

Schwec
Consulting
Group



**Market Analysis and Financial Projections
PROPOSED ANDAZ by Hyatt HOTEL
1998 S. Fletcher Ave.
Fernandina Beach, FL 32034**

**Prepared for
MS. CONCERNED CLIENT
Loan Diligence Department
The First National Bank of Boca Raton
1 Blue Skies Ave.
Boca Raton, FL 33433**

May 30, 2013



Schwec Consulting Group

May 30, 2013

**Ms. Concerned Client
Loan Diligence Department
The First National Bank of Boca Raton
1 Blue Skies Ave. Boca Raton, FL 33433**

**Subject: Proposed Andaz by Hyatt Hotel
Amelia Island, Florida 32034**

Dear Ms. Client,

With all due respect and in accordance with your request, we have completed our analysis regarding the proposed Andaz by Hyatt. The final report includes an analysis of the potential future market demand, estimated operating expenses, and projected performance of the proposed hotel to be located at 1998 S. Fletcher Avenue Fernandina Beach, FL 32034. The conclusions presented in the report are based on our current knowledge of the market for the proposed facility at the completion of our research on May 27, 2013.

As with all reports of this nature, the estimated operating results are contingent upon successful management of the property by Top Notch Lodging as well as the absence of significant changes in the competitive set and environment. Top Notch Lodging currently owns and operates hotel properties and has been financially successful.

The projections contained within this report have been conscientiously calculated using the most reliable forms of information available to us. However, our extensive experience in the lodging industry means we contend that the projects contained within this report may not be ultimately achieved as the assumptions and estimates are subject to uncertainty and variation. Additionally, we have no obligation to update this study because of events or transactions occurring after its completion.

This report does cover some aspects related to zoning regulations; however, it is expressly understood than any zoning regulations, licensing requirements or any other restrictions not explicitly discussed within the report have not been taken into consideration. It is our understanding and expectation that the developer will prepare their plans in accordance with all zoning and licensing requirements as well as in line with any local laws and regulations.

The primary purpose of this report is to evaluate the proposed development of Andaz by Hyatt at the Amelia Island location in terms of its expected cost and profitability as a means for the possibility of obtaining primary mortgage financing. Secondary uses of this report may include negotiations pertaining to management contracts or franchise agreements. Neither our name nor the material contained herein may be reproduced or used in any prospectus, offering brochure or other printed media without our prior written consent.

Should you have any questions regarding the interpretation or application of our findings, please do not hesitate to contact us. We would be pleased to discuss our work with you.

Sincerely,

Schwec Consulting Group

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Introduction

Schwec Consulting Group was retained by The First National Bank of Boca Raton to prepare a market analysis and financial projects for Andaz by Hyatt which is to be developed at 1998 S. Fletcher Avenue in Fernandina Beach, FL 32034. The property is to be both developed and operated by Top Notch Lodging.

As proposed the hotel is expected to fit the following facilities profile:

- 120 guest rooms
- 4,000 square feet of meeting space
- A 100-top Bistro Style Restaurant with casual and linen service dependent on meal period
- An outdoor pool and patio

In keeping with the Andaz concept, the subject will be operated as a full-service hotel offering the amenities and services expected from the Andaz brand, most notably Andaz will embody the local flair of the area in which it is developed.

Scope and Methodology

The scope and methodology of the study includes, but is not limited to, the following:

1. Examination of the proposed site in regards to feasibility of the build, access to demand generators, aesthetic appeal and other market-related issues pertaining to the location.
2. Identification of the existing supply of full-service hotels within the Amelia Island market that will compete with proposed Andaz Hotel.
3. Interviews with key members of the management teams of competing hotels to collect data regarding the operating levels and dynamics of the local market.
4. Inspection of the hotels identified to be within the competitive set.
5. Research of the Amelia Island market in general as well as specific research on tourism and visitor statistics, economic and demographic specifics and other information.
6. Preparation of a supply and demand model culminating with a projection of occupancy and average daily rate for the proposed hotel.
7. Preparation of estimated annual operating results for the proposed hotel.

The results of our research are contained in the following sections of this report.

SITE AND AREA REVIEW

Overview

Fernandina Beach is located on Amelia Island--a popular convention and tourist destination. There are several nearby restaurants within walking distance. Additionally, the location is 8 miles from downtown Fernandina Beach consisting of 16 sq. blocks of dining, shopping and nightlife venues. The local airport is only 7 minutes away, but the closest international airport is in Jacksonville, FL--approximately a 45-minute drive.

Neighborhood Review

The neighborhood (zip code 32024) refers to Amelia Island. The island is approximately 13 miles long (North to South) and 6 miles wide (East to West). Due to zoning regulations and city ordinances few buildings are taller than 6 stories with the major exceptions being The Omni Amelia Island Plantation and The Ritz Carlton.

The population continues to increase though in recent years has increased at a slower rate than in the early 2000s. From 2000 to 2010 the population increased from 24,786 to 31,008. The population increased again from 2010 to 2013 and as of that time measured at 31,447 persons.

Cities: [Fernandina Beach, FL \(16.07%\)](#), [Yulee, FL \(0.78%\)](#)
County: [Nassau County, FL](#)

Estimated zip code population in 2013: 31,477
Zip code population in 2010: 31,008
Zip code population in 2000: 24,786

city-data.com

The largest segment of the population consists of married couples without children (32%). The next most statistically significant segment is non-family households (25%) and 1 person households (19%) and is closely followed by married couples with children (15%). Additionally, the majority (89%) of the population is white. Seven (7) percent of the population is black. The population is 48% female and 52% male. (Appendix A)

In summary, the majority of the population is white married couples without children between the ages of 40 and 64 who have completed some form of post-secondary education and are currently employed in the civilian workforce making approximately \$30,000 to \$75,000 annually. A significant portion of the population makes \$75,000 to \$150,000. (Appendix A)

Market Segmentation Analysis

The market is expected to experience growth through 2016 in occupancy (.08%), ADR (5.2%) and RevPAR (6%).

The primary competitive set includes The Omni Amelia Island Plantation, The Ritz Carlton, Amelia Seaside Inn and Amelia Hotel.

| Comp Set | Occupancy | ADR | Market Segmentation |
|-----------------------------------|------------------|------------|---|
| The Omni Amelia Island Plantation | 89% | \$263.76 | Affluent Families with an income of \$200,000 or more and Conferences |
| The Ritz Carlton | 91% | \$281.23 | Affluent Clientele |
| Amelia Seaside Inn | 75% | \$163.21 | Upper Class Leisure Travelers |
| Amelia Hotel | 71% | \$99 | Blue Collar Leisure Travelers |

The Ritz Carlton is currently completing renovations of the main lobby and breakfast café which is expected to be completed next month, March 2016 prior to the local event Concours de Elegance during which all hotels in the area are expected to be at 100% occupancy. Over the last two years The Ritz Carlton has completed complete renovations of the corridors and meeting spaces as well. The Amelia Hotel went through a complete renovation in 2008. The Omni Amelia Island Plantation completed its \$84 million “re-imagination” in 2010. The Amelia Seaside Inn was overhauled in 2014.

These various renovations resulted in a 27% increase in supply; however, demand increase continues to outstrip supply increase in the market by .08 percent.

The area is a popular leisure and meeting/group destination, but only experiences a minimal amount of business/corporate-related travel. The business/corporate travel is typically limited to those associated with the major companies in the area, primarily Rayonier (associated with the local paper mill) and the Port of Fernandina Beach (a Kinder Morgan company). Most meeting/group business is conducted via The Omni Amelia Island Plantation and The Ritz Carlton due to their large conference centers and conference service resources. Leisure travel is the primary shared business between all of the hotels in the area.

| Comp Set | Business/Corporate | Leisure | Meeting/Group |
|-----------------------------------|---------------------------|----------------|----------------------|
| The Omni Amelia Island Plantation | 9% | 43% | 48% |
| The Ritz Carlton | 12% | 46% | 42% |
| Amelia Hotel | 5% | 88% | 8% |
| Amelia Seaside Inn | 4% | 93% | 3% |

According to HOST reports, the majority of guests to Amelia Island are traveling as a couple or three-person family for a vacation lasting 4-5 nights (cloversites). The median household income for guests visiting Amelia Island is \$137,819 and 70% of visitors choose to stay in upscale accommodations such as The Ritz Carlton and Omni Amelia Island Plantation (cloversites).

For the prospective Andaz Hotel, this means the hotel needs to be designed, built and managed in a manner that attracts the types of visitors discussed above. Hyatt describes the Andaz concept as “boutique hotels with sophisticated style, locally inspired cuisine and vibrant social areas with a kaleidoscope of local culture.” This style and culture would fit in well in this market; however, the Omni Amelia Island Plantation also prides itself on reflecting the local culture. The Andaz development team would need to be sure to distinguish itself from the existing lodging facilities by emphasizing its sophistication, luxury and social atmosphere.

Site Analysis

The site for hotel development has been identified as 1998 S. Fletcher Ave in Fernandina Beach, Florida. The location is currently home to a 3 story, 8,000 sq. ft. restaurant called Slider's Seaside Grill; however, the ocean front location is prime for hotel development.

Site Sustainability—The site is sustainable, but one concern is the impact of erosion on the eastern edge of the property. The dunes in the area create some natural protection between the white-sand beaches and the eastern face of the proposed hotel, but the investor should consider the possibility and likelihood of possible future investment needs to preserve this area of the property.

Access and Site Visibility—The site is visible as you approach Sadler Rd from the north or south via Fletcher Ave. A roundabout situated at the intersection of Fletcher Ave and Sadler Rd requires that drivers slow down as they pass the main entrance to the site, which increases exposure time for every car that passes through, around

or into the property.

Zoning and Regulations— The zoning of this area is C-1 (Community Commercial 1). This zoning code is reserved for commercial business and offices that serve more than a few neighborhoods and whose operation is limited in intensity that would negatively impact the environment and surrounding residential areas. Several hotels already exist in this type of zoning within the city limits. A zoning map is available in Appendix B.

In addition to the requirements set forth by the zoning of the proposed land parcel, Fletcher Ave is also subject to building height limitations of 45 feet from the ground (City of Fernandina Beach). As a result the proposed hotel would have a maximum number of 5 stories with eight-foot ceilings or 6 stories with seven-foot ceilings. If the developer decided to make the lobby level with higher ceilings it would detract from the overall number of rooms; however creative solutions such as a center foyer with high ceilings would still allow for rooms to be constructed on each floor. Finally, the chosen land parcel is 17,161 sq. ft. with 197 feet along the road on the west side of the land parcel (Point2Homes). This allows the hotel to build horizontally instead of vertically and maximizes the beach frontage of the hotel on the east side.

Utilities and Services—The proposed hotel is expected to pursue green initiatives in congruence with the Andaz Brand; however, due to the zoning requirements of the proposed land parcel, this particular location will be subject to higher scrutiny than other Andaz properties. As a result, the development must be planned in such a way as to maximize the green initiatives and minimize the environmental impact of the proposed hotel operation.

Excess Land—Due to the limited land area available for development on the island, there is no excess land in the immediate area. Some interior areas of the island have room for development, but are away from the beach. Finally, the northern tip of the island is under developed in comparison to the rest of the area due to its protection as part of the Fort Clinch State Park.

LODGING SUPPLY AND DEMAND ANALYSIS

Market Supply

There are an approximate total of 2500 hotel rooms available in the market. The competitive set contributes 1,090 rooms to the market supply. Supply has increased by 27% since 2008. The proposed construction of the Andaz would result in an additional 4.8% increase in supply for the market.

The primary competitive set includes The Omni Amelia Island Plantation, The Ritz Carlton, Amelia Seaside Inn and Amelia Hotel.

| Comp Set | Occupancy | ADR | Market Segmentation |
|-----------------------------------|------------------|------------|---|
| The Omni Amelia Island Plantation | 89% | \$263.76 | Affluent Families with an income of \$200,000 or more and Conferences |
| The Ritz Carlton | 91% | \$281.23 | Affluent Clientele |
| Amelia Seaside Inn | 75% | \$163.21 | Upper Class Leisure Travelers |
| Amelia Hotel | 71% | \$99 | Blue Collar Leisure Travelers |

The Andaz would compete directly with the Omni Amelia Island Plantation, The Ritz Carlton and Amelia Seaside Inn to a greater degree than it would compete with Amelia Hotel. The typical ADR for an Andaz branded property is \$125/night, but given then competitive set, Andaz would do well to increase its ADR to \$199 for this market.

The Omni Amelia Island Plantation

The Omni Amelia Island Plantation is located at 6800 First Coast Highway, Amelia Island, FL 32034. It's location and 1300 acre property make it ideal for bother leisure and conference travel. OAIP completed an \$8-million upgrade and reimagination, bringing its total hotel room count to 404 rooms and suites and doubling its meeting and conference space to approximately 250,000 square feet.

The resort features Northeastern Florida's largest pool-scape: a three-tier heated pool deck featuring an adults only infinity pool, a family pool, 2 hot tub spas and a children's splash pad. Additionally, the resort features an indoor lap pool, two fitness centers, 3 designer golf courses, 23 Har-Tru clay tennis courts, a pickle ball court and miles of scenic trails and beaches.

In room amenities are contemporary and anticipated. The resort offers free WiFi, complementary self-parking and spacious living quarters. The resort is pet-friendly and features pet-friendly public areas and 3 pet-friendly food and beverage outlets.

The resort is home to more than 10 food and beverage outlets. The newest venue is Bob's Steak and Chop House, but the best known have been a part of Amelia Island for many years: The Verandah, The Falcon's Nest, Marche Burette and Oceanside.

The Ritz Carlton

The Ritz Carlton is located at 4750 Amelia Island Parkway Amelia Island, FL 32034. It's location on the southern half of Amelia Island—among the wealthier neighborhoods and on the beach—lends itself most suitable for upscale leisure and conference travel. The Ritz Carlton currently includes 446 rooms and suites. The property recently completed renovations of its lobby, corridors, meeting space and breakfast restaurant in an effort to align itself with the local island flair and culture.

The resort features four food and beverage outlets, a million-dollar spa, fitness center, indoor and outdoor pools and many other amenities, not to mention direct beach access.

In room amenities are hi-tech and luxurious. The resort offers free WiFi, in-mirror televisions, and high-end Italian linens and comforters. The Ritz Carlton is also the only resort with an exclusive club level.

Amelia Seaside Inn

The Amelia Seaside Inn is located at 2900 Atlantic Avenue Amelia Island, FL 32034. It's location bordering Main Beach—a popular locals and tourist beach access and park—on the northern end of Amelia Island is a prime location for vacationers. The select-service property features its own private boardwalk and direct access to the beach and local Main Beach park.

The inn features bright, nautical-themed rooms. Each room features a private balcony, though only some have ocean views. Additionally, all rooms feature standard amenities such as free WiFi, flat screen televisions and in room coffee. The property also features an outdoor pool and rooftop sundeck.

The inn is only a three-minute walk from Fort Clinch State Park and a mere two miles from historic Fernandina Beach.

Market Demand

The area is a popular leisure and meeting/group destination, but only experiences a minimal amount of business/corporate-related travel. The business/corporate travel is typically limited to those associated with the major companies in the area, primarily Rayonier (associated with the local paper mill) and the Port of Fernandina Beach (a Kinder Morgan company). Most meeting/group business is conducted via The Omni Amelia Island Plantation and The Ritz Carlton due to their large conference centers and conference service resources. Leisure travel is the primary shared business between all of the hotels in the area.

| Comp Set | Business/Corporate | Leisure | Meeting/Group |
|-----------------------------------|---------------------------|----------------|----------------------|
| The Omni Amelia Island Plantation | 9% | 43% | 48% |
| The Ritz Carlton | 12% | 46% | 42% |
| Amelia Hotel | 5% | 88% | 8% |
| Amelia Seaside Inn | 4% | 93% | 3% |

In summery, there are several nearby restaurants within walking distance. Additionally, the location is 8 miles from downtown Fernandina Beach consisting of 16 sq. blocks of dining, shopping and nightlife venues. The local airport is only 7 minutes away, but the closest international airport is in Jacksonville, FL--approximately a 45-minute drive.

Local demand generators include the 13-miles of white sand beaches and the Intercoastal Waterway. The Island as 47 public beach accesses along the eastern coast, but many of the hotels and resorts—including those in the comp set—have one or more private beach accesses. Additionally, there are two nearby state parks: Fort Clinch and Cumberland Island. Fort Clinch State Park is located on the northern end of Amelia Island and is largely the reason this are is undeveloped. Cumberland Island is a pristine island located off the coast of Amelia Island and the Georgia mainland. It is accessible via a 30-minute ferry ride from Fernandina Beach or Georgia and is home to the areas wild horse population.

The island is home to many restaurants and lounges as well as various island-related activities. The downtown historic district of Fernandina Beach boasts numerous food and beverage outlets. Some of the most popular restaurants are located within the sixteen square blocks of historic Fernandina Beach; however, there are great restaurants in midtown and on the south end as well.

For such a small island, Amelia Island really packs a punch with a significant number of demand generators. The local lodging industry capitalizes on these demand generators by penetrating the market well (Appendix C).

The chart below summarizes the relationship between fair share and market segment for each hotel in the comp set.

| Hotel | Fair Share | Group | Leisure | Business |
|-------------------------------|-------------------|--------------|----------------|-----------------|
| Omni Amelia Island Plantation | 37% | +13% | -1% | +0% |
| The Ritz Carlton | 55% | -6% | -12% | +0% |
| | | | | |

| | | | | |
|--------------------|----|-----|------|-----|
| Amelia Seaside Inn | 9% | -7% | +12% | -1% |
| Amelia Hotel | 3% | -2% | +15% | +0% |

In summary, The Omni Amelia Island Plantation exceeds its fair share of group business, falls short in penetrating the leisure market and is spot on in the business market. The Ritz Carlton is not penetrating the market as much as expected, falling short in both the group and leisure markets but performing to standard in the business market. Finally, both the Amelia Seaside Inn and Amelia Hotel fall short in penetrating its fair share of the group market, but heavily over perform in the leisure market. The Amelia Seaside Inn falls slightly short of its fair share in the business market and the Amelia Hotel is penetrating to projection in the business market.

For the proposed hotel, there is room to penetrate the group and leisure markets as many hotels are falling short of their fair share. The proposed hotel should target these markets where competition is the richest and consumers are most available.

Projected Operating Levels

The projected operating levels for the Amelia Island area are as follows:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Projected Demand | | | | | |
| Commercial | 243,981 | 248,861 | 253,838 | 258,914 | 264,093 |
| Group | 118,787 | 121,162 | 123,586 | 126,057 | 128,578 |
| Leisure | 161,025 | 164,245 | 167,530 | 170,881 | 174,298 |
| Total Demand | 523,792 | 534,268 | 544,954 | 555,853 | 556,970 |
| Total Supply | 723,555 | 723,555 | 723,555 | 723,555 | 723,555 |
| Projected Market Occupancy | 72% | 73% | 74% | 76% | 77% |

Demand is expected to grow over the next five years primarily due to the increased efforts of the state and local tourism boards. Amelia Island has limited availability for lodging industry supply growth. This will tend to drive rates and profitability.

When the Andaz enters the market in 2014, its expected occupancy for the next five years is as follows:

| Year | Occupancy |
|------|-----------|
| 2014 | 71% |
| 2015 | 73% |
| 2016 | 76% |
| 2017 | 79% |
| 2018 | 81% |

In 2014, the Andaz is expected to have a strong entrance due to its strong brand name, prime location and attractive ADR. According to the developer's pro-forma the ADR should be \$125, but given the Amelia Island market and comp set the Andaz should position itself at an ADR of at least \$185 and possibly as high as \$199 in

order to target a wider market to include white collar families, groups and affluent clientele. The revised ADR would still be very attractive, but would aggressively drive profits (discussed further in the next section).

Projected Financial Performance

As stated previously, the pro-forma ADR for Andaz by Hyatt is expected to be \$125; however, the researcher believes the market will drive ADR higher—likely to approximately \$185 ADR. The ADR within the competitive set is quite obtuse. The luxury hotels are above \$200, while the others are under \$170. The Andaz concept is expected to comfortably fill the niche between these two extremes. The boutique style hotel featuring a sophisticated and social setting will attract many consumers who end up settling for lower quality due to the attractive ADR because they do not wish to pay the high-end prices of the luxury resorts.

After the introduction of the Andaz by Hyatt the market statistics are expected to change:

| Comp Set | Occupancy | ADR | Market Segmentation |
|-----------------------------------|-----------|----------|---|
| The Omni Amelia Island Plantation | 78% | \$223.00 | Affluent Families with an income of \$200,000 or more and Conferences |
| The Ritz Carlton | 82% | \$261.00 | Affluent Clientele |
| Amelia Seaside Inn | 53% | \$133.00 | Upper Class Leisure Travelers |
| Andaz by Hyatt | 71% | \$185.00 | White Collar Leisure Travelers and Small to Medium Groups |

| Comp Set | Business/Corporate | Leisure | Meeting/Group |
|-----------------------------------|--------------------|---------|---------------|
| The Omni Amelia Island Plantation | 11% | 43% | 46% |
| The Ritz Carlton | 17% | 41% | 42% |
| Amelia Hotel | 5% | 86% | 9% |
| Andaz by Hyatt | 7% | 71% | 22% |

Market Penetration is also expected to change after the introduction of Andaz by Hyatt (Appendix D).

FINANCIAL ANALYSIS

The expected revenue for Andaz over the next five years is:

| | # of Rooms | Occupancy | ADR | 365 Total RN | Room Rev. |
|----------------------------|------------|-----------|----------|-----------------|-------------|
| Andaz by Hyatt 2014 | 120 | 71% | \$185.00 | 31,098 | \$5,753,130 |
| Andaz by Hyatt 2015 | 120 | 75% | \$185.00 | 32,850 | \$6,007,250 |
| Andaz by Hyatt 2016 | 120 | 79% | \$193.00 | 34,602 | \$6,678,186 |

| | | | | | |
|----------------------------|------------|--------------|-----------------|----------------|---------------------|
| Andaz by Hyatt 2017 | 120 | 81% | \$195.00 | 35,478 | \$6,918,210 |
| Andaz by Hyatt 2018 | 120 | 87% | \$199.00 | 38,106 | \$7,583,094 |
| Total | 600 | 70.3% | \$191.40 | 172,134 | \$32,939,870 |

ADR and occupancy are expected to increase over the next five years as demand to vacation on Amelia Island increases. As a result, revenue is also expected to increase year over year (YOY) for the next five years. At the culmination of its first five operating years, Andaz is expected to generate \$32,939,870 in room revenue alone, assuming there are no upgrades or additional constructions.

Non-room revenue over the next five years is as follows:

| Year | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Food Sales (POR) | \$34.00 | \$34.00 | \$34.00 | \$34.00 | \$34.00 |
| Food Sales Total | \$1,027,548 | \$1,042,440 | \$1,057,332 | \$1,087,116 | \$1,087,116 |
| Beverage Sales (POR) | \$9.00 | \$9.00 | \$9.00 | \$9.00 | \$9.00 |
| Beverage Sales Total | \$271,998 | \$275,940 | \$279,882 | \$287,776 | \$287,776 |
| Food and Beverage Sales Total | \$1,299,546 | \$1,318,380 | \$1,337,214 | \$1,374,882 | \$1,374,882 |
| Other Operating Departments (POR) | \$7.00 | \$7.00 | \$7.00 | \$7.00 | \$7.00 |
| Other Operating Departments Total | \$211,554 | \$214,620 | \$217,686 | \$233,818 | \$223,818 |
| Rentals and Other Income (PAR) | \$717.00 | \$717.00 | \$717.00 | \$717.00 | \$717.00 |
| Rentals and Other Income Total | \$86,040 | \$86,040 | \$86,040 | \$86,040 | \$86,040 |
| Total Non-Room Revenue | \$7,350,270 | \$7,626,290 | \$8,319,126 | \$8,612,950 | \$9,277,834 |

This brings Andaz's total income (rooms plus non-rooms revenue) to the following each year:

| Year | Total Revenue |
|------|---------------|
| 2014 | \$7,350,270 |
| 2015 | \$7,626,290 |
| 2016 | \$8,319,126 |
| 2017 | \$8,612,950 |
| 2018 | \$9,277,834 |

NOTE: The total revenue is impacted by the researches decision to use the projected ADR for the proposed property.

Before we can determine the feasibility of the project, all of Andaz's expenses for development and operation over the first five years must be taken into consideration.

The expenses over the first five years of operation are as follows:

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| <u>Departmental Expenses</u> | | | | | |
| Rooms Expense (POR) | \$33.00 | \$32.00 | \$31.00 | \$29.00 | \$29.00 |
| Rooms Expense Total | \$997,326 | \$981,120 | \$964,038 | \$927,246 | \$927,246 |
| Food and Beverage Expenses (% of F&B Sales) | 73% | 72% | 71% | 69% | 69% |
| Food and Beverage Expenses Total | \$948,669 | \$949,234 | \$949,422 | \$948,669 | \$948,669 |
| Other Operated Department Expenses (% of Sales) | 50% | 50% | 50% | 50% | 50% |
| Other Operated Department Expenses Total | \$148,797 | \$150,330 | \$151,863 | \$154,929 | \$154,929 |
| Total Departmental Expenses | \$2,094,792 | \$2,080,684 | \$2,065,323 | \$2,030,844 | \$2,030,844 |
| | | | | | |
| Total Departmental Income | \$3,733,428 | \$3,984,056 | \$4,240,317 | \$4,769,736 | \$3,769,736 |
| | | | | | |
| <u>Undistributed Expenses</u> | | | | | |
| Administrative and General | \$3,650 | \$3,700 | \$3,750 | \$3,800 | \$3,800 |

| | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| (PAR) | | | | | |
| Administrative and General Total | \$438,000 | \$444,000 | \$450,000 | \$456,000 | \$456,000 |
| Sales and Marketing (PAR) | \$3,950 | \$3,900 | \$3,850 | \$3,800 | \$3,800 |
| Sales and Marketing Total | \$474,000 | \$468,000 | \$462,000 | \$456,000 | \$456,000 |
| Property Operations and Maintenance (PAR) | \$2,100 | \$2,100 | \$2,100 | \$2,100 | \$2,100 |
| Property Operations and Maintenance Total | \$252,000 | \$252,000 | \$252,000 | \$252,000 | \$252,000 |
| Utilities (PAR) | \$2,000 | \$2,000 | \$2,000 | \$2,000 | \$2,000 |
| Utilities Total | \$240,000 | \$240,000 | \$240,000 | \$240,000 | \$240,000 |
| Total Undistributed Expenses | \$1,404,000 | \$1,404,000 | \$1,404,000 | \$1,404,000 | \$1,404,000 |
| | | | | | |
| Gross Operating Profit | \$2,329,428 | \$2,580,056 | \$2,836,317 | \$3,365,736 | \$3,365,736 |
| | | | | | |
| Fixed Expenses | | | | | |
| Management Fees (PAR) | \$1,200 | \$1,200 | \$1,200 | \$1,200 | \$1,200 |
| Management Fees Total | \$144,000 | \$144,000 | \$144,000 | \$144,000 | \$144,000 |
| Property Taxes (PAR) | \$1,600 | \$1,600 | \$1,600 | \$1,600 | \$1,600 |
| Property Taxes Total | \$192,000 | \$192,000 | \$192,000 | \$192,000 | \$192,000 |
| Insurance (PAR) | \$500.00 | \$500.00 | \$500.00 | \$500.00 | \$500.00 |
| Insurance Total | \$60,000 | \$60,000 | \$60,000 | \$60,000 | \$60,000 |
| Replacement Reserve (PAR) | \$900.00 | \$900.00 | \$900.00 | \$900.00 | \$900.00 |
| Replacement Reserve Total | \$108,000 | \$108,000 | \$108,000 | \$108,000 | \$108,000 |

| | | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Fixed Expenses | \$504,000 | \$504,000 | \$504,000 | \$504,000 | \$504,000 |
| Net Operating Income | \$1,825,428 | \$2,076,056 | \$2,332,317 | \$2,861,736 | \$2,861,736 |
| Mortgage Payment | \$423,831 | \$423,831 | \$423,831 | \$423,831 | \$423,831 |
| Debt Service Coverage Ratio | 4.3 | 4.9 | 5.5 | 6.8 | 6.8 |

NOTE: The above expense data was collected from the HOST reports.

The expenses for development, including the cost of this study (Appendix E) is as follows:

| | |
|----------------------------------|--------------|
| Project Cost Assumed with Land | \$9,600,00 |
| Number of Rooms | 120 |
| Project Cost per Room | \$80,000 |
| Want to Finance | 60% |
| We are Borrowing | \$5,760,000 |
| Assume Total Amortization Period | 20 Years |
| Assume and Interest Rate of | 4% |
| Yearly Payment | \$423,830.88 |

The assumed average amortization period is based on the common average period offered by lenders for this type of commercial loan.

After taking into consideration all of the anticipated expenses and expected revenues, this study determines that Andaz will be successful in the Amelia Island Lodging Industry. The Andaz by Hyatt is a successful fit in the market.

ASSUMPTIONS AND LIMITING CONDITIONS

1. This report and its contents should be used entirely, and not in pieces.
2. It is my belief that the Andaz by Hyatt will be opened at the Ballantyne location stated in this report in 2014, and will have 120 rooms. Whether future or current changes occur or not, I am under no obligation to update any of the information in this report.
3. The findings in this report are based upon the belief that there will be well-trained, well-educated, and well-experienced management of the proposed hotel.
4. My findings in this report are based on the present economy. I am not responsible if any unexpected changes occur in the economy that may or may not affect the financial implications of the project Andaz by Hyatt.
5. Zoning regulations, environmental regulations, permits, and other requirements or regulations have not been discussed in this report and are not my responsibility to have discussed in this report.
6. Not one single word or finding in this report should be sold or released to the

public media under any circumstance. Public media includes newspapers, journals, books, social media websites, the internet, television, radio, or any other media outlet.

7. My team, The Consultant Group, nor I, Jessica Schwec, shall be held legally liable for any compensatory amount over the fees collected from this engagement.

PROJECT WEBSITES with notes

Fernandina Beach Population Stats: <http://www.city-data.com/zips/32034.html>

32034 Demographics: <http://www.movoto.com/fernandina-beach-fl/32034/demographics/>

32034 Demographics 2: <http://www.city-data.com/zips/32034.html>

Market Segmentation Analysis: <http://www.hotelnewsresource.com/article84973.html>

Fernandina Beach Zoning Map: <http://www.fbfl.us/DocumentCenter/View/195>

Fernandina Beach Zone Definitions: <http://www.fbfl.us/DocumentCenter/Home/View/5753>

Fernandina Beach Max Building Height: <http://www.fbfl.us/DocumentCenter/Home/View/5752>

Lot Dimensions

<http://www.point2homes.com/US/Commercial-Property/FL/Fernandina-Beach/1998-S-Fletcher-Ave/92109478.html>

Cost to build the average hotel: <http://www.fixr.com/costs/build-hotel>

AI Tourism Development Council: <http://ameliaislandtdc.com/#/about-aitdc>

Visitor Stats: <http://storage.cloversites.com/ameliaislandconventionandvisitorsbureau/documents/AIQ3-2015REPORT.pdf>

Record Year Article: <http://ameliaislandliving.com/fernandinabeach/2014/08/tourists-flocking-to-amelia-island-another-record-year/>

Amelia Island Tourism Development Commission Research

<http://ameliaislandtdc.com/#/tools/research>

Amelia Island Visitor Profile

<http://storage.cloversites.com/ameliaislandconventionandvisitorsbureau/documents/AIQ3-2015REPORT.pdf>

Hyatt's Description of Andaz

<http://www.andaz.hyatt.com/en/andaz.html>

Christie Financial—Financing Decision

http://www.christiefinance.com/business_mortgages/hotels.aspx

Hyatt—Financial Statement

http://s2.q4cdn.com/278413729/files/doc_financials/q4_2015/Q4-2015-Earnings-Release.pdf

CONSIDERATIONS FOR THE PROFESSOR

- There were only partial responses to my comp surveys (Appendix F).
- “Other operated department expenses (% of sales) was not available to me in the correct format on the HOST sheet. I did not use the numbers from the local report since my hotel is not local to Florida. Instead, I set this percentage to 50%, which may be found by you to be either too high or too low.
- Page 20 intentionally left blank to allow for landscape formatting on pages 21 and 22.

Population by Race & Gender

[View as a Graph](#)

| | | |
|---------------------------|--------|-------|
| African American | 2,165 | (7%) |
| Asian or Pacific Islander | 419 | (1%) |
| Indian | 84 | (0%) |
| Mixed Races | 267 | (1%) |
| Others | 342 | (1%) |
| White | 26,849 | (89%) |
| Female | 15,695 | (52%) |
| Male | 14,431 | (48%) |

Population by Education Level

[View as a Graph](#)

| | | |
|--------------------------------|--------|-------|
| Bachelors or Associate Degrees | 12,007 | (53%) |
| Graduate Degrees | 3,044 | (13%) |
| High School Graduate | 5,785 | (25%) |
| High School or less | 1,927 | (8%) |

Population by Age

[View as a Graph](#)

| | | |
|----------------------|--------|-------|
| 9 Years Old or Under | 2,632 | (9%) |
| 10 to 17 Years Old | 2,702 | (9%) |
| 18 to 24 Years Old | 2,029 | (7%) |
| 25 to 39 Years Old | 4,278 | (14%) |
| 40 to 64 Years Old | 12,133 | (40%) |
| 65 Years Old or Over | 6,352 | (21%) |



APPENDIX E Comp Set Interviews

Interview 1: OMNI Amelia Island Plantation

Date of opening

- Original Opening: 1971
- Omni Re-Imagination: March 5, 2013

Physical condition

- New north wing constructed in 2012-2013
- South wing updated 2011
- Villas from 1980-2011

Recent and planned renovations

- Most recent renovation: 2011-2013
- Constructed 155 new hotel rooms (a new wing was added)
- Constructed a new 3 level tiered pool deck, the largest in NE Florida
- Constructed a new parking garage with 500+ spaces
- Improved and added irrigation at the golf courses
- Constructed a new driving range
- Constructed a new beach club
- Added 41K sq ft of conference space
- Added 2 new restaurants

Planned Renovation:

- 2017 south wing bathrooms
- Conversion of previously called PLAE restaurant into Bob's Steak and Chop House

Access and visibility

- Closest Airport is JAX (Jacksonville, FL), 45min

Identification of franchise and Management Company

- Past and present
- Previously Amelia Island Plantation
- Now Omni Hotels and Resorts; Belongs to TRT Holdings

Room count

- 404 Hotel Rooms and Suites
- 368 Villas (Guest room through 4 bedroom)

Amenities

- Restaurants—8 current restaurants
 - Oceanside
 - Sunrise Café
 - Falcon's Nest
 - Marche Burette
 - Verandah
 - Marsh View
 - In Room Dining
 - A 9th To open in March 2016: Bob's Steak and Chop House

Lounges

- Seaglass Lounge

Meeting and banquet rooms

- 1 large conference center (center of property near the hotel)
- 1 smaller conference center (north side of property)
- 4 smaller conference/banquet rooms in the South Lobby

Room rates

- Special
 - AAA, AARP, Military

Union contracts: None

Area generators of transient visitation

- Location
- Beach
- Historic Fernandina
- Key Local Events: Concours de Elegance, Shrimp Festival
- State Park: Fort Clinch, Cumberland Island