

PROJECTED UTILIZATION OF THE PROPOSED HOTEL

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

Projected Market Penetration and Occupancy

Market Penetration

The potential occupancy of the proposed hotel has been evaluated in terms of its “Fair Share” of market demand. Fair share is the number of rooms in the proposed hotel as a percentage of the total market area supply. There are presently two properties representing 219 total available rooms which would compete with the proposed hotel. The number of units in the proposed hotel, the projected market area available rooms per day, and the resulting fair share percentage for the period 2010 through 2014 are listed below:



Fair Share of the Proposed Hotel 2010-2014			
<i>Year</i>	<i>Number of Rooms in Proposed Hotel</i>	<i>Projected Market Area Supply of Rooms</i>	<i>Projected Fair Share of Proposed Hotel</i>
2010	100	319	31.3%
2011	100	319	31.3%
2012	100	319	31.3%
2013	100	319	31.3%
2014	100	319	31.3%

Source: Interim Hospitality Consultants

Assuming that each competitive property, including the proposed hotel, were to receive only its fair share of the market demand from 2010 through 2014, each would achieve projected occupancies ranging from 70.0% in 2010 to 75.0% in 2014, the projected market set occupancy, during the projection period.

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

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

1. *Location:* In Cape Coral, Florida.



2. *Accessibility and Visibility:* Extremely good accessibility coupled with excellent street corner visibility.

3. *Market Orientation:* The proposed hotel would be directly positioned to the leisure guest in addition to the commercial market segment.

4. *Room Mix:*

Queen/Queen Suites	30
King Suites	30
King/Sofa Studio	20
Celebration Suites with Jacuzzi Tub	5
One-Bedroom Suite King/Sofa Bed, Extended-Stay Kitchen	15
Total Guest Rooms	100

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

5. *Room Amenities:* Spacious work desk, ergonomic chair, two telephones with voice mail and data port, plus hospitality center with a refrigerator, microwave, and coffee maker with complimentary coffee and tea refreshed daily. High Definition, flat-panel televisions will be in all Guest Room Parlors and Bedrooms.

6. *Hotel Amenities:* Self-service guest laundry facility, meeting space to accommodate small to mid-sized groups, a complimentary 24-hour business center, 24-hour fitness room, Indoor Aquatic Center with swimming pool, whirlpool and sauna.

7. *Social Amenities:* A complimentary hot breakfast should be offered every day.

8. *Room Rate:* The facility should be price competitive, considering location, market orientation, and amenities.

9. *Newness:* The project will be the newest hotel in the competitive supply, thereby offering more appeal to the proposed property.

10. *National Franchise:* The facility will gain instant name recognition and set itself apart from other competitive hotels when it positions itself in the mid-priced market.

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



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

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

1. *Leisure:* Due to the uniqueness of the hotel being marketed as a midpriced limited-service product, the hotel’s projected penetration of fair market share will range from 100.0% to 105.3% over the five-year projection period. If for any reason the social business declines through seasonality or energy shortages, state and local commercial solicitation must be made to offset the decline.
2. *Commercial:* The fair market share of commercial business is projected to run from 100.0% to 105.3%. This can be achieved with a professional sales marketing effort enhanced by the uniqueness of this new type of hotel.
3. *Occupancy:* The projected occupancy should be attainable if the property is built as described, professionally operated in all facets, and business of the area continues to be positive. In years 3 to 5, additional competition may materialize to substantially reduce the projections.

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

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

Step One:

a.	Total of year-round hotel Market Set of rooms	319
b.	Times estimated average occupancy	70.0%
c.	Times days in year	365
d.	Equals total Guest Room Nights	81,505
e.	Times hotel Fair Share	31.3%
f.	Equals the Goal of Guest Room Nights the hotel must achieve	25,550

Step Two:

a.	Convert the projected hotel 2010 occupancy of 70% into Occupied Guest Room Nights	25,550
b.	Divided by the Goal of	25,550
c.	Equals the 2010 hotel Market Penetration	100.0%

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

For future years, the Market Penetration is calculated at:

<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
101.4%	104.2%	104.1%	105.3%

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

Projected Hotel Projected Market Penetration Room-Night Demand and Occupancy					
	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
Projected Room Demand					
Leisure 70%	57,053	57,868	58,844	60,313	61,128
Commercial 30%	<u>24,451</u>	<u>24,801</u>	<u>25,219</u>	<u>25,849</u>	<u>26,198</u>
Total Demand 100%	81,504	82,669	84,063	86,162	87,326
Fair Share Ratio	31.3%	31.3%	31.3%	31.3%	31.3%
Projected Penetration as a Percentage of Fair Market Share	100.0%	101.4%	104.2%	104.1%	105.3%
Projected Market Penetration					
Leisure 70%	17,885	18,396	19,215	19,674	20,185
Commercial 30%	<u>7,665</u>	<u>7,884</u>	<u>8,235</u>	<u>8,432</u>	<u>8,651</u>
Total Market 100%	25,550	26,280	27,450	28,106	28,836
Available Room-Nights at the Proposed Hotel 100	36,500	36,500	36,600	36,500	36,500
Projected Occupancy	70.0%	72.0%	75.0%	77.0%	79.0%

Source: Interim Hospitality Consultants
Note: Totals may not foot due to rounding.

Proposed Hotel Cape Coral, Florida Optimum Proforma Year One					
		<i>Peak</i>	<i>Shoulder</i>	<i>Balance of Year</i>	<i>2010</i>
<i>Dates</i>		Jan, Feb, Mar, Apr	May, Jun, Nov, Dec	Jul, Aug, Sep, Oct	
<i>Days</i>		120	122	123	365 days
Room Mix:		<i>Daily Rate per Room</i>			
Double Queen Suites	30	150.00	125.00	100.00	
King Suites	30	150.00	125.00	100.00	
King/Sofa Studio Suites	20	160.00	140.00	120.00	
Celebration Suites	5	175.00	150.00	125.00	
Extended-Stay Suites	15	75.00	65.00	55.00	
Total Rooms	100				
Optimum Revenue					
Double Queen Suites	30	540,000	457,500	369,000	1,366,500
King Suites	30	540,000	457,500	369,000	13,665,500
King/Sofa Studio Suites	20	384,000	341,600	295,200	1,020,800
Celebration Suites	5	105,000	91,500	76,875	273,375
Extended-Stay Suites	15	135,000	118,950	101,475	355,425
Total Optimum Revenue		1,704,000	1,467,050	1,211,550	4,382,600
Seasonal Occupancy		80%	70%	60%	69.9%
Optimum Guest Room Nights		12,000	12,200	12,300	36,500
Seasonal Guest Room Nights		9,600	8,540	7,380	25,520
Seasonal Revenue		1,363,200	1,026,935	726,930	3,117,065
Average Daily Rate		142.00	120.25	98.50	122.14
Average Daily Rate					Use \$122
Occupancy					Use 70%

Source: Interim Hospitality Consultants

Projected Average Daily Rates are based on rates actually received by the hotel. Therefore, the markups withheld by third-party vendors such as Expedia.com and Hotels.com are accounted for in the Average Daily Rates printed in this Study.



Projected Average Room Rate

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

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

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

Based on the above assumptions and details, the proposed 100-room proposed hotel should achieve an initial average rate \$122.00 in the first stabilized year of operations, 2010.

A constant inflation rate of 2.5% per year was assumed. The following table summarizes the current year (inflated) dollar room rates projected for the proposed hotel.

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

Proposed Country Inn and Suites Projected Average Room Rate (Current Year Dollars)	
<i>Year</i>	<i>Average Room Rate</i>
2010	\$122.00
2011	\$127.00
2012	\$132.00
2013	\$137.00
2014	\$142.00

Source: Interim Hospitality Consultants



Summary

The proposed Country Inn and Suites' market penetration and underlying assumptions are summarized as follows:

1. *Leisure:* Due to the uniqueness of the hotel being marketed as a midpriced limited-service product, the hotel's projected penetration of fair market share will range from 100.0% to 105.3% over the five-year projection period.
2. *Commercial:* The fair market share of commercial business is projected to run from 100.0% to 105.3%. This can be achieved with a professional sales marketing effort enhanced by the uniqueness of this new type of hotel. If for any reason the leisure business declines through seasonality or energy shortages, state and local commercial solicitation must be made to offset the decline.
3. *Occupancy:* The projected occupancy should be attainable if the property is professionally operated in all facets, and business of the area continues to be positive. In years 3 to 5, additional competition may materialize to substantially reduce the projections.

Country Inn and Suites Projected Average Room Rate (Current Year Dollars)			
<i>Year</i>	<i>Room Revenue</i>	<i>Occupancy</i>	<i>Average Room Rate</i>
2010	\$3,117,100	70%	\$122.00
2011	\$3,337,560	72%	\$127.00
2012	\$3,623,400	75%	\$132.00
2013	\$3,850,390	77%	\$137.00
2014	\$4,094,570	79%	\$142.00

Source: Interim Hospitality Consultants

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

