



Danville

VIRGINIA

**CITY OF DANVILLE
OFFICE OF ECONOMIC DEVELOPMENT
DANVILLE, VIRGINIA**

**PROPOSED HOTEL IN THE RIVER DISTRICT
DANVILLE, VIRGINIA**

JULY 2019

Prepared by:

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901/684-1080**



July 8, 2019

Ms. Corrie Teague Bobe
Assistant Director
City of Danville
Office of Economic Development
427 Patton Street
Danville, VA 24543

Dear Ms. Bobe:

In accordance with your request we have completed our market study and consulting assistance relating to the determination of the level of demand for lodging accommodations in the downtown River District in Danville, Virginia. Our study included field research conducted in the Danville market area during February 2019 and subsequent analysis leading to our conclusions as presented in this report.

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

Since the estimated operating results are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results that will actually be achieved. This report has been prepared primarily for your internal use and guidance in determining the current and future market conditions in the area. Neither our name nor the material submitted may be included in any prospectus, or used in offerings or representations in connection with the sale of real estate, securities, or participation interests to the public.

The analysis included in our projects are based on the best available information and is intended to aid in quantifying the potential performance of the project. In no way will Pinkowski & Company be held responsible or have any liability or be subject to damages as a result of this analysis.

Ms. Corrie Teague Bobe

July 8, 2019

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We would be pleased to hear from you if we can be of further assistance in the interpretation and application of our findings and conclusions. We appreciate the opportunity to be of assistance to you in this effort and the cooperation you and your associates extended to us during the course of our assignment.

Very truly yours,

A handwritten signature in black ink, appearing to read "C. G. Pinkowski ISHC". The signature is written in a cursive style with some capital letters.

C. G. Pinkowski, ISHC
PINKOWSKI & COMPANY

/gjm

DANVILLE, VIRGINIA
PROPOSED RIVER DISTRICT HOTEL

INTRODUCTION

We have completed our market study for the proposed hotel to be located in the River District in downtown Danville, Virginia. This assignment included field research conducted in Danville during February 2019 and subsequent analyses leading to our conclusions and recommendations as presented in this report.

The scope of our work was concerned with the determination of current and potential future demand for hotel accommodations in the market area, an assessment of the existing and potential future competitive supply, the timing for the development of the proposed property, and the share of the market that could reasonably be attained by the proposed hotel to be located in the downtown Danville market. Our research and analysis included the following:

Site Review - An evaluation of the downtown redevelopment district was conducted as it relates to accessibility, visibility, proximity to demand sources, and competitive hotel supply.

Area Review - A review of the economic and demographic characteristics of the market was completed as they relate to the demand for lodging accommodations in and near the redevelopment district. In addition to our research and analysis, we relied on research already completed in association with the River District including the Market Study Update and Business Development Recommendations prepared by Greenberg Development Services, economic and demographic data provided by the Office of Economic Development of the city of Danville, and other local sources of key data related to the market and the River District.

Field Research - Primary research was conducted including interviews with representatives of major sources of demand, competitive lodging facilities, Chamber of Commerce, Convention and Visitors Bureau, economic development office, planning and zoning offices, and other businesses knowledgeable in the hotel industry and the economy of the area.

Market Analysis - We prepared estimates of the historical growth in demand focusing on each of the segments of demand for lodging. The current market situation, the historical experience of the lodging industry, and the future additions to the supply was assessed in order to prepare estimates for future growth in demand for lodging accommodations.

The preceding analysis provided the basis for our estimate of the future supply and demand for lodging and the occupancy expected in the competitive market area during the next five to seven years.

Facility Recommendations – We have recommended the basic facilities for a hotel that would be located in the redevelopment district area based on the type and amount of demand as well as the available facilities in the market area.

Projected Market Share - Based on the preceding market analysis, we prepared estimates of the projected lodging market that could be captured by a hotel in the redevelopment district. These estimates are stated in room nights occupied and the occupancy percentages for the first five years of operation for the property.

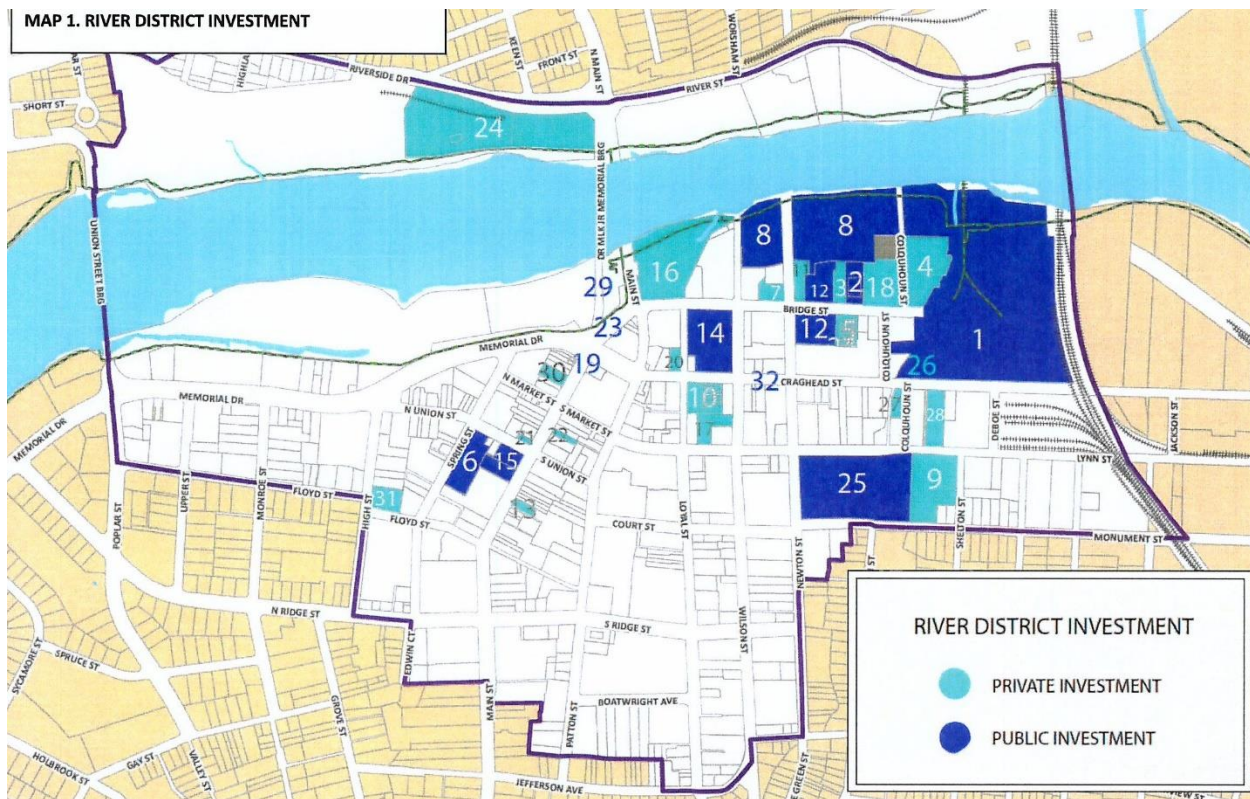
Average Daily Rates - Actual room rates achieved in the market area over the past several years were reviewed and analyzed as criteria for preparing recommended room rate structures and estimated average daily room rates that could be achieved in the redevelopment district. These rates are stated in constant and inflated dollars assuming an agreed upon opening date for the proposed property.

The following report summarizes the results of our research, analysis, conclusions and recommendations.

EXECUTIVE SUMMARY

The Danville, Virginia market area has seen its economic focus change from an economy supported by textile manufacturing and tobacco companies to a destination for tourists. The transformation of the downtown River District since 2011 is remarkable. Millions of square feet of manufacturing and warehousing is being transformed to a destination offering shopping, restaurants, and recreational activities geared to the rich natural resources of the Dan River Valley. The River District offers a variety of industrial buildings that are being repurposed into professional, service, restaurant, residential, and specialty uses.

While many buildings are vacant and will need significant reinvestment, the downtown Danville public improvements are reversing the course and attracting new businesses to the area. Since 2008, almost \$34 million in public funds has been invested in demolishing blighted structures and developing parking garages, walking trails, new fire and police headquarters, streetscape improvements, and other significant infrastructure projects. Between 2008 and 2018, over \$134 million in private investment accounted for commercial and medical space as well as a new YMCA, market rate residential lofts and apartments, restaurants, and retail space adding over 65 new businesses to downtown Danville. The following map illustrates the River District borders and where the public and private development has occurred:



While the population has decreased due to the changes in key industries, the city has diversified its employment base significantly and is attracting a younger, more educated workforce. This is discussed in the Area Review and Demographic and Employment sections later in this report. The population is no longer decreasing and has become stable to growing. According to the Danville Office of Economic Development, over the past decade the targeted industries of Aerospace, Automotive, Pharmaceutical/Life Sciences, Plastics/Polymers, Food and Beverage, and Back Office provide stability with one third of the workforce in the region employed in the service sector and manufacturing industries.

With the influx of tourism dollars, the River District Association and Office of Economic Development have been reinvesting in tourism related projects and advertising to attract visitors to experience the natural resources available for recreation and the city's growing reputation of its artisans, retailers, and locally owned restaurants. The Riverwalk Trail links the north and south sides of the Dan River and provides access to the extensive natural areas along the river with over 18 miles of trails. Sports facilities are available and growing, attracting youth team sports events from April to September.

In addition to the extensive activities and natural resources, events of all kinds such as art shows, concerts, and festivals bring people to Danville. In Alton, Virginia, just a twenty minute drive from downtown Danville, the development of the VIRginia International Raceway (VIR) impacts the need for lodging several times each year as it

draws thousands of people to racing and non-racing events almost year round with an estimated \$197 million impact in the local region and a total economic impact of \$237 million.

The Institute for Advanced Learning and Research (IALR) is a 153,000 square foot, multibuilding campus including a 30,000 square foot facility offering conference facilities with classrooms, breakout meeting space, an 8,400 square foot ballroom. Its mission of economic transformation has contributed to the success of Danville's transformation over the past ten years. The facility serves as a hub of research, advanced manufacturing, and applied research bringing over 25,000 people to Danville each year in addition to serving the local population with educational opportunities.

Currently there are no hotels or guest lodging available in downtown Danville. The existing lodging supply is mature but mostly in good condition and located on the north side of the Dan River, about a mile from downtown. However, there are only a few hotels offering the quality, services, and amenities desired by a portion of the visitors to Danville. Based on our research we believe there is unsatisfied and latent demand in the market that will choose to stay in Danville should appropriate lodging become available that is high quality and provide a good price value. We will describe this demand later in the Demand section of this report.

Demand for lodging in the Danville area is comprised of leisure, commercial, group, and extended stay demand seeking convenient, comfortable, high quality lodging accommodations at a good price value. For purposes of this study, extended stay demand is included in commercial and leisure demand.

Based upon our field research and analysis, we believe a proposed 100 room select service hotel in the River District in Danville would be reasonable and justified in the future based on an anticipated opening date of January 1, 2022. We recommend the hotel be affiliated with a national hotel brand such as Marriott or Hilton. The following table contains our estimated occupancies (OCC), average rates (ADR), and RevPAR (revenue per available room) for a 100 room select service hotel:

DANVILLE, VIRGINIA PROPOSED 100 ROOM IN THE RIVER DISTRICT ESTIMATE OF OPERATING STATISTICS			
Year	Occupancy	ADR	RevPAR
2022	65%	\$153.00	\$99.10
2023	69%	\$157.50	\$108.63
2024	72%	\$162.25	\$117.37
2025	74%	\$167.25	\$123.36
2026	74%	\$172.25	\$127.05
*Property opens 1/1/2022			
Source: Pinkowski & Company			

The subject property will be located conveniently in the River District near area transportation routes and other major retail, restaurants, and commercial development. This location, a national brand identity and reservation system, the quality and type of facility, and services planned should enable this property to compete successfully in the market.

Assumptions

These projections are based on the following assumptions:

- ❑ The hotel will be located within the boundaries of the Danville downtown River District.
- ❑ A professional management company will manage the property.
- ❑ Subject property will operate with a national hotel brand affiliation and reservation system.
- ❑ The hotel will have 100+/- guest rooms.
- ❑ The hotel will include all of the facilities, services and amenities associated with a high quality select service hotel brand.
- ❑ Estimated opening date for the new hotel will be January 1, 2022.
- ❑ Downtown Danville will continue to attract new commercial, residential, retail, and restaurants.
- ❑ The private development of the White Mill to a mixed use facility will take place on a timely basis.
- ❑ The public park and other recreational facilities will be developed between and around the White Mill and the downtown area on a timely basis.
- ❑ The Danville Riverpark will continue to be developed and link with downtown Danville.
- ❑ The lodging market will experience continued growth over the next several years as defined in this report.

- ❑ There will be no other additions to the future competitive supply except those identified in this report.
- ❑ There will be no significant changes to the local or national economy except as defined in this report.

The subject property will have the following advantages and disadvantages:

Advantages

1. Proximity to major demand generators in the Danville area and throughout the market area
2. Convenient access to area transportation routes
3. Convenient to the downtown amenities
4. Location convenient to shopping, dining and entertainment opportunities
5. Location with easy access to recreational areas, sports complexes, and other area attractions
6. Synergy of being part of the concurrent redevelopment of the River District, Riverwalk Trails, and future whitewater experience.
7. First hotel to be opened at the downtown location
8. Name recognition of a national hotel brand, guest rewards program, and reservation system
9. Price value of the product in the competitive market

Disadvantages

1. Distant timing of project could be preempted by other hotel development in this rather small lodging market
2. Not at an interstate interchange location

DESCRIPTION OF PROPOSED DEVELOPMENT AREA

The Economic Office of Danville has been actively working to attract a new hotel to the downtown area, specifically in the River District. At this time, the specific site for the proposed 100 room select service hotel has not been chosen. Therefore, there are no architectural drawings or site plans. However, there are several buildings in the downtown core which would accommodate the proposed hotel. These buildings include, but are not limited to, one of the many tobacco or textile warehouses, a Masonic Temple, or the White Mill on the Dan River.

As mentioned, there are no plans the hotel at this time. However, we recommend a 100+/- room select service hotel with the power of a national brand, advertising, reservation system, and guest rewards program be considered. The guest rooms should offer spacious separate areas for work, relaxing, and sleep. The guest rooms should

include high quality beds, spa-like bathrooms, large screen televisions, and a microwave and mini-fridge. Workspace in the guest room should include ample power outlets and connectivity. The property should offer a spacious lobby and breakfast area with a 24 hour convenience market. Complimentary hot breakfast and late afternoon guest receptions should be offered. Other hotel amenities should include an outdoor swimming pool, fire pit, a fitness center, 24 hour business center, shuttle service, and valet parking. We suggest the property offer about 2,500 square feet of meeting space.

The map presented earlier in this report identifies the border of the entire River District. The following aerial photograph shows the heart of the downtown area in Danville and wherein the proposed hotel should be located. The top left of the circle includes the White Mill, one of the possible sites for a hotel. Following the Dan River eastward, the photo includes the new Science Center, Carrington Pavilion with an outdoor amphitheater and park, and Farmers Market. We believe the location for the hotel should take advantage of the proximity to the Dan River, river views, and the walkability of the River District.



AREA REVIEW

The city of Danville, Virginia is located in Pittsylvania County. Pittsylvania County is located in the south-central part of the state of Virginia. While no interstate highways travel through this area, US Highways 29, 58, and 360 make access to Danville very convenient. Greensboro, 45 miles southwest, and Raleigh-Durham, 70 miles southeast

(both cities in North Carolina) provide connections and easy access and within a day's drive to most major cities along the Mid-Atlantic region of the United States. The economic region includes Pittsylvania, Patrick, Henry, Halifax, Mecklenburg, and Franklin Counties (all located in Virginia). Technically, Danville is part of the Pittsylvania County metropolitan statistical area which includes the subject city, Chatham and Gretna, the other cities of significant size in the county. Chatham is the county seat and houses the county judiciary and the city of Danville is home to its own city courts and the Virginia Western District State Court.

In the 1990's and early 2000's the city of Danville suffered a fate similar to many Mid-Atlantic cities that were home to extensive textile manufacturing mills. By the late 1990's the textile mills were closed as the business was moved out of the United States. With the exodus of these mills, many of which were the only or one of the few employers in the area, the population and other "downline" businesses shuttered leaving the cities with blighted downtowns and dwindling populations as the labor force looked elsewhere and moved to get work. The downtown Danville warehouses began to empty leaving five million square feet of space to redevelop.

Beginning in 2000, and after several years of planning and public input, in 2008 the city of Danville began its remarkable transformation by creating the River District and the River District Association to work with the Economic Development Office to attract businesses of all types to downtown Danville. The city also was able to utilize funding from mandated reinvestment by the tobacco industry at the same time realized the benefits of selling the city hospital to LifePoint in 2005 which became Sovah Health in 2013. According to the River District Association, over three million square feet of these buildings are now occupied through the end of 2018.

Since 2008, \$34 million in public funding and over \$134 million in private funding has been invested in the River District. These public projects have included:

- Demolishing many dilapidated warehouses and other buildings
- Building a new fire and police headquarters
- Creating streetscaping and wayfaring signage
- The Danville Science Center and Digital Dome Theater
- Carrington Pavilion and five acre park
- 18 miles of Riverwalk Trails
- Farmers Market (permanent)
- Preparing sites for new construction or buildings for redevelopment

Demographics and Employment

As illustrated in the following table, Danville area has experienced a slight decline in population between 1980 and 2010. This loss of population was related directly to the loss

of the textile industry and restructuring of the tobacco industry which were the main employers in the city and region. This loss of population has continued with a loss of -0.7 percent between 2010 and 2017. Pittsylvania County saw the largest exodus of population by 1990 and by 2000 had regained about half of its loss in population. Some of this shift is people moving from the city to the county. In 2017, the county population figures indicate the loss of population has been slowed. As new, technology based jobs in the automotive and aerospace industries targeted by Economic Development are successfully recruited, the population is expected to increase. The state of Virginia and US population growth of 0.9 percent and 0.8 percent, respectively, illustrate a slowing in growth from 2010 to 2017.

The following table summarizes the population growth in Danville, Pittsylvania County, the state of Virginia, and the US between 1980 and 2017:

DANVILLE, VIRGINIA POPULATION				
Year	Pittsylvania			
	Danville	County	Virginia	US
2017	41,130	61,687	8,517,685	327,167,434
2010	43,055	63,506	8,001,024	308,745,538
2000	48,411	61,745	7,078,515	281,421,906
1990	53,056	55,655	6,187,358	248,765,170
1980	45,642	66,147	5,346,818	226,545,805
CAG 1980 -2010	-0.2%	-0.1%	1.4%	1.0%
CAG 2010 -2017	-0.7%	-0.4%	0.9%	0.8%

CAG=Compound Annual Growth
Source: US Census Bureau; Pinkowski & Company

The unemployment rate in the Danville area has trended above the unemployment rate for the state and US. This is a result of the closing of the textile mills and restructuring of the tobacco industry. Coupled with the financial crisis beginning in 2008, the area unemployment rate for Danville remained in double digits through 2012 but has continued to trend downward as new automotive and technology based jobs have provided employment in Danville.

The Office of Economic Development and the city are targeting and growing industries in the aerospace, automotive, back office, food and beverage, pharmaceutical/life sciences, and plastics/polymers fields. The ebb of and growth in population and the addition of employers in these fields is reflected the influence of the national economic conditions improving as well as the growth in the local economy. The following table shows the historical labor force, employment, and unemployment rates for the Danville, Pittsylvania County, and the state of Virginia:

LABOR FORCE STATISTICS DANVILLE, VIRGINIA					
Year	Danville		Danville	Pittsylvania Cty	Unemployment Rate State of VA
	Labor Force	Employed	Unemployment Rate	Unemployment Rate	
2018	N/A	N/A	N/A	3.2%	2.8%
2017	19,140	17,989	6.0%	4.5%	3.8%
2016	19,083	17,915	6.1%	4.8%	4.1%
2015	19,117	17,735	7.2%	5.3%	4.5%
2014	19,600	17,893	8.7%	6.4%	5.2%
2013	19,805	17,864	9.8%	7.0%	5.7%
2012	19,971	17,906	10.3%	7.8%	6.1%
2011	20,279	17,918	11.6%	9.1%	6.6%
2010	20,099	17,390	13.5%	10.9%	7.1%

Source: Virginia Employment Commission; Pinkowski & Company

Historically, manufacturing was the largest employment sector in Danville. The now closed Dan River Inc. was the largest textile manufacturer in the world. Since the closing the Danville labor force has had to adapt. Goodyear Tire & Rubber Co. has been in the community for over 50 years offering good paying jobs, but those jobs have changed to include more technology and the need for employees with these skills. IALR (information presented later in this section) is working with the schools in Danville to provide a skilled labor force for these technology based jobs.

A Cyberpark near the Danville Regional Airport has four projects under construction which will add 180,000 square feet of automotive/aerospace supply chain companies to Danville, including several hundred jobs, many of which will be the results of the programs at IALR. IKEA has its only North American manufacturing facility located in Danville. Health services also is a major part of the Danville economy as the center of a six county area of commerce.

The following table list the major employers in the Danville area:

**DANVILLE, VIRGINIA
MAJOR EMPLOYERS**

Company	Product/Service	# of Employees
Goodyear Tire & Rubber Co.	Tire manufacturer	2,117
Danville Public Schools	Public education	1,300
City of Danville	Local government	1,193
Danville Regional Medical Center/Strafford Health Center	Healthcare services	1,055
Nestle	Pasta, sauce, cookie dough	557
EBI	Mattresses & furniture	520
IKEA	Furniture manufacturer	396
Averett University	Collegiate studies/ education	391
Telvista	Service, inbound technical support	388
Roman Eagle Memorial Home	Extended healthcare	379
Danville Community College	Collegiate studies/ workforce training	366
Unilin North America LLC	Flooring	351
Medical Facilities of America, Inc.	Healthcare services	345
Intertape Polymer	Tape and film maker	279
Easel Propack	Laminated & plastic tubes	257
Elkay Wood Products Company	Semi-custom cabinets	199
CIT Commercial	Financial services	166
American National Bank	Full service bank	158
O-I	Glass bottles	146
Columbia Forest Products, Flooring Division	Hardwood products	138
DanChem Technologies, Inc.	Chemicals	110
Regional One, Inc.-Van's Med Tec Transport	Healthcare services	101

Source: City of Danville, Economic Development; Pinkowski & Company

Transportation

While no interstate highways travel through Danville, US Highways 29, 58, and 360 make access to Danville very convenient. Greensboro, 45 miles southwest, and Raleigh-Durham, 70 miles southeast (both in North Carolina) provide connections and easy access to interstate highways and international shipping facilities. Danville is in the heart of a region built on manufacturing and is within a day's drive to over 60 percent of the US population and over two-thirds of the US industrial base.

Danville is served by Amtrak passenger rail service on the Crescent Line with daily service. The Crescent Line termini are New York City and New Orleans, Louisiana. The Southern Railway built the original Danville Station which closed in the early 1990's. In 1993, the city of Danville purchased the station and it now is part of the Science Center and Farmer's Market as well as an active station for Amtrak passengers.

Danville Regional Airport is on the east side of the city but commercial air service is through Greensboro or Raleigh-Durham, mentioned above. The airport is convenient to the new Cyberpark, IALR, and VIR. The Danville Regional Airport is one of the leading general aviation airports on the east coast and is a full service fixed base operation. The infrastructure includes a primary 5,900 foot runway and a new south ramp that can

accommodate regional jet series aircraft. The airport is complemented by a safe, secure, business-friendly operating environment.

Institute for Advanced Learning and Research (IALR)

The mission for the Institute for Advanced Learning and Research (IALR) from inception in 2000 is to aid in the economic transformation of Danville. IALR has been very successful and a great benefit to the city's repositioning itself from the tobacco and textile manufacturing base to a more diversified economy.

The city's history as a blue collar manufacturing town and a center for the textile and tobacco industry predicated the development of this facility to diversify, retain, and attract new businesses and help provide a trained, work ready labor force. Technology is driving the growth in jobs in Danville relating to the automotive and aerospace industries fostered through many of the programs at IALR. Its campus is located near the airport and industrial parks on the northeast side of the city. Core focus areas include research that provides a clear path to commercialization, advanced learning opportunities where education meets experience, and economic development through conferencing and a partnership with the Southern Virginia Regional Alliance. The IALR accomplishes its core mission with the following:

- Advanced learning – this division focuses on K-12, offers a Governor's school, an engineering academy, and encourages and supports STEM (science, technology, engineering, math) on a regional basis. Internships with local companies are offered.
- Applied research – the IALR works with industry partners and focuses on housing and encouraging scientific research to aid transformative product development and commercialization opportunities.
- Advanced manufacturing – Space is provided to companies locating in Danville specific to the aerospace, automotive, and other technology based sectors. Together with the Danville Community College, IALR offers a third year program geared to mid-managers to enhance their knowledge of the machinery and soft skills that, while not degrees, allow for personal growth in their industry.
- Conference Center facilities – IALR offers 30,000 square feet of meeting space in the form of classrooms, breakout rooms, board meetings, and a tiered theater. The largest space is an 8,400 square foot ballroom outfitted with the latest technology and rigging points to accommodate any audio/visual and exhibit needs.

The facility currently is housed in three buildings totaling just over 153,000 square feet with two additional buildings planned. A 13,700 square foot building expansion for manufacturing is under construction and will open in the fall of 2019. A 51,250 square foot Center for Advanced Manufacturing is slated to become operational in fall of 2021.

The IALR already is a major contributor to the health of the lodging industry in Danville. The facility is estimated to serve over 25,000 people each year at conferences and seminars. Representatives of the IALR indicated that while they host many meetings with 25 to 50 attendees, there are several activities/conferences with 250 attendees, with 75 percent of the attendees are from out of town. A proposed hotel in the River District of Danville, while not on campus, would be very convenient for attendees to take advantage of the shopping, entertainment, and restaurants in the River District. A shuttle service to the IALR would be a competitive requirement for a hotel as other hotels in the area offer this amenity.

VIRginia International Raceway

VIRginia International Raceway (VIR) is located in Alton, Virginia, about a twenty minute drive east of the city of Danville. Recognized as one of the top six race courses in the nation, the 1,300 acre facility, which opened in 2000, consists of the racing track, several buildings with limited lodging accommodations, a tavern/restaurant open during the racing season, and a light industrial park housing race related businesses. The facility is the main test track for the Goodyear Tire and Rubber Co. whose manufacturing facilities are located nearby.

In addition to several major races throughout the year, the facility hosts many non-race events such as the tire testing performed by Goodyear, OEM testing, amateur auto and bike club high performance driving events, auto and motorcycle driving schools, press days, film shoots, and many more. In addition to the track, VIR offers unique amenities such as off-road trails and obstacle courses, skeet shooting, pistol and rifle ranges, and a spa. VIR is used for training of high level military groups such as the Navy's SEALs and the Secret Service because of the seclusion and high quality of the site.

VIR is estimated to contribute \$237 million in total economic impact in Virginia with approximately \$197 million of that figure remaining in the local region. A recent study estimated that Danville is the recipient of about \$99 million of this economic impact. Approximately 270,000 visitors attend events at VIR with about 91 percent coming from outside the local area. These visitors spend between two and four days, depending on the type of activity or race they are attending. Additionally, over 3,500 jobs in the local region are supported by VIR's ongoing operations.

VIR offers very limited lodging facilities in the form of a lodge and the Paddock with accommodations very similar to typical hotel lodging. There are also Villas that are much like a condominium with multiple "apartments" in each building that can be rented separately or as one unit. The total number of guest rooms equates to about 65 beds. While some of the smaller events may utilize these lodging facilities, when there are four day races, all hotels in the area fill with many people traveling to Reidsville, Roxboro, Eden, Greensboro, and Raleigh. The trip to Raleigh, the farthest from VIR, is 80 miles and

can take just over an hour of travel. Throughout the year, the business at VIR represents potential lodging demand for high quality hotel development in Danville.

Averett University

In 1839 Averett University was established in Danville and is a Baptist affiliated school. Its main campus is just blocks from downtown Danville and the River District with additional facilities at the Old Dominion Ag Complex located about twenty miles north of Danville. The university focuses on Equestrian Studies, Aviation Studies, and athletics with 16 NCAA teams and two club sports. There are approximately 1,000 students on campus with about 65 percent utilizing on or near campus housing with the student population expected to grow to over 1,200 by 2025. The school was one of the first in the country to offer online classes beginning in 2012. Approximately \$15 million in construction is planned with \$4.5 million already completed to improve the student housing, dining, and student union experience.

Between August and May each year the school's activities bring thousands of family members, friends, vendors, and candidates for employment to Danville. Special events such as homecoming, graduations, cheerleading and sports competitions attract a large number of visitors. Representatives of the school indicated that approximately 150 events of all types take place with peak visitation for homecoming (2,500 to 3,000 attendees) and graduations (December and May). Estimates of 1,500 people for home football and basketball games also represent potential lodging demand. Continuing education, summer campus visits, and other events occur in the summer months, although the pace is not as strong as during the rest of the year. Averett University represents a significant amount of lodging demand throughout the year and is convenient to downtown Danville and a proposed hotel in the River District.

Sovah Health-Danville

Originally known as the Memorial Hospital and Danville Regional Medical Center, Sovah Health Danville serves the six county economic area described earlier in this report. In 2005 these hospitals became a part of the LifePoint Health hospital network and then in 2013 joined with Sovah Health. These facilities offer two emergency rooms, two outpatient imaging centers, and over twenty primary and specialty care physician clinics. The Danville campus is a 250 bed academic community hospital and is the region's only Chest Pain Center & Certified Advanced Primary Stroke Center. In addition to comprehensive surgical services and ER, Sovah offers home health and hospice, an advanced wound healing center, cardiac rehabilitation center, two cardiac catheterization labs, a one day surgery center, and medical and full service radiation oncology services. Other services offered include a women's and children's center, pediatric care, critical care, psychiatry and behavioral health, and laboratory services.

As an academic teaching site, residents, medical students, nurses, nurse practitioners, pharmacists, and physician assistants from Averett University, Danville Community College, and several other colleges and universities throughout the area are a ready workforce for Sovah Health.

The hospital is a generator of lodging demand as friends and family visitation to patients as well as visiting physicians and other medical professionals interact with Sovah Health. Continuing education programs and interviewees for jobs are potential demand for lodging from this source.

White Mill Redevelopment

Dan River Textiles dominated the employment and development of real estate in downtown Danville as well as along the Dan River, taking advantage of its natural resources. The city of Danville purchased the White Mill and surrounding 18 acres to try to attract a developer to transform this 696,645 square foot, five story building into an economic engine and develop a city park on ten acres on the east end of the site. Within the borders of the River District, the White Mill is located on the western edge of downtown on the south side of the river with an expanse of ten acres (for the park) between them. The following is a proposed site plan for the White Mill followed by architects' renditions of how the completed project may appear:





The redevelopment of the White Mill is projected to be a \$199 million project. The preliminary plans indicate the following will be part of a plan of the building and surrounding area:

- Ten acre park
- White water experience
- Residential market rent apartments
- Office space
- Restaurants

- 100 +/- hotel
- Conference/meeting space
- Make the covered tunnel connecting the north and south banks of the Dan River safe for pedestrian/bicycle use
- Connect the existing Riverwalk Trails on both sides of the river

The redevelopment of the White Mill should create the addition of daytime and night time population in downtown Danville by the residences and businesses and should spur even more development in the River District. This building is one of several locations being considered in the River District for a hotel. The location of the White Mill on the Dan River coupled with the plans for the redevelopment of the area around the building to take advantage of the natural resources makes for a compelling reason with market advantages to locate a hotel within the structure.

Virginia Mega Site

The Economic Office of Danville has been actively marketing a megasite in an attempt to attract a major automotive or aerospace manufacturing company to the area. Known as the Virginia Megasite at Berryhill, the state already has funding for a road to connect the site to existing major transportation arteries in the area. Located six miles west of Danville, the site contains 3,500 acres with 160 acres “shovel ready” with infrastructure in place. While there are no current prospects, the site has made the short list several times in recent nationwide searches and could become active at any time.

Tourist and Recreational Activity

Visitors to Danville have many opportunities throughout the year to experience festivals, music events, and the extensive natural resources in and around the south central area of Virginia. As mentioned earlier in this report, the city of Danville has worked diligently to make improvements to the downtown area to make visitors feel welcome and safe. Over \$34 million has been invested in the River District in public money to remove blight and help new businesses by providing services for tourists and the recreational activity related to the natural resources in the area.

The Riverwalk Trails project, mentioned earlier, is a three phase project of which two have been completed: the planning, funding, and construction of over 18 miles of walking/biking trails and defining the park area. The final phase is connecting with other trails for mountain biking and hiking providing a total over 35 miles of recreational trails. The whitewater attraction on the Dan River which will be part of the redevelopment of the White Mill is a part of this park’s planned attractions.

The VIR impact on the visitor spending is significant to Danville and Pittsylvania County. According to a recent study, 91 percent of the visitors to events at VIR are from outside

the region. The study estimates that the five major, publicly promoted spectator events held each year draw 25,000 visitors for a four day event. The 245,000 non-race visitors primarily come between March and December and stay an average of two to three days.

Sports complexes create a need for lodging when large tournaments are scheduled. The sports events that draw out of town visitors primarily are in conjunction with Averett University, as described earlier. While youth sports such as baseball, softball, and soccer are not the main focus, there are over 20 parks in Danville supporting sports events for all age levels.

Conclusion

The investment in tourism related activity, the health care and manufacturing sectors within the local market area and the nearby access to the natural recreational resources and activities have created an environment that attracts a vibrant, youthful workforce and tourists to Danville. Tourist visitation and visitor spending have increased significantly in recent years. Hotel supply also has increased to accommodate the growing demand of visitors to the city. This is a result of the investments made by the city, county, and private businesses described in this report.

The redevelopment over the past ten years of the downtown River District is remarkable. In this relatively short period of time, the River District has been transformed from a dark, blighted area to a clean, walkable, vibrant downtown with many amenities characteristic of much larger communities. The old White Mill site redevelopment will benefit the area as it ties together the downtown with the surrounding area's natural resources and will be beneficial to the operation of a proposed hotel in downtown Danville. The subject property's convenient location and easy access to major concentrations of activity should benefit the hotel in attracting lodging demand in the future. We expect the high quality of the proposed hotel and its surroundings to enhance the success of this project.

LODGING SUPPLY AND DEMAND

National Performance

According to STR, room occupancy for the U.S. lodging market for the year 2018 was up 0.5 percent compared to 2017 (66.2 percent versus 65.9 percent), while average daily rates increased from \$126.77 to \$129.83 (2.4 percent). Combined, these two changes lead to a 2.9 percent increase in RevPAR. Room revenues frequently are expressed as RevPAR, which is the product of occupancy times average daily room rate. Room occupancy for the U.S. lodging market has increased steadily since reaching a low in 2009 of 55.1 percent. Average rates have also recovered from the lows achieved in 2009. Year to date through April 2019 indicates that occupancy is up 0.3 percent (63.3 percent versus 63.1

percent) and average daily rate has grown 1.0 percent (\$129.82 versus \$128.48) over year to date April 2018.

The following table shows data for the U.S. lodging industry on an annualized basis from 1993 through April 2019:

U. S. LODGING INDUSTRY ANNUALIZED DATA 1993 - 2018				
	Occupancy	Average Daily Rate	RevPAR	RevPAR % Change
YTD 4/2019	63.3%	\$129.82	\$82.18	1.4%
YTD 4/2018	63.1%	\$128.48	\$81.07	
2018	66.2%	\$129.83	\$85.96	2.9%
2017	65.9%	\$126.72	\$83.53	3.0%
2016	65.5%	\$123.97	\$81.19	3.2%
2015	65.4%	\$120.30	\$78.68	6.3%
2014	64.4%	\$114.92	\$74.04	7.8%
2013	62.3%	\$110.35	\$68.69	5.4%
2012	61.3%	\$106.25	\$65.15	6.8%
2011	59.9%	\$101.85	\$61.02	8.0%
2010	57.6%	\$98.08	\$56.50	5.2%
2009	55.1%	\$97.51	\$53.71	-16.7%
2008	60.3%	\$106.96	\$64.49	-1.7%
2007	63.1%	\$104.04	\$65.61	6.3%
2006	63.4%	\$97.31	\$61.69	7.6%
2005	63.1%	\$90.95	\$57.39	8.4%
2004	61.3%	\$86.26	\$52.88	7.8%
2003	59.1%	\$83.19	\$49.20	0.3%
2002	59.0%	\$83.19	\$49.04	-2.6%
2001	59.8%	\$84.45	\$50.52	-7.1%
2000	63.5%	\$85.24	\$54.13	5.5%
1999	63.1%	\$81.29	\$51.29	2.7%
1998	63.9%	\$78.15	\$49.94	5.3%
1997	64.5%	\$73.52	\$47.42	3.8%
1996	65.7%	\$69.56	\$45.70	4.2%
1995	65.1%	\$67.34	\$43.84	5.5%
1994	64.7%	\$64.24	\$41.56	7.0%
1993	63.7%	\$60.99	\$38.85	-

Source: STR; Pinkowski & Company

It should be noted this data reflects the national lodging market taken as a whole, and there are considerable differences from market to market on a local basis.

Based on the preceding table, 2009 performance reflected the impact of the great recession with RevPAR dropping 16.7 percent over 2008. Recovery started in 2010 with a RevPAR of \$56.50 and has increased at an uninterrupted pace through year end 2018 at \$85.96. The 5.2 percent compound annual growth in RevPAR between 2010 and 2018 is very strong and outpaced the CPI over the same period. The industry increased its property count from about 51,000 to over 55,000 and added more than 475,000 rooms in the last eight years. The largest increase in room count stemmed from the limited service hotels,

mostly branded, in the upscale and upper midscale chains. The following table summarizes the supply changes by class over the last eight years:

GUEST ROOM SUPPLY CHANGES BY CLASS	
Class	% Change over 100 months
Luxury	21.0%
Upper Upscale	17.0%
Upscale	30.0%
Upper Midscale	27.0%
Midscale	7.0%
Economy	-2.0%
<i>Source: STR</i>	

The following tables summarize the performance of Upscale, Upper Midscale, and Midscale hotels by chain scale and class for year end 2018:

PERFORMANCE BY INDUSTRY SEGMENT % CHANGE YEAR END 2018 VS YEAR END 2017						
	2018			% Change over 2017		
	ADR	Occupancy	RevPAR	Revenue	Room Available	Sold
Total United States	\$129.83	66.2%	\$85.96	5.0%	2.0%	2.5%
Segment						
<u>Chain Scale</u>						
Upscale	\$142.87	73.5%	\$104.94	6.8%	5.2%	4.8%
Upper Midscale	\$114.87	67.8%	\$77.78	5.6%	4.1%	4.0%
Midscale	\$88.58	60.1%	\$53.25	3.2%	1.0%	1.3%
<u>Class</u>						
Upscale	\$143.86	72.2%	\$103.81	6.3%	4.4%	4.2%
Upper Midscale	117.22	67.8%	\$79.52	5.8%	3.9%	4.1%
Midscale	\$95.44	60.8%	\$58.01	3.1%	0.6%	0.9%
<i>Source: Smith Travel Research; Pinkowski & Company</i>						

According to CBRE (formerly PKF), the national occupancy level is expected to remain somewhat steady over the next several years and remaining above 65 percent through 2022. Average rates are expected to continue to increase, rising 10.4 percent between 2017 and 2022. The following table summarizes the national lodging forecast:

NATIONAL FORECAST SUMMARY U.S. LODGING MARKET			
Year	Occ.	ADR	RevPAR
2017*	65.9%	\$126.77	\$83.53
2018*	66.2%	\$129.83	\$85.96
2019	65.8%	\$130.11	\$85.43
2020	65.3%	\$132.58	\$86.46
2021	65.5%	\$134.97	\$87.40
2022	65.8%	\$138.48	\$90.59
*=Historical			
Source: CBRE; STR; P&C			

The Upscale hotel market average rate is forecasted to increase 6.0 percent between 2017 and 2022 while the occupancy is expected to remain in the low 70s over the same period.

NATIONAL FORECAST SUMMARY UPSCALE HOTELS			
Year	Occ.	ADR	RevPAR
2017*	73.8%	\$140.21	\$103.43
2018*	73.5%	\$142.87	\$104.94
2019	73.3%	\$143.79	\$105.37
2020	72.7%	\$144.25	\$104.91
2021	73.2%	\$145.23	\$106.34
2022	74.2%	\$148.64	\$110.26
*=Historical			
Source: CBRE; STR; P&C			

Competitive Lodging Market for Danville

We have identified a competitive market for the proposed hotel in the River District in Danville. The properties are a mix of select service properties affiliated with national brands. There were six properties with 513 guest rooms. All of these hotels have been open and operating in the Danville market for many years with the newest property opening in 2004.

The following table illustrates the competitive trend for the properties from 2013 through January 2019:

**DANVILLE, VIRGINIA
PROPOSED HOTEL IN THE RIVER DISTRICT
LODGING MARKET HISTORICAL PERFORMANCE**

Year	Occupancy %	Average Rate	REVPAR	Daily Room		
				Supply	Demand	Revenue
2018	64.5%	\$109.97	\$70.93	513	331	\$36,404
2017	62.1%	\$104.70	\$65.02	513	318	\$33,340
2016	63.3%	\$100.47	\$63.60	513	325	\$32,612
2015	62.8%	\$96.27	\$60.46	513	322	\$31,035
2014	57.6%	\$94.33	\$54.33	513	295	\$27,859
2013	54.8%	\$92.97	\$50.95	513	281	\$26,142
CAG	3.3%	3.4%	6.8%	0.0%	3.3%	6.8%
YTD 1/31/2019	47.6%	\$99.25	\$47.24	513	244	\$24,227
YTD 1/31/2018	40.4%	\$98.63	\$39.85	513	207	\$20,439
Growth	17.8%	0.6%	18.6%	0.0%	17.8%	18.5%

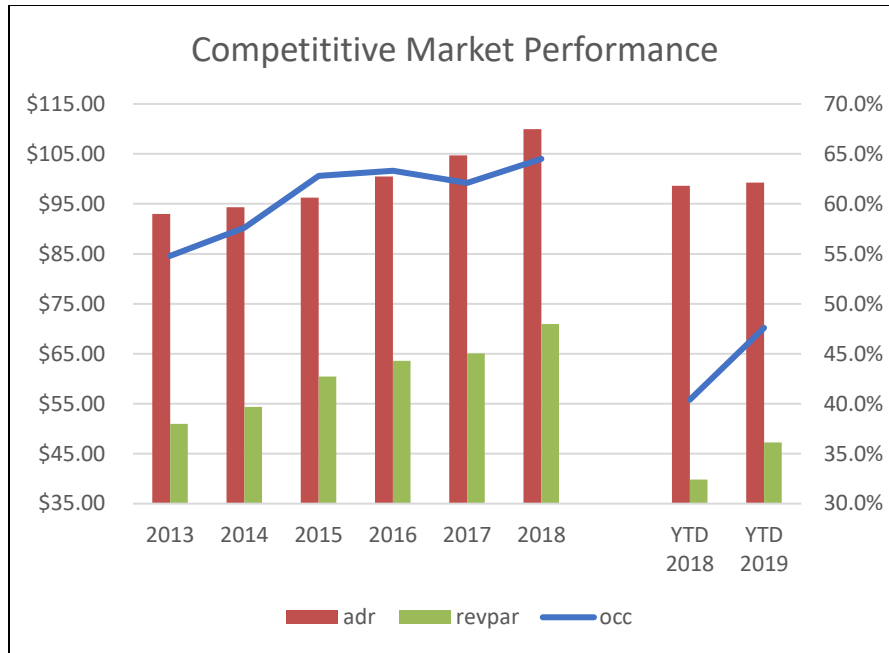
CAG = Compound Annual Growth

Source: STR, Pinkowski & Company

The performance during the most recent six year period reflects a market that has experienced steady growth in performance. During the period from 2013 through 2018, occupancy in the market has fluctuated from a low of 54.8 percent in 2013 to a high of 64.5 percent in 2018. Room supply was flat during this period while demand grew at 3.3 percent for the same period. Average rates during this time period increased \$17 from a low of \$92.97 in 2013 to \$109.97 in 2018. The average daily rate and daily room demand growth resulted in a room revenue growth of 6.8 percent on a compound annual basis, a very strong growth rate.

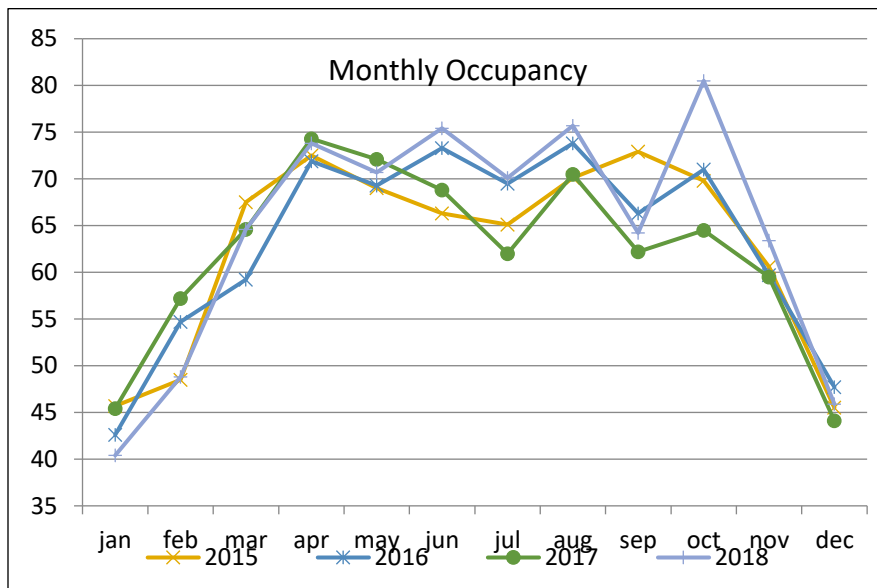
On a year to date basis through the end of January 2019, occupancy has increased 17.8 percent and average rates grew 0.6 percent. January is the slowest month of lodging activity historically and this growth is a great start to the year; however, the average daily rate growth indicates that hoteliers could push for higher rates as RevPAR growth was based almost entirely on growth in occupancy.

The series of graphs that follow visually illustrate the performance of the competitive hotels for the proposed hotel from 2013 through January 2019 with data from STR.



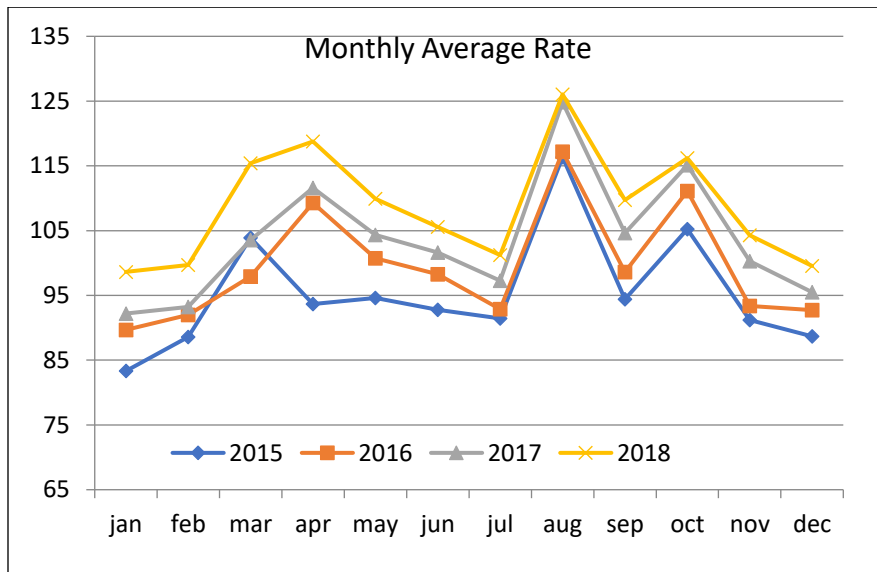
The average daily rate for the competitive market has grown steadily from 2013 through year end 2018 and is up slightly in January 2019. Occupancy rose from 2013 through 2018 with a slight dip in 2017. Year to date indicates an upward trend in occupancy although data is for January 2019 only. Room revenues frequently are expressed as RevPAR, which is the product of occupancy times average daily room rate.

The following graph recaps the monthly occupancy performance for the competitive properties from 2015 through August 2018.



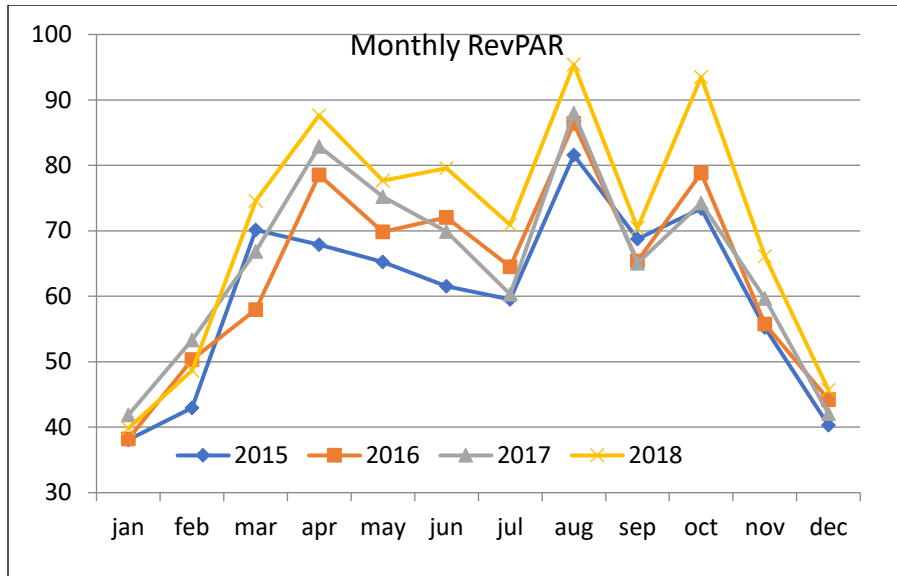
Occupancies over the last six years follow a similar pattern, although some variations occur from year to year. Typically, the spring and early summer months and October exhibit the highest occupancy levels while January and December have the lowest occupancy levels.

The next graph summarizes the average daily rate for the competitive market from 2015 through year end 2018.



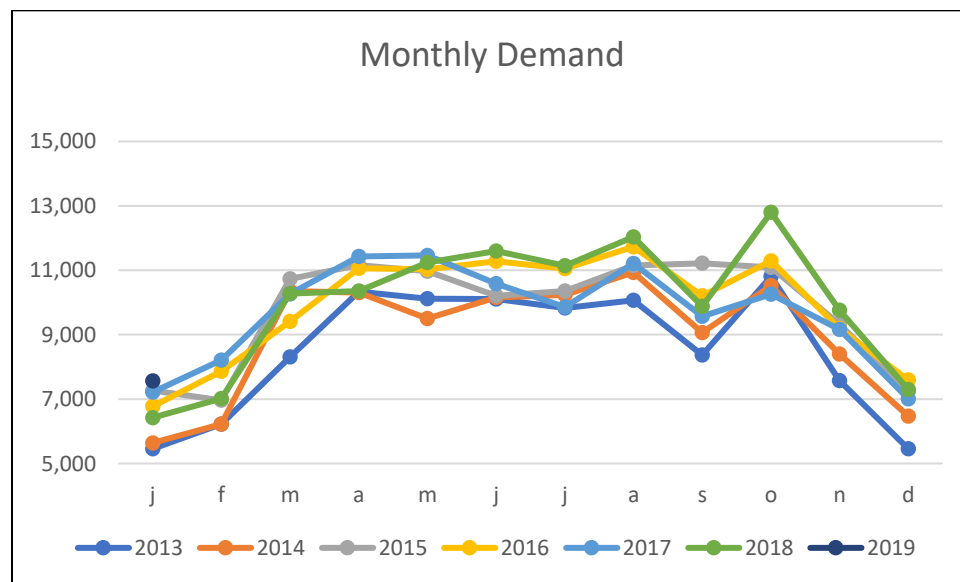
Average rates in the market have increased each year through 2018. The pattern of average rates follows a similar trend as the occupancy with March, April, August, and October representing the higher average rate months.

The next graph summarizes the RevPAR for the competitive market from 2015 through year end 2018.



As with occupancies and average rates, RevPAR over the historical period follows a similar pattern.

The number of room nights sold by month from 2013 through year end 2018 is summarized in the next graph.



Room night demand increased almost 18,000 room nights between 2013 (102,632) and the end of 2018 (120,828), 3.3 percent compounded annually.

Demand for lodging accommodations in Danville is dominated by commercial, leisure, and group activity with a small amount of government activity. The leisure demand is strong in all but December and January and dominates the demand for accommodations

with an emphasis on weekends. Group business tends to be more weekday oriented as is the commercial demand. While the Danville lodging market does host extended stay demand, for purposes of this study, this segment of demand is included in the commercial and leisure segments.

From an occupancy perspective, weekday demand – Sunday through Thursday – averaged 63.2 percent in 2018 based on data available from STR. By comparison, weekend demand – Friday and Saturday – generated an occupancy of 67.9 percent. From 2013 to 2015 occupancies for weekday and weekend had a gap in double digits in occupancy points. In 2017 and 2018, the gap in occupancy narrowed to only a 4.7 point difference compared to the peak in 2015 of 12.7 occupancy points which would imply a strengthening of commercial demand and a slight softening of leisure demand during this period. In 2015 and prior the average daily rates gap between weekdays and weekend was about \$4. Beginning in 2016, this gap has grown in relation to the growth in the occupancy gap, expanding to a difference of \$11.45 in 2018 indicating leisure demand is willing to pay more and are less rate sensitive. With no growth in room supply over this period, the hotels took advantage of the situation and grew rate almost 8 percent from 2017 to 2018.

Although only one month of data (January) is available for 2019, the figures illustrate the continued growth of demand in the market on weekdays and weekends.

The following table summarizes the STR information for the six competitive properties in the market area for occupancy, average rate, and RevPAR for the weekday/weekend comparison:

DANVILLE, VIRGINIA-PROPOSED RIVER DISTRICT HOTEL LODGING MARKET HISTORICAL PERFORMANCE WEEKDAY/WEEKEND COMPARISON						
Year	Weekday			Weekend		
	Occupancy	Average Rate	Revpar	Occupancy	Average Rate	Revpar
2018	63.2%	\$106.54	\$67.33	67.9%	\$117.99	\$80.09
2017	59.3%	\$102.57	\$60.84	69.0%	\$109.29	\$75.42
2016	60.0%	\$98.00	\$58.80	71.3%	\$105.57	\$75.28
2015	59.2%	\$94.81	\$56.16	71.9%	\$99.30	\$71.39
2014	54.7%	\$93.03	\$50.88	64.8%	\$97.08	\$62.90
2013	51.2%	\$91.57	\$46.91	63.8%	\$95.77	\$61.11
CAG	4.3%	3.1%	7.5%	1.3%	4.3%	5.6%
YTD 1/31/2019	52.3%	\$100.35	\$52.46	34.1%	\$94.43	\$32.19
YTD 1/31/2018	44.2%	\$106.54	\$67.33	29.6%	\$91.77	\$27.15
% Change	18.3%	-5.8%	-22.1%	15.2%	2.9%	18.6%

Source: STR; Pinkowski & Company

The following table illustrates market performance by day of the week indicating that Tuesdays through Saturdays represent very strong occupancies with Tuesdays and Wednesdays representing the peak days for occupancy. Average rates steadily grow from Monday through Saturday with Friday and Saturday rates being \$11 higher than Sunday through Thursday rates. The weekend occupancies on Fridays and Saturdays have a very positive effect on the average daily rates for those days indicating the willingness of the leisure demand to pay a much higher rate for accommodations. Sunday records the lowest occupancy and a low average rate for the week, which is typical in most markets throughout the United States.

DANVILLE, VIRGINIA-PROPOSED RIVER DISTRICT HOTEL LODGING MARKET HISTORICAL PERFORMANCE DAY OF WEEK COMPARISON							
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Occ	43.0%	66.3%	72.5%	72.9%	64.9%	68.2%	68.2%
ADR	\$102.84	\$103.76	\$106.67	\$108.61	\$109.01	\$117.82	\$118.10
RevPAR	\$44.24	\$68.74	\$77.30	\$79.19	\$70.72	\$80.37	\$80.59
12 month average February 2018 to January 2019							
<i>Source: STR; Pinkowski & Company</i>							

The total Danville lodging market is a relatively small lodging market offering a variety of a mix of budget oriented hotels as well as mid-priced and upscale hotels. However, the newest competitive hotel in the market opening in 2004. Many properties do not meet the needs of the demand in Danville because of their condition or brand affiliation. Currently, all of the hotels are located on the north side of the Dan River less than two miles from downtown Danville. One can be almost anywhere in the community within a 10 to 15 minute drive; therefore, almost any location is convenient to demand generators in the market.

The following paragraphs briefly describe each of the competitive hotels in the marketplace:

Comfort Inn – This 118 room property opened in 1985, became a Comfort Inn in 2002 and is the oldest and largest hotel property in the market. Its location is on the south side of the Piedmont Mall, about two miles northwest of downtown Danville and is desirable because of the convenience to shopping and restaurants.

This is a small competitive market and while the Comfort Inn is estimated to generate 61 percent of its demand from the commercial demand segment, its penetration in this category is 107 percent, ranking fourth among the competitors in 2018. Group demand accounts for an estimated 7 percent of the total demand at the property with leisure demand representing an estimated 32 percent.

The Comfort Inn achieved an estimated 115 percent market penetration during 2018 ranking second among its competitors. An estimated average rate ranked last among the competitors while its occupancy ranked second in that year achieving an 88 percent RevPAR index.

This property is considered competitive to the proposed River District hotel because of its brand affiliation, the reservation system, its guest rewards program, and the type of clientele serviced.

Holiday Inn Express Danville – The 95 room Holiday Inn Express opened in 1989 and was converted to its current brand in 1998. The property just completed a renovation and is in very good condition. The property is located approximately one mile northwest of downtown Danville on the north side of the Dan River. In 2018, the Holiday Inn Express operated at an estimated 81 percent market penetration, ranking fifth among the six competitors in occupancy and second in average daily rate. Occupancy was affected as the property completed a renovation in 2018.

Commercial demand represented approximately 63 percent of the total estimated demand at this hotel. Tourist demand accounted for about 30 percent of the total with the balance of business being group, 7 percent.

The property has been identified as a competitor to the proposed River District hotel because of its national brand, the guest rewards program and reservation system, the quality of facilities, its strength in the market, and the customers it services.

Hampton Inn Danville – The 58 room Hampton Inn opened in 1997 as a Hampton Inn and has been well maintained. Its location is near the Holiday Inn Express and Courtyard about one mile northwest of downtown Danville. During 2018, the property achieved an estimated 127 percent market penetration with an occupancy some 17 points higher than the competitive market average. The estimated average rate for this property ranks first in occupancy while ranking third in the competitive market in average daily rate. The property is estimated to rank first in market penetration and RevPAR index, recording 143 percent for this index. The small size of the property allows its deep penetration of the market and relatively high occupancy.

Commercial demand accounted for an estimated 70 percent of the business with tourist demand accounting for 25 percent and group representing 5 percent of the total demand.

We understand this property will be replaced by a new 90 room Hampton Inn that is planned to open in January 2020. Although that date may be pushed forward by a few months, when the new property opens the old Hampton Inn will be rebranded to a brand that would not directly compete with the proposed hotel in the River District and we removed it from the room supply in the future.

This property is considered a primary competitor to the proposed River District hotel because of its brand affiliation, reservation system, customers it serves, guest rewards program, and quality of facilities.

Courtyard Danville - The 92 room Courtyard opened in 2003 and is located adjacent to the Hampton Inn about one mile northwest of downtown Danville's River District. The property achieved an estimated market penetration of 97 percent in 2018, ranking fourth among the competitors. The Courtyard ranked first in average rate and fourth in occupancy among the competitive market, recording a RevPAR index of 119 percent.

The property's market mix is estimated to be 75 percent commercial, 5 percent group, and 20 percent leisure.

This property is considered a competitor to the proposed downtown River District hotel because of its brand affiliation, the quality of the facilities, the demand the hotel accommodates, the reservation system, guests served, and guest rewards program.

Sleep Inn & Suites Danville - The 76 room Sleep Inn & Suites opened in 2003 about two miles northeast of downtown Danville. Its location is just east of the intersection of Highways 360 and 29. During 2018, the property achieved an estimated 110 percent market penetration with an occupancy ranked third. The estimated average rate for this property is ranked fourth and records a 101 percent RevPAR index.

Commercial demand accounted for an estimated 65 percent of the business with tourist demand accounting for 28 percent and group representing 7 percent of the total demand.

This property is considered a primary competitor to the proposed downtown River District hotel because of its brand affiliation, reservation system, guest rewards program, and quality of facilities.

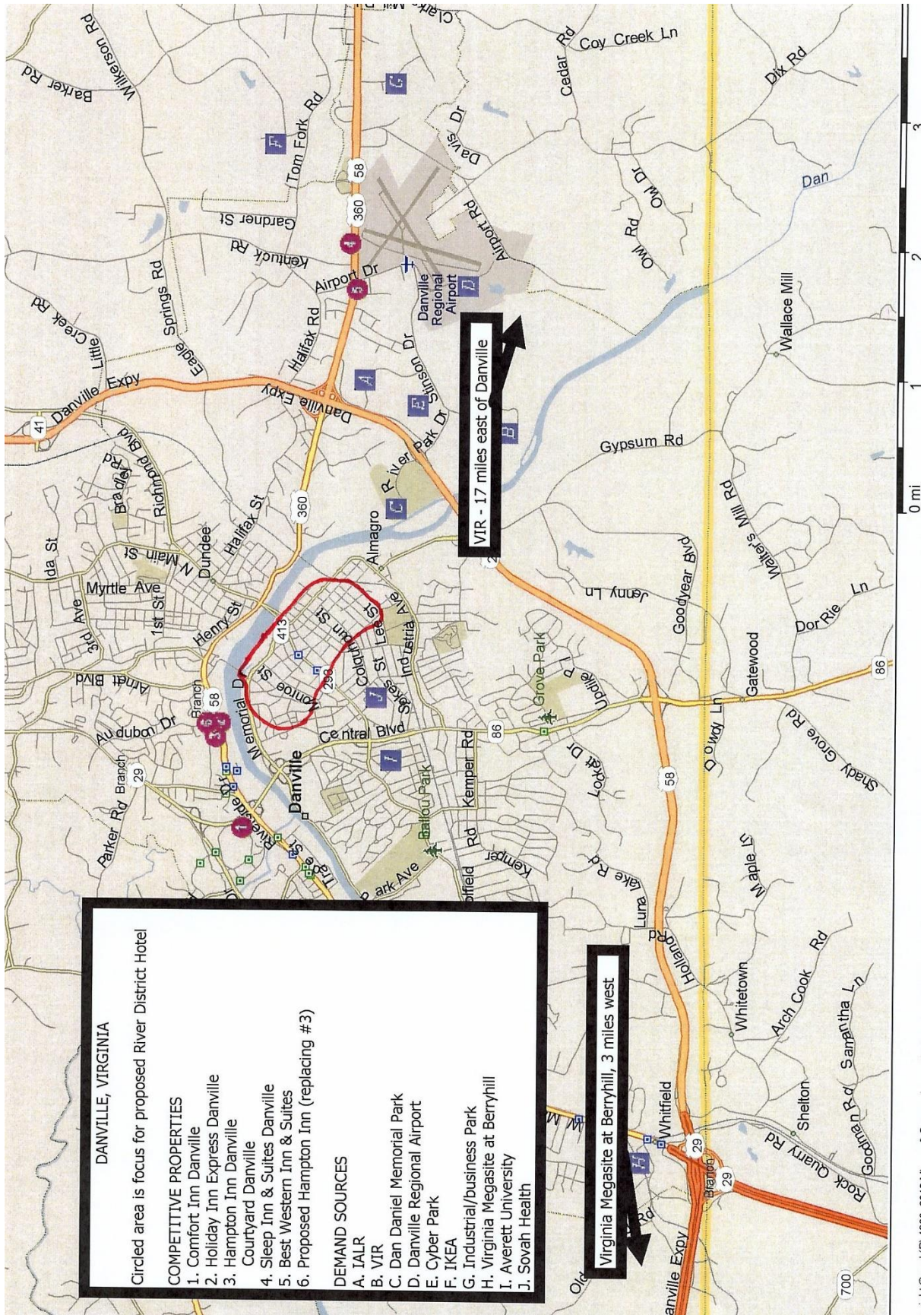
Best Western Inn & Suites - The 74 room Best Western Inn & Suites opened in 2004 and is the newest property in the Danville lodging market. The location is northeast of downtown at the same interchange as the Sleep Inn & Suites. During

2018, the property achieved an estimated market penetration of 75 percent. Its sixth place ranking in occupancy, results in a RevPAR index of 63 percent, last among the competitors. The average rate for 2018 ranked fifth among the competitors.

Commercial demand accounted for an estimated 60 percent of the business with tourist demand accounting for 35 percent and group representing 5 percent of the total demand.

This property is considered a primary competitor to the proposed downtown River District hotel because of its brand affiliation, reservation system, and guest rewards program.

The following map illustrates the locations of the competitive supply in relation to the River District and demand sources:



Growth in Room Supply

Currently there are proposed additions to the future Danville lodging supply:

- Hampton Inn (replaces current) 90 rooms January 2020
- Boutique Hotel 44 rooms January 2021
- Select Service in the River District (subject) 100 +/- rooms January 2022

When the new Hampton Inn opens, the current Hampton Inn will become a non-competitive hotel and has been removed from the competitive market beginning in January 2020. There are no other additions planned to the lodging supply in the Danville area. However, should additional competitive hotels be developed in the immediate area, market conditions could change from what is forecasted in this report.

The following table summarizes the room supply growth in the competitive market from 2012 through 2026:

**DANVILLE, VIRGINIA
PROPOSED SELECT SERVICE HOTEL AT THE WHITE MILL
GROWTH IN COMPETITIVE ROOM SUPPLY**

PROPERTY	2012-2019	2020	2021	2022	2023	2024	2025	2026
Comfort Inn Danville (6/1985;12/2002)	118	118	118	118	118	118	118	118
Holiday Inn Express Danville (10/1989; 6/1998)	95	95	95	95	95	95	95	95
Hampton Inn Danville (May 1997)	58	0	0	0	0	0	0	0
Courtyard Danville (May 2003)	92	92	92	92	92	92	92	92
Sleep Inn & Suites Danville (May 2003)	76	76	76	76	76	76	76	76
Best Western Inn & Suites (9/2004)	74	74	74	74	74	74	74	74
Hampton Inn Danville (To open 1/1/2020)		90	90	90	90	90	90	90
Select Service Hotel downtown (To open 1/2022)			40	40	40	40	40	40
Select Service Hotel at the White Mill (To open 1/2022)				100	100	100	100	100
TOTAL ROOMS AVAIL. DAILY	<u>513</u>	<u>545</u>	<u>585</u>	<u>685</u>	<u>685</u>	<u>685</u>	<u>685</u>	<u>685</u>
TOTAL RMS AVAIL. ANNUALLY	<u>187,245</u>	<u>198,925</u>	<u>213,525</u>	<u>250,025</u>	<u>250,025</u>	<u>250,025</u>	<u>250,025</u>	<u>250,025</u>
ANNUAL GROWTH		6.2%	7.3%	17.1%	0.0%	0.0%	0.0%	0.0%
COMPOUND ANNUAL GROWTH:	2012-2018	0.0%						
	2018-2026	3.7%						

Bold existing properties

Note: When the new Hampton Inn opens the existing Hampton Inn will be converted to a non-competitive brand.

Source: *Pinkowski & Company*

Historical and Current Demand Characteristics

The following tables summarize the current market mix and penetration for each of the competitive properties in the market for 2017, 2018, and projected 2019:

DANVILLE, VIRGINIA							
PROPOSED 100 ROOM SELECT SERVICE HOTEL IN THE RIVER DISTRICT							
ESTIMATED MARKET MIX & PENETRATION ANALYSIS - 2017							
	Comfort Inn Danville	Holiday Inn Express Danville	Hampton Inn Danville	Courtyard Danville	Sleep Inn & Suites Danville	Best Western Inn & Suites	TOTAL COMPETITIVE MARKET
MARKET PERFORMANCE							
Number of Days Open	365	365	365	365	365	365	
Number of Rooms	118	95	58	92	76	74	513
Room Nights Available	43,070	34,675	21,170	33,580	27,740	27,010	187,245
Share of Supply	23.0%	18.5%	11.3%	17.9%	14.8%	14.4%	
Occupancy Percentage	60-65%	60-65%	80-85%	60-65%	55-60%	50-55%	62.2%
Total Room Nights Captured	27,200	21,500	17,000	21,000	16,000	13,800	116,500
Fair Share of Room Nights	26,797	21,574	13,172	20,893	17,259	16,805	
Market Penetration	102%	100%	129%	101%	93%	82%	
Estimated ADR	\$80-85	\$115-120	\$115-120	\$130-135	\$90-95	\$80-85	\$104.61
Estimated REVPAR	\$53.11	\$73.17	\$93.15	\$82.55	\$54.09	\$41.38	\$65.08
Estimated REVPAR Index	82%	112%	143%	127%	83%	64%	
MARKET MIX:							
COMMERCIAL							
Percent of Demand Captured	61%	63%	70%	75%	65%	60%	65.7%
Room Nights Captured	16,600	13,500	11,900	15,800	10,400	8,300	76,500
Fair Share Room Nights	17,596	14,167	8,649	13,719	11,333	11,035	
Market Penetration	94%	95%	138%	115%	92%	75%	
GROUP							
Percent of Demand Captured	7%	7%	5%	5%	7%	5%	6.2%
Room Nights Captured	1,900	1,500	900	1,100	1,100	700	7,200
Fair Share Room Nights	1,656	1,333	814	1,291	1,067	1,039	
Market Penetration	115%	113%	111%	85%	103%	67%	
TOURIST/OTHER							
Percent of Demand Captured	32%	30%	25%	20%	28%	35%	28.3%
Room Nights Captured	8,700	6,500	4,300	4,200	4,500	4,800	33,000
Fair Share Room Nights	7,591	6,111	3,731	5,918	4,889	4,760	
Market Penetration	115%	106%	115%	71%	92%	101%	
TOTAL	100%	100%	100%	100%	100%	100%	100%
<i>Source: Pinkowski & Company</i>							

DANVILLE, VIRGINIA							
PROPOSED 100 ROOM SELECT SERVICE HOTEL IN THE RIVER DISTRICT							
ESTIMATED MARKET MIX & PENETRATION ANALYSIS - 2018							
	Comfort Inn Danville	Holiday Inn Express Danville	Hampton Inn Danville	Courtyard Danville	Sleep Inn & Suites Danville	Best Western Inn & Suites	TOTAL COMPETITIVE MARKET
MARKET PERFORMANCE							
Number of Days Open	365	365	365	365	365	365	
Number of Rooms	118	95	58	92	76	74	513
Room Nights Available	43,070	34,675	21,170	33,580	27,740	27,010	187,245
Share of Supply	23.0%	18.5%	11.3%	17.9%	14.8%	14.4%	
Occupancy Percentage	70-75%	50-55%	80-85%	60-65%	70-75%	45-50%	64.5%
Total Room Nights Captured	31,900	18,000	17,300	20,900	19,600	13,000	120,700
Fair Share of Room Nights	27,763	22,352	13,646	21,646	17,881	17,411	
Market Penetration	115%	81%	127%	97%	110%	75%	
Estimated ADR	\$80-85	\$135-140	\$120-125	\$130-135	\$100-105	\$90-95	\$109.04
Estimated REVPAR	\$61.94	\$69.04	\$100.51	\$83.40	\$71.19	\$44.28	\$70.29
Estimated REVPAR Index	88%	98%	143%	119%	101%	63%	
MARKET MIX:							
COMMERCIAL							
Percent of Demand Captured	61%	63%	70%	75%	65%	60%	65.5%
Room Nights Captured	19,500	11,300	12,100	15,700	12,700	7,800	79,100
Fair Share Room Nights	18,195	14,648	8,943	14,186	11,719	11,410	
Market Penetration	107%	77%	135%	111%	108%	68%	
GROUP							
Percent of Demand Captured	7%	7%	5%	5%	7%	5%	6.2%
Room Nights Captured	2,200	1,300	900	1,000	1,400	700	7,500
Fair Share Room Nights	1,725	1,389	848	1,345	1,111	1,082	
Market Penetration	128%	94%	106%	74%	126%	65%	
TOURIST/OTHER							
Percent of Demand Captured	32%	30%	25%	20%	28%	35%	28.3%
Room Nights Captured	10,200	5,400	4,300	4,200	5,500	4,600	34,200
Fair Share Room Nights	7,867	6,333	3,867	6,133	5,067	4,933	
Market Penetration	130%	85%	111%	68%	109%	93%	
TOTAL	100%	100%	100%	100%	100%	100%	100%
<i>Source: Pinkowski & Company</i>							

DANVILLE, VIRGINIA							
PROPOSED 100 ROOM SELECT SERVICE HOTEL IN THE RIVER DISTRICT							
PROJECTED MARKET MIX & PENETRATION ANALYSIS - 2019							
	Comfort Inn Danville	Holiday Inn Express Danville	Hampton Inn Danville	Courtyard Danville	Sleep Inn & Suites Danville	Best Western Inn & Suites	TOTAL COMPETITIVE MARKET
MARKET PERFORMANCE							
Number of Days Open	365	365	365	365	365	365	
Number of Rooms	118	95	58	92	76	74	513
Room Nights Available	43,070	34,675	21,170	33,580	27,740	27,010	187,245
Share of Supply	23.0%	18.5%	11.3%	17.9%	14.8%	14.4%	
Occupancy Percentage	75-80%	65-70%	80-85%	65-70%	70-75%	50-55%	68.4%
Total Room Nights Captured	32,300	22,500	17,400	21,800	20,000	14,000	128,000
Fair Share of Room Nights	29,442	23,704	14,472	22,955	18,963	18,464	
Market Penetration	110%	95%	120%	95%	105%	76%	
Estimated ADR	\$85-90	\$135-140	\$130-135	\$135-140	\$100-105	\$90-95	\$113.40
Estimated REVPAR	\$64.50	\$89.55	\$106.85	\$89.59	\$74.26	\$48.20	\$77.52
Estimated REVPAR Index	83%	116%	138%	116%	96%	62%	
MARKET MIX:							
COMMERCIAL							
Percent of Demand Captured	61%	63%	70%	75%	65%	60%	65.5%
Room Nights Captured	19,700	14,200	12,200	16,400	13,000	8,400	83,900
Fair Share Room Nights	19,299	15,537	9,486	15,046	12,430	12,103	
Market Penetration	102%	91%	129%	109%	105%	69%	
GROUP							
Percent of Demand Captured	7%	7%	5%	5%	7%	5%	6.3%
Room Nights Captured	2,300	1,600	900	1,100	1,400	700	8,000
Fair Share Room Nights	1,840	1,481	904	1,435	1,185	1,154	
Market Penetration	125%	108%	100%	77%	118%	61%	
TOURIST/OTHER							
Percent of Demand Captured	32%	30%	25%	20%	28%	35%	28.4%
Room Nights Captured	10,300	6,800	4,400	4,400	5,600	4,900	36,400
Fair Share Room Nights	8,373	6,741	4,115	6,528	5,393	5,251	
Market Penetration	123%	101%	107%	67%	104%	93%	
TOTAL	100%	100%	100%	100%	100%	100%	100%
<i>Source: Pinkowski & Company</i>							

LODGING DEMAND CHARACTERISTICS

The competitive market for the proposed hotel in the River District of Danville caters to a mix of lodging demand including commercial, group, and leisure business. The demand for lodging accommodations at the competition is influenced by a number of factors. These factors include, first and foremost, the pursuit of higher quality accommodations at reasonable prices compared to some of the other facilities in the Danville area. Other factors are the activities in the area including corporate business; research and training programs; health care industry related businesses; university related business; VIR events; IALR conferences and events; special events; sports activities; and the expansion and development of retail, commercial, and residential development. The mix of demand within the competition is expected to grow as a result of the strength of the diversified business and the economic health of Danville.

As illustrated in the weekday/weekend data from STR, Inc. presented earlier in this report, strong weekday occupancies (Tuesday and Thursday) reflect a moderate level of

unsatisfied commercial demand in the market. Strong occupancies and higher average rates during the weekend indicate the potential of unsatisfied demand during this period. While currently all of the existing hotels are oriented to the major US Highways on the north side of the Dan River, until recently, there was no need or desire to stay in downtown Danville. As indicated earlier in this report, as the downtown River District has experienced a resurgence attracting restaurants, retail shops, entertainment creating an environment where people want to live and work. As the new downtown park, whitewater experience, and the White Mill are redeveloped with more commercial, residential, entertainment, hotel, and restaurant space, Danville's city center along with its natural beauty and resources should attract a steady growth in a youthful population as well as developing Danville as an exciting tourist destination.

The following paragraphs summarize the demand characteristics for each of the competitive demand segments.

Commercial Demand

Commercial demand for the competition in the area represents about 65.5 percent of the total room night demand, or approximately 79,100 room nights during 2018. The majority of this commercial demand originates from business activity in the area on a weekday basis throughout the year. The demand in this segment occurs primarily Mondays through Thursdays with greater emphasis on Tuesdays and Thursdays.

This demand seeks accommodations offering quality facilities, frequent stay programs, and excellent price value. Within the competition, the Hampton Inn dominates the market with a 135 percent commercial market penetration, followed by the Courtyard which recorded an estimated 111 percent penetration of this market during 2018. Major sources of demand in this commercial segment include the corporate activity taking place in the Danville.

Based on our research, the commercial demand for the competitive market in the Danville area is expected to grow at a healthy pace over the next several years. As new hotels enter the market, the quality of accommodations and national affiliations will improve, and average rates should increase, especially during the weekdays. All of the properties in this market were built in 2004 or before. The age and quality of some of the local accommodations have created a certain degree of unsatisfied or latent demand. That is a level of demand not finding the quality of lodging in Danville they prefer and go to other cities like Greensboro or Raleigh for hotels. We estimate the demand in the commercial segment to increase 5.0 percent annually between 2017 and 2026 representing an increase of approximately 41,900 room nights during this nine year period.

Group Demand

Group demand for the competition in the area is estimated at 6.2 percent of the total room night demand for 2018 or approximately 7,500 room nights. Group demand originates from a variety of sources including conference business, group events, special events, youth sporting activities, bus tours, training classes, and other miscellaneous activities. None of the properties among competition offers meeting space of any consequence. Consequently, a large portion of this category of demand is usually oriented to weekend demand.

The IALR does not offer hotel accommodations and could represent a significant increase in group business as lodging becomes available to support their mission and extensive meeting space and company incubator campus.

Demand for lodging accommodations in the group segment is estimated to increase 2.3 percent annually from 2017 to 2026, representing an increase of about 1,600 room nights over the nine year period.

Tourist/Other Demand

Tourist/other demand among the competition represents approximately 28.3 percent of the total estimated demand for 2018, or approximately 34,200 room nights. This category of demand consists of a variety of activities throughout the Danville area from March to November. Each year, outdoor recreational activities draw thousands of visitors to the area and include art and food festivals, sports events, and VIR race and non-race events. The river and natural resources are a destination for boaters, canoers, fishermen, and other outdoor enthusiasts. Tourist demand is expected to grow, especially during the summer months and the fall “leaf peepers” season. The addition and expansion of Riverpark and addition of the whitewater attraction at the White Mill will attract more visitors, especially in the summer months.

This tourist demand is estimated to grow by 18,300 room nights over the nine year period from 2017 to 2026, representing a compound annual growth of 5.0 percent.

Projected Demand

We have prepared a projection of lodging demand for the competitive properties included in the competitive market for the subject property during the first five years of operation, assuming an opening date of January 1, 2022. This projection includes commercial, group, and tourist/other demand. We consider the future additions to the primary competitive supply as well as the factors influencing the growth in demand in the market as part of our projections.

The following table summarizes our estimate of future growth in supply and demand from 2017 through 2026:

DANVILLE, VIRGINIA COMPETITIVE LODGING MARKET PROJECTED ROOM NIGHT DEMAND											
	2017*	2018*	2019	2020	2021	2022	2023	2024	2025	2026	C.A.G
Commercial Demand	76,500	79,100	83,900	90,600	99,700	111,700	118,400	118,400	118,400	118,400	5.0%
Annual Growth	-	3.4%	6.1%	8.0%	10.0%	12.0%	6.0%	0.0%	0.0%	0.0%	
Group Demand	7,200	7,500	8,000	8,200	8,400	8,600	8,800	8,800	8,800	8,800	2.3%
Annual Growth	-	4.2%	6.7%	2.0%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	
Tourist/Other Demand	33,000	34,200	36,400	38,200	41,300	47,500	51,300	51,300	51,300	51,300	5.0%
Annual Growth	-	3.6%	6.4%	5.0%	8.0%	15.0%	8.0%	0.0%	0.0%	0.0%	
Total Demand	116,700	120,800	128,300	137,000	149,400	167,800	178,500	178,500	178,500	178,500	4.8%
Annual Growth	-	3.5%	6.2%	6.8%	9.1%	12.3%	6.4%	0.0%	0.0%	0.0%	
Total Supply	187,245	187,245	187,245	198,925	213,525	250,025	250,025	250,025	250,025	250,025	3.3%
Annual Growth	-	0.0%	0.0%	6.2%	7.3%	17.1%	0.0%	0.0%	0.0%	0.0%	
Projected Market Occupancy	62%	65%	69%	69%	70%	67%	71%	71%	71%	71%	
C.A.G. - Compound Annual Growth											
* = Historical											
Proposed 90 room White Mill Hotel planned to open 1/1/22											
Source: Pinkowski & Company											

Lodging Demand Interviews

During the course of our research we conducted lodging demand interviews with businesses and organizations which already are utilizing lodging facilities in Danville. The interview form is Addendum A of this report. The people who responded were executive level. Because there are no site or architectural plans yet, the respondents were asked about a hotel to be developed specifically in the River District, but not a specific location. These interviews provided the following insight for these potential lodging demand sources for a new hotel in the River District:

- The River District location is convenient to businesses and organizations.
- The nationally branded properties with strong guest rewards programs are preferred.
- There is a preference for lodging rates under \$145. Most respondents indicated paying rates at local hotels between \$98 and \$115.
- The River District is a destination for dining, shopping, and entertainment.
- The convenience and walkability of the River District is enticing.
- Additional meeting space for more than 25 people in the River District would be appealing.
- A shuttle to the IALR and destinations in the River District would be an advantage for a hotel in this location.

- Most guests prefer the option of supporting River District restaurants rather than see a dining option in the hotel.
- Many of the new national and international business prospects express a strong interest in a hotel in the River District.
- Would be another great example to showcase the success of the redevelopment of the River District.

The following information is recapped regarding the types and timing of corporate and group business:

- Companies indicated lodging is utilized for visiting company representatives, business guests, board meetings, training and sales meeting, business retreats, and other business team meetings.
- Most of these visitations occur throughout the year. Some are more specific such as board meetings which tend to occur quarterly.
- From the 39 interviews requested, we received information from 14 respondents helping to identify over 400 meetings and over 16,000 room nights.

PROJECTED PERFORMANCE

The proposed 100+/- room hotel in the River District is expected to appeal to the majority of visitors to the Danville area. Our estimates of occupancy for the first five years are based on an opening of January 1, 2022. We believe the subject hotel, with a quality product, national brand name recognition, and price/value offered should appeal to each of the demand sources for the following reasons:

- A location in the River District in downtown Danville
- A location convenient to the main traffic arteries throughout Danville
- Within minutes of all areas of the city and demand generators
- Easy access to the Danville Regional Airport
- A location offering outstanding retail, recreational, dining, and entertainment experiences
- Facilities available and the perceived price/value should represent strong appeal to all segments of travel to Danville.
- The strength of a national brand affiliation and reservation system also will be a major factor in the overall success of the property.

Market Penetration

On the basis of our analysis of future market demand, performance of existing competitive hotels and anticipated future supply, we estimate the proposed hotel in the River District should capture more than its fair share of demand. We estimate the property will achieve a penetration of 97 percent in its initial year of operation, stabilizing

at 103 percent during its fourth and fifth years of operation. Our estimates of occupancy for the five years are based on an opening of January 1, 2022 for the proposed 100 room hotel.

The superior price value of a new, downtown hotel in the market, and the services provided should enable the property to be an attractive alternative to the older existing facilities. The proposed hotel should appeal to each of the demand sources for the following reasons:

- ❑ The quality of the proposed hotel, the planned facilities to be available, and perceived price/value should represent an appeal to commercial and tourist demand in market.
- ❑ The location near many travelers' amenities such as dining options and shopping will be beneficial in attracting room night demand.
- ❑ The location on the Dan River will be an attraction.
- ❑ The location near area transportation routes should enhance the property's ability to attract demand in the area.
- ❑ A convenient location near many sources of demand in the area will enable the property to attract demand from businesses located in the market area.
- ❑ The strength of national brand reservation system and frequent guest program will enhance the subject property's ability to attract demand in the market.

The following table summarizes our estimate of market penetration by demand segment for the proposed property:

DANVILLE, VIRGINIA					
PROPOSED 100 ROOM SELECT SERVICE HOTEL IN THE RIVER DISTRICT					
COMPETITIVE LODGING MARKET					
	2022	2023	2024	2025	2026
Room Nights Available Annually					
Proposed River District Hotel	36,500	36,500	36,500	36,500	36,500
Competitive Market	250,025	250,025	250,025	250,025	250,025
Share of Supply	14.6%	14.6%	14.6%	14.6%	14.6%
Commercial Demand	111,700	118,400	118,400	118,400	118,400
Fair Share of Demand	16,307	17,285	17,285	17,285	17,285
Market Penetration %	98.0%	96.0%	102.0%	105.0%	105.0%
Commercial Room Nights	15,980	16,593	17,630	18,149	18,149
% Market Mix	67.6%	65.9%	66.8%	67.4%	67.4%
Group Demand	8,600	8,800	8,800	8,800	8,800
Fair Share of Demand	1,255	1,285	1,285	1,285	1,285
Market Penetration %	80.0%	85.0%	100.0%	100.0%	100.0%
Group Room Nights	1,004	1,092	1,285	1,285	1,285
% Market Mix	4.2%	4.3%	4.9%	4.8%	4.8%
Tourist/Other Demand	47,500	51,300	51,300	51,300	51,300
Fair Share of Demand	6,934	7,489	7,489	7,489	7,489
Market Penetration %	96.0%	100.0%	100.0%	100.0%	100.0%
Leisure Room Nights	6,657	7,489	7,489	7,489	7,489
% Market Mix	28.2%	29.7%	28.4%	27.8%	27.8%
Total Market Demand	167,800	178,500	178,500	178,500	178,500
Total Demand Captured	23,642	25,174	26,404	26,923	26,923
% Market Mix	100.0%	100.0%	100.0%	100.0%	100.0%
Market Penetration	97%	97%	101%	103%	103%
Projected Occupancy					
Competitive Market	67%	71%	71%	71%	71%
Proposed River District Hotel	65%	69%	72%	74%	74%
*Property opens 1/1/2022					
Source: Pinkowski & Company					

Projected Average Daily Rate

We have prepared a projection of average daily rates for the proposed 100 room hotel in the River District based on an analysis of the published rates and achieved average rates for existing competitive hotels in the competitive market area. In addition, we have analyzed the competitive nature of similar properties in other markets to help determine the average rate for the subject property. The occupancy and seasonal patterns anticipated for the property also have been considered.

On the basis of our analysis of room rates for existing competitive hotels, we estimate the proposed hotel will be capable of achieving a \$140.00 average rate, stated in current value 2019 dollars, assuming a stabilized occupancy level of 74 percent.

The estimated average rate for the property is stated in 2019 dollars and is based on competitive performance, the product quality, and price value as perceived by the guest. We believe the strength of the demand for this type product in the competitive market area will permit this 2019 average rate to grow annually at an inflation rate of approximately 3 percent for the projection period as illustrated in the following table:

DANVILLE, VIRGINIA PROPOSED 100 ROOM RIVER DISTRICT HOTEL PROJECTED AVERAGE DAILY RATE			
Year	Average Rate Inflated \$	Inflation Rate	Project ADR
2019	\$140.00		-
2020	\$144.20	3.0%	-
2021	\$148.53	3.0%	-
2022	\$152.98	3.0%	\$153.00
2023	\$157.57	3.0%	\$157.50
2024	\$162.30	3.0%	\$162.25
2025	\$167.17	3.0%	\$167.25
2026	\$172.18	3.0%	\$172.25

Source: Pinkowski & Company

The inflation rate reflects the impact of the local lodging supply, changes in economic conditions, and pricing power of the subject property in the market. This rate reflects the potential average rate achievable at the property given the assumptions stated earlier in this report.

We believe this property should be able to establish a strong reputation and price value in the community from the day of opening.

ADDENDUM



PROPOSED HOTEL IN THE RIVER DISTRICT
DANVILLE, VIRGINIA
DEMAND SOURCES INTERVIEW FORM

We are independent consultants in the hospitality industry and are evaluating the feasibility of the development of a high quality hotel to be developed in downtown Danville. We are in the process of evaluating the potential for various sources of business for this lodging facility and would appreciate your assistance in this effort by including your input regarding the facilities offered at the proposed hotel.

Architectural plans for the facilities have not been drawn at this time but are intended to be high quality lodging located within the redeveloping River District in downtown Danville. Based on this description, we have a short list of questions we would like to review with you regarding your lodging needs in this area.

- 1. Company/Telephone #
2. Contact/Position
3. How many employees does your company employ?
4. Is the number of employees increasing, decreasing, or remaining stable?
5. Do you have a need for hotel room accommodations for (please check all that apply):
a. Visiting company reps
b. Business guests
c. Board meetings
d. Training or sales meetings
e. Business retreats
f. Other (identify)
6. On average, how often do these needs occur within a twelve month period?
a. Visiting company reps
b. Business guests
c. Board meetings
d. Training or sales meetings
e. Business retreats
f. Other



7. How many people and how many nights do they stay?

	<u># of People</u>	<u># of Nights</u>
a. Visiting company reps	_____	_____
b. Business guests	_____	_____
c. Board meetings	_____	_____
d. Training or sales meetings	_____	_____
e. Business retreats	_____	_____
f. Other	_____	_____

8. What hotels do you use most frequently and why?

9. What are the typical room rates you pay at these hotels?

10. Which hotel brands do you/your visitors prefer?

11. Based on the assumed high quality of the hotel, would you consider this location in downtown Danville for your lodging needs?

Yes, and Why?

No, and Why?

12. What room rate would you be willing to pay?

- a) \$115 to \$130
- b) \$131 to \$145
- c) \$145 to \$160
- d) over \$161

Note: If your company would not pay any of these rates, then: What rate would you pay? That is, would they stay there at any price?



13. Could meeting space located in downtown Danville be attractive for your groups?

Yes, and Why?

No, and Why?

14. Amenities vary by brand and type of hotel. Which amenities offered are most important to you? (rank your top 5)

- | | |
|---|--|
| <input type="checkbox"/> Complimentary Breakfast | <input type="checkbox"/> Swimming pool |
| <input type="checkbox"/> Full service restaurant | <input type="checkbox"/> Guest laundry |
| <input type="checkbox"/> Full service cocktail lounge | <input type="checkbox"/> Business center |
| <input type="checkbox"/> Free parking | <input type="checkbox"/> Frequent guest reward program |
| <input type="checkbox"/> Free Basic WiFi | <input type="checkbox"/> Shuttle service |
| <input type="checkbox"/> Fee Based High Speed WiFi | |
| <input type="checkbox"/> Fitness Room/Equipment | |

15. What is your general reaction to the plans presented to you today?

Comments:
