housing market. We anticipate that the construction sector will see a resurgence as the availability of land and affordability of housing should lead to increased development. From 2013 to 2014 the household formation in Riverside, alone, increased from 400,000 to 1.4 million. This type of growth in the housing supply can be expected to continue across the entire Inland Empire, which can be expected to have a positive effect on the housing market with spillover positive impacts on the labor market. An encouraging aspect of the current recovery period has been that the growth has extended beyond construction to include sectors such as professional services and, primarily, goods distribution. Taxable sales receipts in the area are at an all-time high, largely due to residents being more willing to spend at local restaurants and establishments. Economic growth for the Inland Empire is looking very bright, and is actually predicted to be the highest in California, according to HIS Global Insight, growing at an average of 4.2 percent annually through 2020 and beating out both Phoenix and Houston. The availability of land will continue to drive development in the region, particularly with regards to industrial and/or logistical facilities.

The Inland Empire continues to be a prime location for the construction of warehouse complexes as well as sorting and logistics facilities. Much of the large volume of imports that make their way through the San Pedro ports make their way to distribution centers in the Inland Empire where they are sorted and distributed. According to CBRE, the Inland Empire had the most industrial development under construction in the entire nation during the 2nd quarter of 2015, measuring over 19.8 million square feet. The 640,000 square foot Goodman Logistics Center in Fontana should be completed in the third quarter of 2015, while the proposed World Logistics facility in the Moreno Valley would span more than 40,000,000 square feet and has been approved by the city's planning department. Increasing development activity in this sector is forecasted through 2016. Over the last 12 months, employment in the distribution and manufacturing sectors grew by 9.1 and 2.1 percent respectively. Last month, Amazon announced an additional 1,000 jobs at its three Inland Empire centers. The prime hotspots for warehouse development continue to be the Ontario corridor, including Rancho Cucamonga, as well as Fontana, Colton, Rialto, and Redlands. The challenge moving forward will be to ensure that this growth in construction and subsequent, often temporary, employment is able to have a lasting, permanent effect on employment in the region. The potential spillover effect onto job growth in professional and business services sectors remains to be seen. The rapid growth in the transportation and warehouse sectors is a positive indicator for economic growth in the Inland Empire, but the need for diversification remains.

While there is no shortage of industrial development slated for the inland empire, there continues to be a glaring under-supply of affordable housing in the Inland Empire. The lack of residential development indirectly affects the lodging market, as increased housing supply leads to an increase in regional amenities, which can significantly impact hotel demand. According to the CEO of the Baldy View chapter of the Building Industry Association of Southern California, the Inland Empire will be roughly 60,000 housing units short by 2020, maintaining the current pace of development. Within the Inland Empire, Riverside County paces well above San Bernardino county in terms of residential development, with a particular focus on transit-oriented development.

Overall, the long term outlook for the Inland Empire is favorable. Both San Bernardino and Riverside Counties are anticipated to benefit from an increase in residents, businesses, and amenities over the next five to ten years as development has naturally progressed inland from the nearly fully developed Counties of Los Angeles and Orange. While this trend reversed sharply in recent years due to the credit crisis, mortgage meltdown and resulting foreclosures, as well as historically high employment rates, economic trends have turned positive, and the Inland Empire undeniably remains California's region for future expansion. The Inland Empire has regained its moniker as the fastest growing large economy in Southern California.

LA/Ontario International Airport (ONT) is a medium-hub, full-service airport with direct service to major US cities and several international destinations. It is located approximately 38 miles east of downtown Los Angeles. LA/Ontario International Airport's service area includes San Bernardino and Riverside Counties and portions of north Orange County and East Los Angeles County. The following table provides year-end data on LA/Ontario International Airport passenger and cargo statistics from 2003 through 2014, as well as year to date figures through July 2015 as compared to the prior period last year.

Volume of Air Traffic		
LA/Ontario International Airport		
Year	Passengers	Cargo (Tons)
2002	6,517,050	547,461
2003	6,547,877	571,892
2004	6,937,337	605,132
2005	7,213,528	575,369
2006	7,049,904	544,600
2007	7,207,150	532,865
2008	6,232,761	481,284
2009	4,886,695	391,060
2010	4,808,241	392,427
2011	4,551,875	417,686
2012	4,305,426	454,880
2013	3,969,974	460,535
2014	4,127,278	474,346
*CAAC	-3.7%	-1.2%
07/14 Ytd	2,366,200	264,241
07/15 Ytd	2,409,600	276,854
*CAAC = Compound Annual Average Change		
Source: Los Angeles World Airports		

With the continued rising costs of fuel and airline cutbacks, LA/Ontario International Airport lost nearly one third of its flights between 2008 and 2010, making the airport one of the nation's hardest hit by an industry-wide rush to cut flights amid difficult economic conditions. However, in the mid to long-term, healthy growth is still expected as many of the area's other airports are unable to expand to accommodate the anticipated increases in demand. It was estimated by the Southern California Association of Governments (SCAG) that LA/Ontario International Airport could service as many as 20 million air passengers by 2025. Despite the recent steep declines this estimate may not be overly optimistic considering recent developments in the transfer of ownership. After a long legal process and negotiations, the City of Los Angeles has agreed to return local control of the Ontario International airport to the City of Ontario. The City of Ontario relinquished control of the Airport in 1985, but had been fighting to regain control of the airport since alleged mismanagement and apathy by the City of Los Angeles led to sharp

passenger declines from 2007 to 2012. The city of Ontario had filed a lawsuit in order to regain control of operations with an impending court date in August 2015, but prior to this date, the City of Los Angeles agreed to return the airport to local control provided that roughly \$250 million in reimbursement costs and debt be paid and assumed. This local ownership will allow the Ontario airport to reduce its cost structure and increase marketing, advertising, and promotion of the airport. Such a change will allow Ontario to better compete with other Southern California destinations and ultimately benefit the local and regional hotel communities.

The Inland Empire is home to, and proximate to an increasing number of leisure demand generators that have brought a small measure of prominence to the area. The Ontario Mills Mall is the largest outlet mall in Southern California and is a source of significant leisure demand. The outlet recently added several well-known retail stores, including EXPRESS Factory Outlet, New York & Company Outlet, PINK, and ASICS Outlet.

Located just three miles north of Ontario in Rancho Cucamonga is Victoria Gardens, a 147-acre urban shopping town center, which is anchored by major tenants such as Macy's, JC Penney, and Bass Pro Shops, as well as hundreds of other fine retailers and dozens of restaurants and specialty food retailers. The outdoor mixed-use town center reached 10 years of operation in 2014, and is continually expanding, recently adding upscale food and beverage outlet Paul Martin's American Grill, conceived by Brian Bennett and restaurateur Paul Fleming. Riverside boasts its own shopping mall with the Galleria at Tyler, a significantly smaller development. The Auto Club Speedway, located in Fontana, is home to world-class motor sports events, and has additional configurations and facilities to accommodate road races, motorcycle races, vehicle testing, and drag races. Every year, in March, NASCAR hosts the Auto Club 400 at the race track, which generates significant tourist demand. The San Manuel Amphitheater (formerly the Glen Helen Pavilion, Hyundai Pavilion, and the Blockbuster Pavilion), is a 65,000-seat amphitheater located in the hills of Glen Helen Regional Park in Devore, California. Given that it is one of the largest amphitheaters in North America, it has become a concert venue of choice for promoters looking for large venues in Southern California.

The Inland Empire hotel market has traditionally been built on the strength of commercial travelers to the area. However when the economy soured and new hotels continued to open, market occupancies declined significantly, reaching a low point in 2009, and for the most part, remained depressed throughout much of 2010. Positive signs emerged however and hotel room demand increased markedly in 2011 and 2012, although rate growth remained a challenge. Recently, in 2013 and 2014, the local market continued to make gains in both occupancy and average daily rate, and as a result, RevPAR levels increased at nearly twice the rate of the previous year.

Our forecast for the Inland Empire includes two distinct submarkets: the greater Ontario market, including adjacent Rancho Cucamonga, and the Riverside/San Bernardino metropolitan market, including the cities of Colton, Corona, Highland, Norco, Redlands, Riverside, and San Bernardino as well as Temecula. With regards to lodging supply, we note that after a number of years of rapid expansion, very few hotels have opened in the past few years. In 2012, the 125-room Hyatt Place Hotel in Downtown Riverside developed by MetroPacific Properties opened. In 2014, two properties, the Fairfield Inn & Suites in Norco, and the Homewood Suites in San Bernardino opened, bringing in slightly over 200 rooms to the market. In 2015, the Residence

Inn Temecula and the Holiday Inn Express Loma Linda entered the market. New supply is anticipated to be similarly limited in 2016, with a couple of additions to supply in the planning stages, though it is unlikely that any will make it into the market prior to 2017.

For 2015, the Inland Empire's lodging demand is estimated to increase by 7.5 percent, outpacing supply growth of 1.5 percent, with occupancy levels estimated to end the year at 75.1 percent at an average daily rate of \$99.76. In 2016, overall occupancy is forecast to increase to 76.5 percent, with the number of occupied rooms forecasted to increase by 2.2 percent; while average rate is forecast to increase by 6.0 percent to \$105.73. The following table estimates the Inland Empire's historical and projected supply, demand, occupancy and average room rate. We are aware that the previously defined market area as a whole has a total of approximately 4.8 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 75 percent of the total existing lodging supply.

Inland Empire									
Historical 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	3,492,685	N/A	2,141,908	N/A	61.3%	\$82.74	N/A	\$50.74	N/A
2011	3,547,435	1.6%	2,203,161	2.9%	62.1	84.76	2.4%	52.64	3.7%
2012	3,603,280	1.6	2,317,200	5.2	64.3	85.80	1.2	55.18	4.8
2013	3,622,260	0.5	2,422,912	4.6	66.9	87.92	2.5	58.81	6.6
2014	3,697,085	2.1	2,623,313	8.3	71.0	93.11	5.9	66.07	12.3
2015E	3,753,295	1.5	2,819,173	7.5	75.1	99.76	7.1	74.93	13.4
2016F	3,768,625	0.4	2,882,063	2.2	76.5	105.73	6.0	80.86	7.9
CAAG	1.3%		5.1%			4.2%		8.1%	

Source: PKF Consulting USA

Ontario/Rancho Cucamonga

The City of Ontario is located along the Interstate 10 and Route 60 corridors, proximate to where they meet Interstate 15. Ontario is one of Southern California's oldest municipalities, dating back to its date of incorporation in 1891, and has been an economic and logistics hub for more than a century. The city is well located relative to some of the busiest transportation corridors in Southern California, and benefits from its proximity to the County of Los Angeles. It is home to nearly 100 million square feet of industrial space, and nearly four million square feet of current commercial office space. In particular, tenants involved in supply chain solutions as well the distribution of electronics have been major players in the industrial markets of Rancho Cucamonga and Ontario in 2015. On the office side, Rancho Cucamonga and Ontario have become more attractive options as office rents continue to rise in markets such as Riverside and the Eastern Inland empire. Furthermore, Ontario is home to the LA/Ontario International Airport, Ontario Convention Center, Citizens Business Bank Arena while Rancho Cucamonga houses Victoria Gardens. Additionally, the region boasts a number of significant development projects intended to position the city as Southern California's next urban center, and a regional destination for commerce, entertainment and lifestyle.

For many years, the city of Ontario has focused on planning large scale development rather than piecemeal growth by developing thorough plans. Some of the exciting, recently-opened, or planned developments for the greater Ontario area include the New Model Colony, comprised of roughly 30,000 new homes including the Park Place and Parkside developments, the recently

completed Downtown Ontario Town Square project, which includes an open air amphitheater, Piemonte at Ontario Center, and the Oliver McMillan Guasti Project. While some have been delayed, ultimately these landmark projects are anticipated to bring retail, restaurant, sports and entertainment, as well as residential developments to the city in the mid to long-term. Collectively these projects are anticipated to grow Ontario’s population to more than 360,000 residents over the next 20 years with the full build-out of the New Model Colony and Guasti District developments, both of which could incorporate significant residential components. Thus, even though development within the city has slowed, as the economy begins to rebound and gather steam through the end of 2015 and beyond, Ontario will be well positioned to once again be a model of growth for the Inland Empire.

In terms of new hotel supply, growth has slowed markedly in the region with no new hotels opening this year. Therefore, we have estimated that market occupancy will increase to 74.0 percent in 2015 as demand is estimated to grow by 4.1 percent. On a second positive note, for the fifth consecutive year in a row, we are projecting a continued increase in rate, with average daily rate estimated to increase by 7.0 percent to \$96.31 at year’s end.

Given projected market conditions and the fact that no new hotels are projected to open by 2016, we are forecasting that the greater Ontario market will continue to exhibit growth in terms of occupied rooms as economic conditions improve through 2016. Specifically, occupied rooms are forecast to increase by 3.0 percent, resulting in an overall market occupancy of 76.2 percent for 2016. Average daily rate is forecast to increase by 7.0 percent over 2015 estimates, ending 2016 at \$103.06. Given the overall strength of this market and absence of new hotel construction, we anticipate that rate will continue to exhibit growth over the next few years.

Ontario/Rancho Cucamonga									
Historical 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	1,695,060	N/A	1,074,619	N/A	63.4%	\$80.00	N/A	\$50.72	N/A
2011	1,729,735	2.0%	1,080,730	0.6%	62.5	82.06	2.6%	51.27	1.1%
2012	1,758,935	1.7	1,124,142	4.0	63.9	84.35	2.8	53.91	5.1
2013	1,758,935	0.0	1,151,469	2.4	65.5	86.82	2.9	56.84	5.4
2014	1,758,935	0.0	1,250,458	8.6	71.1	90.02	3.7	64.00	12.6
2015E	1,758,935	0.0	1,301,269	4.1	74.0	96.31	7.0	71.25	11.3
2016F	1,758,935	0.0	1,340,307	3.0	76.2	103.06	7.0	78.53	10.2
CAAG	0.6%		3.8%			4.3%		7.6%	

Source: PKF Consulting USA

Riverside Metropolitan Area

The City of Riverside has the sixth largest population in Southern California and the 11th largest in the state, and has a large and diverse economy with the Inland Empire's largest number of businesses and total jobs. Riverside's vibrant downtown, anchored by the historic Mission Inn, has earned a reputation as the “Downtown of the Inland Empire.” It is home to many state government offices, the Riverside County Administrative Center, and a Justice Center Complex consisting of County, State and Federal courts. Riverside is an important financial and professional center with numerous legal, accounting, brokerage, architectural, engineering, software firms, and banking institutions. Riverside's diverse manufacturing base includes such sectors as electrical instruments, plastics, wood and metal fabrication, food processing,

commercial printing and recreational vehicles. Technological and manufacturing companies are supported by the University of California campus, and other educational institutions offering specialized training and research partnerships.

Businesses benefit from excellent freeway and rail access, high speed fiber optic telecommunications, reasonable land and building costs, city-owned electrical and water systems, and a general aviation airport facility. The city's prime industrial land is located within what had been classified as enterprise zones before the expiration of these classifications, which offered an opportunity for these companies to establish a firm foothold and bolster their performance through the end of 2013 by taking advantage of the offered tax advantages. The heart of the Inland Empire is within 30 minutes of 21 private and public colleges and universities with an enrollment of over 165,000 students. Riverside is home to four internationally recognized colleges and universities including the prestigious University of California, Riverside (UCR). The University of California-Riverside with a student population of more than 21,000 is one of the fastest growing campuses in the UC system and its well-endowed research program has significant potential to benefit the region's high-tech economy in the years ahead. Further, in August 2013 UCR opened its much anticipated School of Medicine, with 50 students in the inaugural class who have transferred to UCLA's David Geffen School of Medicine to complete their degrees after spending two years at UCR. Riverside also offers a variety of entertainment and retail attractions consisting of a one million-square foot super regional mall, historic Fox Theater, various fine dining opportunities, hotels, and the Riverside Convention Center, which completed a \$43.6 million renovation in March of 2014.

Additionally, the city recently completed its Riverside Renaissance initiative, an ambitious mix of improvements to the city's water, sewer and electric systems, as well as development of new parks, fire stations, resident services and pedestrian walkway, rail and road improvements. Riverside's City Council approval of the \$1.6 billion capital improvement/strategic investment program in 2006 was earmarked to improve the quality of life in tackling nearly 30 years' worth of projects over roughly five years. Specific enhancement projects targeted a number of the city's historic landmarks including the Fox Theater, Main Library, Riverside Metropolitan Museum and Municipal Auditorium. A downtown beautification program was also part of the spending plan. It was also recently announced in October 2013 that Live Nation, one the country's leading providers of live entertainment, would operate Riverside's historic Fox Performing Arts Center and the Riverside Municipal Auditorium following the unanimous approval of a three-year contract by the Riverside City Council. The City Council voted to enter into a contract with Live Nation that called for 60 shows at the Fox and 50 shows and special events at the Municipal Auditorium in its first year. The target for the 2014-2015 season was 65 shows. Additionally, the Fox Center includes a site for a restaurant, which the city hopes will be filled by a name-brand restaurant in the next five years. Additional, future development is planned for the downtown area including a \$22 million residential and retail development on the site of the historic Imperial Hardware Building. The project entitled the Imperial Hardware lofts will combine six stories and roughly 91 units with ground floor retail and market. The project will have a potentially revitalizing effect on downtown Riverside and is slated for completion in 2017. Additional hotel projects in the region near Market Street have been proposed.

In terms of future hotel demand it is important to note the closing and renovation of the Riverside Convention Center from June of 2012 through March of 2014, which impacted

numbers for that period. The downtown area was impacted in the short term by the closure, but has begun to grow and expand again now that the convention center has re-opened. The completed renovations to the convention center include an expanded 30,000 square foot exhibit hall, an additional 4,000 square foot banquet room, more breakout rooms, and a new foyer and landscaped lawn area. The continued effort to revitalize the downtown area should continue to have gradual, positive effects on hotel demand in the region, though it is unlikely that we will see significant changes in the short term.

San Bernardino Metropolitan Area

As mentioned previously, for the past 25 years, most of the Inland Empire's job creation has been along its western edge adjacent to Los Angeles and Orange counties. As a result, much of that area's land has been developed, forcing economic activity deeper into the region. Going forward, cities to the east such as San Bernardino will be at a competitive advantage given the sheer acreage of undeveloped land. The City of San Bernardino represents one of Southern California's oldest and fastest changing communities. Incorporated in 1854, the City's approximately 214,000 residents make it the second largest municipality east of Los Angeles and seventeenth largest in California according to recent estimates made by the State of California, Department of Finance. As the county seat of San Bernardino County, it lies in the heart of the Inland Empire region.

San Bernardino's ground transportation system will likely be an asset in fostering future growth. The I-215 and I-10 freeway intersection in the city provides access routes connecting Southern California to the rest of the United States. Meanwhile, the San Bernardino-L.A. Union Station MetroLink route is Southern California's most used commuter rail line with its current terminus at the city's Santa Fe Depot, with a proposal to extend service to a downtown San Bernardino transit center currently being forwarded. Additionally a nine mile commuter rail line from San Bernardino to Redlands has been approved by voters, but the city is still at least two years away from breaking ground. San Bernardino's centralized location relative to an ever evolving freeway system will allow it to remain a regional retail hub for Eastern San Bernardino County, an area with nearly one million people.

As a city that is both well-located and a county seat, San Bernardino is home to one of the Inland Empire's largest office markets. While this market has been tested as of late with historically high unemployment levels and slowed population growth, the market has shown signs of recovery and the mid to long term viability of the city remains intact. The State of California operates from a 15-story office tower in the city. The San Bernardino County Court House and the county's administrative centers are nearby along with City Hall and the offices of the San Bernardino Associated Governments. The federal government is a major presence with the regional Internal Revenue and Immigration and Nationalization offices. San Bernardino's centralized location coupled with this base of governmental operations has led legal, accounting, financial and insurance operations to maintain offices in the city's downtown region. Also in the city are St. Bernardine Medical Center and the Community Hospital of San Bernardino, two of the county's largest health facilities, plus Patton State Hospital, while the Arrowhead Regional Medical Center and the world-famous Loma Linda University Hospital and Medical Center as well as Children's Hospital are located nearby.

The neighboring Temecula market has exhibited steady recovery as improving economic conditions have boosted leisure visitor numbers in the region. A popular weekend getaway highlighted by local wineries and vineyards, the strength of the Temecula market in recent times bodes well for the greater Inland Empire in the near future.

The market should continue to grow in 2016, as no new hotels are projected to open, though the market will have to absorb the remainder of the annualized rooms from the Residence Inn in Temecula and the Holiday Inn Express Loma Linda. Economic conditions are projected to continue to improve for the remainder of the year. In July of this year, DKN Hotels announced the completion of a \$10 million renovation of the Hotel San Bernardino and its reopening under the DoubleTree by Hilton Flag. Additionally, the property remains one of the few in the region to offer meeting space and conference facilities for social and corporate events. Even with the opening of the Residence Inn later this year and the recent opening of the Holiday Inn Express it is estimated that the San Bernardino/Riverside metropolitan market will experience an increase in occupied rooms of 10.6 percent, resulting in a market occupancy of 76.1 percent. Average daily rate is estimated to increase at a rate of 7.1 percent, to an estimated \$102.70 by the end of 2015.

In 2016, we forecast that annual supply will increase by 0.8 percent by annualizing the rooms of the Residence Inn Temecula and the recently opened Holiday Inn Express Loma Linda. Given the location and positioning of the additions to supply as well as the historically strong performance of the market, we forecast that the San Bernardino/Riverside Metropolitan lodging market will increase in occupied room nights by 2.0 percent in 2016, with the overall market occupancy forecast to increase to 77.0 percent. Average daily rate is forecast to increase by 6.0 percent over 2015 estimates, ending the year at \$108.87.

Corona, Riverside, San Bernardino, Temecula Historical 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	1,797,625	N/A	1,067,288	N/A	59.4%	\$85.50	N/A	\$50.76	N/A
2011	1,817,700	1.1%	1,122,431	5.2%	61.8	87.35	2.2%	53.94	6.3%
2012	1,844,345	1.5	1,193,058	6.3	64.7	87.17	-0.2	56.39	4.5
2013	1,863,325	1.0	1,271,443	6.6	68.2	88.92	2.0	60.67	7.6
2014	1,938,150	4.0	1,372,855	8.0	70.8	95.92	7.9	67.95	12.0
2015E	1,994,360	2.9	1,517,904	10.6	76.1	102.70	7.1	78.17	15.0
2016F	2,009,690	0.8	1,548,262	2.0	77.0	108.87	6.0	83.87	7.3
CAAG	1.9%		6.4%			4.1%		8.7%	

Source: PKF Consulting USA

COACHELLA VALLEY

Coachella Valley

EXECUTIVE SUMMARY

Situated in Riverside County, the Coachella Valley is a collection of resort communities including Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Desert Hot Springs, Indian Wells, La Quinta, Indio, and Coachella. Given the abundance of sunshine and its proximity to the Greater Los Angeles area, the Coachella Valley is a popular winter and weekend retreat for Southern California residents. With its large inventory of recreational facilities in the area, including 125 golf courses and over 600 tennis courts, the valley is also an established group destination. The Palm Springs valley, as it has been termed, has also become a known location for casinos, as supported by the 2004 openings of the Spa Resort Casino, the 310-room Casino Morongo in Cabazon, the 250-room Fantasy Springs Casino Hotel in Indio, and the 340-room Agua Caliente Hotel in Rancho Mirage, which opened in the spring of 2008 and added a state of the art entertainment venue in 2009.

The Coachella Valley occupies an area of approximately 600 square miles. The year-round climate averages 74 degrees, with average daytime temperatures of 89 degrees and nighttime temperatures dropping to an average of 60 degrees. A low average rainfall of approximately 5.5 inches per year ensures that the skies are sunny almost 350 days per year. While the climate attracts a large number of visitors during the winter months, the extreme hot weather conditions in the summer generally cause a significant decrease in economic activity and visitors during this period.

The Coachella Valley appeals to an essential base of business, the baby boomers, given their desire to retire in a place with good weather, a high quality of life, and many recreational opportunities. At the beginning of the decade, the Coachella Valley's economy continued experiencing difficult short term economic challenges mostly due to the lengthy recession impacting the U.S. and the hangover from the mortgage crisis that has affected Southern California's residential markets. However, the valley's economy is currently well into its recovery phase. In 2013 and 2014, the Coachella Valley's economy continued to improve with positive indicators coming from the tourism, health care, agriculture, retail trade and housing industries. With improving economic conditions forecast for remainder of 2015 and for the coming years combined with new attractions and events in the Coachella Valley, as well as hundreds of millions of dollars of hotel improvements in recent years, and the opening of the Ritz-Carlton Rancho Mirage, prospects for the tourism industry appear bright.

Economic Indicators

As urban sprawl continued beyond the Inland Empire, residential development flourished in the Coachella Valley. However, the Coachella Valley economy has been greatly impacted by the collapse of the housing and construction industries, which reflects national trends. The economic crisis took its toll on the Coachella Valley; the area's dependency on tourism, the valley's driving economic force, didn't bode well for the desert region in 2008 with high gas prices keeping travelers at home and prompting further airline cuts at the Palm Springs International Airport. While fuel costs have since returned to reasonable levels, the economy continued to sputter in 2009 and 2010, and many of the businesses that once flourished scaled back dramatically and

until at least mid-year 2010, demand was still being affected. With the housing market in distress, uncertain consumer confidence, and historically high unemployment – the tourism industry was inevitably impacted.

By early 2011, the Valley’s economy began to show some signs of recovery. This is especially true thanks to its role as a destination for national tourism, conventions and off-season living, as well as its potential as a home to aging baby boomers looking to retire in a recreational mecca. Additionally, its agricultural production and medical care add to the economic diversity of the area. These trends have carried over to the local hotel market and particularly the high-end hotel market, which began to rebound as pent-up leisure demand has returned to the marketplace. With favorable economic conditions forecast for the coming years, new attractions and events in the Coachella Valley, including the wildly popular Coachella Valley Music and Arts and Stagecoach festivals and hundreds of millions of dollars of hotel improvements in recent years, prospects for the tourism industry appeared to be positive throughout 2015 and to be bright for the foreseeable future.

Employment

Due to the extreme seasonality, the Coachella Valley region experiences lower unemployment during the fall, winter, and spring months as there is an influx of seasonal and special event visitors. The highest unemployment rates are historically found during the summer months and then improve come September, when job gains occur in the education and government sectors.

Nationwide, the unemployment rate has dropped significantly since the recession. In June 2014, that national unemployment rate was 6.1 percent, which is 0.5 percentage points higher than it was at year-end 2014, and 1.5 points lower than the previous year. As of June 2015, the unemployment rate was at 5.3 percent, which is the lowest unemployment has been since 2008 at the beginning of the recession. 2014 was the first time unemployment had been below seven percent in more than five years. About half of that decline was due to new job growth. As of June 2015, California’s statewide unemployment rate decreased to 6.2 percent down 1.2 percentage points from the same period in the previous year. On an annual basis as of June 2015, California gained 271,600 jobs since June 2014, when the unemployment rate was 7.4 percent. The unemployment rate in Riverside County was at 6.6 percent in June 2015, down from 8.2 percent over the same period the previous year.

Unemployment Rate Comparison			
Location	Dec. 2014	June 2014	June 2015
Riverside County	7.1%	8.2%	6.6%
California	7.1	7.4	6.2
U.S.	5.6	6.1	5.3

Source: U.S. Bureau of Labor Statistics

Presented in the following table are unemployment statistics for each of the Coachella Valley’s named communities, including December 2014 unemployment rates and a comparison of the most recent monthly rates available, through June as compared to the prior period one year ago.

Unemployment Rate Comparison			
City	Dec. 2014	Jun 2014	Jun 2015
Cathedral City	5.7%	6.7%	5.3%
Coachella	10.9	12.5	10.2
Desert Hot Springs	8.4	9.7	7.8
Indian Wells	5.1	5.9	4.7
Indio	7.6	8.8	7.1
La Quinta	4.5	5.2	4.2
Palm Desert	5.0	5.8	4.7
Palm Springs	5.8	6.7	5.4
Rancho Mirage	6.0	6.9	5.5

Source: U.S. Bureau of Labor Statistics

From the table above, it can be seen that the City of Desert Hot Springs typically experiences unemployment that is toward the upper end of the range, trailing only Coachella. This higher unemployment is due to the fact that Desert Hot Springs has not yet established itself as a retirement/second-home community or destination resort like many of the other cities, such as Palm Desert, La Quinta and Palm Springs, have. Additionally, it is also apparent that unemployment tends to increase during the summer months in what can be categorized as the off-peak season for travel to and activity in the Coachella Valley.

The Coachella Valley was hit harder by the negative effects of the recession, with an estimated GDP decline that is significant by historical standards, when compared to most other regions in the Inland Empire. The sectors of employment that suffered the most were the industries with some of the highest salaries in the area, such as construction and financial services. This, coupled with the more recent decline in government employment, created a near-perfect economic storm. The composition of the Coachella Valley economy, with its reliance on high paying manufacturing and construction jobs, which seemed to work in the Coachella Valley's favor prior to the recession, made the economic meltdown a tough situation to recover from. Yet the region has begun to recover, and growth is predicted to continue for the next few years. The region has recovered jobs by making gains in healthcare and education, although it has been unable to recover the construction jobs lost during the recession. The recent job growth has been significant, but as a recent article in the *Desert Sun* notes, the post-recession trade-off has been lower-paying healthcare jobs to account for the losses in the construction and manufacturing sectors. Nonetheless, local economists predict that the recovery in employment will help drive the real estate market subsequently incentivizing new construction and therefore construction jobs. The outlook for economic growth in the region is, therefore, quite positive.

Seasonality

The Coachella Valley exhibits a high degree of seasonality in demand. The length of each season is a function of weather and the timing of holidays. The high season occurs between January and April, when the weather is most desirable and the hotels exhibit the highest occupancies and rates. There is more travel by individuals rather than groups during this period. During the high season the number of special events and festivals that occur in the Coachella Valley typically result in occupancy levels in the 80 percent range and hotels often sell out during weekends given the large influx of weekend visitors from Southern California. Events such as the Coachella and Stagecoach Music Festivals and BNP Paribas Open tennis tournament attract hundreds of thousands of visitors to the Coachella Valley.

The shoulder seasons occur from May through June and from October through December. Since there are fewer individual travelers during this period, the hotels focus on attracting a higher proportion of group business. The low season occurs in the summer months of July, August, and September due to the increase in temperature. Individual travel during the low season outnumbers groups, which are reluctant to commit to room blocks during potentially intense heat periods, whereas individual travelers can opportunistically capitalize on low seasonal summer rates when fluctuations in the normally high season temperatures permit. The following table illustrates an estimate of the monthly occupancy and average room rates experienced by hotels in the Coachella Valley for the trailing twelve month period ended July 2015, and the monthly and the year-over-year RevPAR (revenue per available room) change from the prior year.

Coachella Valley Monthly Hotel Trends*				
Trailing 12 Month as of July 2015				
	Occupancy	ADR	RevPAR	RevPAR YOY Change
August 2014	49.8%	\$123.16	\$61.36	10.1%
September 2014	45.5	137.39	62.51	8.3
October 2014	54.5	150.13	81.75	2.9
November 2014	65.4	168.75	110.38	13.8
December 2014	53.2	158.79	84.53	7.1
January 2015	65.4	177.03	115.70	2.9
February 2015	75.1	186.40	139.96	2.9
March 2015	79.5	229.51	182.35	2.3
April 2015	70.4	254.64	179.14	-3.2
May 2015	61.1	171.26	104.67	9.0
June 2015	51.7	122.08	63.14	9.3
July 2015	52.1	116.80	60.89	10.2
Annual	56.2%	\$166.33	\$103.87	6.3%

*Based on sampling of Coachella Valley hotels totaling approximately 7,800 rooms
Source: PKF Consulting USA | CBRE Hotels USA

Palm Springs International Airport

Palm Springs International Airport (PSP) is the only commercial airport in the Coachella Valley. It is considered to be a potential positive growth factor as it works to meet the challenge of a potentially expanding convention market and tourism-based economy. However, the airport inhibits growth in the valley as frequency is reduced during the summer to match demand, which poses a challenge for a destination that would like to reach beyond Southern California as a feeder market. The airport also lacks direct service to many major markets. At present, there are 10 airlines that service PSP, providing non-stop routes to 20 destinations on a seasonal basis. While the airport offers direct flights to the Mid-West, West Coast, and Canada, direct service to the East Coast is limited. Furthermore, airfares are relatively expensive, putting Palm Springs at a disadvantage in terms of attracting national groups relative to competing destinations, such as Phoenix, Scottsdale, and Tucson.

Presented in the following table are air passenger counts for the years 2002 through 2014, and year-to-date through June 2015. The CAAG (compound average annual growth) for the 11-year period was 4.6 percent. Passenger counts reached a pre-recession high of approximately 1.6 million persons in 2007 as the airport experienced record usage by both tourists and area residents. However, in 2008 travel began to wane, declining by approximately 4.2 percent, consistent with the rest of the industry given rising energy expenses, reduced air service, and an economic downturn in the U.S. This downward trend also continued throughout 2009 with

passenger traffic declining to a four-year low of approximately 1.5 million passengers. Over the past few years, air travel has been on the upswing again, with year-over-year growth experienced in each of the last five years. Most recently, there was a gain of 9.3 percent in 2014, and a total passenger count of approximately 1.9 million.

Palm Springs International Airport Annual Passenger Traffic		
Year	Total Passengers	Percent Change
2002	1,110,118	N/A
2003	1,246,842	12.3%
2004	1,367,804	9.7
2005	1,419,087	3.7
2006	1,529,005	7.7
2007	1,610,943	5.4
2008	1,542,924	-4.2
2009	1,465,751	-5.0
2010	1,495,167	2.0
2011	1,511,150	1.1
2012	1,727,122	14.3
2013	1,752,180	1.5
2014	1,914,402	9.3
CAGR	4.6%	-
YTD 6/14	1,167,196	N/A
YTD 6/15	1,184,854	1.5%

Source: Palm Springs International Airport

Year-to-date figures through June show an increase of 1.5 percent in enplaned and deplaned passengers over the same period last year. 2015 is on pace to surpass 2014 figures, which was the airport's strongest year, signaling continued strengthening of the market. These most-recent gains are likely the result of additional American Airlines flights added in 2014, including a daily Chicago flight, which is now in place from October through June. The Greater Palm Springs Convention & Visitors Bureau (CVB) agreed to provide revenue guarantees to American Airlines, which allowed the airline to extend the season. The CVB is also exploring funding options for further air service subsidies to address off-season and shoulder season airlift capacity.

Convention Activity

As previously mentioned, the Coachella Valley is primarily a tourism-based economy, which generates most of its group demand from self-contained resorts with meeting space and the Palm Springs Convention Center located in Downtown Palm Springs. In 2000, it was determined that the Palm Springs Convention Center was too small to remain competitive with other regional convention centers. To address this issue, the Palm Springs City Council approved the increase of transient occupancy tax for local hotels in order to subsidize the 100,000 square feet expansion of the existing center. In September 2005 the center's expansion was completed allowing it to accommodate approximately 60 percent more groups, although demand did not materialize as projected.

Booking numbers in 2009 and 2010 were historically low for the Convention Center but as business began to return to more normalized levels in 2011, the Convention Center, Palm Springs, and neighboring cities within the Coachella Valley began to benefit. According to the most recent data provided by the CVB in the Palm Springs Convention Center Bookings Calendar report, group business continues to rebound, with approximately 66,000 room nights

for 2014, compared with approximately 52,000 room nights actualized in 2013, which represents a 22.8 percent increase. 2015 is looking solid with almost 180,000 room nights already on the books, and the CVB’s booking pace for 2015 has exceeded its target goal by 7.0 percent with one quarter left in the year.

Palm Springs Convention Center Historical Convention Center Bookings					
Year	Number of Events	Room Nights Consumed	Percent Change	Average Room Nights per Bookings	Total Attendance
2008	134	48,597	-19.3%	363	124,555
2009	112	46,701	-3.9	417	91,988
2010	82	39,281	-15.9	479	102,270
2011	101	56,920	44.9	564	129,350
2012	91	53,743	-0.1	591	146,264
2013	100	52,129	-8.4	521	120,578
2014	102	65,994	22.8	N/A	130,460

Source: Palm Springs Convention Center

The following table shows the total future room nights booked in the Coachella Valley by the Greater Palm Springs CVB for years 2015 through 2022. It should be noted that this includes convention groups, as well as self-contained meetings booked by CBS sales staff to be held at member hotels. While 2015 has already outpaced its target goals, CVB executives are confident that 2016 and 2017 are shaping up to be extremely strong years from a group booking standpoint, which bodes well for the whole valley.

Palm Springs Convention & Visitors Bureau Future Bookings as of June 2015					
Year	Number of Events	Definite Room Nights Booked	Average Room Nights per Booking	Room Night Target Pace	Pace Percentage
2015	253	179,416	709	167,748	107%
2016	137	120,475	879	126,726	95
2017	49	72,538	1,480	75,269	96
2018	27	48,701	1,804	43,098	113
2019	12	27,037	2,253	24,907	109
2020	6	9,853	1,642	12,140	81
2021	2	5,350	2,925	4,981	117
2022	1	1,900	1,900	3,054	62

Source: Greater Palm Springs Convention & Visitors Bureau

Transient Occupancy Tax Trends

Below is a snapshot of the transient occupancy tax collected from each city in the Coachella Valley from 2006 through 2015, for fiscal years ending June 30th; the most recent comprehensive data available. According to the most recent data available, transient occupancy collections increased in all cities in the Coachella Valley communities in 2014/2015. According to the Greater Palm Springs CVB and the City of Palm Springs (the largest municipal generator of TOT in the Coachella Valley) Finance Department, business and tourism have continued to grow overall every month in fiscal year 2014/2015. City officials attribute the success both to improving market conditions and to the more than \$200 million reinvestment in hotel stock by hotel owners, resulting in newer, and more refreshed hotel product. The following table shows that although Indio has shown the most growth during this ten-year period on a CAAG basis, Palm Springs contributes approximately 39.1 percent of the TOT for the entire valley. According to the City of Palm Springs (the largest municipal generator of TOT in the Coachella Valley)

Finance Department, significant growth has been experienced in each fiscal year since 2011. City officials attribute the success to the addition of new hotel supply and a successful international and domestic marketing strategy.

Coachella Valley Transient Occupancy Tax (Amounts in \$000)												
City	Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	CAAG
Cathedral City	12.00%	\$1,426	\$1,575	\$1,632	\$1,150	\$1,023	\$999	\$1,136	\$1,114	\$1,350	\$1,447	0.1%
Desert Hot Springs	10.00	905	969	984	934	892	1,090	1,089	1,221	1,314	1,352	4.1
Indian Wells	11.25*	5,353	5,940	5,874	4,805	4,294	4,802	5,690	6,342	6,329	6,407	1.8
Indio	10.00	1,331	1,818	2,070	1,941	1,845	1,945	2,547	2,820	3,078	3,860	11.2
La Quinta	11.00	5,437	5,448	5,327	4,481	4,265	4,738	5,447	5,981	6,286	6,615	2.0
Palm Desert	9.00	8,133	8,620	8,603	7,030	6,848	7,422	8,085	9,189	10,049	10,752	2.8
Palm Springs	12.50	14,683	14,521	13,924	12,753	13,371	15,731	17,874	19,396	22,344	24,487	5.2
Rancho Mirage	10.00	5,775	5,177	5,157	4,634	3,893	4,302	4,291	5,607	5,241	7,783	3.0
Total		\$43,043	\$44,068	\$43,571	\$37,728	\$36,431	\$41,029	\$46,159	\$51,670	\$58,005	\$62,703	3.8%

*During FY 2011/12, the TOT rate increased from 9.25% to 11.25%.
Source: Dean Runyan Associates Inc., City Annual Financial Reports

The desert has historically focused on capturing its transient base and maintaining its group market. As challenges presented themselves during a slowing economy, incentive groups and other corporate business significantly decreased with groups shortening their length of stay and traveling alone without their family. However, these trends began to reverse themselves in recent years and all indications are that the worst is behind the Valley. As such, tourism leaders in the valley cautiously optimistic regarding future trends, as they believe travel is inherently tied to the economy and housing market. It is worth noting that the historical TOT data in the previous table presents an accurate picture of increasing room revenues throughout the Coachella Valley's primary cities.

Tourism Activity

With regards to tourism, the number of visitors to the Coachella Valley has risen as tourism in California, in general, increases as well. It is expected that the number of both foreign and domestic tourists will increase steadily in the coming years. The housing market will have to recover in order to accommodate population growth both in Riverside County and the Coachella Valley. This should generate increased activity in the construction and finance industries, specifically. Economists are optimistic that this uptick will continue through the remainder of 2015 and well into 2016. It is believed that government employment has stabilized, albeit at a lower level than during the boom years, as tax receipts recover. The positive from the depressed levels of economic activity over the recession years is that there has been more diversity in job creation as healthcare and professional business services in the Coachella Valley area have grown, which should make the region less susceptible to the extreme swings experienced over the last decade.

According to recent estimates detailed in the Coachella Valley economic partnership's report, the Coachella Valley experienced growth in jobs and revenues in 2014, driven primarily by gains in the tourism sector, healthcare, agriculture (58.2 percent of crop production in Riverside County occurs in the Coachella Valley) as well as the continued recovery of the housing market. Housing prices have declined: as of June 2015 median home prices were down 17.9 percent from the same time in 2014, and recovery has been slowed by a lack of new home construction. As the Inland Empire as a whole continues to outpace the rest of California in terms of job creation,

growth in the Coachella Valley should continue especially in regions with land available for development.

Hotel Market Analysis

While the past economic crisis undoubtedly took its toll on the Coachella Valley, as it did on much of the United States, signs of recovery are becoming increasingly evident in the Valley, and by all accounts the industry has turned the corner. While a steady, but slow overall recovery, the Valley's main industries of tourism, retail sales, and agriculture are leading the Valley further out of the recession. Increased visitation from Canadian tourists and more recently, an increase in visitors from the greater New York area due to new direct air service has only furthered these positive trends. Further, the Coachella Valley still appeals to its essential base of business, the baby boomers, given their desire to retire in a place with good weather, a high quality of life, and many recreational opportunities. Furthermore, demand from the leisure and group segments have continued to exhibit growth. It is our opinion that Coachella Valley's reputation as an established resort location will allow the destination to continue to recover as the economy continues its upward path. Finally, given the attractiveness of the Coachella Valley to leisure travelers and the Valley's proximity to the Los Angeles Basin and more than 30 million residents, it's well positioned to continue to be a preferred destination.

While there are over five million annual room nights available in the overall Coachella Valley, the following analysis represents the sum of the selected hotels in our submarkets that we believe best represent the overall lodging market. Our representative sample set comprises approximately 75 percent of the total room nights in this market. The historical and estimated performance of our sampling of the overall Coachella Valley lodging market is presented in the following table.

Coachella Valley Market									
Historical 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	3,771,180	N/A	1,906,996	N/A	50.6%	\$128.66	N/A	\$65.06	N/A
2011	3,711,839	-1.6%	2,034,224	6.7%	54.8	134.96	4.9%	73.96	13.7%
2012	3,738,414	0.7	2,131,810	4.8	57.0	141.23	4.6	80.54	8.9
2013	3,742,864	0.1	2,155,377	1.1	57.6	149.82	6.1	86.28	7.1
2014	3,788,444	1.2	2,256,604	4.7	59.6	160.88	7.4	95.83	11.1
2015E	3,796,730	0.2	2,311,618	2.4	60.9	167.95	4.4	102.25	6.7
2016F	3,856,590	1.6	2,373,780	2.7	61.6	175.50	4.5	108.02	5.6
CAAG	0.4%		3.7%			5.3%		8.8%	

Source: PKF Consulting USA | CBRE Hotels

For our representative sample in 2015, we estimate an increase in occupied rooms of 2.4 percent resulting in occupancy of 60.9 percent, while ADR is estimated to increase by 4.4 percent to \$167.95. As a result, RevPAR is expected to increase by 6.7 percent to \$102.25. In 2016, we anticipate that leisure and group travel will continue to show improvement. As such, we have projected growth in demand of 2.7 percent and a 4.5 percent increase in average daily rate, resulting in year-end occupancy of 61.6 percent at an ADR of \$175.50. As a result, RevPAR is projected to increase to \$108.02 in 2016, an increase of 5.6 percent.

As shown in the preceding table, annual supply is increasing at a compound annual average growth of 0.4 percent over the seven years. The change in annual supply is contributed by the closure of the Fairfield in April 2014 and the planned reopening and rebranding to a Springhill Suites in January 2016, the March 2014 opening of the Holiday Inn Express Indio, the May 2014 opening of the Ritz-Carlton Rancho Mirage, the room reduction of the Riviera Hotel and the Hilton Palms Springs, the July 2014 closure of the Spa Hotel and Casino, the rebranding of the Saguaro Palm Springs inducing 16 new rooms to the market, the November 2014 opening of the Triada Autograph Collection, and the anticipated September 2016 opening of the 155-room Hotel Palomar.

INDIVIDUAL MARKET ANALYSIS

Similar to our forecast last year, we have considered all properties located in Palm Springs, Cathedral City, Palm Desert, Rancho Mirage, La Quinta, Indian Wells, Desert Hot Springs, Indio, and Coachella and then categorized them into three defining submarkets, in an effort to make the data more meaningful. Due to extreme seasonality and some of the large events such as the Coachella Music Festival and the BNP Paribas Open, most hotels will compete with each other at some point during the year. However, based on our analysis of market trends, the Coachella Valley hotel market has been divided into three main areas: Palm Springs/Cathedral City, Down Valley Resorts, and Down Valley Limited and Select-Service Hotels.

PALM SPRINGS/CATHEDRAL CITY

Palm Springs

According to the California Department of Finance, the 2015 population of Palm Springs was estimated to be over 46,000 people. Permanent resident population in Palm Springs has grown 15.0 percent since 1990. In addition to the permanent population, another 29,000 to 32,000 people live in the city on a part-time basis, bringing the total population to more than 80,000 residents at various times of the year. Approximately two and a half to three million tourists that stay in hotels visit the Coachella Valley annually and it is estimated that a third of these tourists stay in hotels in the City of Palm Springs.

Palm Springs has many attributes that enhance the reputation of the valley, including the international airport, village center, convention center, upscale hotels and resorts, the Desert Museum, and a picturesque setting and climate. But in order to maintain this reputation and sell the Valley as a resort destination, the city has begun to take steps to revitalize downtown. This desert submarket has been affected by the economic downturn in previous years, followed by a slow convention pace and a demand shift toward the down valley areas. Palm Springs is primed for growth given the number of hotel and retail developments in planning and the ongoing expansion of the tourism industry. In addition, Palm Springs remains the most popular and well-recognized city within the Coachella Valley. With extensive hotel renovations and the development of mixed-use projects, it is apparent the city is taking steps to transform itself into an entertainment, cultural, and lifestyle destination. The city is also realizing that the expanded convention center has potential to attract larger, more upscale groups.

Palm Springs is beginning to see the results of city-wide improvement from Measure J funding, which is a voter-approved local revenue measure that maintains local community services and

continues to economically revitalize downtown Palm Springs. The voters approved a 1.0 percent sales and use tax increase for the next 25 years, which is anticipated to generate \$200 million to be spent to enhance neighborhood services and safety, reinvesting in streets and parks, and specifically to earmark \$43 million, which will be used for the demolition of the 44-year-old Desert Fashion Plaza and the planned creation of a new retail and entertainment center, a partnership between the City and developer John Wessman. In addition to redeveloping the mall property, Measure J money will continue to go toward city capital projects such as street repairs, park improvements and other infrastructure needs. The first phase of the Desert Fashion Plaza project began at the end of 2014. Block C of this redevelopment will include a Kimpton Hotel to be developed by a partnership of Mr. Wessman and Kimpton Hotels and Restaurants, headquartered in San Francisco. With extensive hotel renovations and the development of mixed-use projects, the city has taken steps to transform itself into an entertainment, cultural, and lifestyle destination, making it well positioned to attract larger, more upscale groups in upcoming years.

Cathedral City

Cathedral City is Coachella Valley's second largest city by population and is the estimated home to more than 52,000 residents. It ranks in the top three cities in the Coachella Valley in terms of retail sales and total taxable sales, and serves as a destination of pleasant neighborhoods, championship golf courses, country clubs, diverse shopping, and business potential. In addition, the city boasts a diverse and affordable real estate market.

Incorporated in 1981, Cathedral City is dedicated to providing a quality lifestyle and business climate for the current and future residents and visitors. Strategically located, with borders on both sides of Interstate 10, Cathedral City provides opportunity for expanding and relocating businesses. In recent years, Cathedral City has undergone major changes that have also affected other cities in the region. Population has grown, once-rural roads have become busy commercial corridors, and business activity has shifted from older centers to shopping plazas and malls in scattered locations. Through a public workshop process, the community resolved to revitalize the city's social and physical center. Cathedral City has committed itself to creating a unique, high quality downtown that is the heart of the city's community pride and identity, bringing with it expanded opportunities for employment, housing, business and entertainment.

The revitalization strategy of Cathedral City's city center will continue to focus on the site of the historic downtown area in an effort to bring value and cache to this disinvested commercial strip. The master plan includes both public and private investment to reorganize East Palm Canyon Drive into a "Grand Boulevard" with frontage to include a broad promenade for outdoor cafes, storefronts, and a protected, slow-traffic lane with angled parking. Downtown Cathedral City will ultimately consist of a centrally located Downtown Core flanked by mixed-use commercial districts to the south, east, and west. The Downtown Core will consist of a tight cluster of commercial, entertainment and mixed-use buildings. Design guidelines for the area will ensure the addition of lush landscaping including flowers, arbors, colonnades, and window boxes. The new Downtown Core began to emerge as the focal destination of the Boulevard with the development of the Desert IMAX Theater and the Mary Pickford Theater, both of which are linked together by the new Civic Center. Furthermore, the ultra-modern Cathedral City Public Library provides a host of exhibits, historical collections, art, computer services and books from around the world. Cathedral City is home to four parks, which offer a variety of fun-filled

activities for the whole family. Other attractions in Cathedral City include the 28-acre Big League Dreams Sports Park, the public Cimarrón Golf Resort, and antique and consignment shops along Perez Road.

Hotel Renovations, Changes in Ownership, and Proposed Development

According to the Convention and Visitors Bureau, more than \$2 billion has been invested in the hospitality industry since 2007, as several hotels renovated or expanding their properties, complimenting the area's repositioning. For instance, the Wyndham Hotel, previously owned by Highland Hospitality as of mid-2005, was purchased in 2007 by JER Partners. This property's success is inherently linked to the convention center and as a result, the city has a vested interest in ensuring its quality level. The city contributed several million dollars towards the Product Improvement Plan that was completed at the end of 2010. The approximately \$25 million renovation to the property included the exterior and interior areas, including a new curb side front, fountain, Porte cochere, and re-designed lobby into Marriott's "great room." The renovation also included the refurbishment of all meeting space, sleeping rooms and the pool area. Following the renovation the property was converted from a Wyndham Hotel to the Renaissance Palm Springs.

In 2012, the Hilton Palm Springs began an \$11 million renovation that was completed in January 2013. The renovation included improvements to the guestrooms and suites, lobby, meeting space, and the Terrace Restaurant in January 2013. As part of its renovation, standard guestrooms at the Hilton Palm Springs were converted to presidential suites, bringing the room count from 261 down to 257.

The Hard Rock Hotel Palm Springs, formerly the Hotel Zoso, closed in July of 2013 to complete a multimillion dollar renovation and reopened in October 2013, introducing 163 guestrooms to the market. This hotel features 20,500 square feet of meeting space, a VIP rock star suite, gym facility, spa, retail shop, a restaurant and "local hotspot lobby bar." True to Hard Rock's musical roots, music and pop culture lovers are treated to music memorabilia lining the hotel walls from local and global icons, and builds upon the area's rich music traditions like the Coachella and Stagecoach music festivals.

The Triada Palm Springs, a Marriott Autograph Collection hotel, opened November 1, 2014. Located in the Movie Colony area, this 56-room property is the completion of a renovation that began prior to the economic downturn. This Spanish-style hotel features the Illuminara Restaurant & Lounge, spa with four treatment rooms, and an outdoor heated pool.

Other notable hotel updates in the area include the conversion of the Holiday Inn Palm Springs to the Saguaro Palm Springs. In September 2011, Sydell Group acquired the 229-room Holiday Inn Palm Springs for approximately \$10.2 million. The hotel was closed upon acquisition and an approximately \$10.0 million renovation was completed to reposition the hotel as the 245-room Saguaro Palm Springs. Saguaro is one of Joie de Vivre Hospitality's boutique brands that began making its way to the United States in 2011, with the first opening happening in Scottsdale, Arizona. The 285-room Doral Desert Princess Resort is currently under renovation and will be rebranded as the Doubletree Cathedral City by January 2016. The recently repositioned Riviera Hotel is converting to a Starwood property in 2016, being rebranded into Starwood's Tribute

portfolio. Finally, the 229-room Spa Casino Hotel was recently closed and is currently being demolished. A new hotel is planned just north of the existing hotel, but no details or timelines have been announced.

We are aware of one major hotel development that will open in Palm Springs after being in the development stage for some time. The following paragraph details the project that is anticipated to offer competition to the already existing hotels in the Palm Springs and Cathedral City market.

The Palomar Palm Springs will be the first new-build, full-service hotel in Palm Springs in decades. The 155-room Palomar Hotel by Kimpton will be developed as part of the Desert Fashion Plaza redevelopment and is anticipated to open third quarter 2016. The Palomar is proposed to feature a lively rooftop bar and pool, a chef-driven, destination restaurant and more than 24,000 square feet of total event and meeting space. Benefiting from an estimated \$43 million dollar in subsidies provided to the overall Plaza redevelopment by Measure J, the lifestyle hotel will be constructed as part of a larger 13.2-acre development spanning mostly the area south of the Hyatt Regency on Palm Canyon Drive down to Tahquitz Canyon Way that will also include retail, restaurants, and office space.

Hotel Market Analysis

In 2011, the Palm Springs-Cathedral City market experienced a 9.7 percent increase in occupied room nights amidst a 1.7 percent decrease in supply, as the former Holiday Inn was closed for renovations from October 2011 to February 2012 to rebrand as the Saguaro Palm Springs with an increased room count to 245 from the former 229. In 2012, the market experienced a 0.2 percent increase in rooms supply with the annualized rooms of the Saguaro entering the market. During the same period, rooms demand increased 0.4 percent with average daily rate increasing by approximately 6.1 percent to \$133.78, as hotels focused on pushing rates. The Palm Springs-Cathedral City area experienced a 2.4 percent increase in room demand in 2013 and the average daily rate remained essentially flat at \$133.92. With the closing of the 229-room Spa Casino Hotel in July 2014, available rooms decreased 1.6 percent in 2014. Occupied room nights increased at 5.0 percent in 2014, with the average daily rate increasing by 5.7 percent to \$141.53. As a result, year-end RevPAR was \$82.65, an increase of 12.7 percent.

In 2015, available rooms are projected to decrease by approximately 2.0 percent due to the Spa Casino Hotel closure. Occupied rooms are projected to increase by 1.3 percent and average daily rate is projected to increase by 6.0 percent in 2015, which will result in occupancy of 60.4 percent, ADR of \$150.03 and a RevPAR of \$90.64. In 2016, available rooms will increase an additional 1.6 percent due to the Kimpton Hotel Palomar entering the market in September 2016. Occupied rooms and are projected to increase by 2.5 percent and average daily rate is projected to increase by 5.5 percent in 2016, which will result in occupancy of 60.9 percent, ADR of \$158.28 and a RevPAR of \$96.46.

Palm Springs & Cathedral City									
Historical 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	1,237,350	N/A	592,510	N/A	47.9%	\$117.77	N/A	\$56.39	N/A
2011	1,216,545	-1.7%	649,758	9.7%	53.4	126.06	7.0%	67.33	19.4%
2012	1,219,465	0.2	652,151	0.4	53.5	133.78	6.1	71.54	6.3
2013	1,220,195	0.1	667,907	2.4	54.7	133.92	0.1	73.30	2.5
2014	1,200,850	-1.6	701,255	5.0	58.4	141.53	5.7	82.65	12.7
2015E	1,176,395	-2.0	710,702	1.3	60.4	150.03	6.0	90.64	9.7
2016F	1,195,375	1.6	728,470	2.5	60.9	158.28	5.5	96.46	6.4
CAAG	-0.6%		3.5%			5.1%		9.4%	

Source: PKF Consulting USA | CBRE Hotels

DOWN VALLEY: RESORTS

The Down Valley resorts in the Coachella Valley are located in the upscale cities of Rancho Mirage, Palm Desert, Indian Wells and La Quinta. The Two Bunch Palms Resort & Spa is considered part of this submarket; however it is located outside of the designated resort area in the city of Desert Hot Springs.

With the exception of Desert Hot Springs, the above mentioned cities represent the more exclusive communities within the Coachella Valley. Palm Desert is the retail center of the valley, featuring over 1,000 retail establishments in more than 14 shopping districts including the area's only regional mall, the Palm Desert Town Center and El Paseo, an upscale boulevard of fine clothing shops. Rancho Mirage is home to The River, a \$50 million retail, dining, and entertainment development located on Highway 111 in the heart of Rancho Mirage. Significant leisure demand is generated from these retail facilities, as well as from the numerous recreational amenities in the area, such as golf, tennis, and spa facilities.

The cities of Indian Wells and La Quinta consist largely of residential neighborhoods. Hotels in these communities are primarily self-contained resorts catering to groups, and to a lesser extent, transient leisure business. Development in the Coachella Valley continues moving eastward as further commercial, residential, and mixed-use projects proceed. As this trend continues, the economy will further strengthen in the cities of Indian Wells and La Quinta. La Quinta's crown jewels continue to be La Quinta Resort and the SilverRock golf course.

The down valley resorts benefited from the record number of fans (an upwards attendance of 457,000) who attended the BNP Paribas Open tennis tournament in 2015. A major expansion of the Indian Wells Tennis Garden (IWTG) in 2013/2014 included the addition of 8,000 permanent seats, three fine-dining restaurants and new concession, exhibition and parking spaces. The IWTG is home to the world's second-largest tennis stadium. In July 2014, the United States Tennis Association announced that the facility received the featured facility of the year award. In 2014, approximately 579,000 people attended the Coachella Valley Music and Arts Festival, and more than 210,000 attended the Stagecoach Country Music Festival for 2015, both of which are held on the Indio Empire Polo Club.

Hotel Renovations, Changes in Ownership, and Proposed Development

The Ritz-Carlton Rancho Mirage recently opened its doors in May of 2014. The former Lodge at Rancho Mirage closed its 240 rooms in 2006 before commencing a major renovation. However,

when the project's primary lender and equity partner, Lehman Brothers, filed for bankruptcy in September 2008 the project was put on hold indefinitely. In 2010, Rancho California Investments purchased the property, but was unable to move forward with the planned development. In late July 2013, ownership went before the City Council to seek another extension of their \$20 million loan deal with the City, which was the seventh time that ownership asked the city to extend a deadline within the loan agreement, called an operating covenant. The conversion was finally completed, and the resort reopened in early May 2014.

The JW Marriott Desert Springs Resort & Spa completed a \$36 million renovation of its 884 guestrooms and suites, guestroom corridors, and meeting space, in 2013. The resort also added three new restaurants: Fisherman's Landing, Rockwood Grill, and the Bluestar Lounge. The renovation also included both the Palm and Valley golf courses.

In 2008, the Hyatt Grand Champions Resort and Spa added the Lantana restaurant and 24 luxury villas, which increased the hotel's room count to 530. In 2011, the Hyatt Grand Champions began a \$3 million renovation project which included its penthouse suites, the Agave Sunset Lounge, the hotel lobby and front desk area. The second phase of the lobby renovation and the guestroom corridors was completed in 2012, and the restaurant and bar patios were completed in 2013. In order to complete these renovations without negatively impacting the guest experience, the hotel closed for three to four weeks each summer. In August of 2012, the hotel was renamed the Hyatt Regency Indian Wells Resort & Spa.

Hotel Market Analysis

This submarket's reliance on self-contained group business contributed to its lack of recovery during 2011. However, 2012 experienced growth, even with the Hyatt Regency Resort and Spa rooms coming out of inventory for renovation. The growth continued in 2013 as occupancy for the year finished at 57.6 percent, reflecting a 0.8 percent increase in occupied room nights amidst a 0.2 percent increase in rooms supply with the return of ten of the renovated rooms at the Hyatt Regency Resort and Spa. Average daily rate in 2013 increased 10.3 percent over the previous year to \$192.95. In 2014, occupied rooms increased by 5.9 percent and ADR experienced a significant increase of 7.1 percent, which resulted in RevPAR of growth of 8.4 percent for the year. With the opening of the Ritz-Carlton Rancho Mirage in mid-May 2014 and the remaining rooms coming back online at the Hyatt Regency Resort and Spa, available rooms increased 4.6 percent with a year-end market occupancy of 58.3 percent. In 2015, market occupancy is estimated to finish the year with a 3.7 percent increase in occupied rooms. We expect ADR to increase 3.4 percent to \$213.72 in 2015, which accounts for the higher-rated Ritz-Carlton rooms coming back into inventory. As a result, revenue per available room (RevPAR) is anticipated to finish the year at \$126.52, an increase of 5.0 percent. For 2016, we forecast available rooms to remain flat with no additions to the market, and an increase in occupied rooms of 2.0 percent, resulting in occupancy of 60.4 percent for the year. ADR is expected to further increase 4.5 percent to \$223.33, which will result in RevPAR of \$134.86, an increase of 6.6 percent.

Down Valley Resorts									
Historical 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	1,564,025	N/A	814,795	N/A	52.1%	\$160.01	N/A	\$83.36	N/A
2011	1,525,489	-2.5%	847,550	4.0%	55.6	167.55	4.7%	93.09	11.7%
2012	1,549,144	1.6	887,595	4.7	57.3	174.93	4.4	100.23	7.7
2013	1,552,864	0.2	894,642	0.8	57.6	192.95	10.3	111.16	10.9
2014	1,624,085	4.6	947,160	5.9	58.3	206.62	7.1	120.50	8.4
2015E	1,658,925	2.1	982,098	3.7	59.2	213.72	3.4	126.52	5.0
2016F	1,658,925	0.0	1,001,740	2.0	60.4	223.33	4.5	134.86	6.6
CAAG	1.0%		3.5%			5.7%		8.3%	

Source: PKF Consulting USA | CBRE Hotels

DOWN VALLEY: LIMITED AND SELECT-SERVICE HOTELS

Down Valley features an array of limited and select-service hotels, ranging in product from Motel 6 to Courtyard by Marriott. This submarket also includes smaller independently operated budget hotels. The hotels included in this submarket are located within all down valley cities, specifically in Indio, Coachella and Desert Hot Springs, as well as Palm Desert.

The cities of Indio and Coachella are located both to the north and south of Highway 111 in Coachella Valley, and hotels in this sub-market are largely smaller motels catering to transient leisure demand traveling to the Coachella Valley or to the Joshua Tree National Park. As much of the demand for rooms in this submarket is derived from pull-over traffic from Interstate 10, the market has shown substantial resilience and subsequent growth following the travel industry slowdown in 2009.

Desert Hot Springs is a unique city of spas and resorts located 110 miles east of Los Angeles nestled in the foothills of the San Bernardino Mountains and Joshua Tree National Park, overlooking Palm Springs and the down valley cities. Desert Hot Springs is built over one of the world's finest natural hot mineral water aquifers. Economists believe Desert Hot Springs is in a good position to benefit from Southern California's growth pattern that keeps pushing eastward, edging towards the tip of the Coachella Valley.

Hotel Renovations, Changes in Ownership, and Proposed Development

The Fairfield Inn in Palm Desert caught fire and closed its doors in April 2014. The property is under construction and upon reopening will be rebranded as a Springhill Suites, which is projected to open January 2016. An 89-room Holiday Inn Express opened in March 2014 and is located at 84054 Indio Springs Drive in Indio near the Fantasy Springs Resort Casino. There are no other know projects that are under development or planning within the Down Valley Limited and Focused-Service market.

Hotel Market Analysis

Following three years of increase in occupied room nights and no additions to supply, 2014 saw a slight decrease in annual supply, due to the closure of the Fairfield Inn. The market experienced an increase in occupied room nights at 2.6 percent and continue experiencing growth in average daily rate at 9.1 percent. In 2015, we estimate the market will finish the year with a 1.7 percent increase in occupied room nights, resulting in occupancy of 64.4 percent.

ADR is estimated to finish the year at \$115.89, a 3.5 percent increase over 2014. For 2016, we project that occupied room nights and ADR will increase by 4.0 percent and 4.0 percent, respectively, resulting in occupancy of 64.2 percent at a \$120.53 average rate. As a result, RevPAR is projected to increase by 3.7 percent to \$77.39 in 2016.

Down Valley Limited and Focused-Service Hotels									
Historical 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	969,805	N/A	499,691	N/A	51.5%	\$90.46	N/A	\$46.61	N/A
2011	969,805	0.0%	536,916	7.4%	55.4	94.30	4.2%	52.21	12.0%
2012	969,805	0.0	592,064	10.3	61.0	98.93	4.9	60.40	15.7
2013	969,805	0.0	592,827	0.1	61.1	102.66	3.8	62.75	3.9
2014	963,509	-0.6	608,189	2.6	63.1	111.96	9.1	70.67	12.6
2015E	961,410	-0.2	618,817	1.7	64.4	115.89	3.5	74.60	5.5
2016F	1,002,290	4.3	643,570	4.0	64.2	120.53	4.0	77.39	3.7
CAAG	0.6%		4.3%			4.9%		8.8%	

Source: PKF Consulting USA | CBRE Hotels

Conclusions

As Southern California continues to evolve and prosper, so does the expectations for the future of the Coachella Valley. Increased visitation from Canadian tourists and more recently, an increase in visitors from the greater New York area due to new direct air service has only furthered these positive trends. Further, the Coachella Valley still appeals to its essential base of business, the baby boomers, given their desire to retire in a place with good weather, a high quality of life, and many recreational opportunities.

Finally, given the attractiveness of the Coachella Valley to leisure travelers and the Valley's proximity to the Los Angeles Basin it is well positioned to increase its desirability as a preferred destination for leisure travelers. These trends are becoming more and more evident as the Coachella Valley begins to undergo a renaissance to once again be a premier leisure destination for Southern Californians, especially as new, higher quality hotels open in the coming years. Continued efforts by Coachella Valley communities and private companies such as Goldenvoice and BNP Paribas continue to attract both domestic and foreign visitors that have heightened the position and awareness of the entire Coachella Valley.

VENTURA COUNTY

Ventura County

EXECUTIVE SUMMARY

In recent years, Ventura County has shifted from being an agricultural center to a more diversified, semi-metropolitan region. Growth in Los Angeles and other Southern California cities has spurred development in the County, which includes the cities of Camarillo, Fillmore, Moorpark, Ojai, Oxnard, Port Hueneme, San Buenaventura (Ventura), Santa Paula, Simi Valley, and Thousand Oaks.

As Ventura County's economy has diversified, tourism has become an important sector. The individual cities provide a small-town atmosphere, which is popular among those traveling from Los Angeles looking for a quick getaway. Ventura County's greatest strength in terms of attracting visitors is its proximity to Los Angeles and the Five County area, as well as its beaches and overall atmosphere. Ventura County also benefits from price sensitive business and leisure travelers who prefer lodging in more affordable sub-markets than the City of Santa Barbara to the north.

Ventura County's visitors can enjoy abundant outdoor activities that range from whale watching near the Channel Islands, to kayaking in Ventura harbor, to sailing off the coast, to surfing at some of the best surfing beaches in the State. The Channel Islands National Park encompasses nearly 250,000 acres of wilderness preserve/marine sanctuary, of which about half is underwater. Of the eight islands dubbed the Channel Islands that lie off the Ventura County coast, five of the islands, San Miguel, Santa Rosa, Santa Cruz, Anacapa, and Santa Barbara, became the Channel Islands National Park in 1980. Ventura County also offers approximately 40 miles of beaches including Hollywood Beach in Oxnard and Ventura Beach in Ventura.

Aside from outdoor activities, Ventura County is becoming a shopping and dining destination. Ventura has transformed its downtown area into a shopping district for those seeking rare and esoteric items. In line with the small town feel of most of the cities in Ventura County, many people visit the area to peruse antique shops in both Ventura and Oxnard. Camarillo, with the Premium Outlets Mall, is known around Southern California as a central shopping destination. Newly developed upscale restaurants complement the various distilleries, craft breweries, wine tasting and harvest activities in the area. For example, Oxnard is known for its Strawberry Festival held every May at Oxnard College and the Celebration of the Whales Festival.

Situated between Los Angeles County to the south and Santa Barbara County to the north, Ventura County supports a population of more than 848,000 people, and is the 12th most populous county in the State of California. The area encompasses 1,845 square miles, including 40 miles of coastline, in which nearly eight miles of shoreline are public beaches, 411 acres of State beach parks, 36 square miles of county parks, and islands offshore.

Owing to its location along the 101 Technology Freeway, the high technology industry has a presence in Ventura County. Occupations with past job growth have been technology focused, including desktop publishers, computer support specialists, network administrators. As of July 2015, Ventura County supported a total civilian labor force of 429,700. The unemployment rate

in Ventura County in July 2015 was at 5.9 percent, down 110 basis points from the same period last year. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.3 percent for the nation during the same period. Occupations with the fastest job growth in the county include construction, education and healthcare, leisure and hospitality, and professional services.

The Naval Construction Battalion Center in Port Hueneme is one of two bases in the United States dedicated to the support of the naval construction force, known as the Seabees. The Naval Air Station at Point Mugu is home to research, development and test evaluation for weapons systems. California's smallest and only deep-water port between Los Angeles and San Francisco is Port Hueneme, which plays a sizeable role in the local economy, serving as the western U.S. distribution network for many imported vehicles. It is also the shipping point for agriculture with the largest refrigerated fruit terminal on the West Coast.

Officially formed in 2011, the Ventura County Lodging Association (VCLA) is comprised of 65 lodging facilities and destination marketing organizations in the Cities of Camarillo, Oxnard, and Ventura. Collectively branded as "Ventura County West," the VCLA's goals are to increase marketing and awareness of the three cities as a destination in Southern California. The association launched its first marketing campaign in April of 2012 to highlight the area's assets, which include the beaches, recreational activities, 200,000 square feet of conference and meeting room space, and 4,000 guest rooms available in the region. Generating revenue from a 2.0 percent self-assessment on all room revenues, the group has an annual budget of approximately \$2.0 million to market Ventura County as a destination. According to VCLA, the overall overnight visitors to Ventura County West increased from approximately 1.14 million in 2011 to 1.29 million in 2014, representing an average annual increase of 4.2 percent over the three-year period. Largely due to the success witnessed through the marketing efforts of the Association, the renewal of VCLA was recently approved by the three Cities with the City of Port Hueneme joining in July of 2015.

The Ventura County forecast includes four sub-markets: the cities of Ventura, Oxnard, Camarillo, and Simi Valley. There were no additions to hotel supply in the county during 2014. There are several projects either approved or in planning stages; however, since none of these projects are expected to open in 2015 or 2016, they have not been included in our market projections. Although no new hotels are anticipated to open within the next two years, we note the October 2015 closure of the 57-room GrandStay Residential Suites Hotel, which will be converting into a senior assisted living center. Although the County has not experienced any new additions to supply since the opening of the Homewood Suites Oxnard in April 2010, development interest continues to be strong due to the improving metrics exhibited by the existing hotels. Much of the lodging supply in Ventura County is dated, and the continued renovation of properties will be key to improve the tourist experience and to further fortify the image the Ventura County destination as a whole.

With the entire Southern California region experiencing recovery, no scheduled additions to supply in the county for 2015, and the VCLA's aggressive marketing efforts to attract tourism to the "west" county, the Ventura County hotel market is projected to continue its strong performance in the upcoming years. We estimate the county will finish 2015 with an increase in occupied room nights of 1.7 percent amidst a decrease in rooms supply of 0.2 percent, to reach a

73.7 percent occupancy. ADR is estimated to finish the year at \$118.26, an 8.1 percent increase over 2014. For 2016, supply is expected to experience a further decrease of 1.1 percent due to the previously noted closure of the GrandStay Residential Suites and demand is anticipated to remain flat, resulting in an occupancy of 74.5 percent. Average daily rate is forecasted to continue is positive growth with a 5.3 percent increase to \$124.52. Combined, these result in a revenue per available room increase of 6.5 percent to \$92.81 in 2016.

The following table estimates Ventura County’s historical and projected supply, demand, occupancy and average room rate. We are aware that Ventura County as a whole has a total of more than 2.5 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub-markets, representing more than 65 percent of the total existing lodging supply.

Ventura County									
Historical 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	1,658,195	N/A	1,069,444	N/A	64.5%	\$98.21	N/A	\$63.34	N/A
2011	1,673,890	0.9%	1,078,694	0.9%	64.4	98.07	-0.2%	63.20	-0.2%
2012	1,673,890	0.0	1,115,862	3.4	66.7	100.03	2.0	66.69	5.5
2013	1,673,890	0.0	1,138,217	2.0	68.0	101.71	1.7	69.16	3.7
2014	1,673,525	0.0	1,210,688	6.4	72.3	109.43	7.6	79.17	14.5
2015E	1,670,058	-0.2	1,230,818	1.7	73.7	118.26	8.1	87.16	10.1
2016F	1,651,990	-1.1	1,231,286	0.0	74.5	124.52	5.3	92.81	6.5
CAAG	-0.1%		2.4%			4.0%		6.6%	

Source: PKF Consulting USA | CBRE Hotels

CITY OF VENTURA

With its lively tourist harbor and vast stretches of un-crowded beaches, the City of Ventura’s hotel market is primarily leisure oriented. The 33-acre Ventura Harbor district consists of a small boat marina with retail, restaurant, and residential components. The Harbor is located off of Harbor Boulevard on Spinnaker Drive. Ventura Harbor Village features over 35 retail and restaurant facilities with additional office space. The Channel Islands National Park Visitor Center is also located at the Ventura Harbor. The Ventura Harbor is a gateway to the Channel Islands National Park, a popular tourist destination that offers camping, whale watching, kayaking, deep-sea fishing, hiking, and scuba diving.

The Ventura Beach area is characterized by the San Buenaventura State Beach located west of the 101 Freeway, accessed off of San Pedro Road. The State Beach extends north to the Ventura Pier and features a 13-mile bikeway, shops, and restaurants are offered along the coast. Historic Downtown Ventura has become an entertainment and shopping destination thriving with art galleries, book stores, coffee houses, boutiques, a wide variety of restaurants and entertainment, all within walking distance of each other. A vibrant art district, theatre performances, historical structures, and several notable museums, are popular tourist destinations. Ventura’s classic Main Street is a bustling, yet quaint shopping attraction with restaurants, distinctive inns, boutiques, and antique shops.

Throughout the year, the City of Ventura hosts a range of special events from the Ventura County Fair in August at the Ventura Fairgrounds, Monarch Butterfly Walking Tour and Dog

Shows in January; Point Mugu Air Show in October; Chamber Music Festival in May; to wine tastings in July. In any given month, there are in excess of a dozen events scheduled to attract tourists. Furthermore, Ventura continues to undergo a renaissance with recent revitalization efforts taking place in the Downtown area. The Main Street area celebrates the art deco, craftsman, neoclassical, and Victorian architectural design and is home to a number of antique shops. New additions to the downtown corridor, such as a new information kiosk, colorful banners, and festive lights, have helped to turn the area into more of an evening destination.

With the recent transaction activity of hotels in Ventura, much of the hotel inventory in the City is anticipated to continue to undergo renovations. DKN Hotels purchased the Pierpont Inn from Brighton Management and has plans to significantly upgrade the property in upcoming years. Furthermore, the Ventura Beach Marriott will undergo a comprehensive rooms renovation beginning in the second quarter of 2016. The Crowne Plaza is also anticipated to undertake a property improvement plan required by the brand franchise to complete a comprehensive renovation of the property, which will include improving the exterior of the building, a comprehensive renovation of public spaces, and additional changes to the guestrooms.

The Ventura submarket is expected to continue its upward trend across all econometric indicators in 2015. Occupied room nights are estimated to increase by 2.9 percent in 2015, equal to a market occupancy of 73.9 percent, and average daily rate is expected to finish the year with an 8.3 percent increase to \$109.14. The increases in both occupancy and average daily rate result in an 11.4 percent increase in revenue per available room in 2015. For 2016, we forecast annual supply in the City of Ventura will remain flat as there are no expected additions to supply. Occupied rooms are expected to grow by one percent, bringing market occupancy up to 74.6 percent. Average daily rate is projected to grow by 6.0 percent in 2016; we anticipate that average daily rate will continue to grow at above inflationary rates as properties in Ventura continue to be upgraded.

City of Ventura Historical 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	599,330	N/A	375,298	N/A	62.6%	\$89.69	N/A	\$56.16	N/A
2011	599,330	0.0%	380,851	1.5%	63.5	92.38	3.0%	58.70	4.5%
2012	599,330	0.0	394,549	3.6	65.8	94.35	2.1	62.11	5.8
2013	599,330	0.0	405,711	2.8	67.7	94.42	0.1	63.92	2.9
2014	599,330	0.0	430,500	6.1	71.8	100.76	6.7	72.38	13.2
2015E	599,330	0.0	442,862	2.9	73.9	109.14	8.3	80.64	11.4
2016F	599,330	0.0	447,290	1.0	74.6	115.68	6.0	86.34	7.1
CAAG	0.0%		3.0%			4.3%		7.4%	

Source: PKF Consulting USA | CBRE Hotels

CAMARILLO

Camarillo is Ventura County’s fifth largest city with more than 66,000 residents, rolling hills, strawberry fields, and a thriving business community. Camarillo is home to a number of high tech and specialty product companies as well as media and post-production companies, due to its location along the Ventura (101) Freeway Tech Corridor, which stretches from Woodland Hills to Camarillo. Companies previously located in Los Angeles County have chosen to expand to the Camarillo area due to its relatively low land costs, and the city’s business-friendly approach to

attracting employers. Camarillo houses many museums, the Studio Channel Islands Art Center, and has a wide variety of outdoor options for the hikers and bikers.

One of the major attractions in Camarillo is the Camarillo Premium Outlets. The Camarillo Outlets contains over 160 outlet stores and is considered one of the largest Outlets in Southern California. These shops at the outlets generate additional sales tax revenue for the city and have made Camarillo a shopping destination for not only local and regional residents, but also for domestic and international visitors. Through strategic partnerships with travel and tour companies that provide charter buses and tour guides, the Camarillo Outlets enjoys a steady inflow of both domestic and international visitors because of the wide variety of name brand merchandise. The continued development of the Outlet's retail and food and beverage offerings is anticipated to encourage increased visitation to the retail complex.

The city of Camarillo introduced California State University Channel Islands (CSUCI) in 2002 and joined the CSU system as the 23rd campus. CSU Channel Islands is the first four-year university in Ventura County. In its first decade, the university has doubled in size to more than 1,200 acres and developed more than \$230 million in building and renovation projects. According to an economic impact study completed in 2010, annual spending related to CSU Channel Islands in the Central Coast region (\$135.5 million) generates a total impact of more than \$114.4 million on the regional economy and nearly \$240.5 million statewide. This impact sustains 1,200 jobs in the region and 2,000 statewide. The university generates nearly \$6 million per year in tax revenue and \$13.7 million statewide. More than \$48.8 million of the earnings from alumni are attributable to their CSU Channel Islands degree, which creates an additional \$302.5 million of industry activity throughout the state.

As the newest university in the CSU system, the university has recently commenced on a \$600 million long range plan titled, "CSUCI 2025," which aims to triple its full-time enrollment to 15,000 students in a ten-year time frame. The expansion is planned to include new academic buildings, in addition to on-campus housing for faculty and students, an event center, new science building, and a second entrance to campus. Future phases of the development will also include a conference and recreation center, more parking facilities, and additional student housing. Ultimately, the university strives to move away from being a commuter school and sustain itself as a self-contained community, and growth at the campus should continue to generate room nights for the existing supply of hotels in Camarillo.

In September 2014, the City of Camarillo established its own Camarillo Tourism Marketing District (CTMD) which allows the City to levy a two percent assessment on lodging facilities in the City. With an annual budget of \$440,000 per year, the CTMD aims to execute direct marketing and sale campaigns to increase exposure of the City as a tourist and meeting and events destination.

After experiencing a strong year of growth in 2014, we estimate that the Camarillo submarket will continue to experience positive growth, with a majority of the growth in the market's average daily rate. Occupancy in the market has ramped up from a low of 61.8 percent in 2010 to a high of 74.1 percent in 2014. Based on year-to-date trends, we estimate that the market will remain relatively flat, with a slight 0.2 percent increase in occupied room nights. Average daily

rate will continue to achieve above inflationary growth levels, and we estimate that the Camarillo submarket will end 2015 with a 4.7 percent increase to \$110.15.

Going forward, annual supply in the market is estimated to decrease by 0.2 percent in 2016, as the Holiday Inn Express converts two of its guestrooms into expanded public areas during its conversion to a Fairfield Inn. The market is anticipated to experience a 1.0 percent and 4.0 percent increase in occupied rooms and average daily rate, respectively. The growth in occupancy and average daily rate are anticipated to generate a year-over-year revenue per available room increase of 5.3 percent.

Camarillo									
Historical 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	317,550	N/A	196,213	N/A	61.8%	\$88.30	N/A	\$54.56	N/A
2011	317,550	0.0%	203,130	3.5%	64.0	89.93	1.8%	57.52	5.4%
2012	317,550	0.0	214,529	5.6	67.6	90.82	1.0	61.35	6.7
2013	317,550	0.0	215,199	0.3	67.8	95.40	5.0	64.65	5.4
2014	317,550	0.0	235,427	9.4	74.1	105.24	10.3	78.03	20.7
2015E	317,550	0.0	235,900	0.2	74.3	110.15	4.7	81.82	4.9
2016F	316,820	-0.2	238,258	1.0	75.2	114.55	4.0	86.15	5.3
CAAG	0.0%		3.3%			4.4%		7.9%	

Source: PKF Consulting USA | CBRE Hotels

OXNARD

Once known only for its May strawberry festival and military bases, the City of Oxnard has greatly diversified its economy, which is now comprised of agriculture and related businesses, retail, various services, and governmental agencies. Oxnard is Ventura County's largest city with over 206,000 residents. Agriculture has remained the major industry for the city; however the city's population has been increasing steadily. The City of Oxnard now has Ventura County's largest industrial sector as well. Aside from federal, state and local government, the largest employers are in biotechnology, health insurance, telephone services and equipment, mortgage lending, and education. The Highway 101 corridor represents a concentration of high-technology industries. The establishment of military bases at Port Hueneme and Point Mugu during World War II, and the rise of electronic, aerospace, other manufacturing industries and tourism have contributed to the growth of the city.

With its proximity to the Channel Islands, the Channel Islands Harbor in Oxnard is a destination for travelers from the Five County area. Activities in the Channel Islands Harbor include shopping at harbor boutiques, dining at a variety of restaurants, sport fishing, diving, whale watching, and renting boats and kayaks. The harbor offers nine full-service marinas, as well as a scenic bike path and Maritime Museum. The Channel Islands Harbor offers departures to the Channel Islands National Park & Channel Islands National Marine Sanctuary, a five-island park and underwater sanctuary home to more than 2,000 plants and animals. The continued redevelopment of the Channel Islands Harbor area continues to be a priority for City and County officials. As part of the redevelopment, developer Brighton Management has proposed a Hyatt House to replace the shuttered Casa Sirena Hotel. Given the favorable economic conditions, it is the County's hope that private developers will undertake and complete proposed projects in the harbor area to revitalize and amenitize the Fisherman's Wharf and Channel Islands Harbor.

Downtown Oxnard offers museums, theatre performances, and Heritage Square, which encompasses 15 restored turn-of-the-century buildings. Park Plaza is located in the center of Oxnard. The Carnegie Art Museum displays contemporary and traditional art, while the Gull Wings museum is designed especially for children. There are several cultural events throughout the year designed to attract tourists, including the Strawberry and Salsa Festivals.

Many of the projects that had been stymied by the recession are once again active in the development process. Of note is Shea Properties' The Collection at RiverPark development, Oxnard's newest dining and shopping destination featuring an array of retail, commercial, and restaurant options, as well as a state-of-the-art 16-screen Century Theaters. Completed in 2012, the open-air, LEED-certified specialty retail center fronts U.S. Route 101 and includes approximately 568,000 square feet of retail space and 60,000 square feet of office space with an additional 80,000 square feet under development. The complex is currently anchored by popular national retailers REI, Target, and Whole Foods Market. The Collection is located within RiverPark, a 702-acre master planned, mixed-use community located in the northeast portion of the intersection of the Ventura Freeway and Santa Clara River. At full build out, the community will include fifteen distinct neighborhoods with up to 3,043 single-family and multi-family units with up to 2,098,000 square feet of retail, hotel, office, and parking uses to support and serve the community. Furthermore, on the south side of U.S. 101, site work has also begun on The Village development, also known as the "Wagon Wheel" development. The project broke ground in 2013, and the initial phase of the project debuted 120 affordable housing units, which was completed in August 2014. Future phases will include market-rate apartments, retail space, and open space. Based on conversations with developers, the Village development includes approximately 21 planning areas with an anticipated ten year build out.

In 2014, the Dallas Cowboys football franchise was in its final year of a contract with Oxnard to utilize the City's four-acre River Ridge Fields for training; however, the contract was renewed, and the Dallas Cowboys have exclusive use of training camp facilities in Oxnard through 2017. Although the team is contractually committed through 2017, Cowboys officials have indicated that the team will also spend part of their summer training in the new practice grounds in Frisco, Texas starting in 2016. Not only does the team and its supporting staff generate a significant number of room nights for hotels in west Ventura County, but they also attract fans from all over Southern California to watch them train. Occasionally, other National Football League (NFL) teams will also be invited to Oxnard for the purposes of practicing with the Cowboys.

Based on the year-to-date performance of the Oxnard market, 2015 is estimated to finish with an occupancy of 72.3 percent, reflecting a 0.1 percent decrease in occupied room nights amidst a 0.6 percent decrease in rooms supply. The decrease in the annual room supply can be attributed to the closure of the 57-room GrandStay Residential Suites Hotel in October 2015. The decrease in occupied room nights can largely be attributed to the comprehensive rooms renovation at the Courtyard Oxnard, which took a significant number of rooms out of inventory to complete; the Courtyard completed its rooms renovation in July 2015 and is still in the process of refurbishing other areas of the property. Average daily rate is estimated to increase by 10.5 percent to \$139.03, while RevPAR is estimated to increase by 11.1 percent to \$100.52.

The annualized rooms of the shuttered GrandStay Residential Suites is anticipated to generate a 3.2 percent decrease in rooms supply in 2016. Similarly, the closure of this hotel is anticipated to

remove 57 lower-rated rooms that will no longer be accommodated in the competitive market. As such, demand is anticipated to experience a decrease of 2.0 percent in 2016, resulting in a market occupancy of 73.2 percent. Average daily rate is projected to increase by 6.0 percent to \$147.38 as hotels continue to raise rates. As a result of the foregoing, revenue per available room is expected to grow by 7.3 percent to \$107.85.

Oxnard									
Historical 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	533,995	N/A	355,142	N/A	66.5%	\$115.99	N/A	\$77.14	N/A
2011	549,690	2.9%	349,394	-1.6%	63.6	111.39	-4.0%	70.80	-8.2%
2012	549,690	0.0	359,084	2.8	65.3	114.52	2.8	74.81	5.7
2013	549,690	0.0	368,650	2.7	67.1	115.54	0.9	77.48	3.6
2014	549,325	-0.1	394,974	7.1	71.9	125.82	8.9	90.46	16.8
2015E	545,858	-0.6	394,669	-0.1	72.3	139.03	10.5	100.52	11.1
2016F	528,520	-3.2	386,776	-2.0	73.2	147.38	6.0	107.85	7.3
CAAG	-0.2%		1.4%			4.1%		5.7%	

Source: PKF Consulting USA | CBRE Hotels

SIMI VALLEY

Simi Valley encompasses 42 square miles and is located 45 minutes northwest of Los Angeles in eastern Ventura County. According to the California Department of Finance, Simi Valley had an estimated population of 126,215 in 2014 and is the third largest city in Ventura County. The city's proximity to Los Angeles allows it to offer a unique blend of rural and urban lifestyles. Simi Valley is home to more than 30 parks, four golf courses, a performing art center, and theaters. Simi Valley is consistently rated by the FBI as one of the safest cities in the United States. It is the only Ventura County city included in the Los Angeles film 'Zone' and within the last few years, has attracted feature film and television series crews.

The Ronald Reagan Presidential Library and Museum is Simi Valley's main tourist attraction. President Reagan's grave has recently been incorporated to the site. Additionally, the back section of the lawn has been expanded to resemble the South Lawn of the White House. During 2013 the Library has been host to several events, including a seminar by the Senator of Utah and a recent Republican presidential debate.

Simi Valley has been home to a number of businesses including Hitachi Koki Corporation, Seagate Technology, Standard Abrasives, and others. Additionally, smaller companies in related fields and many different suppliers to major companies are located in the Simi Valley area, providing a mix of large and small operations for the community and its residents. As of July 2015, the unemployment rate in Simi Valley was estimated at 5.2 percent, which is down 100 basis points from the same time in the previous year.

Simi Valley has not experienced an increase in rooms supply over the last five years. However, we note that there is a 103-room Hampton Inn & Suites that has been approved in the City of Simi Valley, as well as a proposed 108-room Fairfield Inn in the neighboring City of Moorpark which is in the final stages of the planning process. Simi Valley is anticipated to continue its growth trajectory with an estimated market occupancy of 75.9 percent in 2015, reflecting a 5.1 percent increase in occupied room nights. Average daily rate is estimated to increase by 6.4

percent to \$104.00 in 2015. As a result of both increases in both occupancy and average daily rate, revenue per available room is expected to increase by 11.8 percent to \$78.95. In 2016, Simi Valley’s rooms demand and average daily rate is forecast to increase by 1.0 percent and 4.5 percent, respectively. Revenue per available room will continue to grow in 2016 and is forecast to increase by 5.5 percent to \$83.33.

Simi Valley									
Historical 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	207,320	N/A	142,791	N/A	68.9%	\$90.04	N/A	\$62.01	N/A
2011	207,320	0.0%	145,319	1.8%	70.1	92.31	2.5%	64.70	4.3%
2012	207,320	0.0	147,701	1.6	71.2	93.38	1.2	66.53	2.8
2013	207,320	0.0	148,657	0.6	71.7	96.47	3.3	69.17	4.0
2014	207,320	0.0	149,787	0.8	72.2	97.73	1.3	70.61	2.1
2015E	207,320	0.0	157,388	5.1	75.9	104.00	6.4	78.95	11.8
2016F	207,320	0.0	158,962	1.0	76.7	108.68	4.5	83.33	5.5
CAAG	0.0%		1.8%			3.2%		5.0%	

Source: PKF Consulting USA | CBRE Hotels

SANTA BARBARA COUNTY

Santa Barbara County

EXECUTIVE SUMMARY

Santa Barbara is considered one of the most prestigious California destination markets due to more than 50 miles of beautiful coastline, great beaches, world-class wineries, mild climate, its artists’ colony, and exclusive shopping all in a picturesque setting. Located 95 miles north of Los Angeles on the Pacific Ocean, Santa Barbara has been a well-known vacation spot since before the 1920s. The county is made up of eight cities and four of the Channel Islands and features beautiful Spanish-style architecture, reflecting Old California and the Santa Barbara Mission. The city’s relaxed beachfront ambiance, reminiscent of the French Riviera, continues appealing to visitors in the regional areas and internationally. Santa Barbara has earned the label “American Riviera,” because of its architecture and Spanish culture.

In addition, Santa Barbara County hosts world-class wineries that stretch along 50 miles from downtown Santa Barbara in the south to Santa Maria in the north. The county is home to over 175 wineries that spread across 21,000 acres. Santa Ynez Valley is located approximately 35 miles north of Santa Barbara and consists of six distinctive communities, including Ballard, Buellton, Los Alamos, Los Olivos, Santa Ynez, and Solvang, that feature well-known wineries, upscale lodging, and fine dining amenities. Attractions and activities in the area include Chumash Casino, Cachuma Lake, the Danish village of Solvang, vineyard tours and wine tasting, annual special events, horseback riding, ATV tours, performing arts, golf, fishing, and wildlife viewing.

According to the Employment Development Department of California, occupations with the fastest job growth in the county through 2020 include health care, profession and business services, and education services. Entrepreneurial activities should continue to look positive in all coastal areas, and smaller businesses should continue to experience long-term growth in Santa Barbara County. Santa Barbara County has seen an average increase in population of 0.6 percent annually since 2005. As of 2014, the population of Santa Barbara County was estimated at approximately 433,400 people. The unemployment rate across the county through July 2015 was 5.0 percent, which is down from the prior year-to-date rate of 6.2 percent, reflecting an increase in available jobs. The following table outlines the historical population and unemployment rate in Santa Barbara County.

Population and Employment Santa Barbara County 2005 – 2014 and YTD July 2015												
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	CAAG	2015*
Population	411,440	412,271	414,750	418,309	421,197	423,470	424,732	426,351	429,631	433,398	0.6%	-
Unemployment	4.4%	4.0%	4.3%	5.4%	8.4%	9.4%	8.9%	8.0%	6.8%	5.7%	-	5.0%

*Unemployment rate estimate as of July 2015.

Source: California Department of Finance, State of California Employment Development Department

The Santa Barbara Municipal Airport (SBA) serves the immediate Santa Barbara area with airlines: Alaska Airlines, US Airways, and United currently providing flights at the airport. Santa Barbara Airport also offers nonstop service and over 25 daily departures to major Western States cities including Los Angeles, San Jose, San Francisco, San Diego, Sacramento, Phoenix, Portland, Denver and Seattle.

In 2008, the airport began construction of its Airline Terminal Project, designed to improve operations and efficiency. Opened in August 2011, the Spanish Colonial Revival-style terminal, which defines the city of Santa Barbara's culture, consists of a 72,000 square foot building with runways capable of accommodating aircraft up to the size of a Boeing 737. The relocation and refurbishment of the 7,000 square foot historic terminal building was completed by November 2012. The Project incorporates sustainable design and is registered with the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED).

Passenger volume at the Santa Barbara Municipal Airport (SBA) fluctuated from approximately 854,000 passengers in 2005 to 661,000 passengers in 2014, representing a compound average annual decline of 2.8 percent. For the trailing twelve months ending June 2015 (the most recent data available), the total passenger count at the Santa Barbara Airport was approximately 629,000, down from 702,000 recorded in the same period in the previous year. Presented in the following table is a summary of airport activity at Santa Barbara Municipal Airport from 2005 to 2014.

Santa Barbara Municipal Airport Passenger Volume 2005 - 2014	
Year	Number of Passengers
2005	854,000
2006	856,000
2007	819,000
2008	822,000
2009	747,000
2010	756,000
2011	722,000
2012	728,000
2013	714,000
2014	661,000
CAAG	-2.8%
TTM 6/14	702,000
TTM 6/15	629,000
% Change	-10.4%
Source: Bureau of Transportation Statistics	

It is important to note that the decline in passenger volume reflects a similar trend at small to medium size airports across the country. Airline industry consolidation as well as a focus on removing redundant flights and increasing efficiency has driven the decline in the number of flights and passenger volume at small and medium size airports over the past several years. The decline in passenger volume at the Santa Barbara Municipal Airport through mid-2015 as compared to mid-2014 reflects the loss of Frontier Airlines in January 2015 and American Eagle at the end of 2014.

In 2013, the overall Santa Barbara County lodging market experienced a change in its rooms supply due to the renovation and repositioning of various hotels. The addition of the annualized rooms of the 102-room Courtyard Goleta and the 41-room Hotel Indigo in downtown Santa Barbara entering the market, as well as March reopening of the 92-room Belmond El Encanto contributed to new rooms supply to the market. The market experienced rooms taken out of inventory when The Fess Parker: a DoubleTree by Hilton hotel removed an average of 25 rooms from its inventory for a rooms renovation and the 71-room Santa Barbara Inn closed in October

for a comprehensive renovation. As a result of the foregoing, the Santa Barbara County lodging market experienced a 1.5 percent increase in its annual rooms supply in 2013.

In 2014, the annual rooms supply increased by 0.2 percent, which was attributed to the renovated rooms of The Fess Parker and the annualized rooms of the El Encanto being added back to the market. Additionally, Kimpton Hotels & Restaurants opened The Goodland (formerly the 160-room Holiday Inn) in August 2014, and two rooms were taken out of its inventory for the addition of the fitness center and spa facilities at the property. Amidst the 0.2 percent increase in supply, occupied rooms increased by 3.9 percent, ending 2014 with a market occupancy of 75.3 percent, and average daily rate grew by 7.6 percent to \$196.39. With increases in both occupancy and average daily rate, revenue per available room continued its strong growth trend, increasing by 11.5 percent in 2014.

Year-to-date through 2015, signs of continued growth in the hotel industry are apparent throughout Santa Barbara County. In 2015, the annual rooms supply is estimated to decrease by 1.5 percent, which is attributed to the closing of the 112-room Sandman Inn in March 2015 which closed for a comprehensive repositioning with a projected reopening in April 2016. Amidst the decrease in supply, occupied rooms is expected to increase by 3.3 percent, reflecting a market occupancy of 78.9 percent, and average daily rate is expected to grow 5.0 percent to \$206.20. With increases in both occupancy and average daily rate, revenue per available room is expected to continue its strong growth trend, increasing by 10.1 percent in 2015.

In 2016, the annual rooms supply is projected to increase by 2.9 percent, which is attributed to the repositioning of the 112-room Sandman Inn and the 70-room Santa Barbara Inn as well as the addition of the new build 99-room Hampton Inn in Buellton. With the supply additions in 2016, we forecast that the county’s occupancy will decrease to 78.5 percent as new supply will outpace the gain in occupied room nights. Average daily rate is forecast to increase by 5.2 percent next year. It should be noted that many submarkets and the County as a whole are experiencing occupancy levels above their long term averages and, in some cases, previous highs. Thus, it is difficult to forecast stronger growth in occupied rooms with constrained supply growth. It should be noted that while Santa Barbara County as a whole includes approximately 2.2 million rooms on an annual basis, the figures presented in the table below depict only the sum of our aggregated submarkets, which represent a majority of the countywide total.

Santa Barbara County									
Historical 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	1,946,180	N/A	1,291,833	N/A	66.4%	\$163.01	N/A	\$108.20	N/A
2011	1,946,180	0.0%	1,360,018	5.3%	69.9	168.78	3.5%	117.94	9.0%
2012	1,972,825	1.4	1,409,497	3.6	71.4	174.69	3.5	124.81	5.8
2013	2,003,211	1.5	1,454,372	3.2	72.6	182.51	4.5	132.51	6.2
2014	2,007,135	0.2	1,510,413	3.9	75.3	196.39	7.6	147.79	11.5
2015E	1,977,813	-1.5	1,560,808	3.3	78.9	206.20	5.0	162.73	10.1
2016F	2,035,909	2.9	1,598,410	2.4	78.5	216.84	5.2	170.25	4.6
CAAG	0.8%		3.6%			4.9%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

Beach Resort Areas

The hotels comprising the Beach/Resort Areas submarket generally line the beachfront of the City of Santa Barbara, usually with ocean views, and many times are mixed in among residential areas and parks. This market also includes Montecito, a separate upscale residential and retail area in the hills just south of Santa Barbara representing the luxury segment of the Santa Barbara area, as well as Bacara Resort located in the City of Goleta. The beach resort market caters primarily to the leisure and group travelers who enjoy shopping, relaxing, and beach activities.

The majority of visitors to the beach resort areas in Santa Barbara are from within California. The area's accessibility via Highway 101 has enhanced the popularity of the city as a drive-in destination. Weekend leisure business, generated largely from Southern California, is expected to remain strong in Santa Barbara over the long term, due to the uniqueness of the area's attractions, culture, and comfortable climate. Santa Barbara's beach resorts should continue to appeal to a niche market deriving visitation from regional Californians and international tourists.

The Beach/Resort submarket has undergone changes that we believe will have an effect on future lodging performance. Following its sale in July 2011 and undergoing a comprehensive \$27 million renovation, the Bacara Resort, under new management, continues to ramp up to a stabilized rate and occupancy level. Also in 2011, the conversion and renovation of the former Mar Monte Resort into the Hyatt Santa Barbara has proven beneficial. More recently, other hotels have undergone or are undergoing repositionings, such as the previously mentioned Santa Barbara Inn and the Hotel Milo, formerly known as the Hotel Oceana. These properties are anticipated to achieve a higher rated positioning following the enhancements and changes to their facilities.

By year-end 2015, we estimate the Beach/Resort submarket will continue to achieve positive growth in demand and average daily rate. With no new supply entering the market, occupied rooms are expected to grow by 1.9 percent, resulting in a market occupancy rate of 77.5 percent. Average daily rate is expected to grow by 4.5 percent to \$289.20. Growth in both occupancy and average daily rate will result in a revenue per available room increase for 2015 of 6.5 percent, equating to \$224.16.

In 2016, annual room supply is expected to grow by 2.6 percent with the reopening of the Santa Barbara Inn in March 2016. Occupied room nights are forecast to grow by 2.0 percent amidst the 2.6 percent increase in supply, resulting in a market occupancy rate of 77.0 percent, as additions to supply outpace growth in demand. We anticipate a 5.0 percent growth in average daily rate. Together, occupancy and average daily rate should result in revenue per available room growth rate of 4.4 percent in 2016, up to \$233.92.

Beach Resort									
Historical 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	801,540	N/A	525,378	N/A	65.5%	\$219.98	N/A	\$144.19	N/A
2011	801,540	0.0%	553,744	5.4%	69.1	232.30	5.6%	160.49	11.3%
2012	801,540	0.0	573,991	3.7	71.6	240.21	3.4	172.02	7.2
2013	804,916	0.4	586,063	2.1	72.8	255.00	6.2	185.66	7.9
2014	809,205	0.5	615,311	5.0	76.0	276.74	8.5	210.43	13.3
2015E	809,205	0.0	627,216	1.9	77.5	289.20	4.5	224.16	6.5
2016F	830,497	2.6	639,760	2.0	77.0	303.65	5.0	233.92	4.4
CAAG	0.6%		3.3%			5.5%		8.4%	

Source: PKF Consulting USA | CBRE Hotels

Town

Hotels in the Santa Barbara Town submarket are generally located on, or within a few blocks of, State Street in the downtown area of Santa Barbara and are proximate to the numerous retail establishments. Accordingly, these hotels serve the commercial traveler visiting downtown businesses and leisure visitors who want to be within walking distance of the downtown retail area and other shopping and dining areas in downtown Santa Barbara.

In 2015, the annual rooms supply is estimated to decrease by 10.6 percent, which is attributed to the closing of the previously mentioned 112-room Sandman Inn in March 2015 which closed for a comprehensive renovation and repositioning. Occupied rooms are expected to decline by 8.0 percent, resulting in a market occupancy rate of 81.2 percent. Historically, this submarket has been able to hold onto an above average occupancy rate based, in-part on its proximity to the popular shops, restaurants and beaches, combined with relatively lower rates for the area. Average daily rate is expected to grow by 9.8 percent in 2015, with RevPAR growing by 13.0 percent to \$158.20.

For 2016 as the Sandman Inn reopens in April 2016 and increases the annual available supply by 7.7 percent, we forecast this market to experience 6.5 percent growth in occupied rooms, resulting in an 80.3 percent occupancy rate. Average daily rate is expected to increase by 6.0 percent over the previous year to \$206.48. Combined, revenue per available room should increase by 4.8 percent to \$165.84.

Santa Barbara Town									
Historical 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	257,690	N/A	181,751	N/A	70.5%	\$149.65	N/A	\$105.55	N/A
2011	257,690	0.0%	188,528	3.7%	73.2	155.98	4.2%	114.12	8.1%
2012	271,560	5.4	204,714	8.6	75.4	159.09	2.0	119.93	5.1
2013	272,655	0.4	209,599	2.4	76.9	167.03	5.0	128.40	7.1
2014	272,655	0.0	215,071	2.6	78.9	177.47	6.3	139.99	9.0
2015E	243,698	-10.6	197,924	-8.0	81.2	194.79	9.8	158.20	13.0
2016F	262,435	7.7	210,789	6.5	80.3	206.48	6.0	165.84	4.8
CAAG	0.3%		2.5%			5.5%		7.8%	

Source: PKF Consulting USA | CBRE Hotels

Goleta

The City of Goleta is located west of the City of Santa Barbara and is internationally known for UCSB, its great climate, and beaches. Also, the Goleta Valley is the location of the principal industrial sector of Santa Barbara County and is often referred to as “Silicon Beach.” The city is fairly young and was not incorporated until February of 2002, but is built around historic landmarks. Goleta community is growing and has established a Strategic Plan to their list of objectives and goals for the city. High technology, including diversified electronics, telecommunications, medical device, and remote sensing manufacturing industries are the primary wealth producing sectors of the local economy. Known as a research and development center, Goleta Valley is home to approximately 80 research and development firms, individually employing staffs from two to more than 1,000 persons. There are many residential, commercial, office, and mixed-use projects currently underway to accommodate the continued growth of the high-tech sectors, expanding business parks, and the existing employers in the area, which include companies and institutions, such as Yardi Systems, Citrix Online, and the Goleta Valley Cottage Hospital.

The Goleta submarket is an exceptionally strong market with occupancy rates historically hovering in the upper 70’s. The success of this lodging submarket is due to the proximity of UCSB, business parks, and the Santa Barbara Airport, as well as its proximity to area attractions and ability to capture overflow from Santa Barbara hotels. Growth in the Goleta submarket in 2014 was held back by the transitional period of the repositioning of the Holiday Inn. In June of 2013, the property lost its Holiday Inn flag and began to operate as the “Hotel Goleta” under Kimpton Hotels & Restaurant’s management. During this time, upgrades were made to bring the property to Kimpton standards, and the property changed its name to “The Goodland” in August of 2014. During this time, two guestrooms were converted to accommodate a new fitness center, bringing the property’s guest room count from 160 to 158 with one room removed in mid-2013 and 2014, respectively. As such, the Goleta submarket experienced a 0.1 percent decrease in rooms supply with the closure of two rooms following the repositioning of the Holiday Inn to Kimpton Hotels’ The Goodland in July of 2014. During the same period, occupied rooms decreased by 0.9 percent, resulting in a 75.0 percent occupancy rate for the competitive market. Furthermore, average daily rate increased to \$147.97, up 5.5 percent over the previous year. Revenue per available room increased by 4.7 percent over 2013 to \$110.99.

The combination of a recovering national tourism industry and strong local growth has Goleta on track for a year of robust growth in 2015. The annual supply is expected to further decrease by 0.1 percent in 2015 with the removal of the second room at The Goodland being reflected in the full calendar year. Occupied rooms are expected to increase by 8.5 percent, resulting in a market occupancy rate of 81.4 percent. Average daily rate is expected to grow by 11.0 percent in 2015, with RevPAR growing by 20.6 percent to \$133.82. In 2016 with no additions to supply, occupied rooms and average daily rate are expected to grow by 1.0 percent and 6.0 percent, respectively. This combined growth should result in a revenue per available room increase of 7.1 percent to \$143.27 by year-end 2016.

Goleta									
Historical 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	271,560	N/A	206,065	N/A	75.9%	\$121.79	N/A	\$92.42	N/A
2011	271,560	0.0%	214,679	4.2%	79.1	124.99	2.6%	98.81	6.9%
2012	284,335	4.7	220,160	2.6	77.4	134.66	7.7	104.27	5.5
2013	310,250	9.1	234,578	6.5	75.6	140.20	4.1	106.00	1.7
2014	309,885	-0.1	232,451	-0.9	75.0	147.97	5.5	110.99	4.7
2015E	309,520	-0.1	252,098	8.5	81.4	164.30	11.0	133.82	20.6
2016F	309,520	0.0	254,619	1.0	82.3	174.16	6.0	143.27	7.1
CAAG	2.2%		3.6%			6.1%		7.6%	

Source: PKF Consulting USA | CBRE Hotels

Northern Santa Barbara

Hotels in the Northern Santa Barbara sub-market are generally located in or near the Santa Barbara wineries in the overall Santa Ynez Valley and in the cities of Santa Maria, Buellton, Lompoc, and Solvang. This submarket was largely impacted initially by the popularity of the film, “Sideways” and the growing trend in winery tourism, which has sustained much of the market’s occupancy and rate growth in recent years.

The abundance of activities and tourist attractions in the Santa Ynez Valley provides for a popular drive destination. As such, aggressive marketing to showcase the valley as a whole is currently taking place by the Santa Ynez Valley Visitors Association. Visitors can tour and taste acclaimed Pinot Noir, Chardonnay, Syrah and other varietals at over 120 wineries and tasting rooms. Outdoor activities can allow a guest to golf, hike, bike, fish, see wildlife, tour a horse ranch, or take a horseback ride. A variety of lodging options from luxury wine inspired bed and breakfasts to affordable limited-service properties are readily available for overnight guests.

For 2015, the Northern Santa Barbara market is estimated to experience an increase in occupied rooms of 8.0 percent, resulting in a market occupancy rate of 78.6 percent. Average daily rate is estimated to increase by 4.1 percent, to an estimated \$125.08. RevPAR is expected to finish 2015 with a 12.5 percent growth rate to \$98.29.

In 2016, the submarket’s supply will increase by 2.9 percent due to the addition of the 99-room Hampton Inn Buellton which is expected to open in July 2016. Market occupancy is expected to decline slightly to 77.9 percent with a 2.0 percent increase in occupied rooms. Furthermore, we forecast average daily rate to increase by 4.5 percent to \$130.71. Revenue per available room should increase by 3.5 percent to \$101.77.

All Other Santa Barbara									
Historical 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	615,390	N/A	378,638	N/A	61.5%	\$112.80	N/A	\$69.40	N/A
2011	615,390	0.0%	403,068	6.5%	65.5	110.80	-1.8%	72.57	4.6%
2012	615,390	0.0	410,632	1.9	66.7	112.33	1.4	74.95	3.3
2013	615,390	0.0	424,132	3.3	68.9	113.41	1.0	78.16	4.3
2014	615,390	0.0	447,579	5.5	72.7	120.16	6.0	87.39	11.8
2015E	615,390	0.0	483,570	8.0	78.6	125.08	4.1	98.29	12.5
2016F	633,458	2.9	493,242	2.0	77.9	130.71	4.5	101.77	3.5
CAAG	0.5%		4.5%			2.5%		6.6%	

Source: PKF Consulting USA | CBRE Hotels

SAN LUIS OBISPO COUNTY

San Luis Obispo County

EXECUTIVE SUMMARY

San Luis Obispo (SLO) County is a popular drive destination that covers an area of 3,316 square miles and is located at the approximate midpoint between San Francisco and Los Angeles. Farms and small towns characterize the county, as a large portion of the land is utilized for agricultural purposes. With a fairly diverse workforce and relatively isolated location, San Luis Obispo is better positioned to weather the fluctuations in the economic cycle as evidenced by the hotel market’s performance during the last recession. In addition to these sectors of the economy, the excellent coastal location attracts visitors from throughout the inland region and also serves as a rest stop for tourists traveling along the coast. Hearst Castle and the numerous local wineries have also served to make the area a destination for domestic and international travelers. The area’s natural amenities such as the weather and attractive coastal characteristics continue to attract overnight visitors to the area.

Throughout the economic recovery, San Luis Obispo County’s growth profile has been different from the state in that it has been relatively insulated from most fluctuations in the economy. The county is not seen as a rapidly growing economy, but rather a stable one that is characterized by lower than average unemployment rates and a diverse workforce. The unemployment rate in San Luis Obispo County was 4.8 percent in July 2015, down from 6.1 percent in July 2014. This compares favorably with an unadjusted unemployment rate of 6.5 percent for California in July 2015 and a rate of 7.9 percent one year ago.

The county’s economy is largely based on tourism and education; as a result, services, government, and retail trade are the dominant industries. Local hotel average daily room rates as well as occupancy have increased over the past year, indicating that more visitors are looking to travel to the county as well as pay more to do so. Jobs have also been increasing steadily in the county since exiting the recession. Many of the jobs that have been created during this growth have also generated more taxable sales for the county, mainly in the booming wine industry. The following is a list of the county’s top ten employers.

San Luis Obispo County Major Employers	
	<u># of Employees</u>
Cal Poly State University	3,055
County of San Luis Obispo	2,465
P.G. & E (Diablo Canyon)	1,900
California’s Men Colony	1,540
Cal Poly Foundation (Corporation)	1,400
San Luis Coastal Unified School District	902
Mindbody	650
California Department of Transportation	544
Cuesta Community College	440
Community Action Partnership	410
Source: San Luis Obispo County Comprehensive Annual Financial Report (CAFR) June 30, 2014	

Between 2000 and 2014, the SLO Consolidated Metropolitan Statistical Area (CMSA) population grew at approximately 0.7 percent on an annual basis, slightly below the 0.9 percent

growth demonstrated by the State of California. The seven incorporated cities included within the MSA are Arroyo Grande, Atascadero, Grover beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo. The following table presents the historical population estimates for the cities in 2015.

San Luis Obispo County	
2015 Population Estimate Breakdown by City	
Arroyo Grande	17,425
Atascadero	29,169
Grover Beach	13,144
Morro Bay	10,284
Paso Robles	30,522
Pismo Beach	7,711
San Luis Obispo	45,802
Communities and Unincorporated Areas	120,233
Total:	274,290
Source: California Department of Finance	

Commercial air service to San Luis Obispo County Regional Airport is provided by US Airways Express and Skywest/United Express. According to the San Luis Obispo County Regional Airport, approximately 20 total inbound and outbound flights are processed per day. Although direct flights from Los Angeles, San Francisco, and Phoenix are available, direct service from other Pacific States, the mid-West, and East Coast is not. Service to Sacramento and Las Vegas was once provided by these airlines as well, but flights to these destinations have since ceased. The following table presents the historical passenger counts through the San Luis Obispo County Airport from 2003 through 2014, as well as through July 2015 as compared to the same period in 2014.

San Luis Obispo Airport Activity				
2003 –2014 & YTD				
Year	Enplanements	Deplanements	Total Passengers	Percent Change
2003	149,354	145,722	295,076	N/A
2004	163,203	158,015	321,218	8.9%
2005	181,019	177,409	358,428	11.6
2006	180,361	174,637	354,998	-1.0
2007	187,120	181,303	368,423	1.4
2008	157,421	154,756	312,177	-15.3
2009	121,326	119,735	241,061	-22.8
2010	133,740	130,992	264,732	9.8
2011	137,604	134,816	272,420	2.9
2012	131,427	128,078	259,505	-4.7
2013	131,985	134,283	272,268	4.9
2014	152,829	149,823	302,652	11.1
CAAG	0.2%	0.2%	0.2%	
YTD 7/14	87,686	85,617	173,303	
YTD 7/15	82,450	81,438	163,888	
% Change	-6.0%	-4.9%	-5.4%	
Source: San Luis Obispo County Regional Airport				

Total passenger counts have decreased at an average rate of 0.2 percent annually in the last 12 years. After experiencing a minimal decrease of 1.0 percent in 2006, the total number of passengers exceeded 360,000 for the first time ever in 2007. The 15.3 percent decline in passenger count for 2008 was mainly caused by American Eagle and Delta stopping their flight

services to the San Luis Obispo Airport. In 2009, the airport passenger count showed a further decrease of 22.8 percent, which was primarily an effect of the recession on the travel and tourism industry. More recently passenger counts have rebounded from recessionary levels, increasing by 9.8 percent in 2010 and a further 2.9 percent in 2011, although 2012 saw a 4.7 percent decline. 2013, however, saw a recovery of 4.9 percent over the previous year, and 2014 saw an increase of 11.1 percent over that. According to the most recent information available, through the first seven months of 2015 passenger counts have decreased by a rate of 14.1 percent over the prior period last year.

Four daily flights between San Luis Obispo and Los Angeles by American Eagle ended on November 1, 2008, while one daily flight to Salt Lake City by Delta Connection stopped on September 1st of the same year due to increased fuel costs and restructuring in the airline industry. This reduction in flights has decreased the number of options for flyers and also reduced the county's ability to generate midweek conference and corporate business. The airport seemed likely to secure a direct flight to Denver, but the plan ultimately did not come to fruition. On March 17, 2015, the San Luis Obispo County Airport received authorization from the County's board of supervisors to begin looking for designs bids for the airport's new passenger terminal. According to the preliminary scope for the terminal, it will be approximately 48,500 square feet, and include two separate buildings. The buildings are to house all the necessities for a passenger terminal including check-in area, baggage claim, security screenings area, restrooms, administrative offices, parking lot, and rental car lot. The airport is currently seeking bids for the terminal.

Tourism is a significant part of the SLO economy. According to representatives of the San Luis Obispo County Visitors and Conference Bureau (SLO County VCB), vehicular traffic generates the majority of visitors to the area, and approximately 82 percent of all visitors to the area arrive by automobile. The origin of these visitors is primarily Southern California, Bakersfield, and Fresno, via Highways 101 and 46. Owing to increased marketing and publicity efforts by the SLO County VCB and the relative affordability of the area compared to competitive destinations such as Monterey, the number of visitors from Northern California is also on the rise.

Tourism in San Luis Obispo County holds strong and will continue to see growth in 2015 and 2016. The county continues to build awareness among key drive markets as well as nationally through the collective marketing and public relations outreach efforts by the county and community tourism partners. International travel will be an area of growth for San Luis Obispo County, especially with visitors looking for an active environment to play and seek out adventure.

According to the April 2015 California Travel Impacts by County report, total visitor direct spending in San Luis Obispo County in 2014 (the most recent data available) has increased as compared to 2013 to approximately \$1.517 billion, representing a 3.4 percent year-over-year increase. The following table summarizes the total direct spending and spending on accommodations (hotel/motel) between 2005 and 2014.

Visitor Expenditures - San Luis Obispo County				
Year	Total Direct		Visitor Spending	
	Spending (\$ millions)	Percent Change	on Hotel/Motel (\$ millions)	Percent Change
2005	\$1,025	N/A	\$554	N/A
2006	1,252	22.1%	609	9.9%
2007	1,262	0.8	626	2.8
2008	1,272	0.8	644	2.9
2009	1,265	-0.6	652	1.2
2010	1,258	-0.6	661	1.4
2011	1,335	6.1	705	6.7
2012	1,422	6.5	770	9.2
2013	1,467	3.2	806	4.7
2014	1,517	3.4	848	5.2
CAAG	4.0%		4.3%	

Source: Dean Runyan Associates California Travel Impacts by County 1992-2014

Overall, between 2005 and 2014 total direct spending has increased on a compounded annual level at 4.0 percent, and visitor spending on accommodations, hotels and motels specifically, has increased 4.3 percent annually over the same period.

San Luis Obispo County is also home to the award-winning “Savor the Central Coast” food and wine event. The four-day event held throughout San Luis Obispo County, started in 2011, features dozens of local chefs, hundreds of wineries, and several special events. Places featured as part of the event include Santa Margarita Ranch, Hearst Castle, Pismo Pier, San Luis Obispo Mission Plaza, Paso Robles Downtown Square, the coastline from Cambria to Morro Bay to Avila Beach and area artisanal farms and wineries. Attendance at the event dropped in 2014 by 10.3 percent over 2013 because of the numerous changes to the activities at the event. Sales tax generated by the event, however, was \$73,106, up three percent from 2013. Savor also faced a much smaller deficit of only \$76,186, a 44 percent improvement over the previous year. Ultimately, the event generated an economic impact of \$4.48 million, just below its mark in 2013.

San Luis Obispo County is currently divided into four separate sub-markets: Pismo Beach, San Luis Obispo City, Paso Robles, and North Coastal. Our San Luis Obispo County sample set experienced no increase in supply in 2014, although several hotels were under construction or had begun construction. The Overall San Luis Obispo County lodging sample set is estimated to increase by 2.7 percent this year with the 37-room expansion of the La Quinta Paso Robles from June to July, the June opening of the 130-room SpringHill Suites Atascadero, and the October opening of the 171-room Ayres Allegretto Vineyard Resort Paso Robles. Overall market occupancy for the area is estimated to finish 2015 at 74.3 percent, which is equal to a 4.3 percent increase in occupied room nights over 2014. Average daily rate is estimated to increase 5.9 percent to post a 2015 average daily rate of \$152.59. As a result, RevPAR is estimated to increase by 7.5 percent over 2014.

We are forecasting annual rooms supply to increase by 4.6 percent in 2016 with the annualized rooms of the La Quinta expansion, the new SpringHill Suites, and the recently opened Ayres Allegretto Vineyard Resort Paso Robles. Occupied rooms are forecast to realize a 3.3 percent increase over 2015 levels. This equates to a market occupancy of 73.4 percent, a level considered

to be approaching the long-term level of stabilization. Average daily rate is forecast to increase by 5.6 percent over 2015. We are aware that the previously defined market area as a whole has a total of approximately 3.3 million annual hotel rooms. However, the table presented below includes the sum of our aggregated sub markets, representing approximately 50 percent of the total existing lodging supply.

San Luis Obispo Combined									
Historical 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	1,542,125	N/A	986,663	N/A	64.0%	\$124.98	N/A	\$79.96	N/A
2011	1,561,105	1.2%	1,040,987	5.5%	66.7	129.04	3.3%	86.05	7.6%
2012	1,607,825	3.0	1,110,325	6.7	69.1	132.24	2.5	91.32	6.1
2013	1,646,880	2.4	1,175,542	5.9	71.4	136.75	3.4	97.61	6.9
2014	1,646,880	0.0	1,205,879	2.6	73.2	144.08	5.4	105.50	8.1
2015E	1,691,897	2.7	1,257,626	4.3	74.3	152.59	5.9	113.43	7.5
2016F	1,770,250	4.6	1,299,205	3.3	73.4	161.16	5.6	118.28	4.3
CAAG	2.3%		4.7%			4.3%		6.7%	

Source: PKF Consulting USA | CBRE Hotels

Pismo Beach

The Pismo Beach sub-market consists of properties located along the scenic coast spanning from Pismo Beach to Avila Beach, as well as the adjacent communities of Grover Beach and Arroyo Grande. Pismo Beach is the only oceanfront community on U.S. Highway 101 between Santa Barbara and San Francisco, and because it faces directly west, the sunsets are spectacular. Popular activities on its expansive beaches north of Grand Avenue include beach-combing, jogging, sunbathing, surfing, scuba diving, kayaking, and surf fishing. Wildlife sightings in the area are also common. Sea otters and sea lions are often spotted in the protected coves and kelp beds, and whales can also be seen during their migration south between December and March. For those desiring to shop, Downtown Pismo Beach offers a variety of surf and gift shops, art galleries, antique stores restaurants, and local wine tasting rooms. The combination of diverse landscapes, pleasant weather and a plethora of activities creates an oceanfront destination that appeals to the leisure crowd.

Tourism is a major component of the Pismo Beach area economy. Demand in Pismo Beach is almost entirely leisure driven, although several hotels derive some group meetings demand from their respective meeting facilities. Leisure visitors enjoy a myriad of activities including wine tasting, golfing, bicycling, walking through the Monarch Butterfly Grove, tennis, horseback riding, scuba diving, bowling, hiking, miles of beautiful and clean beaches, exploring tide pools, coves, and caves, as well as relaxing on the 1,200 foot Pismo Pier. In addition, the city is also accessible to various other attractions located in San Luis Obispo County such as Hearst Castle and Morro Bay via Highway 101 as well as California State Route 1 (also referred to as Pacific Coast Highway).

Pismo Beach, like other coastal leisure destinations located along the central coast of California, exhibits a high degree of seasonality in demand. The length of each season is a function of weather, as well as the timing of events and holidays. The high season occurs in the summer season in from July through August, when the weather is most desirable and the hotels exhibit the highest occupancies and rates. Hotels also run extremely high occupancies during special

events and holidays, such as Presidents’ Day weekend, Easter weekend, homecoming week, and the annual Clam Festival. In the shoulder month of September the Annual County Western Dance Festival takes place. The event is promoted by the Pismo Beach CVB and attracts a variety of dance enthusiasts. Demand is traditionally softest following Thanksgiving week to Christmas season, as temperatures fall and visitors redirect travel plans towards family-related purposes. Regardless of the season, it should be noted that owing to the fact that the majority of visitors to the area are leisure travelers who drive from nearby destinations such as Southern California, Bakersfield, and Fresno, weekend visitation is consistently higher than weekday visitation throughout the year.

The majority of visitors to Pismo Beach are from within California. The major feeder cities are: Fresno, Modesto, Sacramento, Bakersfield, Visalia and greater Los Angeles. The Pismo Beach Conference and Visitor’s Bureau (CVB) has been successful and is continuing to attract group tours and individual travelers from within California and within the International market. Consistent marketing to regional magazines such as: Sunset, Travel 50 and Beyond, Westways, Meetings West as well as newspaper travel sections, enhances the visibility of Pismo Beach to the surrounding regional areas. The area’s accessibility via U.S. Highways 46 and 101 has enhanced the popularity of the city as a drive-in destination.

In 2015 it is estimated that the number of occupied rooms will increase by 1.3 percent to finish the year at an occupancy of 74.5 percent. As the market is fast approaching a stabilized level in terms of occupancy, it is estimated that average daily rate will increase by 7.1 percent this year. In 2016, we forecast a 1.0 percent growth in occupied rooms amid no growth in supply, resulting in a market occupancy of 75.2 percent. Average daily rate is forecast to increase by 6.0 percent in 2016 as compared to 2015, resulting in an average daily rate of \$187.23.

Pismo Beach									
Historical 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	486,545	N/A	315,800	N/A	64.9%	\$140.13	N/A	\$90.95	N/A
2011	505,525	3.9%	329,662	4.4%	65.2	147.51	5.3%	96.20	5.8%
2012	527,790	4.4	363,947	10.4	69.0	148.85	0.9	102.65	6.7
2013	527,790	0.0	376,946	3.6	71.4	156.28	5.0	111.61	8.7
2014	527,790	0.0	388,333	3.0	73.6	164.87	5.5	121.31	8.7
2015E	527,790	0.0	393,189	1.3	74.5	176.63	7.1	131.59	8.5
2016F	527,790	0.0	397,121	1.0	75.2	187.23	6.0	140.88	7.1
CAAG	1.4%		3.9%			4.9%		7.6%	

Source: PKF Consulting USA | CBRE Hotels

San Luis Obispo City

The City of San Luis Obispo serves as the commercial, governmental and cultural hub of California’s Central Coast. One of California’s oldest communities, it began with the founding of Mission San Luis Obispo de Tolosa in 1772 by Father Junípero Serra as the fifth mission in the California chain of 21 missions. The mission was named after Saint Louis, a 13th Century Bishop of Toulouse, France. While San Luis Obispo grew relatively slowly during most of the 19th century, the coming of Southern Pacific Railroad in 1894 opened up the area to the rest of California. The city’s distance from major metropolitan areas to the north (San Francisco Bay Area) and south (Los Angeles) have allowed the area to retain its historic and scenic qualities.

These qualities continue today contributing to the superb quality of life the residents enjoy and attracting visitors from many other areas.

Hotels in the San Luis Obispo City sub-market are generally located on, or within a few blocks of Monterey Street proximate to the downtown area. Accordingly, these hotels serve the commercial traveler visiting downtown businesses, leisure visitors who want to visit various sites and partake in recreational activities in the surrounding area and visitors to Cal Poly, San Luis Obispo. Developments in the neighborhood are attractive, maintained in good condition, and both finished and landscaped to be consistent with the resort feel of the area

Another key feature contributing to the city's great quality of life is the downtown district. The heart of downtown is Mission Plaza. With its wonderful creek side setting and beautifully restored mission (that continues to serve as a parish church to this day), Mission Plaza is the community's cultural and social center. This historic plaza is complemented by the downtown district which offers great shopping, outdoor and indoor dining, night life, and the famous Thursday Night Farmers' Market, where one can buy locally grown fresh produce and enjoy an outdoor BBQ. This unique blend of history, culture, commerce and entertainment make San Luis Obispo's downtown one of the most attractive, interesting and economically vibrant downtowns in America. Current city goals include maintaining a diverse mix of uses which give individuals multiple reasons to visit the downtown district.

With no additions to supply projected for this market, it is estimated that the San Luis Obispo City submarket will end 2015 with a 80.5 percent occupancy rate and an average daily rate of \$144.13, representing a 4.3 percent increase in occupied rooms and a 6.4 percent increase in rate. For 2016, occupied room nights are forecast to increase 1.0 percent, resulting in a market occupancy of 81.3 percent. Average daily rate is forecast to increase an additional 5.5 percent as the market fast approaches stabilized levels.

San Luis Obispo City Historical 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	384,345	N/A	265,312	N/A	69.0%	\$118.80	N/A	\$82.01	N/A
2011	384,345	0.0%	283,600	6.9%	73.8	121.51	2.3%	89.66	9.3%
2012	403,325	4.9	297,300	4.8	73.7	125.68	3.4	92.64	3.3
2013	415,005	2.9	312,706	5.2	75.3	129.30	2.9	97.42	5.2
2014	415,005	0.0	320,363	2.4	77.2	135.43	4.7	104.55	7.3
2015E	415,005	0.0	334,022	4.3	80.5	144.13	6.4	116.01	11.0
2016F	415,005	0.0	337,363	1.0	81.3	152.06	5.5	123.61	6.6
CAAG	1.3%		4.1%			4.2%		7.1%	

Source: PKF Consulting USA | CBRE Hotels

Paso Robles

The Paso Robles sub-market includes properties in the cities of Paso Robles and Atascadero. Paso Robles is a small inland community in San Luis Obispo County surrounded by the rolling hills of the Central Coast. Paso Robles is located approximately 28 miles north of San Luis Obispo along Interstate 101. For years, Paso Robles was known as the half-way stop for motorists traveling between Northern and Southern California. However, the increased popularity of this award-winning wine region has caused the city to become a destination unto

itself. The city was originally the Paso Robles Rancho, a 25,993 acre plot of land granted to Pedro Narvaez. The land passed through several owners who realized the potential of the area's hot springs, reputed to relieve various ailments. The area continued to develop, and was eventually incorporated in 1889. For a brief time, the town was known as the "Almond City" for its local almond growers. Presently, much of the surrounding land is occupied by thriving vineyards, which have become popular among tourists.

With over 180 wineries, the City of Paso Robles thrives on its wine production and the tourism related to this booming industry. The Paso Robles wine industry has become a well-respected wine-destination, much more so than many of its regional counterparts within California. In 1797, Father Junipero Serra planted 1,000-grapevines to make sacramental wines. Later, French and Italian immigrants brought European vine cuttings. Today, the area contains nearly 29,000 vineyard acres. Tourists throughout the region visit Paso Robles for wine tasting tours amidst the beauty of the Central Coast, with most wineries being located immediately off Route 46. The eastern half of the Paso Robles American Viticulture Area (AVA) tends to be warmer and drier. Wineries in this section of the AVA typically produce full bodied wines with rich fruit character. These wines often have softer tannins and lower acidity compared to the west, making them more approachable in their youth.

The Chamber of Commerce works with local wine growers in planning events throughout the year to promote tourism. The Paso Robles Wine Country Alliance is a non-profit organization dedicated to the marketing and promotion of this world-class wine region. This cooperative marketing alliance consisting of wineries, vineyards, and related businesses is committed to attracting tourists and generating traffic through the Paso Robles wine region. The booming wine industry has led to the beginnings of a viable destination, in particular the downtown area. Currently, a myriad of restaurants, wine-tasting rooms, and cheese shops line the sidewalks in downtown. Furthermore, notable restaurants such as the Artisan and Villa Creek have received both local and regional recognition.

Additionally, there are four major wine-related events held annually in Paso Robles which attract both enthusiasts and newcomers alike. BlendFest on the Coast, which started in 2015, is hosted just north of Paso Robles in San Simeon and provides guests with beautiful coastal views while they taste wines from 30 of Paso Robles' wineries. Vintage Paso: Zinfandel Weekend is held during the third week of March and is the second largest Zinfandel tasting in the state. This weekend event also includes special events happening at area wineries, such as winemaker dinners, special tastings, seminars, and open house events. Held in May, the Paso Robles Wine Festival is one of the largest outdoor wine festivals in California. The weekend event at the Paso Robles City Park features winemaker dinners, live music, newly released wines, and open house festivities at area wineries. The Harvest Wine Weekend, which is held in the third week of October, allows guests to enjoy activities such as winemaker dinners, barrel samples, seminars, barbeques, live music, and winery tours.

According to the economic impact study commissioned in 2007 and prepared by MKF Research LLC, the county attracts approximately 1.2 million wine related visits by tourists, of which 87 percent can be attributed to Paso Robles. Demographically, wine-related tourists are well educated and tend to have a relatively high income (over \$100,000 per year). Wine-related

tourists are likely to patronize quality restaurants and lodgings and also have a high rate of return. While the report has not been updated recently, by all accounts the number of tourist visits attributable to the wine industry has increased.

The historical trends in economic and demographic data suggest that the future prospect for Paso Robles is favorable. Paso Robles has been the economic engine that continues to drive the county with its healthier than average job market and viable tourism sector. Paso Robles has become a sophisticated wine-based tourist destination, which has contributed to much of its growth in the local economy. Unlike many other cities that are change-averse, Paso Robles has been proactive in promoting change that has had a positive impact on the community as a whole.

We estimate that the Paso Robles lodging market will increase in occupied room nights, with market occupancy increasing by 12.0 percent to 71.0 percent as the expansion at the La Quinta Inn & Suites and openings of the SpringHill Suites Atascadero and the Ayres Allegretto Vineyard Resort Paso Robles are absorbed into the competitive market. In terms of average daily rate, we estimate a 4.5 percent increase for the market as a whole. In 2016, occupied rooms are forecast to increase by 10.0 percent as the rooms of the aforementioned hotels are annualized, resulting in a market occupancy of 67.2 percent. Average daily rate is forecast to increase by 6.0 percent as compared to 2015 estimates, ending the year at \$144.45.

Paso Robles									
Historical 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	405,150	N/A	253,783	N/A	62.6%	\$114.27	N/A	\$71.58	N/A
2011	405,150	0.0%	270,145	6.4%	66.7	117.09	2.5%	78.08	9.1%
2012	410,625	1.4	279,746	3.6	68.1	120.16	2.6	81.86	4.8
2013	438,000	6.7	301,034	7.6	68.7	123.35	2.7	84.78	3.6
2014	438,000	0.0	306,372	1.8	69.9	130.36	5.7	91.18	7.6
2015E	483,017	10.3	343,067	12.0	71.0	136.27	4.5	96.79	6.1
2016F	561,735	16.3	377,374	10.0	67.2	144.45	6.0	97.04	0.3
CAAG	5.6%		6.8%			4.0%		5.2%	

Source: PKF Consulting USA | CBRE Hotels

North Coastal

The North Coastal sub-market is comprised primarily of lodging facilities in Morro Bay and Cambria. The City of Morro Bay was incorporated in 1964 and is located on the Pacific Coast of California about half way between San Francisco and Los Angeles near Hearst Castle and the Big Sur Coast. The city's name came from its famous landmark, Morro Rock, named by Juan Rodriguez Cabrillo when he first charted this coast during his 16th Century voyage of discovery. South of the City of Morro Bay is the expansive Morro Bay State Park, spread over 1,905 acres of winding landscape and lush vegetation. The park is laid out around an 18-hole golf course. The vast grounds cover a portion of the Morro Bay Estuary and tree-shaded camping and picnic grounds. Morro Rock, the landmark 581 square feet-high rock formation that covers 50 feet at its base, sits at the center of the park and is the westernmost volcano in a chain of seven volcanic peaks reaching to the City of San Luis Obispo. Other park attractions include a natural history museum dedicated to local wildlife and the environment, as well as a small boat harbor that provides launching facilities, boat rentals, a fishing tackle and supplies shop, and a café.

Cambria, a small unincorporated coastal community, was founded in 1862 and is located approximately 34 miles north of San Luis Obispo and six miles south of the famous Hearst Castle along popular Highway 1. Cambria covers an area of approximately three square miles at an elevation approximately 200 feet above sea level. The small coastal town attracts a large degree of retirees and vacationers who appreciate the area’s undisturbed atmosphere. The area depends primarily on tourism and agricultural businesses. Commercially, the town of Cambria can be divided into three distinct areas: East and West Village and Moonstone Beach Drive. Much of Cambria’s commercial buildings and older converted homes can be found in the East and West Village area. Also of note in the East Village are several areas designated for historic preservation. The East Village is also home to a large number of the community’s upscale restaurants. In the last twenty years commercial development has spilled over to the West Village due to the availability of space and its proximity to State Highway 1. The third distinct area of Cambria is Moonstone Beach Drive, which is located one mile north of the East and West Village Districts. The Moonstone Beach area is home to several lodging and restaurant facilities. Cambria offers an ideal setting for a range of outdoor activities including hiking, jogging, and biking along the dramatic coastline. Many visitors enjoy swimming, surfing, kayaking, and other ocean activities. Local fruit farms offer ‘pick your own’ activities and many visitors choose to taste wines at nearby vineyards and wineries.

One of the most popular destinations for visitors is the famous Hearst Castle, which is located in San Simeon. One of the largest of approximately 5,000 historic house museums in the U.S., Hearst Castle features 56 bedrooms, 61 bathrooms, 19 sitting rooms, and provides one of the most sophisticated guided tour programs in the country. The estate’s magnificent main house, “Casa Grande,” and three guest houses are of the Mediterranean Revival style, while the imposing towers of Casa Grande were inspired by a Spanish cathedral. Art treasures can be found in every room of Hearst Castle and include antique ceilings, ancient Greek vases, rare oriental rugs, and a variety of work originating primarily from Spain and Italy. The grounds and formal gardens of the 127-acre estate are ornamented with tiled pools, fountains and statuary.

In 2015, we estimate that demand as measured by occupied rooms will decrease by 1.8 percent to 70.4 percent, while average daily rate will increase by 6.4 percent to \$147.12. In regard to 2016, we forecast no increase in occupied rooms resulting in an occupancy of 70.4 percent, but a 6.0 percent increase in average daily rate as the North Coastal area approaches a stabilized occupancy level. This equates to a year-end 2016 average daily rate of \$155.95.

North Coastal									
Historical 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	266,085	N/A	151,769	N/A	57.0%	\$122.13	N/A	\$69.66	N/A
2011	266,085	0.0%	157,579	3.8%	59.2	124.44	1.9%	73.69	5.8%
2012	266,085	0.0	169,332	7.5	63.6	128.03	2.9	81.48	10.6
2013	266,085	0.0	184,857	9.2	69.5	131.34	2.6	91.24	12.0
2014	266,085	0.0	190,811	3.2	71.7	138.33	5.3	99.20	8.7
2015E	266,085	0.0	187,347	-1.8	70.4	147.12	6.4	103.59	4.4
2016F	266,085	0.0	187,347	0.0	70.4	155.95	6.0	109.80	6.0
CAAG	0.0%		3.6%			4.2%		7.9%	

Source: PKF Consulting USA | CBRE Hotels

COASTAL RESORT MARKET

Coastal Resort Market

EXECUTIVE SUMMARY

The Coastal Resort market includes destination resort hotels located in coastal locations in the counties of Santa Barbara, Los Angeles, Orange, and San Diego. For the most part, the sample set of resorts are characterized as four to five star level properties that cater primarily to groups and high-end leisure travelers. These properties play an important role in the California lodging market due to their ability to attract regional business and garner nationwide attention. California's temperate climate, stretches of ocean and beaches, and tourist attractions contribute to the appeal of these resorts.

Over the last four years, the Coastal Resort market has seen several additions to supply, such as the opening of the 215-room Hilton Carlsbad in July 2012, now the Cape Rey, a Hilton Resort, and the May 2013 re-opening of El Encanto, a 92-room luxury hotel located in Santa Barbara, which is affiliated with the Belmond hotel collection. The hotel had been closed for nearly seven years as it underwent an extensive renovation. In 2014 the 78-room Pier South Resort opened in Imperial Beach as part of Marriott's Autograph Collection of hotels. We also note that last year the Loews Santa Monica increased its guestroom count by five, through the conversion and reconstruction of what was formerly back of the house and prefunction space. We are not aware of any hotels that have opened, or will open during the remainder of 2015 that would be categorized within the Coastal Resort Market. Next year will see the opening of the 250-room Paséa Hotel & Spa, which is currently under construction in Huntington Beach. Developed by a partnership between R.D. Olson and Pacific Hospitality Group, the beach-inspired lifestyle hotel is anticipated to open in the late Spring of next year.

The properties in this market typically target the high-end group and local and regional leisure travelers to help boost occupancy and rate. Following the slowdown and significant decline in 2009, the coastal properties recaptured significant growth in occupied rooms in 2010 and accelerating in 2011 and 2012, helped along by the lowest increase in supply in the past decade as no new hotels opened in 2011. That year also brought the first year of positive ADR growth, which continued in 2012 and throughout the remainder of the historical period as occupancy levels reached, and then exceeded the 70 percent level. In 2015, we estimate a 2.2 percent growth in occupied rooms amidst a 0.1 percent growth in supply, resulting in an occupancy of 74.6 percent. Average daily rate is estimated to increase by 4.4 percent to \$354.26 in 2015. In 2016, supply is expected to increase by 1.6 percent with the opening of the Paséa Hotel & Spa in the late Spring. Demand is forecast to increase 1.8 percent along with a 4.9 percent increase in ADR.

With very little new supply in the pipeline for this market, and the long planning horizon required, the market is well positioned to operate at healthy levels in the future as the overall economy continues to recover and the destination gains recognition on a national and international level.

Coastal Market									
Historical 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	3,105,785	N/A	1,891,314	N/A	60.9%	\$277.78	N/A	\$169.16	N/A
2011	3,105,785	0.0%	2,051,479	8.5%	66.1	293.39	5.6%	193.79	14.6%
2012	3,145,205	1.3	2,167,571	5.7	68.9	305.62	4.2	210.63	8.7
2013	3,203,240	1.8	2,252,619	3.9	70.3	321.50	5.2	226.09	7.3
2014	3,245,923	1.3	2,371,703	5.3	73.1	339.47	5.6	248.04	9.7
2015E	3,248,135	0.1	2,424,575	2.2	74.6	354.26	4.4	264.43	6.6
2016F	3,301,425	1.6	2,469,100	1.8	74.8	371.64	4.9	277.95	5.1
CAAG	1.0%		4.5%			5.0%		8.6%	

Source: PKF Consulting USA | CBRE Hotels

We have divided the market into three tiers in order to analyze the coastal market in further detail. The first tier includes properties with stabilized average daily rates projected to be above \$400.00. For year-end 2015, we estimate a market occupancy rate of 73.6 percent and an average daily rate of \$582.19. This equates to a 1.8 percent increase in occupied rooms and a 4.9 percent increase in average daily rate. The occupancy growth is led primarily by Santa Barbara properties. We are not aware of any hotel openings within this tier for the remainder of 2015 and 2016. Looking forward, in 2016 we have forecast occupied rooms to grow by 1.0 percent amidst no supply growth. We project that average daily rate will grow by 5.5 percent. This equates to a forecasted occupancy of 74.3 percent and a rate of \$614.21 in 2016.

First Tier (ADR Above \$400)									
Historical 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	649,335	N/A	349,530	N/A	53.8%	\$458.42	N/A	\$246.76	N/A
2011	649,335	0.0%	394,307	12.8%	60.7	477.71	4.2%	290.09	17.6%
2012	649,335	0.0	434,345	10.2	66.9	491.46	2.9	328.74	13.3
2013	668,315	2.9	460,966	6.1	69.0	523.76	6.6	361.26	9.9
2014	682,915	2.2	493,853	7.1	72.3	555.18	6.0	401.48	11.1
2015E	682,915	0.0	502,550	1.8	73.6	582.19	4.9	428.43	6.7
2016F	682,915	0.0	507,575	1.0	74.3	614.21	5.5	456.51	6.6
CAAG	0.8%		6.4%			5.0%		10.8%	

Source: PKF Consulting USA | CBRE Hotels

The market's second tier includes properties with stabilized average daily rates that are projected to be below \$400.00 but above \$275.00. For this market, we estimate an occupancy rate and average daily rate for year-end 2015 of 72.7 percent and \$354.79, which translates to an increase in occupied rooms of 2.4 percent and 4.7 percent increase in average daily rate. For 2016, we forecast the demand for occupied rooms will increase by 3.0 percent amidst a 4.0 percent increase in supply attributable to the opening of the Paséa Hotel & Spa. This equates to a market occupancy rate of 72.0 percent. Average daily rate is forecast to increase by 5.0 percent for an average daily rate of \$372.53.

Second Tier (ADR below \$400 above \$275)									
Historical 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	1,321,665	N/A	781,220	N/A	59.1%	\$279.59	N/A	\$165.26	N/A
2011	1,321,665	0.0%	847,447	8.5%	64.1	297.27	6.3%	190.61	15.3%
2012	1,321,665	0.0	881,374	4.0	66.7	314.62	5.8	209.81	10.1
2013	1,321,665	0.0	904,185	2.6	68.4	325.94	3.6	222.99	6.3
2014	1,322,760	0.1	940,314	4.0	71.1	338.96	4.0	240.96	8.1
2015E	1,323,490	0.1	962,757	2.4	72.7	354.79	4.7	258.09	7.1
2016F	1,376,780	4.0	991,640	3.0	72.0	372.53	5.0	268.32	4.0
CAAG	0.7%		4.1%			4.9%		8.4%	

Source: PKF Consulting USA | CBRE Hotels

Lastly, the third tier includes properties with stabilized average daily rates projected to be under \$275.00. In 2015, occupied rooms are estimated to increase by 2.4 percent amidst a 0.1 percent increase in supply with the addition of the annualized rooms from the Pier South Resort, Autograph Collection which opened in the latter half of January 2014, resulting in a market occupancy of 77.3 percent. Average daily rate is estimated to increase by 3.6 percent, equating to \$234.41. In 2016, with no additions to supply, we forecast occupied rooms will increase by 1.0 percent, for a market occupancy of 78.1 percent. We forecast average daily rate to increase by 4.0 percent in 2016, ending the year at \$243.79.

Third Tier (ADR Below \$275)									
Historical 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	1,134,785	N/A	760,564	N/A	67.0%	\$192.91	N/A	\$129.29	N/A
2011	1,134,785	0.0%	809,725	6.5%	71.4	199.56	3.5%	142.40	10.1%
2012	1,174,205	3.5	851,852	5.2	72.5	201.56	1.0	146.23	2.7
2013	1,213,260	3.3	887,468	4.2	73.1	211.90	5.1	155.00	6.0
2014	1,240,248	2.2	937,536	5.6	75.6	226.36	6.8	171.11	10.4
2015E	1,241,730	0.1	960,282	2.4	77.3	234.41	3.6	181.28	5.9
2016F	1,241,730	0.0	969,885	1.0	78.1	243.79	4.0	190.42	5.0
CAAG	1.5%		4.1%			4.0%		6.7%	

Source: PKF Consulting USA | CBRE Hotels

PKF Consulting USA | CBRE Hotels

Atlanta Office

3475 Lenox Road
Suite 720
Atlanta, GA 30326
Tel: 404.842.1150
Fax: 404.842.1165
Senior Managing Director
Mark Woodworth
Direct: 404.809.3969
Managing Director
Scott Smith
Direct: 404.809.3949

Biloxi Office

311 Vandenberg Drive
Biloxi, MS 39531
Director
Chris K. Skully
Cell: 703.310.9075

Boston Offices

260 Franklin Street
Suite 400
Boston, MA 02110
Fax: 617.912.5240
Managing Director
Reed Woodworth
Direct: 617.912.5267
33 Arch Street
28th Floor
Boston, MA 02110
Managing Director
Andrea Foster
Direct: 617.488.7290

Bozeman Office

321 East Main Street
Suite 322
Bozeman, MT 59715
Tel: 406.582.8189
Fax: 406.585.9180
Managing Director
Chris Kraus

Chicago Office

321 North Clark Street
Suite 3400
Chicago, IL 60654
Fax: 312.935.1880
Managing Director
Mark D. Eble
Direct: 312.297.7665

Dallas Office

2100 McKinney Avenue
Suite 700
Dallas, TX 75201
Director
Jeff Binford
Direct: 214.979.6166

Houston Office

1010 Lamar Street
Suite 400
Houston, TX 77002
Tel: 713.621.5252
Fax: 713.621.9494
Managing Director
Randy McCaslin x 21
Direct: 832.571.2282

Jacksonville

225 Water Street
Suite 110
Jacksonville, FL 32202
Fax: 904.791.8953
Managing Director
Hank Staley
Direct: 904.633.2615
Director
Hank Fonde
Direct: 904.633.2616

Los Angeles Office

400 S. Hope Street
25th Floor
Los Angeles, CA 90071
Fax: 213.613.3005
Managing Director
Bruce Baltin
Direct: 213.613.3370
Managing Director
Jeff Lugosi
Direct: 213.613.3375

Nashville Office

150 4th Avenue North
Suite 2110
Nashville, TN 37219
Tel: 850.443.2223
Associate
Heidi Burns

New York Office

One Penn Plaza
Suite 1835
New York, NY 10119
Managing Director
Mark Van Stekelenburg
Direct: 212.984.7125

Philadelphia Office

8 Penn Center Plaza
19th Floor
Philadelphia, PA 19103
Tel: 215.563.5300
Fax: 215.563.1977
Director
Peter Tyson x 33

San Francisco Office

101 California Street
Suite 4400
San Francisco, CA 94111
Tel: 415.772.0123
Fax: 415.772.0459
Senior Managing Director
Thomas Callahan
Direct: 415.772.0360

Tampa Office

101 East Kennedy Boulevard
Suite 1500
Tampa, FL 33602
Vice President
Chuck Ross
Direct: 813.273.8468

Washington D.C. Office

750 Ninth Street, NW
Suite 900
Washington, DC 20560
Fax: 202.783.1723
Managing Director
Kannan Sankaran
Direct: 202.585.5603
Director
Curtis Cornelssen
Direct: 202.585.5529
Director
Tom Lewerenz
Direct: 202.585.5581