

# Extended Stay America Los Angeles -Torrance Blvd

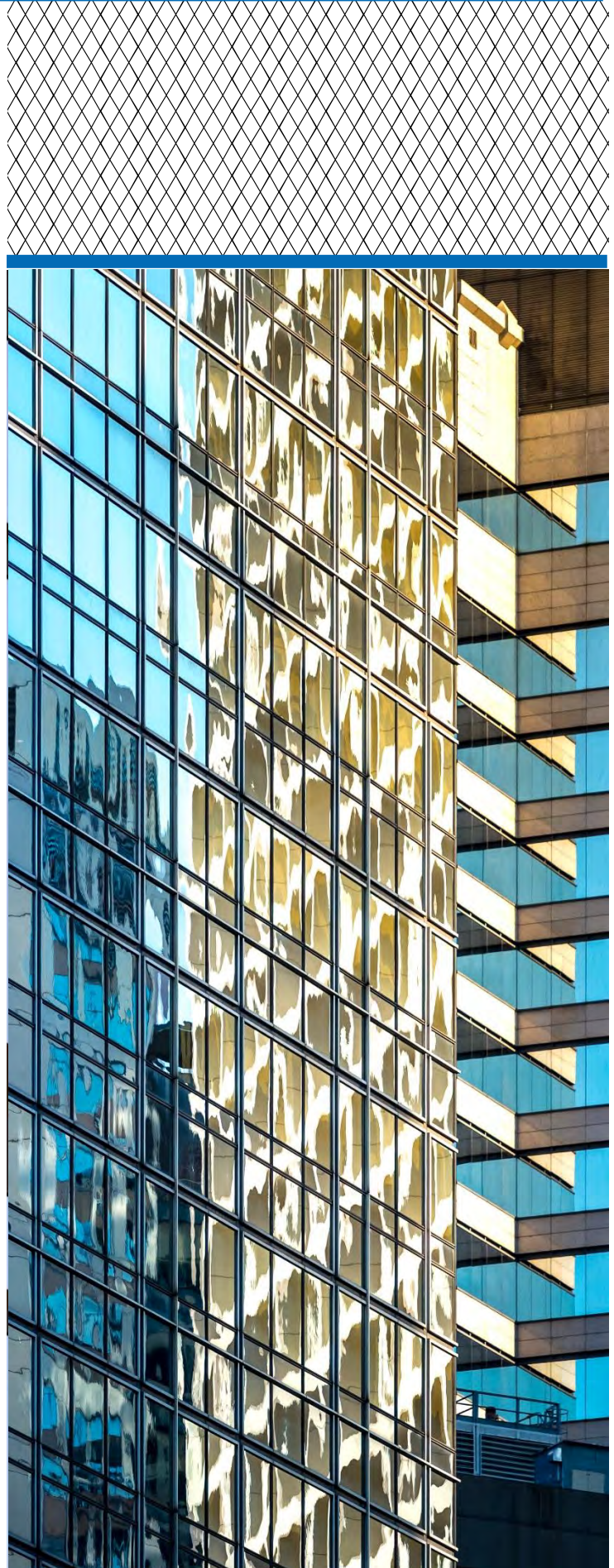
3525 Torrance Boulevard  
Torrance, Los Angeles County, California 90503  
Geo Coordinates: 33.838329,-118.347597  
Newmark Job ID: 25-0229502

## Appraisal Report Prepared For:

Carlos Huizar  
Management Associate  
City of Torrance - City Manager  
City Manager's Office - 3rd Floor  
Torrance, CA 90503

## Prepared By:

**Newmark Valuation & Advisory**  
Hospitality, Gaming & Leisure Group  
Valuation & Advisory  
2301 Rosecrans Avenue, Suite 4100  
El Segundo, CA 90245



July 19, 2025

Carlos Huizar  
Management Associate  
City of Torrance - City Manager  
City Manager's Office - 3rd Floor  
Torrance, CA 90503

RE: Appraisal of Extended Stay America Los Angeles -Torrance Blvd located at 3525 Torrance Boulevard, Torrance, Los Angeles County, California, prepared by Newmark Valuation & Advisory, LLC (herein "Firm" or "Newmark")

Newmark Job No.: 25-0229502  
Client Reference: Client ID #

Dear Mr. Huizar:

Newmark Valuation & Advisory, LLC has prepared an appraisal of the referenced property presented in the following Appraisal Report.

### Summary of the Subject Property

The subject property, commonly known as Extended Stay America Los Angeles -Torrance Blvd, is a 3-story, 122-room, extended-stay lodging facility built in 1997. It is an extraordinary assumption of this report that the property was in average condition at the time of inspection as an inspection was not performed as part of the scope of work. The subject property features all basic services for a property of this type, and offers amenities including a free grab-and-go breakfast, a guest laundry room, pet friendly rooms, and vending and ice machines. The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away. The subject's orientation is economy class in nature, as categorized by STR, Inc.

Extended Stay America is a hotel brand that focuses on long-term accommodations. The brand provides spacious suites with fully-functional kitchens. Extended Stay America prioritizes practicality and affordability, offering amenities such as on-site laundry facilities and complimentary Wi-Fi. The brand strategically chooses locations near business districts, airports, and attractions. It is a preferred option for individuals and families who are looking for comfortable and cost-effective extended-stay accommodations.

### Key Value Considerations

#### Strengths

- The subject property is well-located in Torrance roughly two miles from the beach and in close proximity to the Del Amo Mall.
- The subject does not have an excessive amount of good quality economy extended-stay competition.
- The subject is an interior site that enjoys good access due to its position along a major roadway and near the intersection of another primary roadway.

**Risk Factors**

- The subject property originally opened in the late 1990s and was last renovated in 2012 which is longer than is typical for a hotel renovation.
- There is generally an increase in investor requirements for economy, limited services hotels and the lending environment will remain apprehensive in the foreseeable future due ot significant uncertainty caused by economic headwinds in evidence currently.

**Final Reconciled Values**

The purpose of this appraisal is to develop certain opinions of value for the subject property in its Fee Simple interest. The following table conveys the final opinions of market value for the subject property as developed within this appraisal report:

FINAL RECONCILED VALUES	
Conclusions	As Is July 1, 2025
<b>Market Value</b>	<b>\$10,200,000</b>
Per Room	\$83,607
Allocation of Property Components	As Is
Real Property	\$9,180,000
Furniture, Fixtures and Equipment	\$1,020,000
Business	\$0
<b>Total</b>	<b>\$10,200,000</b>

**Extraordinary Assumptions**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

The appraisers were not provided with any information regarding the subject property during the course of this assignment, nor were we provided with access to the subject property. Our conclusions were based entirely on information available in the public domain. It is an extraordinary assumption of this report that the information relied on is reliable and correct. Additionally, any assumptions made regarding the quality and condition of the property were based on publicly available pictures of the property as no physical inspection

has been made. Finally, we were asked to appraise the property assuming the highest and best use as improved is as an economy extended-stay hotel as it currently exists.

**Hypothetical Conditions**

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

The appraisal does not employ any hypothetical conditions.

**Prior Services**

We have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

**Compliance Remarks**

Per the engagement contract, there is no reliance language specific to the client's intended use.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party, and Newmark will not be responsible for unauthorized use of the report, its conclusions or its contents used partially or in their entirety.

The appraisal was developed based on, and this report has been prepared in conformance with the Client's scope of work requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and the Interagency Appraisal and Evaluation Guidelines (December 2, 2010).

# Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest in with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of California.
9. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Keenan O'Leary, MAI completed the continuing education program for Designated Members of the Appraisal Institute. In addition, as of the date of this report, Mark Capasso completed the continuing education program for Candidates of the Appraisal Institute. All signatories have completed more than 20 going concern appraisals of properties similar to the subject.
12. By prior agreement with the client, none of the signatories made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance (general market research, editorial assistance, etc.) to the persons signing this certification.
14. Valuation & Advisory operates as an independent economic entity within Newmark. Although employees of other Newmark divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times in regard to this assignment without conflict of interest.
15. Within this report, "Newmark", "Newmark **Valuation & Advisory**", "Newmark, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.
16. We have not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

17. The undersigned state certified appraiser has met the requirements of the applicable board of the State of California that allow this report to be regarded as a certified appraisal.

*Mark Capasso*

Mark Capasso  
Executive Vice President  
CA State Certified General Appraiser License No. AG 026492  
Expires 01/21/2027  
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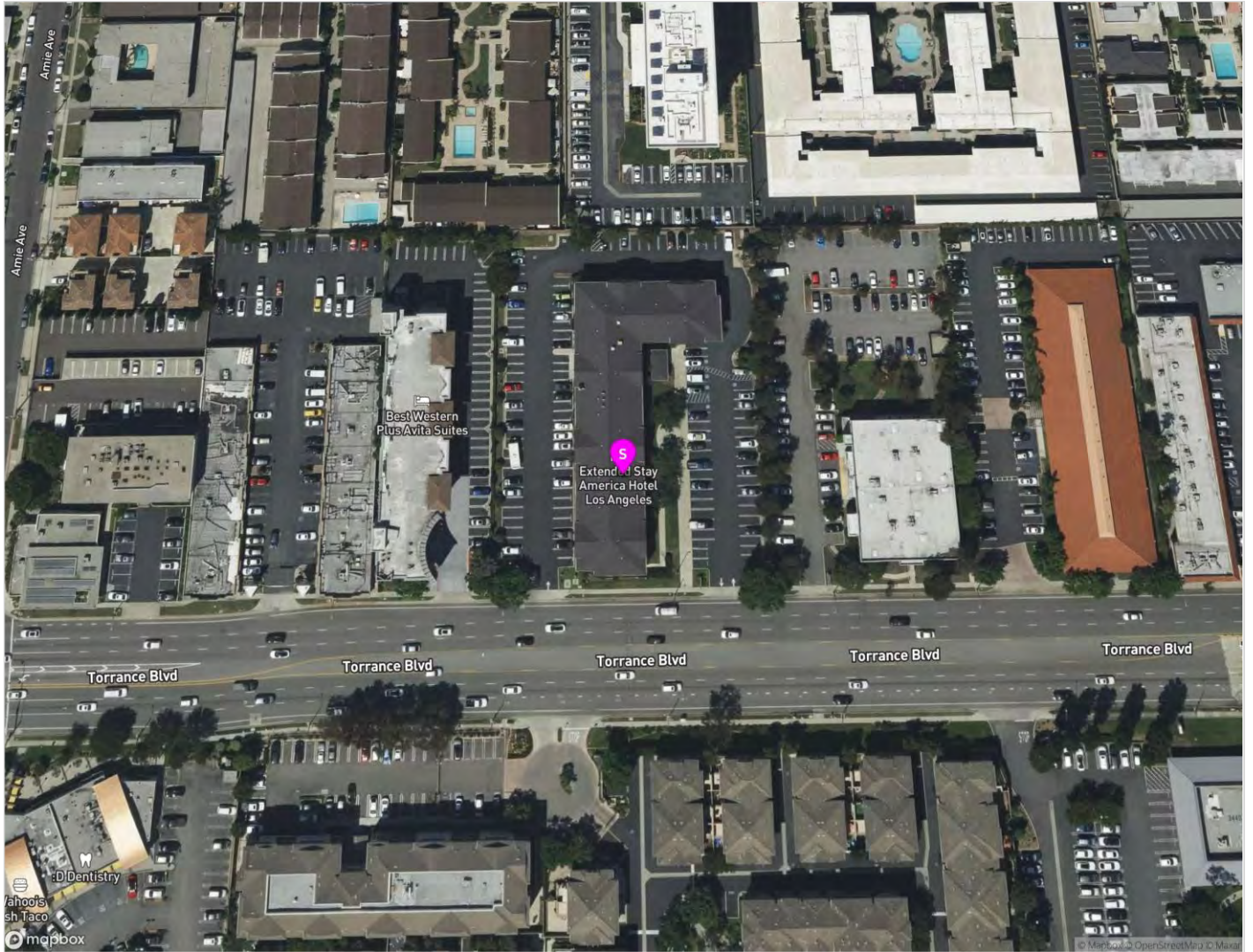
*Keenan O'Leary*

Keenan O'Leary, MAI  
Senior Vice President  
CA State Certified General Appraiser License No. 3002637  
Expires 08/29/2026  
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# Table of Contents

<b>Subject Photographs</b>	<b>8</b>	Net Hotel Closures	69
<b>Executive Summary</b>	<b>9</b>	Local Airport Statistics	70
<b>Introduction</b>	<b>12</b>	<b>Supply &amp; Demand Analysis</b>	<b>72</b>
Intended Use & User	12	Historical Performance: Selected Competitors	80
Operational Assumptions	12	Additions to Supply	81
Definition of Market Value	13	Analysis of Demand	81
Definition of Going-Concern Premise	14	Seasonality and Weekday Distribution	83
Interest Appraised	14	Market Occupancy Projection	84
Appraisal Report	14	Subject Occupancy Projection	85
Purpose of the Appraisal	14	Average Daily Rate Projection	88
Scope of Work	14	<b>Highest &amp; Best Use</b>	<b>92</b>
<b>Economic Analysis</b>	<b>16</b>	<b>Valuation</b>	<b>94</b>
Regional Area Map	16	<b>Sales Comparison Approach</b>	<b>95</b>
Local Area Analysis	24	Adjustment Factors	98
<b>Land Description &amp; Analysis</b>	<b>33</b>	Improved Sale Transaction Discussion	101
General Description	33	<b>Income Capitalization Approach</b>	<b>104</b>
Zoning	36	Financial Projections	108
PARCEL MAP	38	Net Operating Income	115
<b>Improvements Description</b>	<b>39</b>	Projection of Revenue & Expenses	116
Overview	39	Discounted Cash Flow	129
Physical Characteristics	39	<b>Reconciliation</b>	<b>131</b>
Capital Improvements	40	<b>Going Concern Analysis</b>	<b>134</b>
<b>Real Estate Taxes</b>	<b>41</b>	<b>Assumptions &amp; Limiting Conditions</b>	<b>136</b>
Proposition 13	41	<b>Glossary</b>	<b>138</b>
Tax Projection	42	<b>Addenda</b>	<b>153</b>
<b>National Lodging Market Analysis</b>	<b>43</b>		
National Lodging Highlights	43		
Revenue	47		
International Trade Tensions	47		
Regenerative Tourism	48		
Traveler Demographic Trends	48		
Performance Correlations	48		
Published Rate Activity by Brand	50		
Air Travel	52		
Transactions Markets	54		
National Lodging Market Conclusion	56		
Extended-Stay Market	57		
<b>Local Lodging Market Analysis</b>	<b>61</b>		
Los Angeles, CA Hotel Market Overview	61		
Major Hotel Demand Generators	64		
Scale & Service Distribution	64		
Trends, Risks & Investment Rates	65		
Performance Cycle	66		
Brand Distribution	67		
Published Rate Activity	67		

# Subject Photographs



Aerial Image

# Executive Summary

## PROPERTY OVERVIEW

Subject Description	The subject property, commonly known as Extended Stay America Los Angeles -Torrance Blvd, is a 3-story, 122-room, extended-stay lodging facility built in 1997. It is an extraordinary assumption of this report that the property was in average condition at the time of inspection as an inspection was not performed as part of the scope of work. The subject property features all basic services for a property of this type, and offers amenities including a free grab-and-go breakfast, a guest laundry room, pet friendly rooms, and vending and ice machines. The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away. The subject's orientation is economy class in nature, as categorized by STR, Inc.
Assessor's Parcel #(s)	7524-014-115
Address	3525 Torrance Boulevard Torrance, Los Angeles County, California Geo Coordinates: 33.838329,-118.347597

## SITE DESCRIPTION

Size	1.69 acres, or 73,833 square feet
Topography	Level at street grade
Neighborhood Description	'The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away.
Frontage & Exposure	The subject offers good frontage on Torrance Boulevard.

Zoning	H-DA2, Hawthorne Boulevard Corridor Specific Plan Zone - Del Amo Business Subdistrict Two
Flood Zone	X Flood Zone, described as areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2-percent-annual-chance flood. (Flood panel number 06037C1928F, dated 9/26/2008.)

**IMPROVEMENTS DESCRIPTION**

Opening Year	1997
Number of Rooms	122
Quality	Generally average
Condition	Generally average
Economic Life	45 Years
Effective Age	28 Years (Based on Actual Age)
Remaining Economic Life	17 Years

**HIGHEST & BEST USE**

As Vacant	Determination would be to hold as vacant until demand clearly dictates a use in compliance with all zoning laws.
As Improved	Determined as an economy extended-stay hotel as it is currently improved.

KEY VALUATION ASSUMPTIONS	
Category	As Is
<b>Initial Projection Year:</b>	
Occupancy	66.0%
Average Daily Rate	\$75.30
RevPAR	\$49.70
<b>Investment Parameters:</b>	
Discount Rate	11.00%
Terminal Capitalization Rate	10.11%
Implied Year-1 Cap Rate	8.20%
<b>Other Valuation Considerations:</b>	
Exposure Time	12 months or less
Marketing Time	12 months or less
Holding Period	10 Years
Inflation Rate	3.0%

OVERVIEW OF VALUE CONCLUSIONS	
Methodology for Market Value Conclusions	As Is July 1, 2025
<b>Sales Comparison Approach</b>	
Adjusted Low End of Range	\$9,800,000
Adjusted High End of Range	\$10,600,000
<b>Income Approach</b>	
Discounted Cash Flow	\$10,200,000
<b>Reconciled Value Conclusion</b>	<b>\$10,200,000</b>
<b>Per Room</b>	<b>\$83,607</b>

Allocation of Property Components	As Is
Real Property	\$9,180,000
Furniture, Fixtures and Equipment	\$1,020,000
Business	\$0
<b>Total</b>	<b>\$10,200,000</b>

# Introduction

## OWNERSHIP HISTORY

<b>Current Owner:</b>	Extended Stay America
<b>Three-Year Sale History:</b>	To the best of our knowledge, the subject has not sold in the last three years.
<b>Listing Status:</b>	To the best of our knowledge, the subject is not being listed for sale.
<b>Current or Pending Contract:</b>	To the best of our knowledge, the subject is not under contract to be acquired by any third-party.

## INTENDED USE & USER

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

<b>Client:</b>	City of Torrance - City Manager
<b>Intended Use:</b>	Negotiating Purposes
<b>Intended User:</b>	City of Torrance
<b>Client Reliance Statement:</b>	Per the engagement contract, there is no reliance language specific to the client's intended use.

## OPERATIONAL ASSUMPTIONS

<b>Property Management</b>	For purposes of this appraisal, we assume that the subject could be sold free and clear of any and all management contracts, and that future management expenses are market-oriented. Specifically, management fees are projected to equate to 3.00% percent of total revenue throughout the holding period.
<b>Franchise / Licensing:</b>	Extended Stay America is a hotel brand that focuses on long-term accommodations. The brand provides spacious suites with fully-functional kitchens. Extended Stay America prioritizes practicality and affordability, offering amenities such as on-site laundry facilities and complimentary Wi-

Fi. The brand strategically chooses locations near business districts, airports, and attractions. It is a preferred option for individuals and families who are looking for comfortable and cost-effective extended-stay accommodations.

We assume that the subject the hotel will continue to operate under its current brand based on the fee schedule for new franchises. Specifically, we project franchise fees (royalties) to be equal to 5.00% of rooms revenue annually throughout the holding period.

**General Assumptions:**

For the purposes of this report, we assumed that the subject will be operated as a extended-stay and chain-affiliated hotel with a centralized national or regional reservation system that is fully integrated with well-known third-party marketing platforms (i.e., online travel agencies, reservation systems, etc.). We further assumed that the subject will be operated by competent and experienced management familiar with the operation of extended-stay hotels in the United States, and more specifically, in Torrance, California. In the event that any of the above conditions are not consistent with the subject's actual status, it could have an impact on its overall marketability and underlying market value.

**DEFINITION OF MARKET VALUE**

Market Value is defined as:

*The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:*

- Buyer and seller are typically motivated;*
- Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- A reasonable time is allowed for exposure in the open market;*
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[h]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472.

## DEFINITION OF GOING-CONCERN PREMISE

Going-Concern Premise is defined as:

*One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely). Under the going-concern premise, the value of a business as a going concern is equal to the sum of the value of the tangible assets and the value of the intangible assets, which may include the value of excess profit, where asset values are derived consistently with the going-concern premise.*

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 7th ed. (2022). We call your attention to the Going Concern Analysis section of this report.*

## INTEREST APPRAISED

The property rights appraised reflect the Fee Simple interest of the subject property.

**Fee Simple Estate** - *Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 7th ed. (2022)*

## APPRAISAL REPORT

This appraisal is presented in the form of a summarized appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates summarized explanation of the data, reasoning, and analysis that were used to develop the opinion(s) of value.

## PURPOSE OF THE APPRAISAL

The purpose of the appraisal is to develop an opinion of certain Market Value components of the Fee Simple interest in the subject property as of the effective date(s) of the appraisal. The following list summarizes pertinent scenarios and dates relevant to this appraisal assignment:

PERTINENT DATES	
Premise	Date
Date of Inspection	None
Market Value As Is	July 1, 2025

## SCOPE OF WORK

### Extent to Which the Property is Identified

The property is identified through various descriptive means such as:

- Physical characteristics
- Legal characteristics
- Economic characteristics

### Extent to Which the Property is Inspected

By prior agreement with the client, none of the signatories made a personal inspection of the property that is the subject of this report.

### Type & Extent of the Data Researched

- Exposure and marking time;
- Neighborhood and land use trends;
- Demographic trends;
- Market trends;
- Flood zone status;
- Zoning requirements and compliance;
- Real estate tax data;
- Cost data;
- Comparable listing and sales data; and
- Comparable income and expense data.

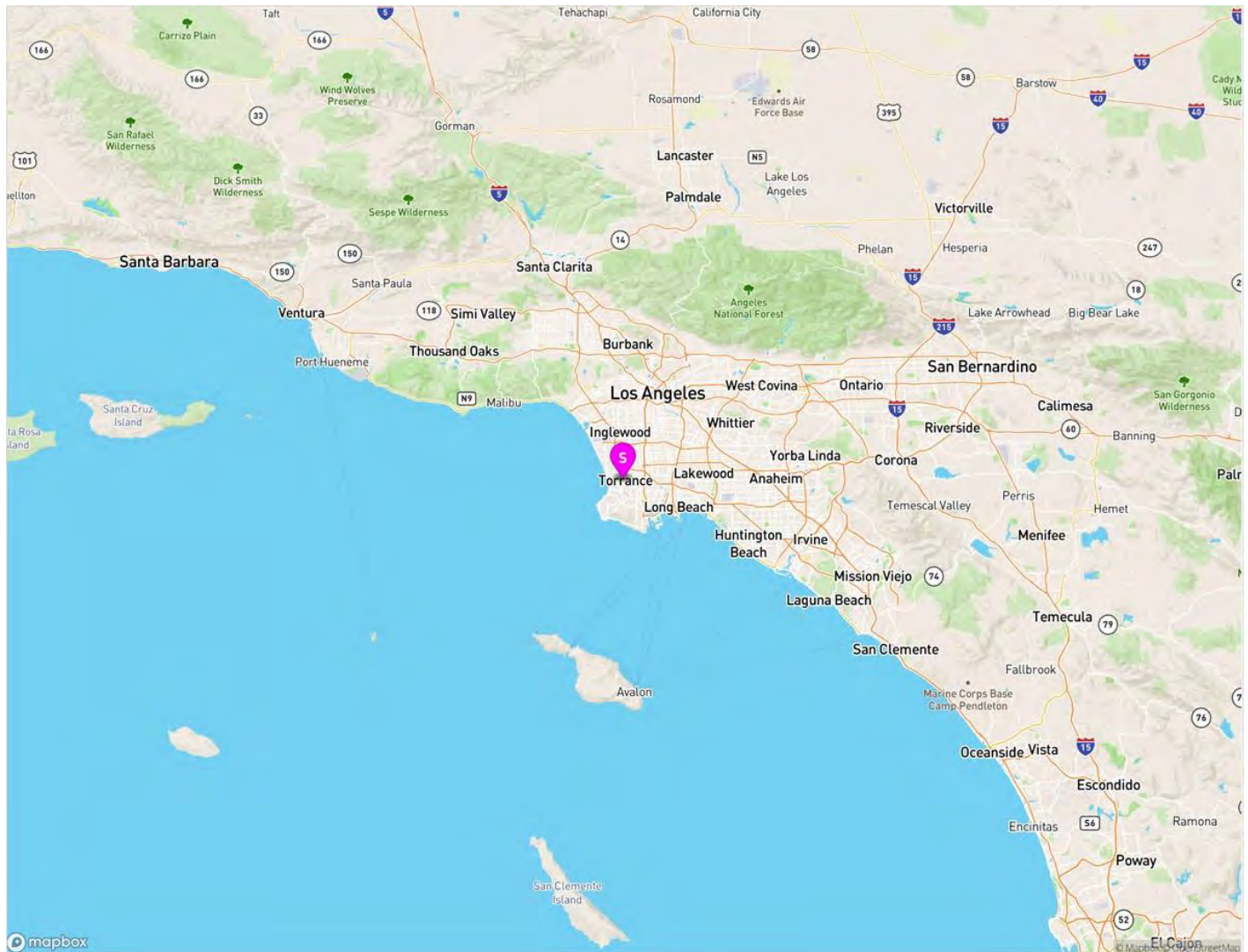
### Type & Extent of Analysis Applied

We analyzed the property and market data gathered through appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report. It should also be noted that as part of the scope of work, we were asked to value the property under the extraordinary assumption that the highest and best use of the subject property as improved is an extended-stay, economy hotel as it currently exists.

# Economic Analysis

The following regional profile of the MSA, which includes Torrance, was prepared by Moody's Analytics, which is a subsidiary of Moody's Corporation established to focus on non-rating activities, separate from Moody's Investors Service. It provides economic research regarding risk, performance and financial modeling, as well as consulting, training and software services. Concise and timely economic research by Moody's Analytics supports firms and policymakers in strategic planning, product and sales forecasting, credit risk and sensitivity management, and investment research. The analysis tracks and forecast economic growth and covers specialized topics such as labor markets, housing, consumer spending and credit, output and income, mortgage activity, demographics, central bank behavior, and prices. As such, it is considered a reliable source for determining the health of the subject's region.

## REGIONAL AREA MAP



**Recent Performance**

Los Angeles-Long Beach-Glendale is trading water. Payroll employment has been trending sideways for well over a year as steady gains in healthcare are offset by weakness in construction and finance. Depleted cargo movement at the ports is starting to show up in logistics employment. Residential permitting remains weak.

The following chart includes salient information about the region’s key economic and demographic indicators.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross metro product (C17\$ bil)	786.7	757.4	814.8	832.4	847.5	878.5	894.3	905.3	920.0	939.6	960.5	984.3
% change	3.1	-3.7	7.6	2.2	1.8	3.7	1.8	1.2	1.6	2.1	2.2	2.5
Total employment (ths)	4,563.0	4,167.5	4,305.3	4,533.1	4,550.0	4,591.7	4,601.6	4,608.1	4,613.1	4,631.3	4,653.4	4,683.7
% change	1.0	-8.7	3.3	5.3	0.4	0.9	0.2	0.1	0.1	0.4	0.5	0.7
Unemployment rate (%)	4.5	12.3	9.0	5.0	5.1	5.8	5.8	5.8	5.7	5.4	5.1	4.8
Total personal income (\$ mil)	5.6	7.8	6.0	0.5	4.7	6.5	6.3	4.9	4.5	4.1	4.3	4.3
Total population (ths)	10,053.3	9,996.6	9,809.2	9,748.4	9,731.8	9,757.2	9,763.1	9,765.0	9,762.4	9,756.6	9,749.4	9,748.9
Net migration (ths)	-87.9	-71.3	-185.6	-82.4	-39.6	0.3	-19.6	-22.9	-26.9	-29.1	-29.6	-21.8
Single-family permits (#)	5,884.0	6,752.0	7,657.0	8,253.0	9,554.0	9,106.0	9,202.6	8,915.5	8,970.4	8,715.2	8,445.9	8,109.2
Multi-family permits (#)	15,681.0	14,151.0	15,627.0	18,319.0	14,732.0	10,703.0	11,644.5	13,794.5	13,657.7	13,543.3	13,372.8	13,086.5
FHFA Purchase-Only Home Price Index (1991Q1=100)	301	327	382	415	424	447	457	464	474	490	509	530
Mortgage originations (\$ bil)	103,469.3	180,948.4	208,661.6	89,687.8	43,476.8	78,255.8	85,536.1	111,056.9	146,079.9	182,725.3	201,676.6	209,817.9
Personal bankruptcies 12 mo ending (#)	18,304	13,323	11,316	8,314	10,059	12,169	14,714	21,826	27,605	30,736	32,474	32,957

**Trade War**

The outlook for Los Angeles-Long Beach-Glendale’s ports is darkening amid seesawing trade policy. More than one-third of U.S. container imports pass through the Ports of Los Angeles and Long Beach, heightening Los Angeles-Long Beach-Glendale’s exposure to U.S. trade. Halfway through the pause on “reciprocal” tariffs, there has been little in the way of meaningful negotiations. Cargo at the Port of Los Angeles is down 35% year over year as retailers pause orders and shipping companies cancel sailings from China. For context, the decline in the number of shipping containers has been sharper than that during the Great Recession. While the union contract guarantees some pay for full-time dockworkers even when there is no work, hours and wages are nonetheless faltering. Trucking, already under pressure, is also feeling the pain, and some smaller companies have filed for bankruptcy. The longer the lull persists, the more the pain will spill over to consumer services. For now, Moody’s Analytics assumes the effective tariff rate will incrementally decline this year as the U.S. economy weakens, but risks are elevated.

**Fires’ Aftermath**

Rebuilding after two of the most destructive and deadliest wildfires in state history will take years. Residential permitting data have yet to reflect any uptick despite efforts to streamline the process. The rebuilding will be delayed by shifting trade and immigration policies. Tariffs on imports from Canada, Mexico and China would increase the cost of construction for builders. Although many building materials such as cement, steel or copper wiring are domestically sourced, imports account for a significant share of several key inputs. For example, about 30% of the softwood lumber consumed in the U.S. each year is imported from Canada and cannot be easily replaced domestically. Construction relies heavily upon immigrant labor, and a smaller labor supply will spell further delays. Long term, downside risks abound. Some will opt not to rebuild, so housing values will take a hit. As natural disasters increase in severity and frequency, homeowners insurance is becoming more expensive and harder to find. Federal assistance after natural disasters may also become scarce under the Trump administration.

## Hollywood

The entertainment industry faces a steep uphill climb. Payrolls have stabilized, but they have yet to mount a recovery from 2023’s strikes. On-location filming posted a modest gain to close out 2024, but any hopes of momentum were arrested to start 2025, with shoot days down a whopping 22.4% year over year. Reasons for the bleak performance are varied. Increased competition from lower-cost locales is a persistent obstacle. The impact of the strikes is still reverberating, as there was insufficient content in the pipeline to fuel a rebound last year, and the wildfires dealt a modest blow to shoot days in early 2025. Also, high interest rates are weighing on investment. While the industry will always be prone to such shocks, it will have to adapt to stay relevant amid ever-changing technology and consumer preferences.

The following includes highlights of the regional economy’s business cycle characteristics and future risks.

<b>Business Cycle Status</b>	At Risk	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• A strong healthcare base and a growing tech presence provide well-paying jobs.</li> <li>• Global links through entertainment, tourism and fashion.</li> <li>• Deep San Pedro Harbor enables LOS to handle megaships that other ports cannot.</li> </ul> <p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Persistently negative net migration.</li> <li>• Prone to disasters, including drought, wildfires and earthquakes.</li> </ul>	<p><b>Upsides</b></p> <ul style="list-style-type: none"> <li>• Hollywood leverages the intersection of technology and entertainment.</li> <li>• Preparations for the 2028 Summer Olympics catalyze infrastructure improvements.</li> </ul> <p><b>Downsides</b></p> <ul style="list-style-type: none"> <li>• Wavering consumer sentiment and trade war ding activity at the ports.</li> </ul>
<b>Avg. Emp. Growth 2yr</b>	0.2%		
<b>Avg. Emp. Growth 5yr</b>	0.2%		
<b>Risk Exposure</b>	384 out of 411		
<b>Moody's Rating</b>	Aa2		

The following graphics contain additional salient information about the subject’s region.

**ECONOMIC HEALTH CHECK**

3-MO MA	Nov 24	Dec 24	Jan 25	Feb 25	Mar 25	Apr 25
Employment, change, ths	0.4	7.3	1.8	-0.1	-7.7	-3.6
Unemployment rate, %	6.1	6.1	6.1	6.0	6.0	5.9
Labor force participation rate, %	63.9	63.9	63.8	63.7	63.5	63.3
Average weekly hours, #	33.9	33.8	33.8	33.8	33.7	33.8
Industrial production, 2012=100	98.9	99.2	100.0	ND	ND	ND
Residential permits, single-family, #	9,878	10,755	10,815	11,532	10,612	9,927
Residential permits, multifamily, #	9,279	10,641	9,359	8,524	8,454	11,251
Dec/Dec	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24
Employment, change, ths	35.6	-470.0	342.2	99.9	6.6	43.8

Stronger than prior 3-mo MA
Unchanged from prior 3-mo MA
Weaker than prior 3-mo MA

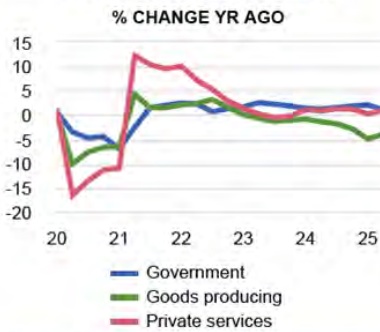
Sources: BLS, Census Bureau, Moody's Analytics

**BUSINESS CYCLE INDEX**



Source: Moody's Analytics

**INDUSTRY EMPLOYMENT**



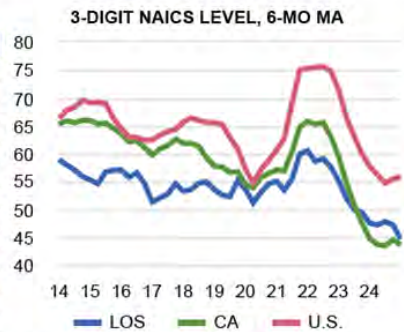
Sources: BLS, Moody's Analytics

**CURRENT EMPLOYMENT TRENDS**

	Apr 24	Oct 24	Apr 25
Total	0.9	1.0	0.1
Mining	-0.1	2.0	-5.7
Construction	0.8	-0.9	-4.7
Manufacturing	-2.0	-2.8	-5.0
Trade	-1.5	-2.0	-1.4
Trans/Utilities	-0.4	0.7	1.9
Information	-7.9	8.2	-3.3
Financial Activities	-0.5	-1.4	-3.5
Prof & Business Svcs.	-0.1	0.5	-1.0
Edu & Health Svcs.	6.4	4.3	5.0
Leisure & Hospitality	1.2	0.1	-1.3
Other Services	1.8	-0.5	-1.7
Government	1.5	1.8	2.1

Sources: BLS, Moody's Analytics

**DIFFUSION INDEX**



Sources: BLS, Moody's Analytics

**RELATIVE EMPLOYMENT PERFORMANCE**



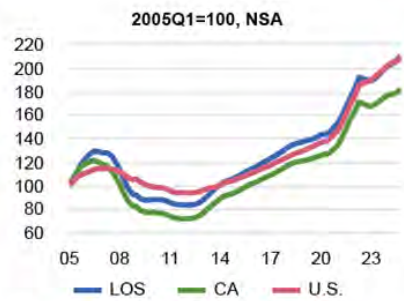
Sources: BLS, Moody's Analytics

**RELATIVE EMPLOYMENT FORECAST**



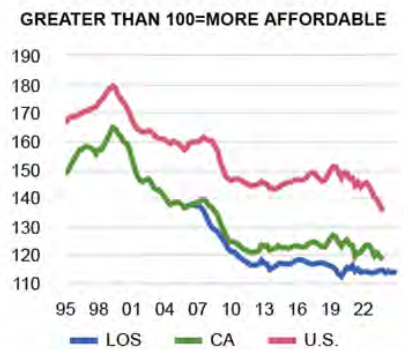
Sources: BLS, Moody's Analytics

**HOUSE PRICE**



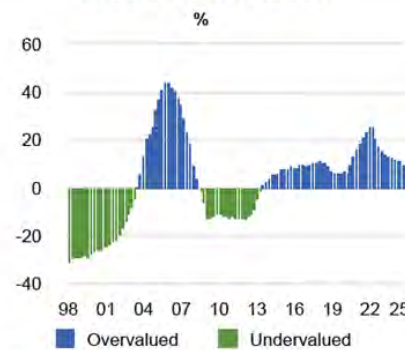
Sources: FHFA, Moody's Analytics

**RENTAL AFFORDABILITY**



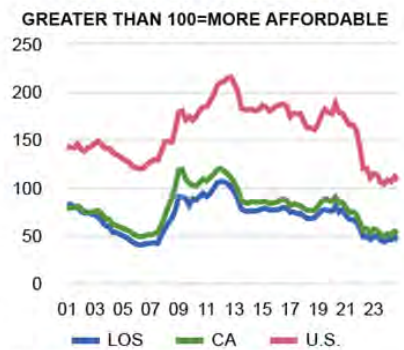
Sources: Census Bureau, BLS, Moody's Analytics

**HOUSE PRICE TRENDS**



Source: Moody's Analytics

**HOUSING AFFORDABILITY**



Sources: NAR, Moody's Analytics

**TOP EMPLOYERS**

Cedars-Sinai Medical Center	10,000+
Los Angeles Intl Airport-LAX	10,000+
University of California Los Angeles	10,000+
VXI Global Solutions	10,000+
The Walt Disney Co.	5,000-9,999
Northrop Grumman Corp.	5,000-9,999
Kaiser Permanente Riverside Medical Center	5,000-9,999
JET Propulsion Laboratory	5,000-9,999
AHMC Healthcare Inc.	5,000-9,999
Longshore Dispatch	5,000-9,999
National Institutes of Health	5,000-9,999
Los Angeles Medical Center	5,000-9,999
Six Flags Theme Park	5,000-9,999
Sony Pictures Entertainment	5,000-9,999
Space Exploration Technologies	5,000-9,999
Glendale Adventist Medical Center	2,610
DreamWorks Animation	1,868
Glendale Community College	1,619
Dignity Health	1,075
Commerce Casino-Crowne Plaza	1,000-4,999

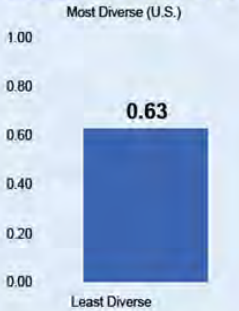
Sources: CA Economic Development, Los Angeles County 2020, City of Glendale 2022, Los Angeles Controller 2022, Los Angeles Business Journal Book of Lists, 2017, Los Angeles City Controller, 2017

**PUBLIC**

Federal	48,267
State	100,331
Local	442,682

2024

**INDUSTRIAL DIVERSITY**

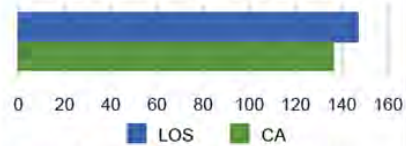


**EMPLOYMENT VOLATILITY**



**ENTREPRENEURSHIP**

**BROAD-BASED START-UP RATE; U.S.=100**



Sources: Census Bureau, Moody's Analytics, 2023

**EXPORTS**

Product - 2023	\$ mil
Food and kindred products	3,877.6
Chemicals	5,470.6
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	ND
Computer and electronic products	ND
Transportation equipment	10,231.4
Miscellaneous manufacturing	5,830.3
Other products	24,374.9
Total	59,561.6

Destination - 2023	\$ mil
Africa	406.8
Asia	25,293.6
European Union	7,968.3
Canada & Mexico	ND
South America	2,142.7
Rest of world	23,750.2
Total	59,561.6
% of GDP	4.3
Rank among all metro areas	158

Sources: BEA, International Trade Administration, Moody's Analytics

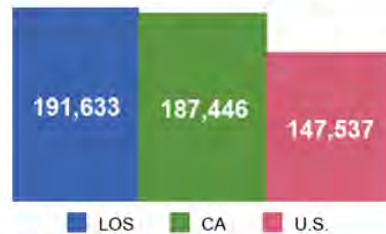
**COMPARATIVE EMPLOYMENT AND INCOME**

Sector	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
	LOS	CA	U.S.	LOS	CA	U.S.
Mining	0.0	0.1	0.4	ND	\$136,626	\$131,640
Construction	3.3	5.1	5.2	\$91,574	\$92,671	\$82,056
Manufacturing	6.8	7.0	8.1	\$101,433	\$137,603	\$87,025
Durable	4.0	4.4	5.0	\$115,675	\$167,618	\$92,947
Nondurable	2.7	2.5	3.1	\$80,347	\$85,131	\$77,301
Transportation/Utilities	4.8	4.7	4.6	\$88,780	\$92,861	\$76,163
Wholesale Trade	4.3	3.7	3.9	\$103,991	\$110,141	\$104,785
Retail Trade	8.7	8.8	9.8	\$50,664	\$51,422	\$43,459
Information	4.1	3.0	1.9	\$244,461	ND	\$169,311
Financial Activities	4.5	4.5	5.8	\$145,589	\$156,511	\$126,368
Prof. and Bus. Services	14.3	15.5	14.3	\$114,795	\$129,568	\$104,538
Educ. and Health Services	21.1	18.3	16.8	\$59,884	\$68,166	\$64,430
Leisure and Hosp. Services	11.7	11.2	10.6	\$60,273	\$48,749	\$38,557
Other Services	3.5	3.3	3.8	\$84,977	\$78,152	\$64,195
Government	12.9	14.8	14.8	\$101,623	\$98,576	\$78,132

Sources: Percent of total employment — BLS, Moody's Analytics, 2024. Average annual earnings — BEA, Moody's Analytics, 2024

**PRODUCTIVITY**

**REAL OUTPUT PER WORKER, \$**



Sources: BEA, Moody's Analytics, 2024

**BUSINESS COSTS**



Source: Moody's Analytics

**EMPLOYMENT**

HIGH-TECH	
This	% of total
LOS	182.6
U.S.	8,351.2
U.S.	5.3

HOUSING-RELATED	
This	% of total
LOS	329.7
U.S.	15,584.6
U.S.	9.9

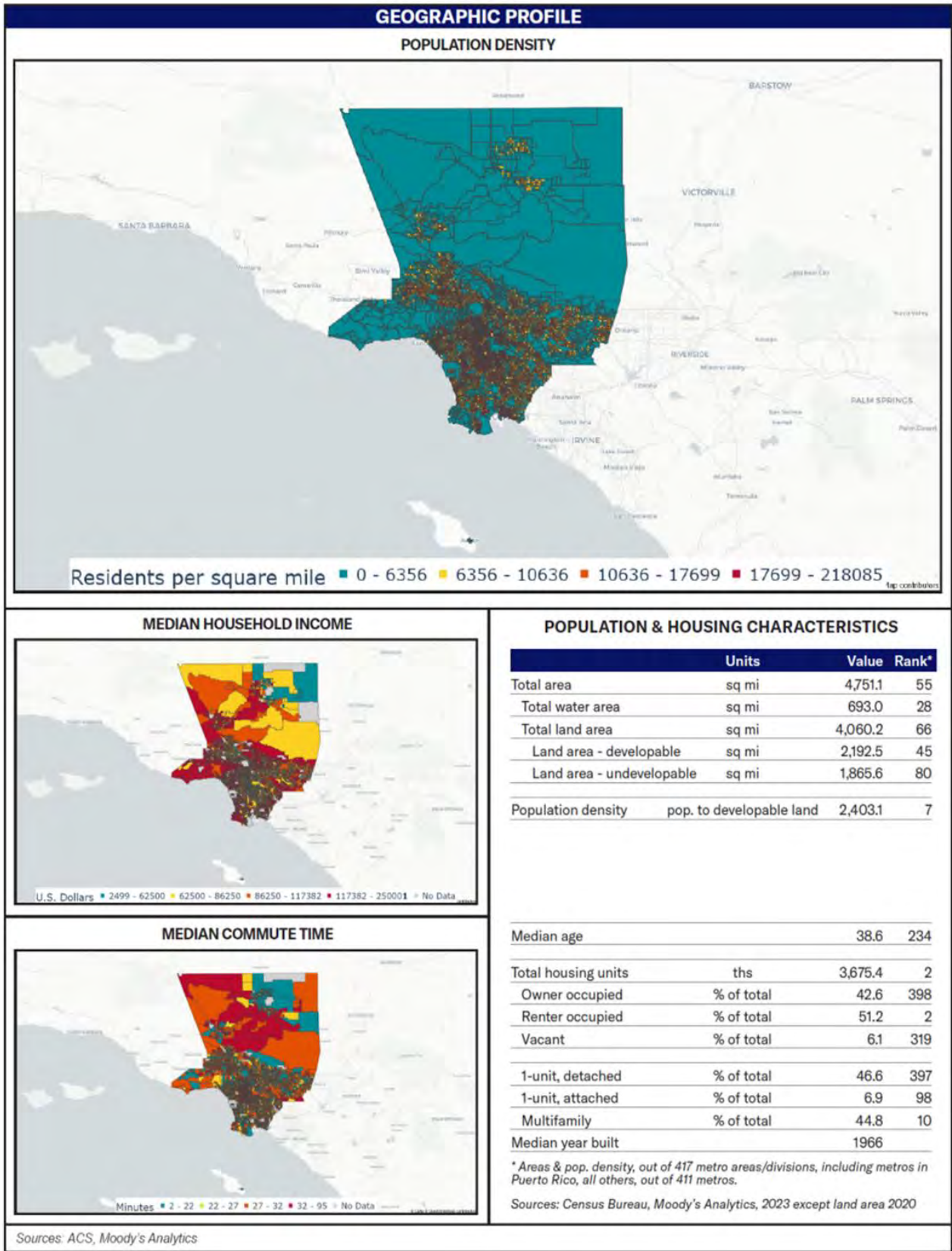
Source: Moody's Analytics, 2024

**LEADING INDUSTRIES BY WAGE TIER**

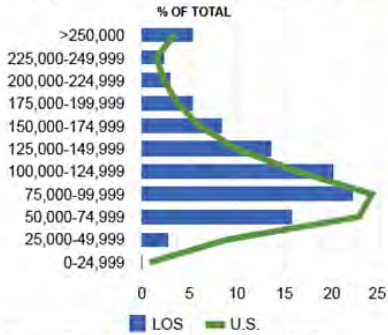
NAICS	Industry	Location Quotient	Employees (ths)
8221	General medical and surgical hospitals	0.8	117.0
5121	Motion picture and video industries	9.8	106.0
5511	Management of companies & enterprises	0.9	64.0
8211	Offices of physicians	0.7	63.2
GVL	Local Government	1.0	442.7
5613	Employment services	1.1	101.3
GVS	State Government	0.6	100.3
6113	Colleges, universities & prof. schools	1.5	73.7
7225	Restaurants and other eating places	1.1	353.2
6241	Individual and family services	3.2	295.5
4451	Grocery stores	1.1	85.8
6616	Investigation and security services	2.1	61.1

High Mid Low

Source: Moody's Analytics, 2024



**BLOCK GROUPS BY INCOME**



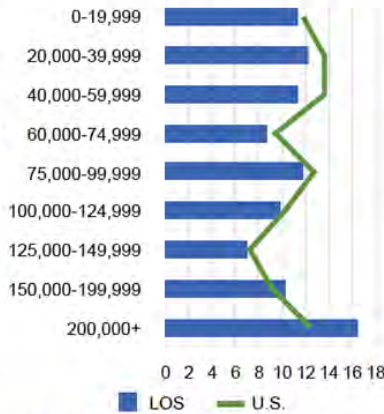
Sources: Census Bureau, Moody's Analytics, 2023

**ECONOMIC INEQUALITY**

Index	2023	Rank*
Gini coefficient	0.50	43
Block Group Income ratio	0.56	32
Poverty rate	13.7%	156

\*Most unequal=1; Most equal=417

**HOUSEHOLDS BY INCOME, %**



Sources: Census Bureau, ACS, Moody's Analytics, 2023

**MIGRATION FLOWS**

**INTO LOS ANGELES CA**

	Number of Migrants
Riverside CA	30,020
Anaheim CA	24,663
New York NY	9,089
San Diego CA	7,113
Oxnard CA	6,779
Las Vegas NV	5,158
Oakland CA	4,719
San Francisco CA	4,528
Bakersfield CA	3,668
Chicago IL	3,326
<b>Total in-migration</b>	<b>180,752</b>

**FROM LOS ANGELES CA**

Riverside CA	64,659
Anaheim CA	34,853
Las Vegas NV	12,189
Oxnard CA	11,873
San Diego CA	9,731
Bakersfield CA	8,858
Phoenix AZ	7,921
New York NY	6,666
Dallas TX	5,985
Houston TX	4,761
<b>Total out-migration</b>	<b>298,210</b>

**Net migration -117,458**

**PER CAPITA INCOME**



Sources: BEA, Moody's Analytics

**COMMUTER FLOWS**

% OF LOS RESIDENTS WORKING IN...



Los Angeles CA	Share
Anaheim CA	4.1
Riverside CA	1.6
Oxnard CA	0.7
Bakersfield CA	0.2
San Diego CA	0.1

Sources: Census Bureau, Moody's Analytics, avg 2016-2020

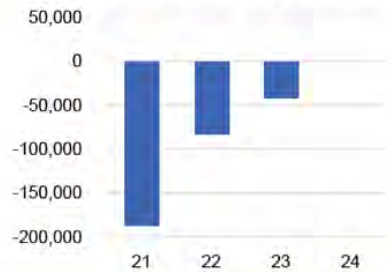
**COMMUTER FLOWS**

% OF LOS WORKERS LIVING IN...



Los Angeles CA	Share
Riverside CA	3.8
Anaheim CA	3.7
Oxnard CA	1.3
Bakersfield CA	0.2
San Diego CA	0.1

**NET MIGRATION, #, LOS**



	2021	2022	2023	2024
Domestic	-197,734	-146,035	-120,652	-99,979
Foreign	12,107	63,676	81,040	100,250
<b>Total</b>	<b>-185,627</b>	<b>-82,359</b>	<b>-39,612</b>	<b>271</b>

Sources: IRS (top), 2022, Census Bureau, Moody's Analytics

**GENERATIONAL BREAKDOWN**

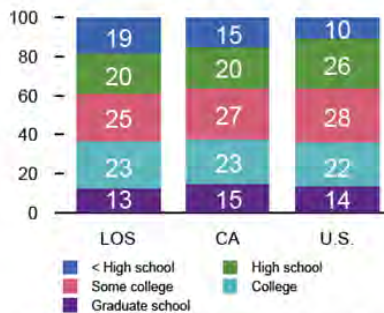
POPULATION BY GENERATION, %



Sources: Census Bureau, Moody's Analytics, 2024

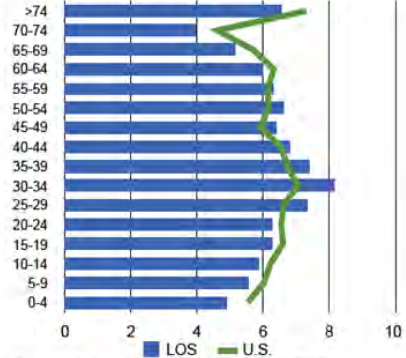
**EDUCATIONAL ATTAINMENT**

% OF ADULTS 25 AND OLDER



Sources: Census Bureau, ACS, Moody's Analytics, 2023

**POPULATION BY AGE, %**

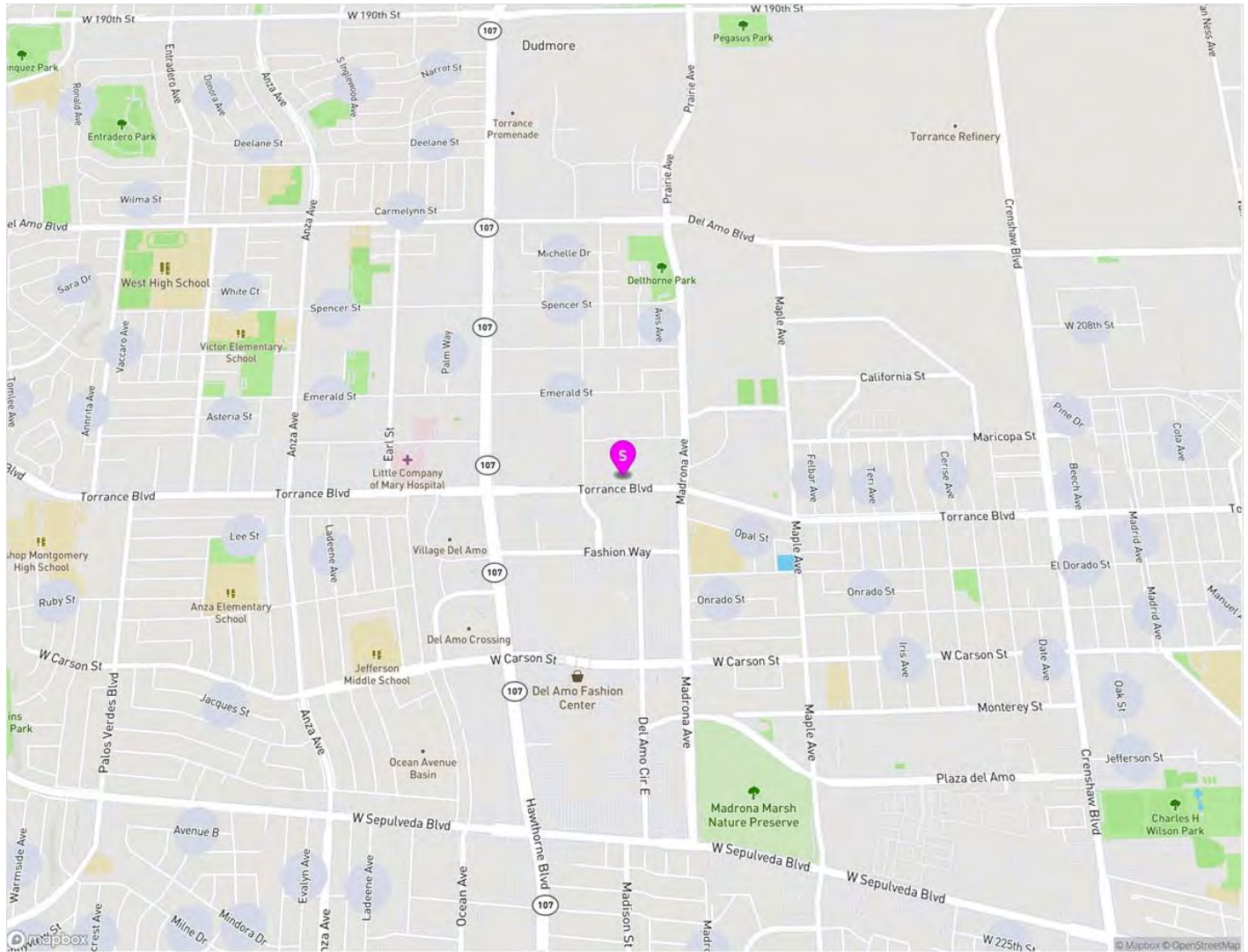


Sources: Census Bureau, Moody's Analytics, 2023

### Conclusion

Los Angeles-Long Beach-Glendale will cool faster than the nation this year. The trade war, natural disasters, high costs, and tight monetary policy are major weights on key drivers and housing. Long term, a diverse industrial base will prove a lasting advantage, but high costs and out-migration will relegate Los Angeles-Long Beach-Glendale to average long-term growth.

## LOCAL AREA ANALYSIS

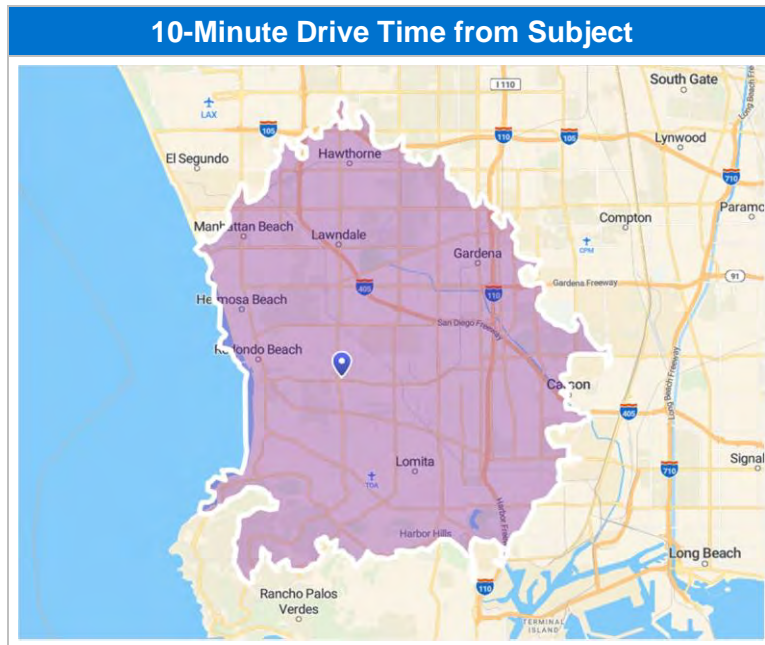


## LOCATION DESCRIPTION

The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away.

### Drive Times from Subject Property

The following image illustrates the approximate distance from the subject property a motorist could reach at average traffic speeds over a 10-minute period.

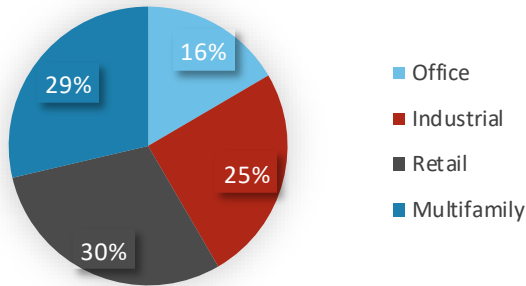


**Immediate Area Profile**

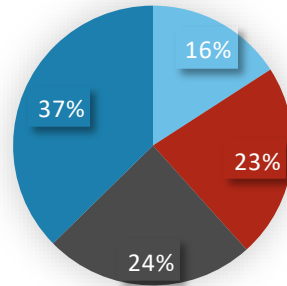
This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property. We utilized CoStar to perform a search of all office, industrial/flex, retail, and multi-family uses within a 1.00-mile radius of the subject. This search returned a total of 472 properties totaling ±18 million square feet of space. The distribution of these results is illustrated in the chart below:

**PROPERTY MIX**

By No. of Properties



By Total SF



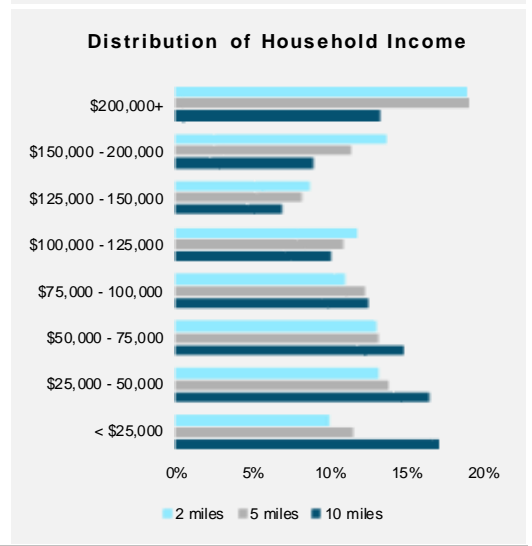
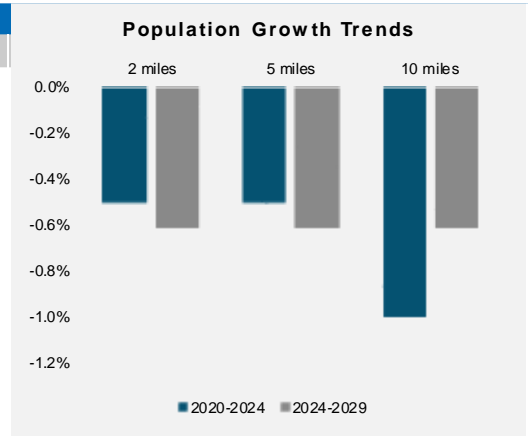
The subject's competitive market area is characterized as a commercial, retail, and residential support district. The local area has a mix of commercial uses nearby and the composition is shown in the preceding graph.

**Demographic Profile**

The following table details a demographic study of the area, sourced by CoStar, an online resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

**DEMOGRAPHIC SNAPSHOT**

Category	2 miles	5 miles	10 miles
<b>Population</b>			
2020 Population	94,028	562,714	1,710,662
2024 Population	92,174	551,624	1,644,963
2029 Population Projection	89,578	536,093	1,592,241
Annual Growth 2020-2024	-0.5%	-0.5%	-1.0%
Annual Growth 2024-2029	-0.6%	-0.6%	-0.6%
<b>Housing</b>			
Median Home Value	\$885,538	\$878,372	\$781,885
Median Year Built	1964	1965	1962
<b>Households</b>			
2020 Households	36,630	205,454	565,355
2024 Households	35,587	200,208	541,668
2029 Household Projection	34,503	194,216	523,576
Annual Growth 2020-2024	0.8%	0.8%	0.4%
Annual Growth 2024-2029	-0.6%	-0.6%	-0.6%
Owner Occupied Households	17,624	99,286	245,172
Renter Occupied Households	16,879	94,930	278,404
Avg Household Size	2.50	2.70	2.90
<b>Income</b>			
Avg Household Income	\$131,222	\$127,624	\$106,152
Median Household Income	\$106,047	\$98,702	\$78,690
< \$25,000	3,555	23,099	92,137
\$25,000 - 50,000	4,690	27,479	88,686
\$50,000 - 75,000	4,627	26,347	79,971
\$75,000 - 100,000	3,913	24,447	68,021
\$100,000 - 125,000	4,169	21,877	54,879
\$125,000 - 150,000	3,094	16,336	37,595
\$150,000 - 200,000	4,848	22,792	48,848
\$200,000+	6,691	37,830	71,531



Source: CoStar

**Office Market Overview**

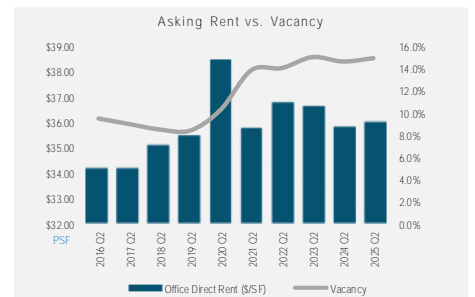
There is a strong correlation between commercial lodging demand and the performance of office real estate in an area. As such, we have analyzed the local office market in an effort to ascertain reasonable lodging demand growth rates for the subject and the competitive market.

The following is an analysis of operating data of office properties located within 1.00 miles of the subject using information provided by CoStar, a well-known supplier of market statistics. The table below presents historical data for key market indicators.

**HISTORICAL STATISTICS - OFFICE PROPERTIES WITHIN 1 MILE OF SUBJECT**

Period	Existing Office Supply	Buildings U/C	Office Direct Rent (\$/SF)	Vacancy
2016 Q2	3,120,100	0	\$34.18	9.5%
2017 Q2	3,120,100	1	\$34.19	9.0%
2018 Q2	3,120,100	1	\$35.10	8.5%
2019 Q2	3,221,134	0	\$35.51	8.4%
2020 Q2	3,221,134	0	\$38.48	10.3%
2021 Q2	3,221,134	0	\$35.81	13.9%
2022 Q2	3,221,134	0	\$36.80	14.1%
2023 Q2	3,221,134	0	\$36.66	15.1%
2024 Q2	3,221,134	0	\$35.84	14.7%
2025 Q2	3,221,134	0	\$36.04	15.0%

Source: Costar



**Nearby Office Development**

The table below provides a summary of office data by class within the immediate area, as compiled by CoStar. This data focuses specifically on a 1.00-mile radius around the subject property, rather than the broader submarket profile previously discussed.

**SUMMARY OF OFFICE DEVELOPMENTS (SUBMARKET)**

Office Class	Number of Properties	NRA (SF)	Average Year Built	Reported Occupancy	Reported Rent (Ask)
A	6	820,859	1980	81%	\$35.54
B	56	1,804,736	1983	93%	\$32.36
C	16	227,317	1972	92%	\$29.47
<b>TOTAL/AVERAGE</b>	<b>78</b>	<b>2,852,912</b>	<b>1980</b>	<b>92%</b>	<b>\$32.01</b>

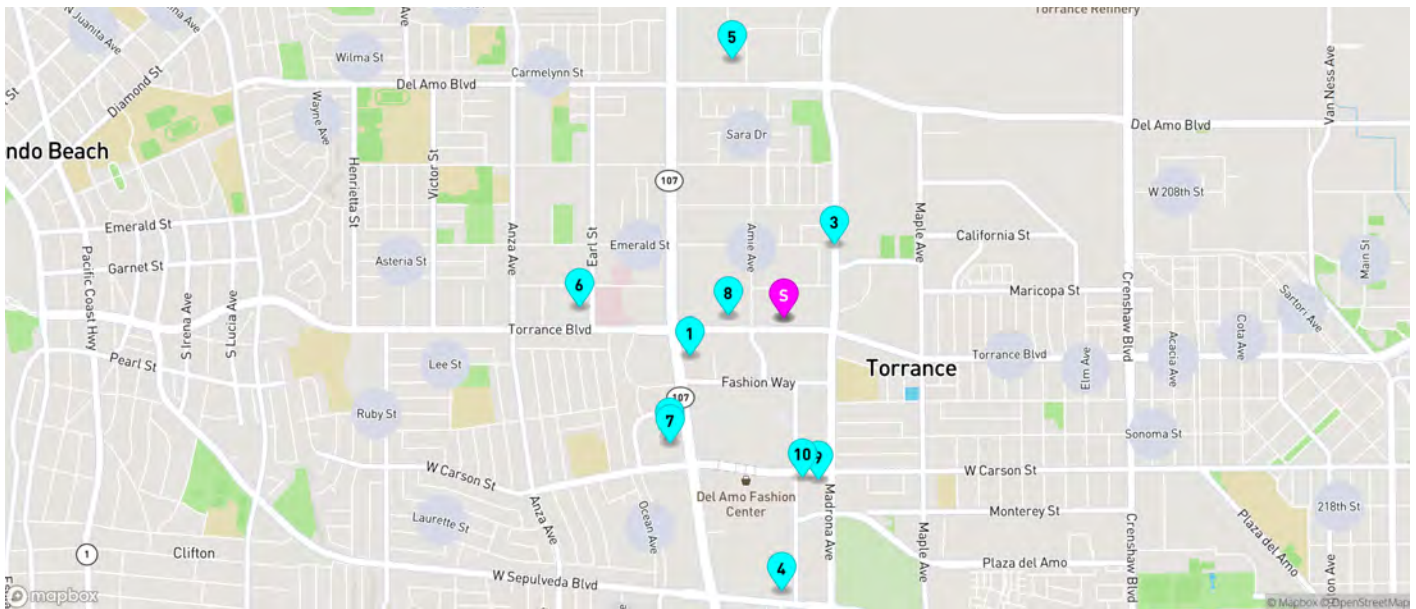
Source: CoStar

The subject is located in an area that has a fairly moderate density of office structures. The following table shows the largest tracked office properties in the immediate area, as published by CoStar.

**LARGEST OFFICE BUILDINGS**

No.	Name	Property Class	NRA (SF)	Year Built	Reported Occupancy	Reported Rent (Ask)
1	The Torrance	A	310,638	1988	83%	\$39.25
2	Del Amo Crossing	A	227,018	1968	80%	\$32.40
3	Madrona Office Complex	B	211,407	1990	95%	\$32.00
4	Del Amo	B	116,811	1986	100%	\$36.65
5	Mariner Court	B	100,030	1980	85%	-
6	Medical Centre	B	95,202	1978	96%	-
7	Del Amo Crossing	A	85,453	1968	52%	\$38.40
8	Office Building	A	75,462	1984	91%	-
9	Commonwealth Plaza	A	67,070	1982	81%	\$34.80
10	Office Building	B	64,595	1975	100%	\$25.62

Source: CoStar



Overall, we believe that the market will continue to support the hotel market with its fairly moderate presence corporate-related, office-using demand. We have taken the office market trends in the area into consideration when concluding future commercial demand growth, which will be discussed in greater detail later in this report.

**Multifamily Overview**

The following table shows a summary of multifamily residential data by type in the immediate area, as published by CoStar.

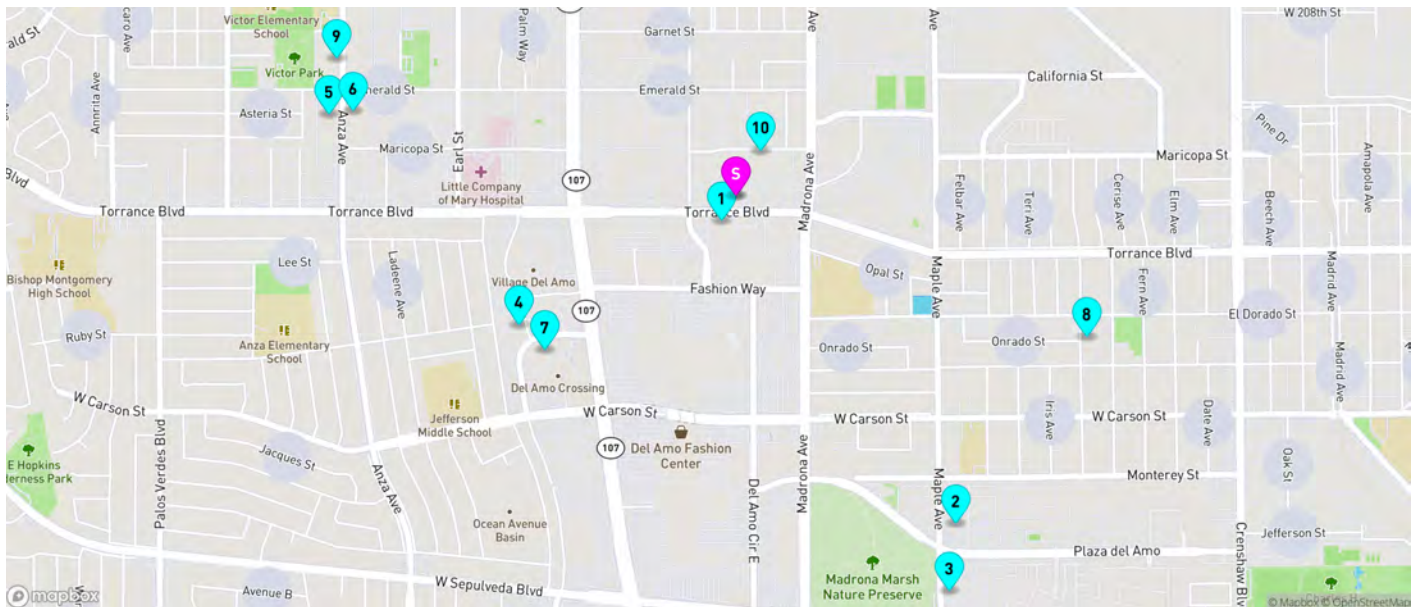
SUMMARY OF MULTIFAMILY DEVELOPMENTS						
CLASS	Number of Properties	NRA (SF)	Average Year Built	Reported Occupancy	Monthly Rent (Ask)	
A	1	183,300	1964	96%	\$2,431	
B	22	2,622,695	1976	97%	\$3,270	
C	112	3,906,059	1965	96%	\$2,268	
<b>TOTAL</b>	<b>135</b>	<b>6,712,054</b>	<b>1967</b>	<b>96%</b>	<b>\$2,432</b>	

Source: CoStar

The subject is in an area that has a fairly moderate density of multifamily structures. The following table shows the largest tracked multifamily properties in the immediate area, as published by CoStar:

LARGEST MULTIFAMILY PROPERTIES						
No.	Name	Property Class	NRA (SF)	Year Built	Vacancy	Stories
1	The Gables	B	599,650	1989	0.0%	4
2	Multifamily Facility	B	400,000	1985	0.0%	2
3	CHATELAINE	B	300,000	1988	0.0%	2
4	Village Court	B	234,300	2005	0.0%	5
5	Anza Victoria Apartments	C	190,600	1974	1.1%	3
6	Milano	A	183,300	1964	4.0%	3
7	Cogir of South	B	175,810	2024	29.8%	4
8	Summerwood Park Apartments	C	164,122	1966	0.0%	2
9	Americana South Bay	B	156,324	1963	0.7%	2
10	Tuscany Villas	C	150,900	1969	1.3%	2

Source: CoStar



Retail Overview

The following table shows a summary of retail data by type in the immediate area.

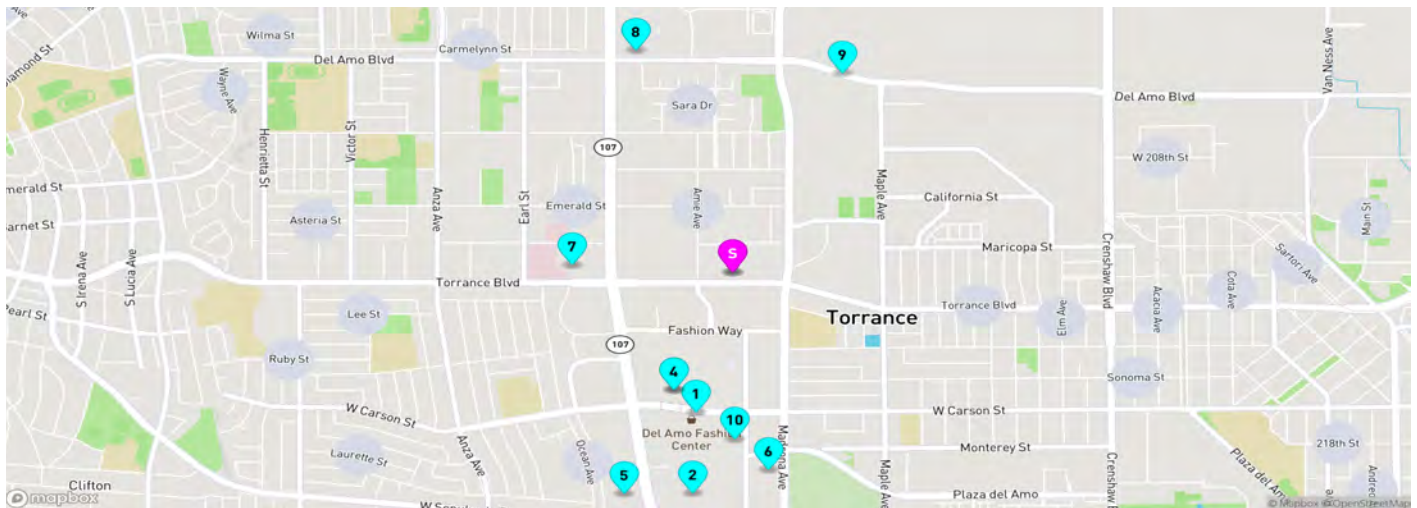
SUMMARY OF RETAIL DEVELOPMENTS					
Property Type	Number of Properties	NRA (SF)	Average Year Built	Reported Occupancy	Reported Rent (Ask)
Auto Dealership	9	137,740	1978	100%	\$35.10
Bank	7	56,358	1968	77%	\$31.65
Department Store	3	793,903	1968	100%	\$38.48
Drug Store	1	27,365	1958	100%	\$37.04
Restaurant	9	62,229	1977	93%	\$33.21
Freestanding	31	629,627	1976	85%	\$34.16
Health Club	1	44,671	2019	100%	\$35.46
Storefront	19	164,067	1969	94%	\$32.50
Supermarket	1	23,411	1963	100%	\$40.84
General Retail	59	2,432,736	1974	94%	\$34.16
<b>TOTAL/AVERAGE</b>	<b>140</b>	<b>4,372,107</b>	<b>1974</b>	<b>91%</b>	<b>\$33.98</b>

Source: CoStar

The subject is in an area that has a fairly moderate density of retail structures. The following table shows the largest tracked retail properties in the immediate area, as published by CoStar:

LARGEST RETAIL DEVELOPMENTS						
No.	Name	Type	NRA (SF)	Year Built	Reported Occupancy	Reported Rent (Ask)
1	Del Amo Fashion Center	Retail Building	1,389,390	1961	100%	-
2	Del Amo Fashion Center (add'l bldg)	Warehouse	327,826	1959	100%	\$33.27
3	Del Amo Fashion Center (add'l bldg)	Department Store	287,730	1966	100%	\$34.63
4	Del Amo Fashion Center (add'l bldg)	Department Store	178,347	1980	100%	\$47.54
5	Retail Property	Warehouse	165,000	1970	100%	\$34.38
6	Ralphs & Target Del Amo Fashion Mall	Warehouse	164,832	1972	100%	\$34.58
7	Plaza Del Amo	General Retail*	115,000	1976	100%	\$36.38
8	Retail Property	Warehouse	98,101	1973	84%	\$46.20
9	Retail Property	Warehouse	86,000	2017	100%	\$30.49
10	Del Amo Fashion Center (add'l bldg)	Warehouse	77,990	1959	100%	\$36.74

Source: CoStar



**Industrial Overview**

The following table shows a summary of industrial data by type in the immediate area, as published by CoStar.

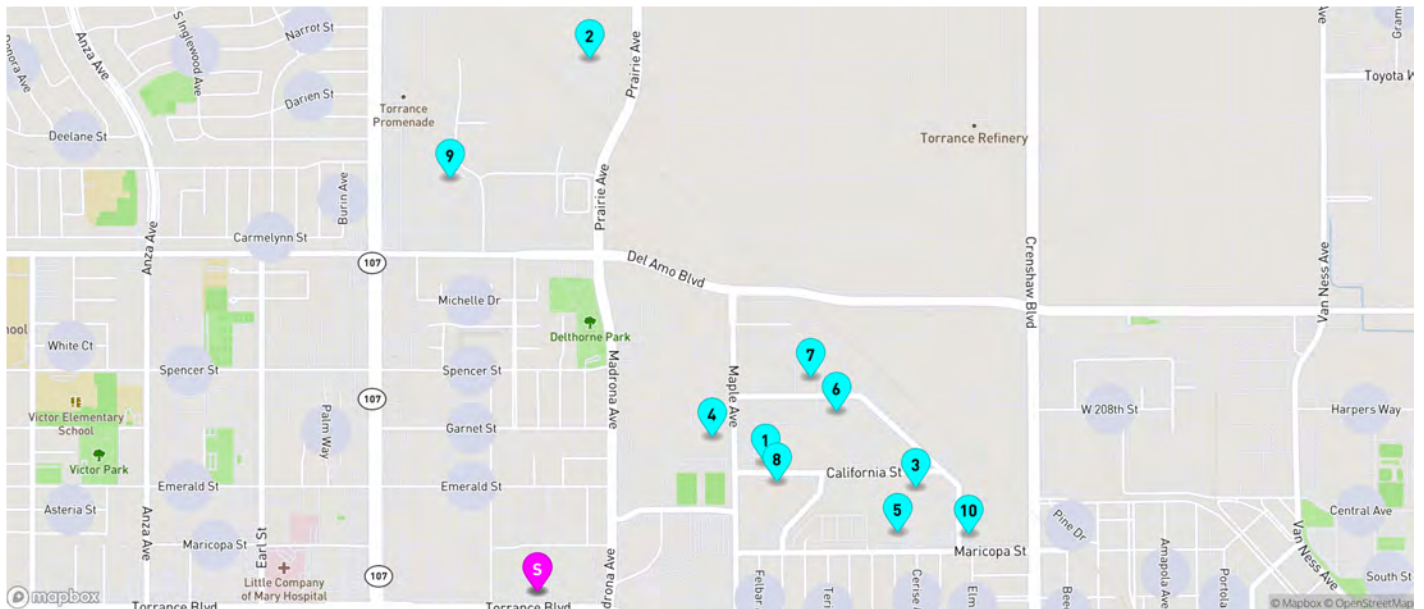
SUMMARY OF INDUSTRIAL DEVELOPMENTS					
Type	Number of Properties	NRA (SF)	Average Year Built	Reported Occupancy	Reported Rent (Ask)
Industrial	74	3,018,289	1980	97%	\$16.14
Flex	44	1,024,549	1986	95%	\$17.91
<b>TOTAL/AVERAGE</b>	<b>118</b>	<b>4,042,838</b>	<b>-</b>	<b>96%</b>	<b>\$16.80</b>

Source: CoStar

The subject is in an area that has a fairly moderate density of industrial structures. The following table shows the largest tracked industrial properties in the immediate area, as published by CoStar.

LARGEST INDUSTRIAL PROPERTIES						
No.	Name	Property Type	NRA (SF)	Year Built	Reported Occupancy	Reported Rent (Ask)
1	Industrial Facility	Industrial	378,000	1959	100%	-
2	Torrance Industrial Exchange	Industrial	322,517	2023	45%	-
3	Industrial Facility	Industrial	145,707	1960	100%	\$13.97
4	Industrial Facility	Industrial	139,934	1972	100%	\$11.91
5	Industrial Facility	Industrial	123,000	1968	100%	\$12.98
6	Industrial Facility	Industrial	100,778	1969	78%	\$20.70
7	Industrial Facility	Industrial	91,906	1958	100%	\$13.39
8	Industrial Facility	Industrial	91,280	1969	100%	\$13.18
9	Torrance Corporate Park	Flex	89,272	1987	100%	\$17.52
10	Northrop	Industrial	84,654	1965	100%	\$13.33

Source: CoStar



**PHYSICAL SPECIAL HAZARDS OR ADVERSE INFLUENCES**

Generally, properties in the subject neighborhood appear to be functional for their intended use and they exhibit minimal deferred maintenance and sufficient occupancy. No special hazards or detrimental influences were identified that are expected to affect local value levels.

# Land Description & Analysis

## GENERAL DESCRIPTION

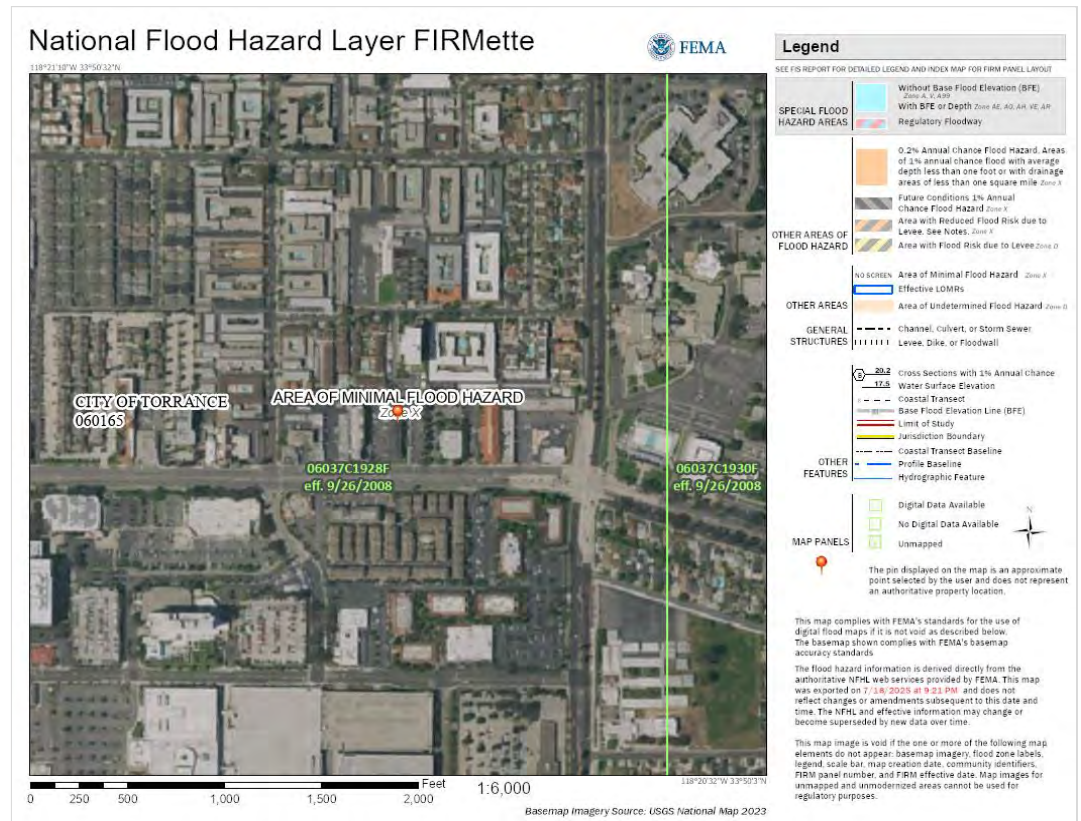
<b>Location</b>	'The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away.
<b>Land Area</b>	The subject site contains 1.69 acres, or 73,833 square feet of land area. There is no excess or usable surplus land area.
<b>Frontage</b>	The subject offers good frontage on Torrance Boulevard.
<b>Shape &amp; Utility</b>	The site is Generally rectangular. Site utility is good.
<b>Topography</b>	The site is Level at street grade. The topography does not appear to bear any particular development limitations.
<b>Drainage</b>	No drainage problems were observed at the time of field inspection, and none were disclosed to the appraisers. Please note that this appraisal assumes that surface water collection, both on-site, off-site and in public streets adjacent to the subject, is adequate.
<b>Environmental Hazards</b>	An environmental assessment report was not provided for review, and during our inspection, we did not observe any obvious signs of contamination on or near the subject. However, environmental issues are beyond our scope of expertise. It is assumed that the property is not adversely affected by environmental hazards.

<b>Ground Stability</b>	<p>A soils report was not provided for our review. Based on our inspection of the subject and observation of development on nearby sites, there are no apparent ground stability problems. However, we are not experts in soils analysis. We assume that the subject's soil bearing capacity is sufficient to support the subject improvements. The Alquist-Priolo special Studies Zone Act of 1972 was enacted by the State of California to regulate development near active earthquake faults. The Act required the State Geologist to delineate "special studies zones" along known active faults in the State of California. Cities and Counties affected by the identified zones must limit certain development projects within the zones unless geologic investigation demonstrates that the sites are not threatened by surface displacement from future faulting. According to "Fault-Rupture Hazard Zones in California" published in 1992 by the State of California Department of Conservation, Department of Mines and Geology, the subject is not within an area affected by the Alquist-Priolo Special Studies Zone Act. Related development limitations, therefore, do not apply.</p>
<b>Utilities</b>	<p>Utilities to the site are all available.</p>
<b>Parking</b>	<p>Surface parking; 117 spaces</p>
<b>Other Land Use Regulations</b>	<p>We are not aware of any other land use regulations that would affect the property.</p>
<b>Easements, Encroachments &amp; Restrictions</b>	<p>There do not appear to be any easements, encroachments, or restrictions that would adversely affect value. Our valuation assumes no adverse impacts from easements, encroachments, or restrictions, and further assumes that the subject has clear and marketable title.</p>

**Flood Hazard**

The subject property is located in FEMA flood zone X (panel number 06037C1928F, dated 9/26/2008) which is areas of minimal flood hazard, which are the areas outside the SFHA and higher than the elevation of the 0.2-percent-annual-chance flood..

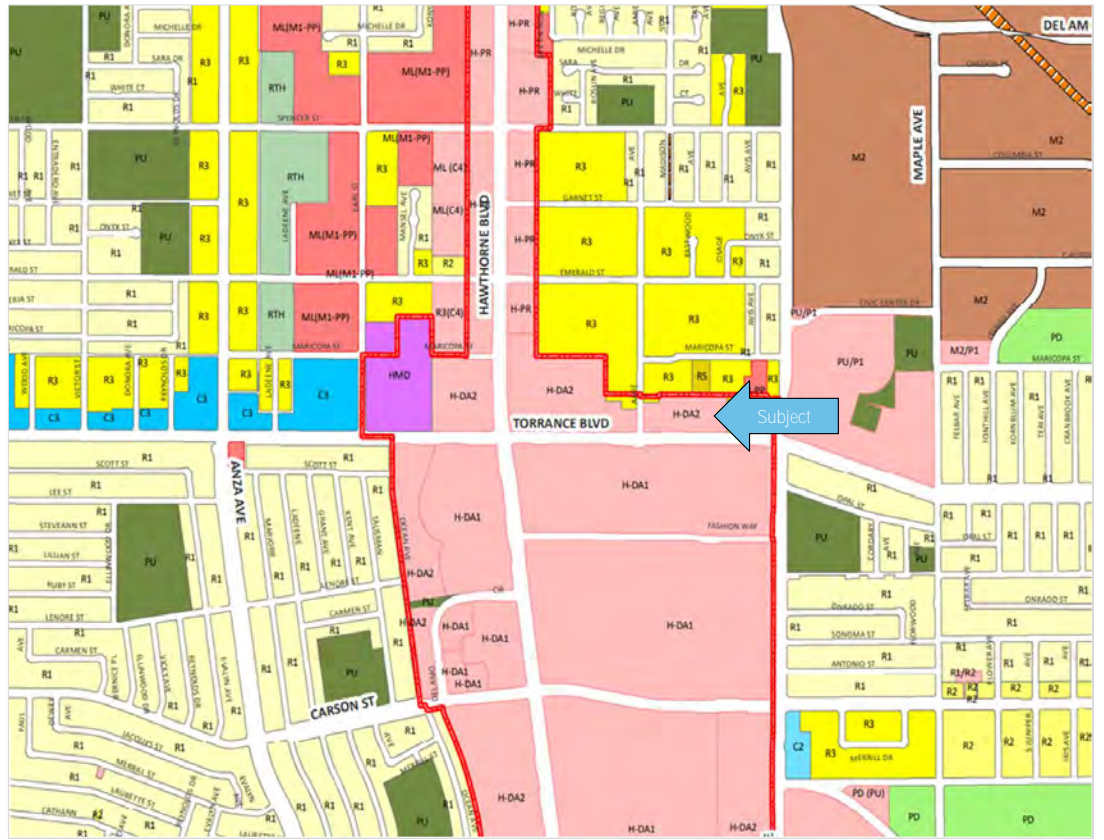
**Flood Zone Map**



**ZONING**

<b>Zoning Municipality</b>	City of Torrance; County of Los Angeles
<b>Zoning Name</b>	H-DA2, Hawthorne Boulevard Corridor Specific Plan Zone - Del Amo Business Subdistrict Two
<b>Summary of Permitted Uses</b>	<p>The Hawthorne Boulevard Corridor Specific Plan articulates a vision for Hawthorne Boulevard and provides the strategic and regulatory framework within which this vision can be realized. This is a community-based vision, crafted by the policy makers, property and business owners, and residents of Torrance in a collaborative process lasting more than three years. It is a vision founded on the present, seeking not to disregard, but to build upon and improve upon the more positive aspects of the Hawthorne Boulevard of today. There are several subdistricts within the specific plan and the subject is part of the Del Amo Business District which makes up the largest and most densely concentrated commercial area within the Hawthorne Boulevard Corridor and includes the Del Amo Fashion Center. This district begins on the north side of Torrance Boulevard, extends south to Sepulveda Boulevard, and includes commercial property on the south-west and southeast corners of Sepulveda Boulevard and Hawthorne Boulevard. The Del Amo Business District is generally bounded by Ocean Avenue to the west and Madrona Avenue to the east. It also includes the Little Company of Mary Hospital, and properties to the north of the hospital that are zoned HMD: Hospital, Medical, Dental District. With this subdistrict are two other subdistricts and the subject is located within the Del Amo Business Sub-District Two which provides for the range of uses allowed in DA-1 District. However, due to the adjacency of residential neighborhoods, less building height is permitted, density limits for mixed-use and residential projects are imposed, and in some instances a greater level of review is required. While slightly less intense development is permitted in this sub-district, it remains part of the City's urban center. As in DA-1, individual buildings and projects should be designed to make a positive contribution to the image of the area, and provide generous landscaped setbacks. Each development project should likewise be designed to promote pedestrian activity and transit</p>
<b>Current Use</b>	Extended-Stay Economy Class Hotel
<b>Zoning Change</b>	Not likely
<b>Conformance</b>	Currently legal and conforming use

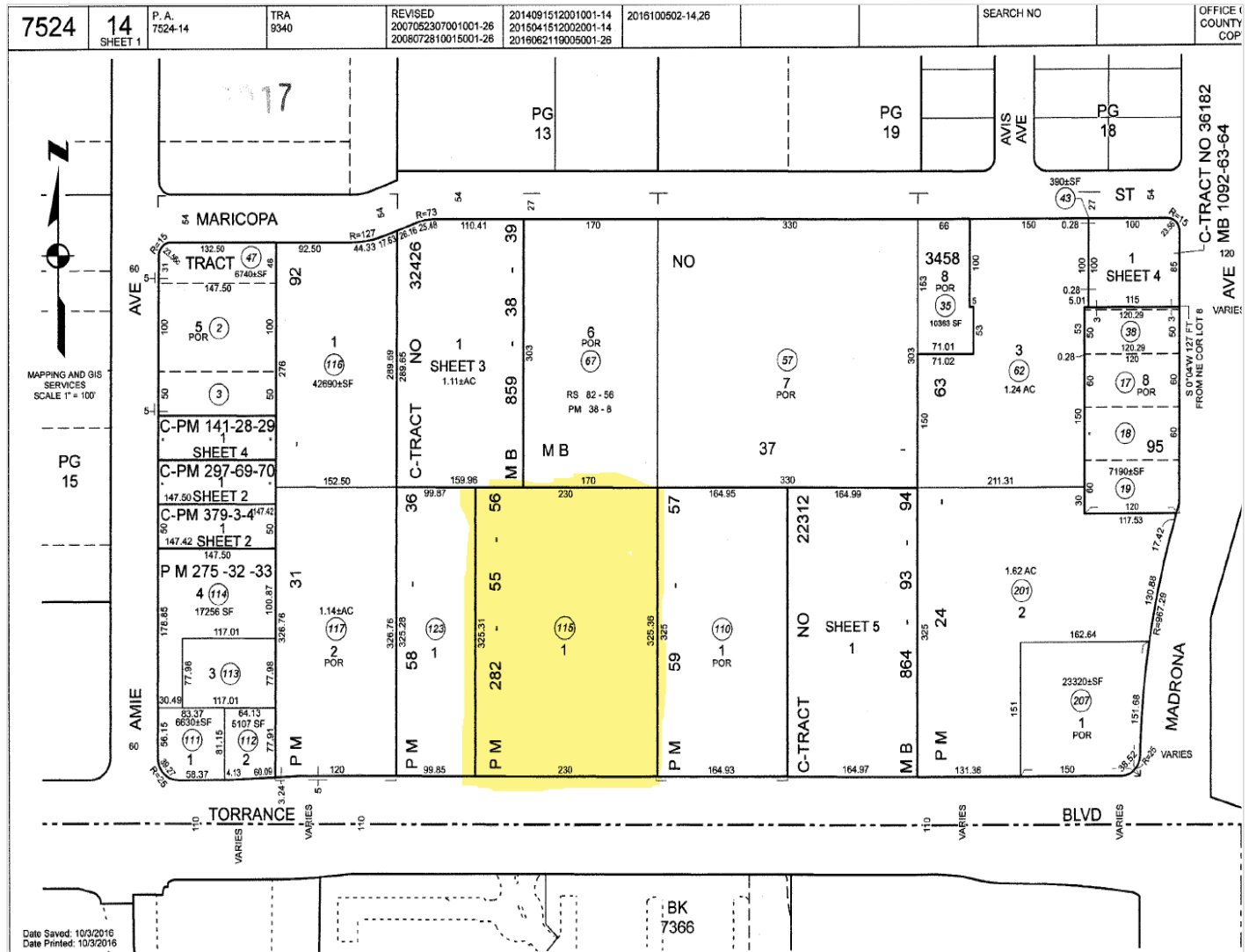
Zoning Map



CONCLUSION OF SITE ANALYSIS

The subject is an interior site that enjoys good access due to its position along a major roadway. Visibility is average.

PARCEL MAP



# Improvements Description

## OVERVIEW

The description within this section is intended to provide an overview of the physical improvements. The sources of the information in this analysis are generally viewed as reliable (we call your attention to the extraordinary conditions, other conditions, and assumptions contained in this report).

**Guestrooms** While the appraisers did not inspect the subject property, Extended Stay America properties tend to offer guestrooms that are largely similar across the portfolio. Typically, these hotels offer guestrooms that feature suite accommodations with separate living and sleeping areas as well as kitchens or kitchenettes. They also offer dishes, silverware, and cookware. The subject was last renovated in 2012.

GUESTROOM MIX	
Room Type	Number of Rooms
Guestrooms	122
<b>Total</b>	<b>122</b>

**Additional Amenities** The subject hotel offers amenities that are typical of a lodging facility in this service scale, as detailed in the following table.

OTHER PROPERTY FEATURES	
Vending and ice machines	Guest laundry room
Free grab-and-go breakfast	Pet-friendly rooms

**Functional Utility & Overall Appeal** Overall, the subject's functional utility is average.

## PHYSICAL CHARACTERISTICS

<b>Building Size</b>	We were not provided any square footage data for the subject improvements, but Extended-Stay America properties average 365 square feet per room.
<b>Construction</b>	Wood Frame
<b>Exterior Walls</b>	EIFS and masonry
<b>Roof</b>	Gabled
<b>Roof Surface</b>	Composite shingle

<b>HVAC</b>	PTAC units
<b>Plumbing</b>	Assumed to be adequate for all operations and in compliance with local law and building codes. Assumed and understood to be typical of other properties in the area with a combination of PVC, steel, copper and cast iron piping throughout the building.
<b>Insulation</b>	Assumed to be adequate

## CAPITAL IMPROVEMENTS

<b>Reserve for Replacements</b>	It is assumed that the subject hotel's facilities will be well maintained and remain fully competitive throughout the projection period. Replacement reserves equal to 4.0% of total revenue per year is deducted from the operating cash flow to account for short-life replacement items and preserve the competitive positioning of the subject hotel. This estimate of capital reserves should be adequate to account for all typical future capital expenditures throughout the holding period.
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## OTHER PROPERTY CONSIDERATIONS

<b>ADA Compliance</b>	We are not aware of any ADA areas of non-compliance for the subject, and a compliance assessment is beyond the scope of this assignment. Further study by an appropriately qualified professional would be recommended to assess ADA compliance. Any areas of potential non-compliance of the comprehensive requirements of the ADA were not considered in developing an opinion of value of the subject property.
<b>Hazardous Substances</b>	An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. Unless otherwise stated, we assume no hazardous conditions exist on or near the subject.
<b>Concealed Faults</b>	We assume that there are no concealed faults nor structural defects for the subject. All structural elements are assumed to be functional and operational with the exception of those specifically noted. The appraisers are not qualified structural or mechanical engineers; any concerns relating to the integrity of the improvements are beyond the scope of this assignment and may warrant a consultation with appropriate experts.

# Real Estate Taxes

## CURRENT TAXES

The assessed value and property tax for the current year are summarized in the following table:

PROPERTY ASSESSMENT INFORMATION			
Assessor's Parcel Number(s):	7524-014-115		
Street Address:	3525 Torrance Boulevard		
Assessing Authority:	County of Los Angeles		
Current Tax Year Payable:	2024		
Are taxes current?	Taxes are current		
Is there a grievance underway?	Not to our knowledge		
Assessment Information			Totals
Land Value:			\$5,149,832
Building Value:			<u>\$12,811,781</u>
Total Real Property Assessment:			\$17,961,613
Special Assessments and Other:			\$0
Personal Property:			<u>\$0</u>
Total Effective Taxable Assessment:			\$17,961,613
Tax Liability			Total
Published Tax Rate:			1.10967%
Total Property Taxes:			<b>\$199,315</b>
Special Assessments			<b>\$10,075</b>
Total Tax Burden			<b>\$209,389</b>
Effective Tax Rate			<b>1.16576%</b>
Number of Units:			122
Property Taxes per Unit			\$1,634
Building Area ( SF )			unknown
Property Taxes per Square Foot			#VALUE!

## PROPOSITION 13

In the state of California, property taxes are governed by Proposition 13 (Prop 13). Under Prop 13, property taxes are based on the stabilized market value of the fee simple estate in the property at the time of acquisition. For properties developed/redeveloped after purchase, the land is assessed at market value at the time of acquisition, with improvements assessed on a cost basis. Ground leases with a remaining term of 35 years or more (including options) are assessed on a fee simple basis. Outside of new construction, the assessed value is limited to a 2.0 percent annual increase until a transfer occurs, at which point the property is reassessed at full market value.

The subject property is located in Torrance. The base tax rate for properties located within this jurisdiction is 1.1097% of assessed value (which includes supplemental taxes). Local bonded indebtedness is added to the

tax rate. Special assessments are also added to the tax bill. The assessed value and property tax for the current year are summarized in the table that was presented earlier.

**TAX PROJECTION**

Since our appraisal assumes a sale of the subject property as of the date of value and at the end of a 10-year holding period, property taxes at the property are expected to change. In order to determine the subject’s future property taxes, we performed an iteration that multiplies the market value of the fee simple interest in the subject by a tax rate.

The following table summarizes this calculation:

<b>PROPOSITION 13 - TAX PROJECTION</b>	
<b>As Is Market Value Analysis</b>	<b>Year 1</b>
Indicated Fair Value of Assessment (Rounded):	\$10,200,000
NKF Market Value Value Conclusion:	\$10,200,000
Published Tax Rate:	1.10967%
Post-Transaction Tax Burden	\$113,186
Special Assessments	\$10,075
Total Tax Burden	\$123,261
Total Effective Tax Rate	1.20844%

The following table summarizes the total tax projection for the first 10 years of operation for the subject property:

<b>Tax Projection - First 10 Years</b>		<b>(As Is Market Value Analysis)</b>					
<b>Period</b>	<b>Base Tax</b>	<b>% Chg.</b>	<b>Special Assessment</b>	<b>% Chg.</b>	<b>Total Tax Burden</b>	<b>% Chg.</b>	
Base Year - 2024	\$199,315	-	\$10,075	-	\$209,389	-	
Year 1 - 2025/26	\$113,186	-43.2%	\$10,075	0.0%	\$123,261	-41.1%	
Year 2 - 2026/27	\$115,450	2.0%	\$10,276	2.0%	\$125,726	2.0%	
Year 3 - 2027/28	\$117,759	2.0%	\$10,482	2.0%	\$128,240	2.0%	
Year 4 - 2028/29	\$120,114	2.0%	\$10,691	2.0%	\$130,805	2.0%	
Year 5 - 2029/30	\$122,516	2.0%	\$10,905	2.0%	\$133,421	2.0%	
Year 6 - 2030/31	\$124,966	2.0%	\$11,123	2.0%	\$136,090	2.0%	
Year 7 - 2031/32	\$127,466	2.0%	\$11,346	2.0%	\$138,812	2.0%	
Year 8 - 2032/33	\$130,015	2.0%	\$11,573	2.0%	\$141,588	2.0%	
Year 9 - 2033/34	\$132,615	2.0%	\$11,804	2.0%	\$144,420	2.0%	
Year 10 - 2034/35	\$135,268	2.0%	\$12,040	2.0%	\$147,308	2.0%	

# National Lodging Market Analysis

## **NATIONAL LODGING HIGHLIGHTS**

The hospitality sector has undergone a dramatic transformation over the past several years due to rising interest rates, declining discretionary income, and impacts from the pandemic and changing work-from-home (WFH) trends. While early expectations projected a full recovery across all travel segments, the reality has been more nuanced. Leisure travel has remained remarkably resilient, whereas business travel - once a cornerstone of the hospitality industry - has struggled to regain its pre-pandemic momentum, especially in those urban markets where WFH has become more of the norm. Now, new geopolitical and economic factors are poised to potentially impact lodging further, particularly in key leisure markets, while business travel continues to lag in many urban markets.

With U.S. travelers increasingly favoring unique, experience-driven journeys over traditional destinations, the industry is witnessing a surge in demand for immersive and sustainable experiences. This shift reflects broader cultural changes where travel is becoming an expression of personal identity and values. Coupled with an influx of sports-related tourism and significant international events, such as the upcoming FIFA World Cup (2026) and the Olympic Games (2028), the hospitality sector is poised to pursue new and exciting ways to grow, even as overall travel rates flatten and hoteliers face potential macroeconomic and regulatory headwinds at the local level.

The U.S. lodging sector is expected to experience muted growth in 2025, according to PwC's US Hospitality Directions released November 2024. Despite stagnant supply levels over the past few quarters, new construction projects are expected in 2025 due to a combination of factors, such as increasing optimism about a soft landing, easing monetary policies, and other tailwinds in the capital markets.

The following table illustrates historical performance trends from 2015 to current for the aggregate of the Top-104 markets in the United States.

### Top 104 Hotel Markets Aggregate Performance

YEAR ENDING	Guest Paid			COPE*		Booking Cost	ADR COPE*	Loyalty	Avg. Length of Stay (Nights)	Supply (Avail. Rms)	Performance Index (LPI)
	Occ %	ADR	RevPAR	ADR	RevPAR	POR	%	%			
2016	68.5%	\$132.71	\$93.79	\$121.68	\$85.88	\$11.03	91.7%	46.7%	2.09	3,107,000	1.00
2017	69.1%	\$135.60	\$96.32	\$124.17	\$88.08	\$11.43	91.6%	48.2%	2.05	3,149,600	1.00
2018	68.4%	\$139.24	\$98.11	\$127.72	\$89.90	\$11.52	91.7%	50.9%	2.02	3,192,400	1.00
2019	68.7%	\$140.04	\$98.85	\$128.42	\$90.59	\$11.61	91.7%	55.5%	1.98	3,371,300	1.00
2020	41.1%	\$100.76	\$43.54	\$93.73	\$38.23	\$7.02	93.0%	37.6%	2.32	3,360,900	1.00
2021	56.6%	\$122.58	\$71.07	\$113.25	\$64.20	\$9.32	92.4%	39.8%	2.17	3,407,100	1.00
2022	60.0%	\$132.87	\$80.89	\$122.77	\$74.16	\$10.10	92.4%	40.1%	2.15	3,418,200	1.00
2023	62.5%	\$142.45	\$90.64	\$131.82	\$83.01	\$10.62	92.5%	40.4%	2.14	3,426,400	1.00
2024	68.4%	\$161.93	\$113.92	\$149.95	\$104.81	\$11.98	92.6%	47.8%	2.07	3,446,500	1.00
CAGR	-1.3%	1.0%	-0.5%	1.2%	-0.5%	-0.5%	0.1%	-2.0%	0.3%	1.4%	0.0%
1Q 2024	64.3%	\$158.07	\$105.20	\$146.78	\$97.64	\$11.29	92.9%	47.6%	2.07	3,418,300	1.00
1Q 2025	65.2%	\$160.17	\$108.36	\$148.89	\$100.73	\$11.27	93.0%	49.2%	2.07	3,416,300	1.00

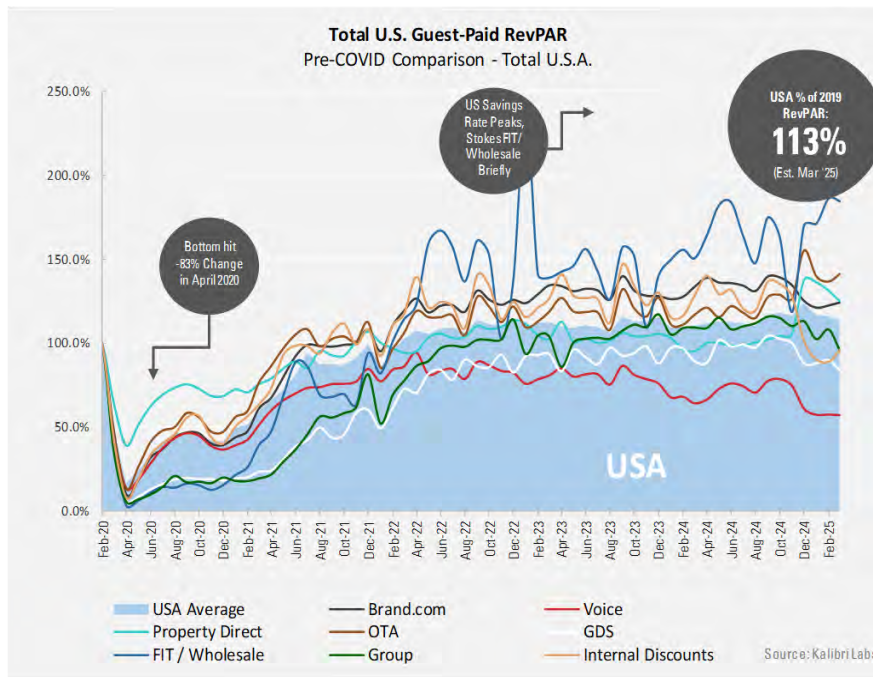


Page 5  
Source: Kalibri Labs

As indicated, lodging performance in most key performance indexes posted improvement from 2015 to 2019. At the onset of COVID-19 in March 2020, lodging performance deteriorated significantly. Guest-Paid RevPAR decreased by more than \$55 in calendar-year 2020, with occupancy falling almost 28 percentage points and ADR losing more than \$39. Most of this decline was registered in 2Q-2020 with the later quarters in 2020 posting less severe declines. The following year exhibited that a recovery began to take hold due to the rollout of multiple vaccine options in early 2021.

### Trends by Channel Distribution

The following summarizes trends in RevPAR relative to pre-pandemic metrics (2019).



Kalibri Labs has noted a steady improvement across all channel segments since the pandemic reached its lowest point in mid-2020. The group channel has experienced the most significant recovery from the pandemic slump. Although it lagged the other channels throughout the recovery period, progress in this category is an encouraging sign of continued recuperation, particularly the lucrative corporate sector.

During the height of the pandemic, travel restrictions and corporate policy shifts led to a significant decline in business travel; however, leisure travel (fueled by pent-up demand with a continued desire to travel and a preference for open-air destinations) flourished. Popular leisure markets experienced strong demand and higher room rates, with ski resorts, coastal areas, National Parks, and other outdoor-oriented locations benefiting the most. This dynamic has sustained itself even as broader economic conditions have fluctuated. The shift toward leisure travel has proven to be more than a temporary pandemic trend; it has reshaped how the hospitality industry operates, with hotels, airlines, and tourism-focused businesses adjusting to capture this demand.

While domestic leisure travel has helped sustain the industry, the continued lag in business travel remains a significant factor. Many businesses have permanently adjusted their travel policies, reducing the frequency of corporate trips in favor of virtual meetings. Conferences and conventions, a critical driver of urban hotel occupancies, have yet to fully recover, particularly in some cities that were heavily reliant on business travel before the pandemic. Markets like Seattle, San Francisco, and Chicago, which once thrived on corporate demand, are still working to regain lost ground. The gap in occupancy from 2019 that is being experienced in such markets is primarily due to the commercial segment not recovering). The adverse effects on property

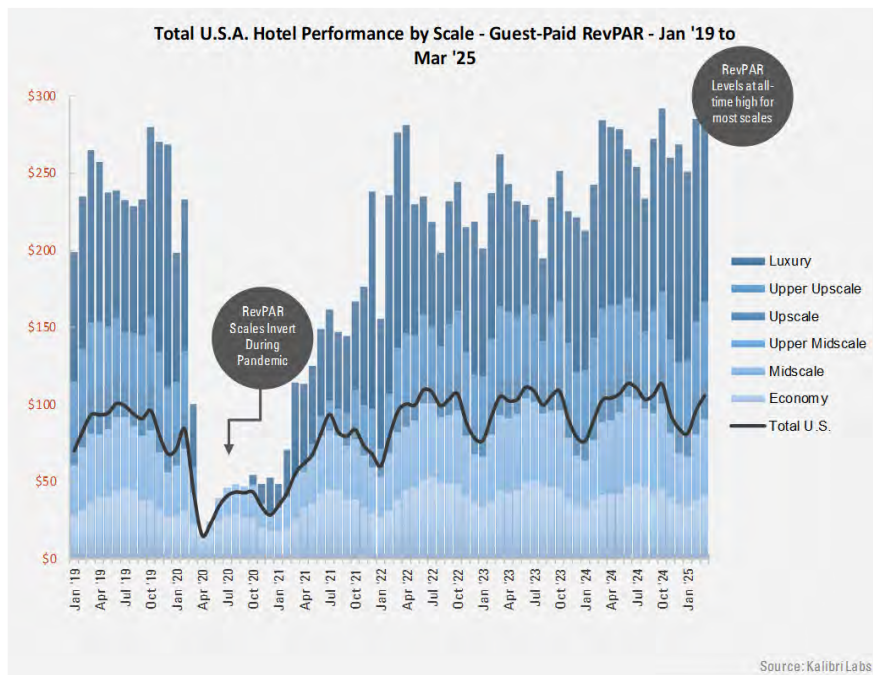
values in these business-centric markets have become steeper as the anticipated recovery timeline keeps getting pushed out.

The hospitality industry must now navigate a complex landscape. Hotels in traditionally business-heavy markets have begun repositioning themselves to attract more leisure travelers, offering experiential packages and amenities that cater to vacationers rather than just corporate guests. Additionally, destinations that have seen leisure travel boom (such as Utah’s ski markets) are benefiting from long-term shifts, including continued room rate growth, proving that travelers are prioritizing recreation and nature-driven experiences over conventional urban trips.

**Trends by Class / Scale**

In the years leading up to the pandemic, the primary lodging classes experienced moderate volatility in their trends; however, with the onset of the pandemic, the trends in these classes (aka, scales) became unpredictable, particularly in the Luxury and Upper Upscale scales. These higher-rated classes heavily rely on revenue from the group segment, which was significantly impacted by pandemic restrictions on conventions and conferences.

The following graph illustrates the RevPAR performance of the six primary rate scales (Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, and Economy) and the U.S. overall. The pandemic caused an unusual shift in RevPAR, with lower-rated Midscale and Economy hotels that do not typically rely on group revenue outperforming even the Luxury segment. The rate classes have since corrected and volatility in the higher-rated classes eventually regulated. As shown, channel booking activity began to rebound in the latter portion of 2020.



As shown in the preceding table, as of March 2025, RevPAR levels are at all-time highs for most of the scales, as well as the Total U.S. category.

## **REVENUE**

Before and during the initial stages of the pandemic, the variation in RevPAR across different hotel categories was relatively modest. For instance, in January 2020, the RevPAR range for Large Metro markets stood at approximately \$35; however, by September 2020, intensified competition among major assets in these markets (predominantly comprising larger, box-style full-service hotels) significantly elevated. Consequently, the disparity in rates between various service tiers notably deteriorated in certain markets, resulting in a RevPAR spread surpassing \$85 during the autumn of 2020.

Over time, this discrepancy between Large Metro markets and other segments has gradually narrowed, albeit at a measured pace. Rural and tertiary markets experienced less pronounced effects compared to their larger counterparts, given their focus on accommodating lower-rated, leisure-oriented guests who do not necessarily require extensive amenities like food, beverage, or meeting facilities. Furthermore, guests accustomed to patronizing higher-rated establishments were compelled to opt for lower-rated alternatives due to financial constraints. As of year-end 2024, guest-paid RevPAR finally exceeded pre-pandemic levels on a national basis (roundly \$114 in 2024 vs. \$99 in 2019), according to data from Kalibri Labs.

## **INTERNATIONAL TRADE TENSIONS**

Looking ahead, international travel shifts present an obstacle, with the U.S. facing a potential 5.5% decline in inbound international travel for 2025. Canadian and European travelers, who have historically been key contributors to U.S. leisure destinations, have started reducing their visits due to rising tariffs, currency fluctuations, and evolving political dynamics. Going forward, the leisure segment is at risk, especially in those markets dependent on international demand. Many airlines have cut flights, and Canadian tourism could be as much as 70% lower in 2025. In addition, European travelers began cancelling vacation plans in April 2025, with related statistics not yet available.

The strength of the Canadian dollar has long influenced travel trends, particularly to border states and warm-weather destinations in the U.S. When the Canadian dollar was stronger, cross-border leisure trips were more frequent; however, with the currency's weakened position and economic pressures mounting, these travel patterns are expected to shift, with fewer Canadians visiting U.S. destinations in the near term. It is also expected that gateway cities (NYC, Miami, Boston, SF, etc.) will feel the impact from this shift more than inland states.

Hawaii, Palm Springs, and other winter-friendly destinations have historically benefitted from international visitors escaping colder climates. Canadian travelers, in particular, make up a notable portion of winter tourism to these locations. If numbers dwindle due to economic constraints and trade tensions, the hospitality sector may see demand soften in these key leisure markets, posing new challenges for hotels, resorts, and tourism-driven economies. European travel to the U.S. could also slow as political and economic tensions remain unresolved, further complicating recovery efforts for hospitality markets that have relied on international tourism.

## REGENERATIVE TOURISM

Regenerative tourism is swiftly gaining significance within the hospitality industry as hotels strive to remain competitive. Unlike traditional sustainable tourism, which aims to minimize negative impacts, regenerative tourism takes a proactive approach by actively contributing to the local environment, communities, and economies. Hotels that embrace regenerative practices not only focus on reducing their ecological footprint but also aim to leave a positive and lasting impact on the destinations they operate in. By implementing regenerative strategies, hotels can foster biodiversity conservation, support local cultures and traditions, enhance community engagement, and create economic opportunities for the local population. These initiatives resonate with environmentally conscious travelers who seek authentic and meaningful experiences. Furthermore, regenerative tourism allows hotels to differentiate themselves in a crowded marketplace, attract socially responsible guests, and build a loyal customer base.

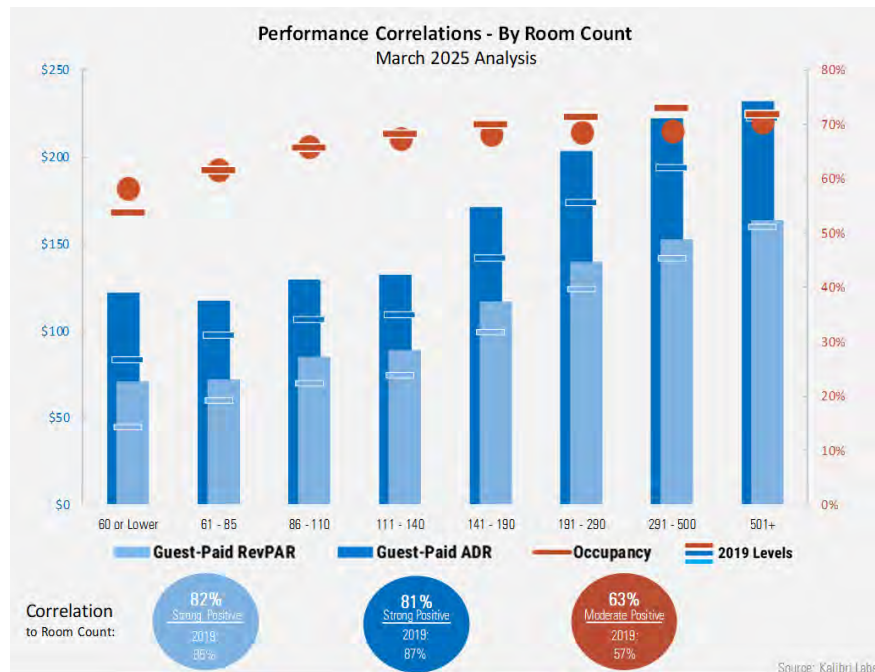
## TRAVELER DEMOGRAPHIC TRENDS

There are distinct generational behaviors among travelers. Millennials emphasize curated experiences that balance cost and authenticity. Gen Z, in contrast, exemplifies travel preparedness, with 45% planning their 2024 trips well in advance - outpacing all other age groups. For this generation, travel is an expression of personal growth and identity, favoring immersive, off-the-beaten-path adventures that align with their values. Older adults prioritize experiences, often combining bucket-list destinations with a focus on relaxation and connection. But both older adults and younger travelers share an increasing appetite for cultural immersion, sustainable travel, and unique adventures. Additional key statistics:

- Relaxation Focus: 51% of Gen X and 57% of Baby Boomers prioritize relaxation while traveling
- Curated Travel: Nearly 25% of Millennials view traditional sightseeing as outdated, while 28% of Gen Z travelers dismiss the priority of learning new things while traveling.
- Solo Travel: Solo travel among women aged 65 and older surged from 4% in 2019 to 18% in 2022, and solo diners spend 48% more than any other diners on a per-person basis.
- Financial Priorities: Travel is a top financial priority for 89% of Gen Z and 87% of Millennials.

## PERFORMANCE CORRELATIONS

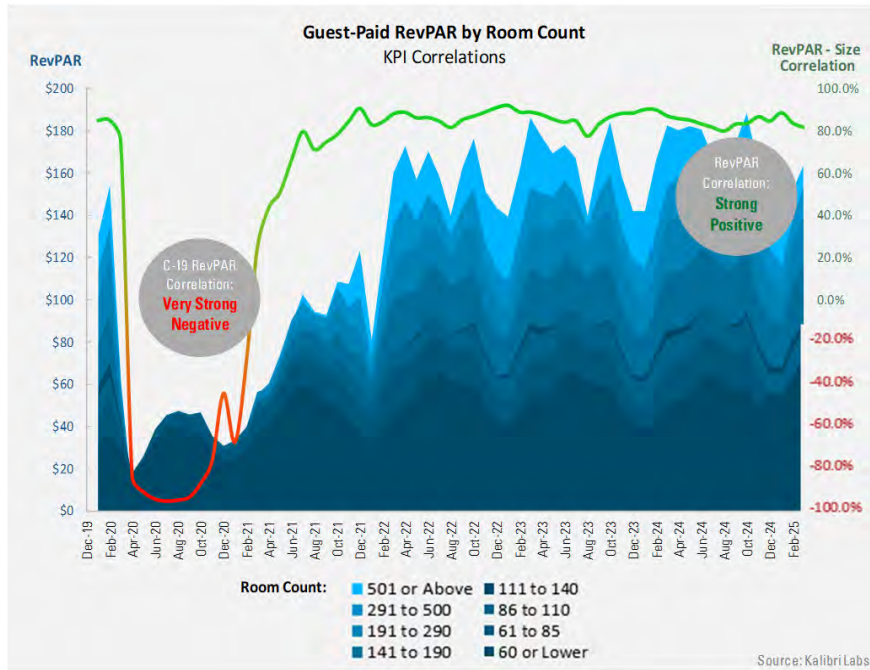
One notable trend impacting operating strategies is the unprecedented and strong negative correlation between hotel size and RevPAR performance. This phenomenon is primarily being driven by the group segment and its propensity to patronize large, full-service hotels with significant meeting space. The following graph illustrates the most recent survey of RevPAR performance among various hotel size categories:



In a typical pre-COVID year, the correlation between hotel size and RevPAR levels tends to hover around a positive 80%; however, in mid-year 2020, this correlation underwent a significant reversal, plummeting to a remarkable -90%. This shift was primarily driven by the removal of a considerable number of rooms from inventory across the United States, particularly those in the Upper Upscale and Luxury segments, which often boasted extensive meeting facilities catering to the group segment - a sector that was severely impacted by the pandemic.

As these hotels gradually reopened, they began to regain some patronage, albeit initially competing for non-group transient demand that typically does not utilize meeting space extensively. Since that time, the correlation has rebounded to a positive figure, indicating a recovery in most markets.

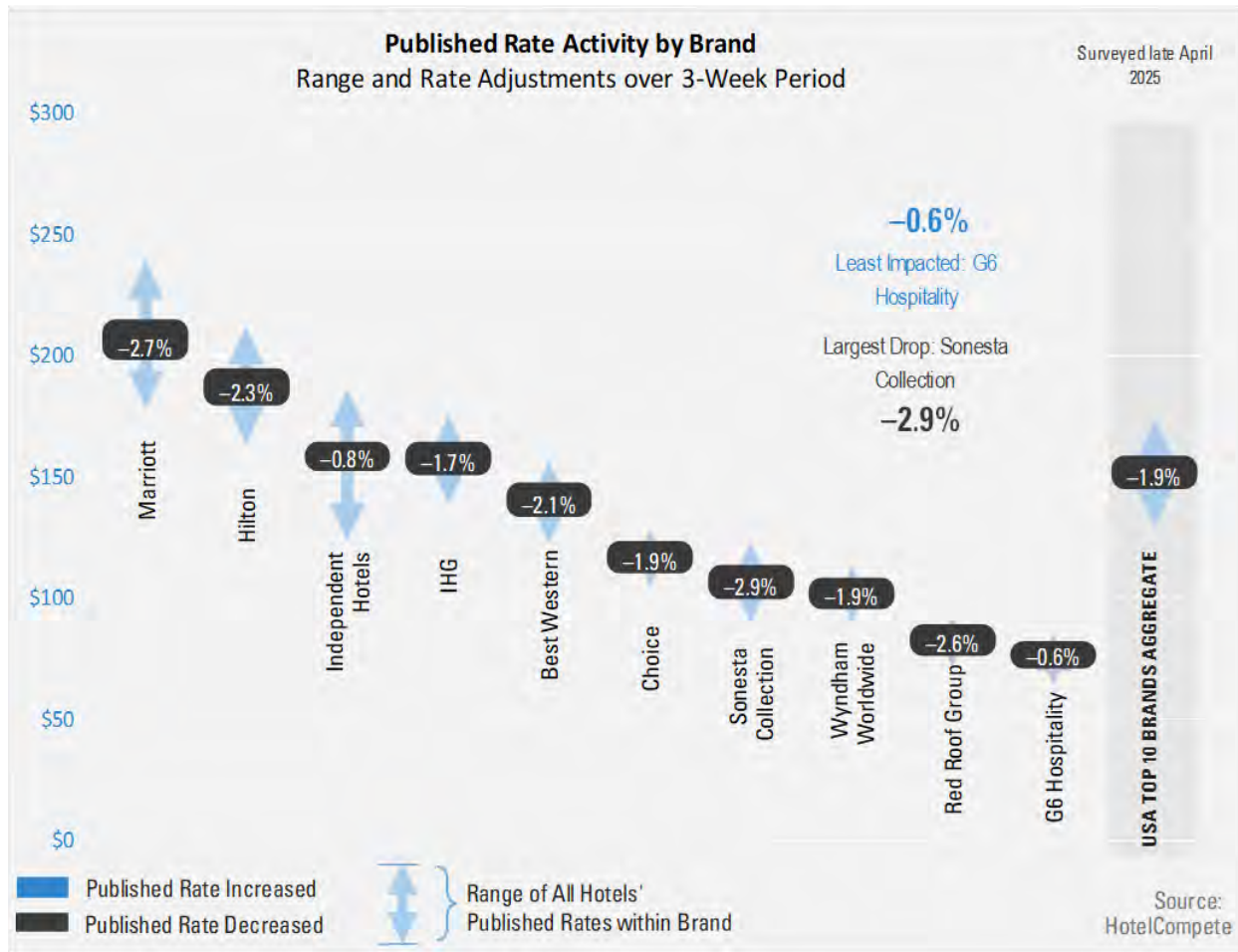
The current landscape is also influenced by ongoing market events, such as inflation volatility in 2024 amidst strong tourism activity, which may further impact the correlation between hotel size and RevPAR levels in recent months. The following graph summarizes RevPAR trends for the various asset size categories along with the resulting RevPAR-to-size (room count) correlations throughout the pandemic era and throughout the recovery.



## PUBLISHED RATE ACTIVITY BY BRAND

In an effort to gauge near-term volatility of room rate positioning, operators will analyze published “30/3 lead time” rates. This analysis involves comparing 30-day advanced booking room rates with the rate that was published three weeks earlier for the exact same room night. Looking forward, hotel operators have made only moderate changes to its most recently-published rates (late April 2025), signifying stable pricing decisions which are less volatile than normal. Specifically, the U.S. market published 30/3 lead time rates averaging \$150.43 in late April 2025, while three weeks prior to this date the average published room rate for the same exact date range was \$153.31—a downward adjustment of -1.9% over this time period. This represents calmer rate volatility compared to historical periods (namely in 2020 and 2021) where hotel operators are less inclined to overreact to changes in demand and more confidence exists in future upside in the market.

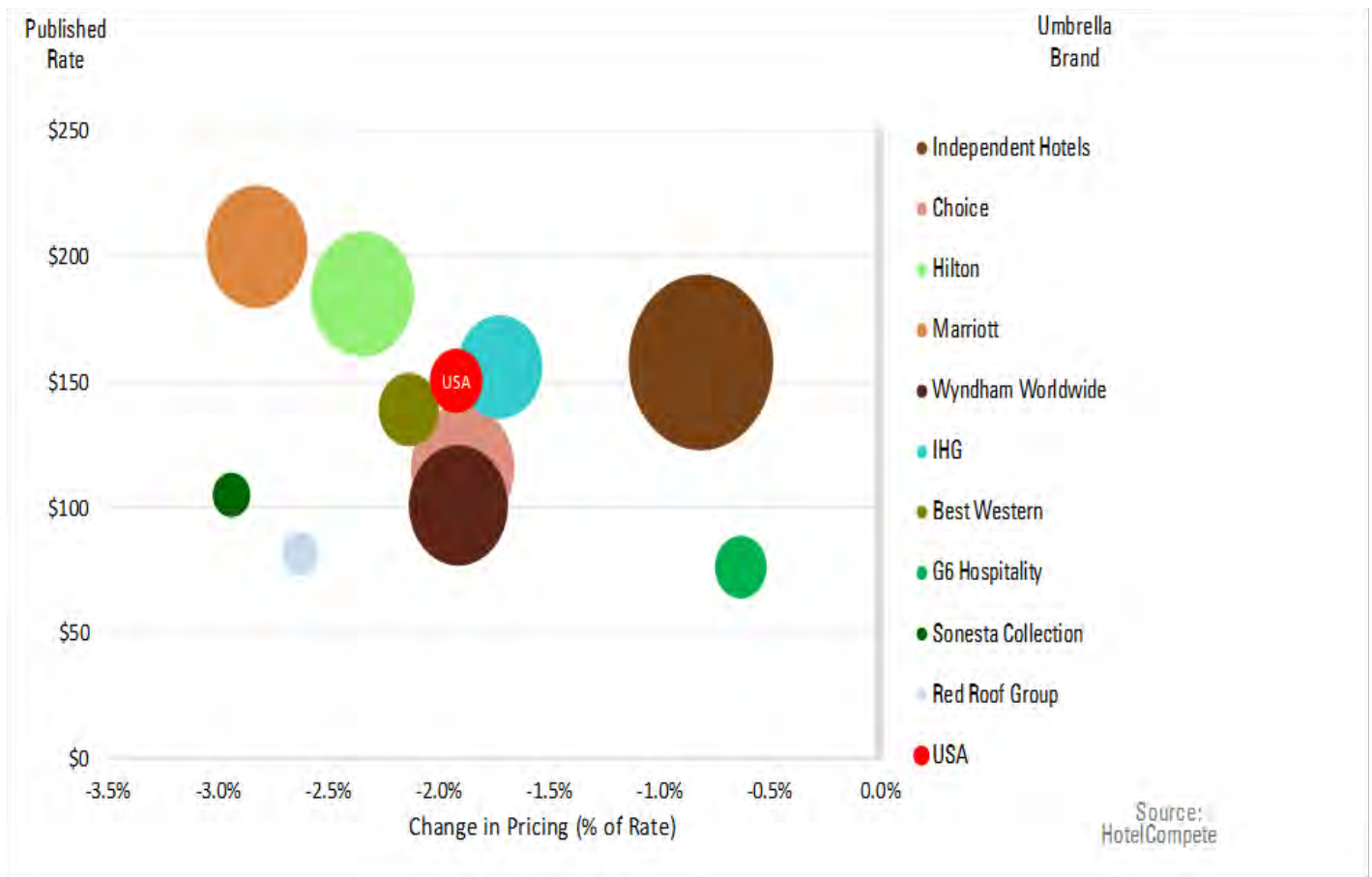
The following table summarizes published rate activity for the top 10 brands in the U.S. market. The center bars mark the aggregate change in 30/3 published rate activity compared to the rates offered for the same date range three weeks earlier. The arrows indicate the full range offered by all hotels in the denoted brand.



As shown, each brand displays a unique range of published rates and spreads. As the market recovers from the COVID-19 pandemic, we anticipate that the rate adjustments will become more pronounced for the higher rated brands (i.e. Marriott and Hilton) as the market becomes less rate sensitive, and the trendline for these published rates becomes steeper from these higher-rated brands and the lower ones (i.e. Red Roof Group and G6 Hospitality).

The following table is a graphical snapshot of the top 10 brands in the U.S. The size of the bubbles corresponds to the number of properties represented by each brand. The vertical axis denotes the average '30/3' published rate, and the horizontal axis illustrates the severity of the late April 2025 30/3 published rate adjustment from three weeks prior.

**Published Rates**  
30-Day Advanced Booking Rate and Pct. Change over 3 Weeks

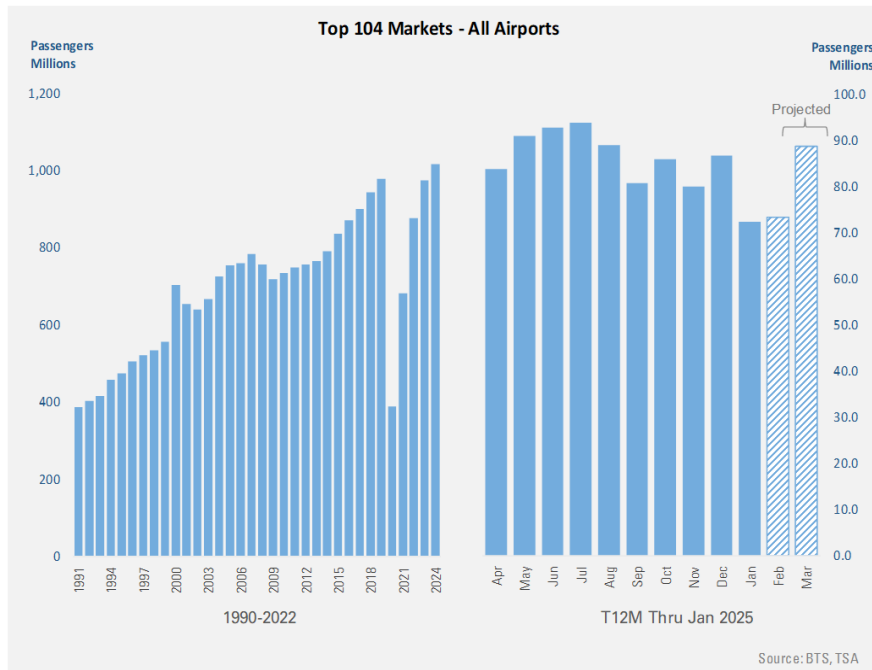


The 30-day advanced booking trends among most the major brands are similar. As shown, the brand with the most negative published rate adjustment in late April 2025 was Sonesta Collection (−2.9%) while the brand with the least negative adjustment was G6 Hospitality (−0.6%).

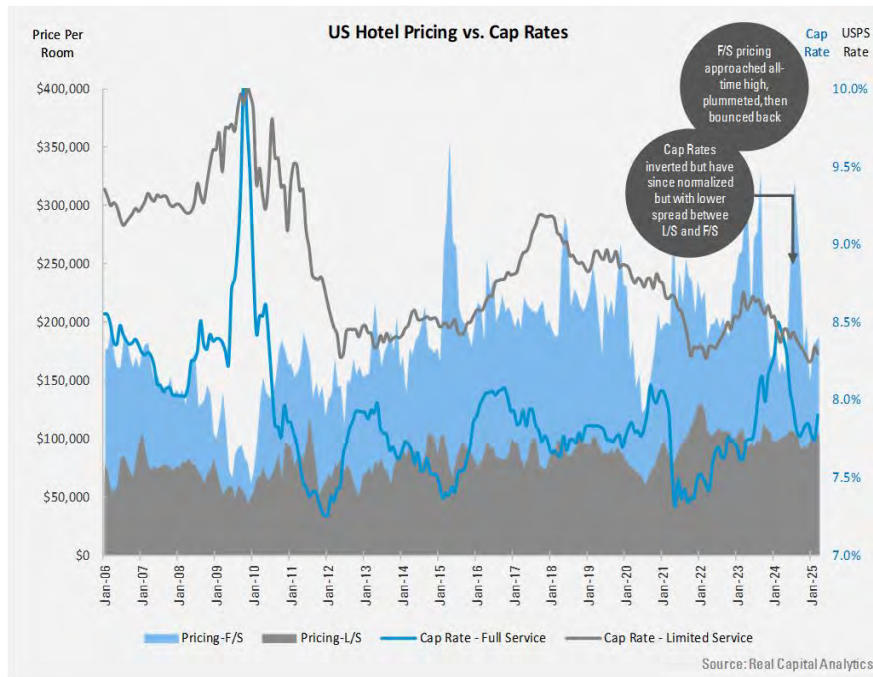
### AIR TRAVEL

In the post-pandemic landscape, the resurgence of passenger air travel holds significant implications for the lodging industry's trajectory nationwide. Following the unprecedented lows experienced throughout much of 2020, characterized by widespread route cancellations and minimal activity, the airline sector witnessed a temporary uptick in passenger numbers during the summer months, largely driven by leisure travel. As the seasonal surge subsided, so did the passenger volumes, only to experience sporadic fluctuations amidst the rollout of vaccinations and boosters.

Now, in the wake of the pandemic's ebb, the dynamics of air travel are closely intertwined with the prevailing economic climate. Despite these challenges, the overall outlook for the industry is optimistic.



The future of travel hinges on market accessibility and the evolving demands of different segments, be it corporate or group travelers. Concerning travel within the U.S., the potential impact of broader economic conditions on discretionary spending must be considered. While leisure travel has remained strong to date, inflationary pressures, Wall Street declines, pending and potential tariffs, increasing costs, and high interest rates could weigh on consumers’ ability to maintain their travel habits. If economic uncertainty persists, hospitality markets that have historically depended on a robust leisure segment may start to see softer conditions with travelers either cancelling trips or trading down to lower scale hotels or shorter trips to save money.

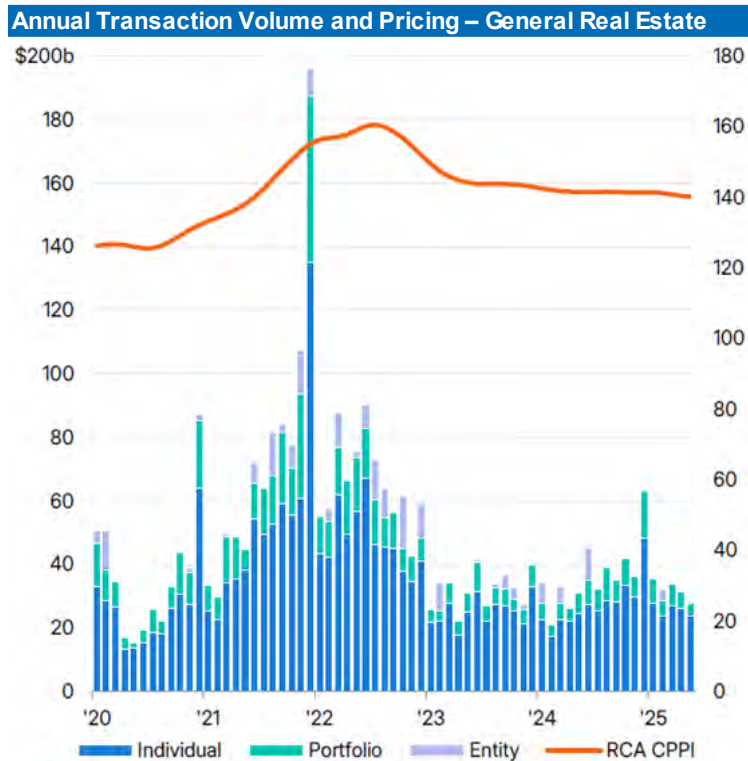


## TRANSACTIONS MARKETS

### General Real Estate

The uncertainty surrounding the U.S. economy in 2025 appears to have finally impacted commercial property sales in May, disrupting what had been a favorable trend since mid-2024, with some sectors even exceeding pre-pandemic levels. Not only did deal activity fall for the month, but commercial property price momentum also reversed. Of all major sectors, only the office segment posted gains in May, driven largely by a high volume of distressed sales, though declining prices from pre-pandemic peaks also enabled some transactions to proceed. In contrast, dealmaking in other sectors stalled as their prices had not adjusted downward as much as offices, and fresh concerns such as tariffs have made buyers more hesitant to accept new risks. Consequently, industrial and hotel sales have now declined for two consecutive months, with apartments and retail also joining the downturn in May. This slip in May’s numbers was not due to any anomalous megadeal, as both individual asset and portfolio sales dropped year over year, with just a single entity-level sale completed so far in 2025. While declines in the RCA CPPI US National All-Property Index had slowed to just 0.6% year-over-year in February, by May the rate of decline had accelerated to 1.0%, and although a 40-basis point change might not typically stand out, the combined drop in deal volume and price trends underscores a shifting outlook for investment returns.

The following table summarizes these trends:

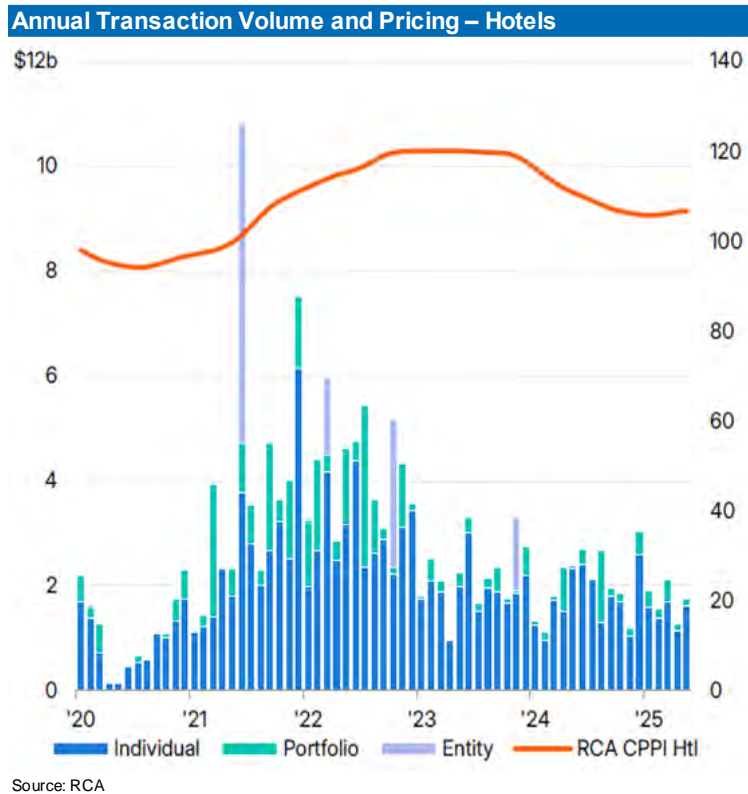


Source: RCA

### Hospitality Real Estate

Deal volume for the hotel sector declined again in May, marking two straight months of double-digit drops in sale activity, with hotel prices also under pressure as the RCA CPPI fell 3.6% year over year. Despite these challenges, recent trends show mixed signals, as limited-service hotel activity has not mirrored the broader market’s slowdown. Limited-service hotel sales had already displayed weakness, falling each quarter in 2024 and alternating between growth and declines in each month of 2025—leaving year-to-date volume just 2.4% below the pace seen through May last year. In contrast, full-service hotels experienced four consecutive months of substantial sales increases before growth reversed sharply in April and May of this year amid growing concerns about cross-border travel.

The following graph summarizes these trends:



### NATIONAL LODGING MARKET CONCLUSION

The U.S. hospitality industry continues to evolve, propelled by accelerating shifts in traveler behaviors, this while travel rates normalize; economic pressures and rising operating costs continue; and rapid advances in technology develop. In an environment where operating costs are outpacing revenue growth in many areas, cost-conscious behavior remains important, but identifying new revenue streams becomes paramount.

The U.S. lodging industry is predicted to see steady but modest growth in 2025, with average daily rate (ADR) and revenue per available room (RevPAR) expected to lead the growth, and only modest increases (if any) on the occupancy side.

While demand for outdoor, recreational, and experience-driven vacations remains strong, the hospitality industry must prepare for shifting international travel behaviors, evolving economic conditions, and a likely continuation of the segmented recovery that has been seen across various markets throughout the U.S. The lodging industry’s ability to adapt to new trends and everchanging demand sources will determine the pace and extent of the effects from these changes in the hospitality industry.

The next chapter in hospitality will be defined by how innovation is balanced with the timeless need for connection. By year-end 2025, trends like solo travel, generative AI, and sustainability won’t just shape experiences, they will transform expectations. For the hospitality industry, 2025 will likely be about demonstrating how resilience and timeless principles of hospitality can intersect with change.

## EXTENDED-STAY MARKET

### Highlights

Supply, demand, room revenue, ADR and RevPar performance metrics compared to March 2024 were better for extended-stay hotels than the overall hotel industry. Extended-stay hotel occupancy reported a larger contraction but the premium the segment achieves compared to the total hotel industry stayed within its long-term average range. Although metrics in March were relatively good, like the overall hotel industry, a decelerating trend in extended-stay hotel performance metrics appears to be emerging.

NEWMARK VALUATION & ADVISORY

Occupancy									
Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Economy</b>	78.9%	78.0%	76.5%	76.8%	78.1%	75.7%	73.4%	79.8%	77.7%
% Chg	-	-1.1%	-1.9%	0.4%	17%	-3.1%	-3.0%	8.7%	-2.6%
<b>Mid-Price</b>	73.3%	73.1%	72.9%	73.5%	73.6%	74.3%	63.3%	73.5%	74.9%
% Chg	-	-0.3%	-0.3%	0.8%	0.1%	10%	-14.8%	16.1%	1.9%
<b>Upscale</b>	77.9%	78.6%	78.2%	78.7%	78.6%	78.4%	55.1%	71.8%	74.9%
% Chg	-	0.9%	-0.5%	0.6%	-0.1%	-0.3%	-29.7%	30.3%	4.3%
<b>Average</b>	<b>76.3%</b>	<b>76.4%</b>	<b>75.8%</b>	<b>76.3%</b>	<b>76.5%</b>	<b>76.2%</b>	<b>61.8%</b>	<b>73.9%</b>	<b>75.4%</b>
% Chg	-	0.1%	-0.8%	0.7%	0.3%	-0.4%	-18.9%	19.6%	2.0%

Room Nights Sold (Thousands)									
Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Economy</b>	22,571	23,043	23,567	24,515	25,138	25,842	25,676	28,932	28,662
% Chg	-	2.1%	2.3%	4.0%	2.5%	2.8%	-0.6%	12.7%	-0.9%
<b>Mid-Price</b>	38,264	39,600	41,700	45,190	48,956	53,542	48,103	61,140	63,617
% Chg	-	3.5%	5.3%	8.4%	8.3%	9.4%	-10.2%	27.1%	4.1%
<b>Upscale</b>	41,322	44,705	47,865	53,039	54,954	58,605	42,418	59,481	63,056
% Chg	-	8.2%	7.1%	10.8%	3.6%	6.6%	-27.6%	40.2%	6.0%
<b>Total</b>	<b>102,157</b>	<b>107,348</b>	<b>113,132</b>	<b>122,744</b>	<b>129,048</b>	<b>137,989</b>	<b>116,197</b>	<b>149,553</b>	<b>155,335</b>
% Chg	-	5.1%	5.4%	8.5%	5.1%	6.9%	-15.8%	28.7%	3.9%

ADR									
Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Economy</b>	\$36.27	\$39.08	\$40.93	\$43.78	\$45.94	\$47.15	\$45.97	\$50.95	\$56.49
% Chg	-	7.7%	4.7%	7.0%	4.9%	2.6%	-2.5%	10.8%	10.9%
<b>Mid-Price</b>	\$71.85	\$77.61	\$81.49	\$85.06	\$88.16	\$89.11	\$77.54	\$89.46	\$104.93
% Chg	-	8.0%	5.0%	4.4%	3.6%	1.1%	-13.0%	15.4%	17.3%
<b>Upscale</b>	\$127.71	\$134.39	\$137.88	\$140.49	\$142.66	\$143.22	\$118.80	\$126.94	\$148.55
% Chg	-	5.2%	2.6%	1.9%	1.5%	0.4%	-17.1%	6.9%	17.0%
<b>Average</b>	<b>\$86.27</b>	<b>\$92.65</b>	<b>\$96.52</b>	<b>\$100.27</b>	<b>\$103.14</b>	<b>\$104.23</b>	<b>\$85.63</b>	<b>\$96.92</b>	<b>\$113.70</b>
% Chg	-	7.4%	4.2%	3.9%	2.9%	1.1%	-17.8%	13.2%	17.3%

RevPAR									
Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Economy</b>	\$28.63	\$3,049.00	\$31.30	\$33.64	\$35.86	\$35.70	\$33.74	\$40.67	\$43.91
% Chg	-	10549.7%	-99.0%	7.5%	6.6%	-0.4%	-5.5%	20.5%	8.0%
<b>Mid-Price</b>	\$52.66	\$56.72	\$59.40	\$62.50	\$64.91	\$66.17	\$49.06	\$65.73	\$78.57
% Chg	-	7.7%	4.7%	5.2%	3.9%	1.9%	-25.9%	34.0%	19.5%
<b>Upscale</b>	\$99.49	\$105.68	\$107.86	\$110.55	\$112.17	\$112.23	\$65.45	\$91.14	\$111.22
% Chg	-	6.2%	2.1%	2.5%	1.5%	0.1%	-41.7%	39.3%	22.0%
<b>Average</b>	<b>\$66.09</b>	<b>\$71.01</b>	<b>\$73.44</b>	<b>\$76.91</b>	<b>\$78.95</b>	<b>\$79.46</b>	<b>\$52.92</b>	<b>\$71.65</b>	<b>\$85.71</b>
% Chg	-	7.4%	3.4%	4.7%	2.7%	0.6%	-33.4%	35.4%	19.6%

Source: The Highland Group

Construction and Supply Projections

Extended-stay room nights available increased 3% in March 2025 compared to March 2024. The gain is partly attributable to mid-price segment brands Water Walk by Wyndham and Executive Residency by Best Western included in the database for the first time starting in May 2024 and January 2025 respectively. March marked 42 consecutive months of 4% or less supply growth and the calendar year change in supply has ranged from

1.8% to 3.1% for the last three years. These metrics are well below the long-term average. The 10.3% increase in economy extended-stay supply and relatively small changes in mid-price and upscale segment rooms is mainly due to conversions as new construction in the economy segment is estimated at about 3% of rooms open compared to one year ago. Supply change comparisons have been impacted by re-branding moving rooms between segments in our database, de-flagging of hotels which no longer meet brand standards, as well as the sales of some hotels to multi-family apartment companies and municipalities. Conversion activity should fall over the near term and the full calendar year 2025 increase in total extended-stay supply compared to 2024 will remain well below the long-term average.

US Extended-Stay Room Nights Supply (Thousands)									
Segment	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Economy</b>	28,594	29,536	30,937	31,905	32,202	34,129	34,980	36,244	36,872
% Chg	-	3.3%	4.7%	3.1%	0.9%	6.0%	2.5%	3.6%	1.7%
<b>Mid-Price</b>	52,210	54,186	57,208	61,528	66,493	72,101	76,016	83,210	84,960
% Chg	-	3.8%	5.6%	7.6%	8.1%	8.4%	5.4%	9.5%	2.1%
<b>Upscale</b>	52,135	55,879	60,157	65,727	69,889	74,790	76,999	82,842	84,220
% Chg	-	7.2%	7.7%	9.3%	6.3%	7.0%	3.0%	7.6%	1.7%
<b>Total</b>	<b>132,939</b>	<b>139,601</b>	<b>148,302</b>	<b>159,160</b>	<b>168,584</b>	<b>181,020</b>	<b>187,995</b>	<b>202,296</b>	<b>206,052</b>
% Chg	-	5.0%	6.2%	7.3%	5.9%	7.4%	3.9%	7.6%	1.9%

Source: The Highland Group

### Demand and Revenue

The 2.1% increase in extended-stay hotel demand in March was more than double the 0.8% gain STR/CoStar reported for the total hotel industry. When the additional day last year is considered for February, monthly extended-stay hotel demand has recorded a positive change in 27 of the last 28 months. Excluding last month, which the leap year in 2024 impacted, March's 3.3% increase in extended-stay hotel room revenues was the smallest monthly gain in six months. Comparatively, however, STR/CoStar reported overall hotel industry revenues increased only 1% compared to March 2024.

### Fundamentals

The 0.9% decrease in extended-stay hotel occupancy in March was the third consecutive monthly decline. March's occupancy contraction was greater than the 0.4% occupancy loss STR/CoStar estimated for all hotels. Extended-stay hotel occupancy in March was 12.3 percentage points higher than the total hotel industry, which is consistent with the historical long-term average occupancy premium. Extended-stay hotel ADR increased for the twelfth successive month in March and the gain was well above the 0.2% increase STR/CoStar reported for the overall hotel industry. Compared to corresponding classes of all hotels, all extended-stay hotel segments posted higher ADR growth in March.

Extended-stay hotel's 0.3% RevPar increase in March was the eleventh monthly gain in the last 12 months. Although it was the smallest monthly growth in the last six months, the increase compares favorably to the 0.2% decline STR/CoStar reported for the overall hotel industry. The gain in total extended-stay hotel RevPar in March was lower than the individual segment increases because the economy segment's share of extended-stay room supply was significantly higher in March 2025 compared to March 2024.

## EXTENDED-STAY INDUSTRY OUTLOOK

In conclusion, the extended-stay hotel sector demonstrated remarkable resilience and recovery throughout the pandemic. In 2021, the number of extended-stay nights sold surpassed pre-pandemic levels, and these room nights have continued to increase since then. In 2024, the number of extended-stay nights sold increased 2.9% from the previous year, and nights sold were up 1.1% in YTD 2025; however, due to increases in supply, the extended-stay occupancy rate has softened very slightly from 76.2% in 2019 to 75.1% in 2024 (and down - 0.8% YTD 2025 from 71.5% to 70.9%).

Trends on the ADR side have been similar. The nearly 18% decline experienced in 2020 began to rebound in 2021, and by 2022, extended-stay ADR surpassed its pre-pandemic level. Although ADR growth slowed to 0.8% in 2024, it remains positive, and this positive ADR growth has continued into 2025.

As a result of these changes in extended-stay occupancy and ADR, RevPAR has experienced growth every year since its sharp decline in 2020, surpassing 2019 levels in 2022. Between 2019 and 2024, extended-stay RevPAR increased at a CAGR of 2.6%.

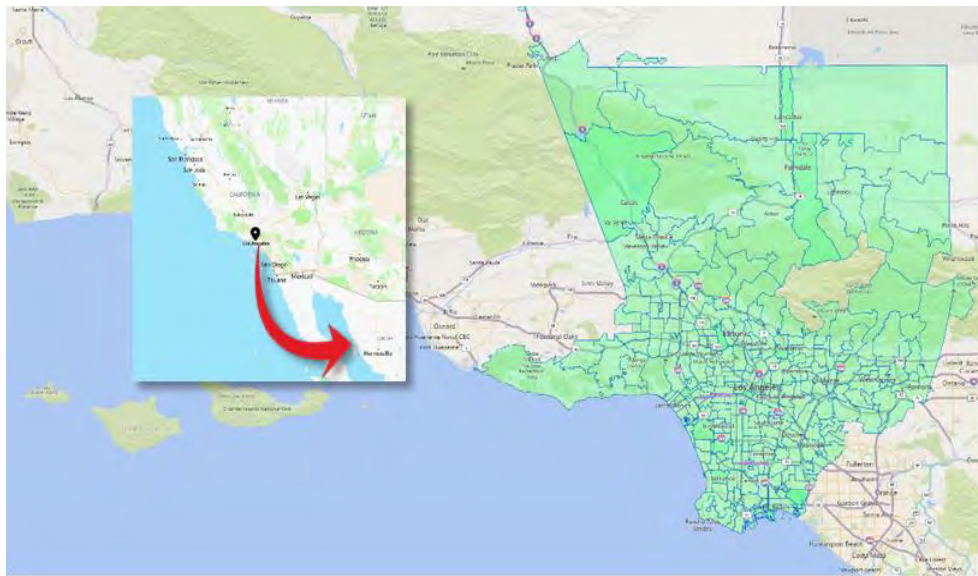
Looking forward, the extended-stay hotel industry is expected to continue to experience supply growth and evolving demand patterns, augmented by incremental ADR growth. The extended-stay RevPAR increased during Q1-2025, and this is expected to continue throughout the remainder of the year based on subset performance over the last five years. This anticipated performance underscores the segment's resilience and adaptability, positioning it as a pivotal player in the evolving hospitality landscape. As the market stabilizes and adapts to ongoing changes, extended-stay hotels are poised to continue to capitalize on their strengths and greater operating efficiencies, while maintaining a steady course of growth and innovation.

# Local Lodging Market Analysis

## LOS ANGELES, CA HOTEL MARKET OVERVIEW

The Los Angeles, CA lodging market comprises approximately 103,630 hotel rooms located primarily in Los Angeles County. The primary municipal feeder market is Los Angeles, which has a population of approximately 8.9 million with an income per capita of \$55,000 as of January 2025. This indicates that the feeder group size, which is the number of persons within a certain feeder market that are present for the sale of each room night, is 114.6 persons per sold room (PSR). This also means that the population's efficiency of selling rooms in this market is soft. Total feeder group earnings is approximately \$6.2 million for each room night that was sold in this market. Accordingly, the total market COPE (contribution to operating profit and expenses) is \$5,620.4 million, which is very strong relative to the other Top 104 markets.

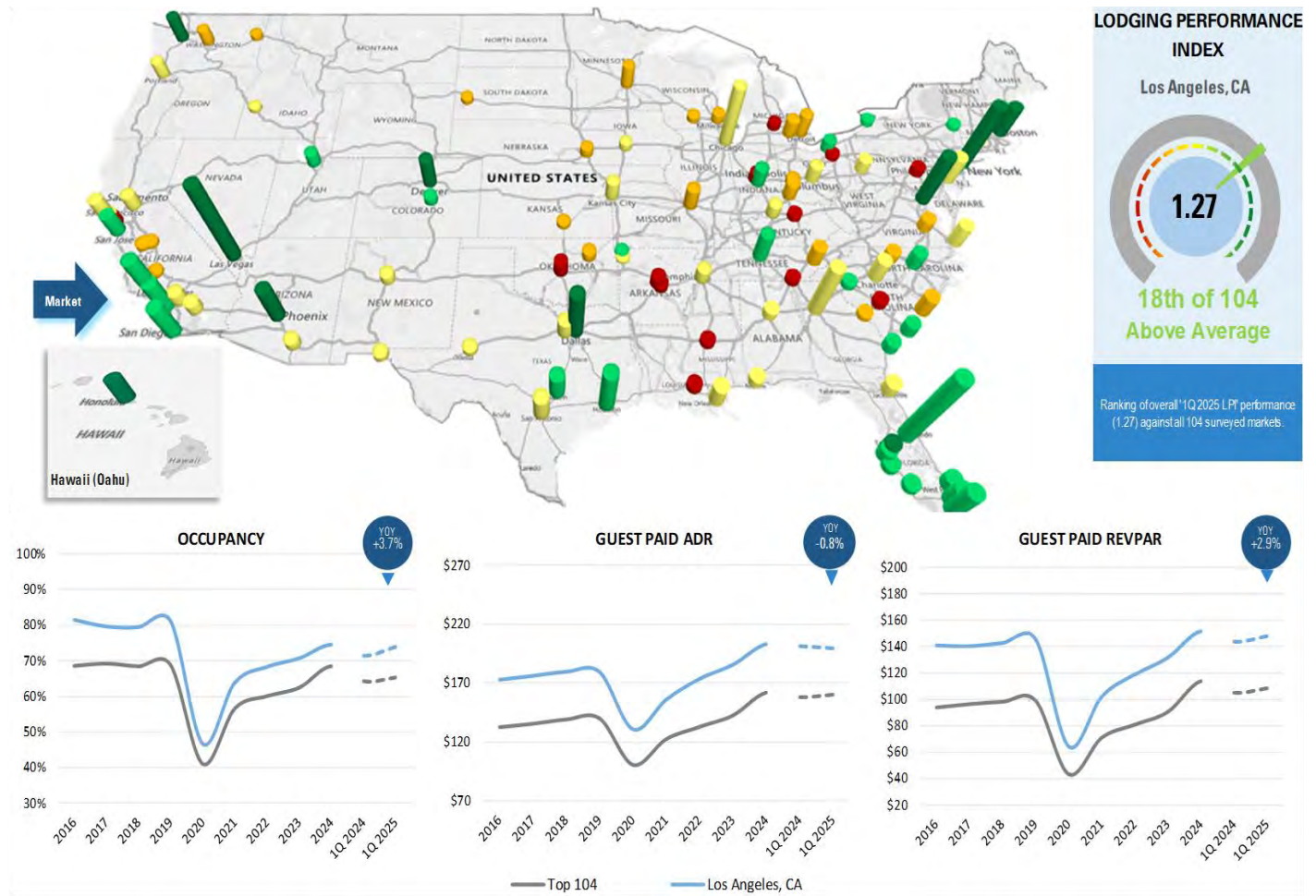
The following map defines the geographical boundaries of the Los Angeles, CA lodging market, the statistics of which are summarized in this section:



## KEY PERFORMANCE METRICS

The following graphs summarize recent key performance metrics for the local lodging market, along with comparisons and rankings of certain categories against the Top 104 markets over the past several years:

FUNDAMENTALS DASHBOARD



Source: Kalibri Labs

Los Angeles, CA is a market with above average lodging characteristics. Its lodging performance index (LPI, or the measure of a hotel market's effective overall performance using multiple key performance metrics as inputs) was 1.27 in 1Q 2025 (1.0 representing the T-104 average). As a rank, the LPI for Los Angeles, CA is 18th of 104 organized hotel markets that Newmark analyzes on a continual basis. Please see the *Glossary* for a more detailed description of LPI.

The following table summarizes the key performance metrics for the market since 2015:

KEY PERFORMANCE METRICS

YEAR ENDING	Occ %	Guest Paid ADR	RevPAR	COPE ADR	RevPAR	Booking Cost POR	ADR COPE %	Loyalty %	Avg Length of Stay Nights	Supply Rooms	Performance Index (LPI)
2016	81.4%	\$172.92	\$140.76	\$157.93	\$128.56	\$14.99	91.3%	42.4%	2.07	98,910	1.54
2017	79.6%	\$176.23	\$140.19	\$160.48	\$127.66	\$15.75	91.1%	44.4%	1.98	101,880	1.21
2018	79.4%	\$179.67	\$142.60	\$164.06	\$130.21	\$15.61	91.3%	46.6%	1.94	105,600	1.39
2019	81.0%	\$179.35	\$145.34	\$163.68	\$132.64	\$15.67	91.3%	50.6%	1.87	105,590	1.26
2020	46.7%	\$130.99	\$64.24	\$121.05	\$56.56	\$9.93	92.4%	27.7%	2.17	103,870	1.17
2021	63.9%	\$156.12	\$102.00	\$143.34	\$91.65	\$12.79	91.8%	30.9%	2.08	104,910	1.18
2022	68.3%	\$173.73	\$118.90	\$159.70	\$109.15	\$14.03	91.9%	32.3%	2.00	105,630	1.16
2023	70.7%	\$185.94	\$131.52	\$171.08	\$120.91	\$14.86	92.0%	33.4%	1.96	106,270	1.30
2024	74.6%	\$203.02	\$151.51	\$186.07	\$138.76	\$16.96	91.6%	39.0%	1.84	105,180	1.27
CAGR: 2016 thru 2024	-1.1%	2.0%	0.9%	2.1%	1.0%	1.6%	0.0%	-1.1%	-1.4%	0.8%	-2.4%
1Q 2024	71.3%	\$201.29	\$143.58	\$184.83	\$131.84	\$16.46	91.8%	38.8%	1.84	104,520	1.27
1Q 2025	74.0%	\$199.64	\$147.72	\$185.03	\$136.91	\$14.61	92.7%	41.3%	2.01	103,630	1.27

As shown in the charts below, this market's occupancy ranked 15th during 1Q 2025 and 13th during the trailing twelve-month period (74.0% and 75.2% respectively). Average guest-paid ADR ranked 15th during 1Q 2025 and 9th during T12, rendering guest-paid RevPAR of \$147.72 (14th) and \$152.55 (8th). Loyalty levels have been soft, with a highly unfavorable contribution of only 39.6% of all reservations over the T12 period. Length of stay has been below average (just 1.9 nights on average) and booking costs have been very high (\$16.49 per occupied room) over the T12 period.



In addition to these performance measures, this market's unfavorable revenue growth pattern is imbalanced with respect to T-12 loyalty contribution. Specifically, 40% of all rooms booked in this market are through loyalty programs—a pace which ranks 95th overall. As a rank, length of stay is unfavorable at 86th (1.88 nights) while booking costs were highly unfavorable at \$16.49, ranking 98th.

Key benchmark index observations are illustrated below:



### MAJOR HOTEL DEMAND GENERATORS

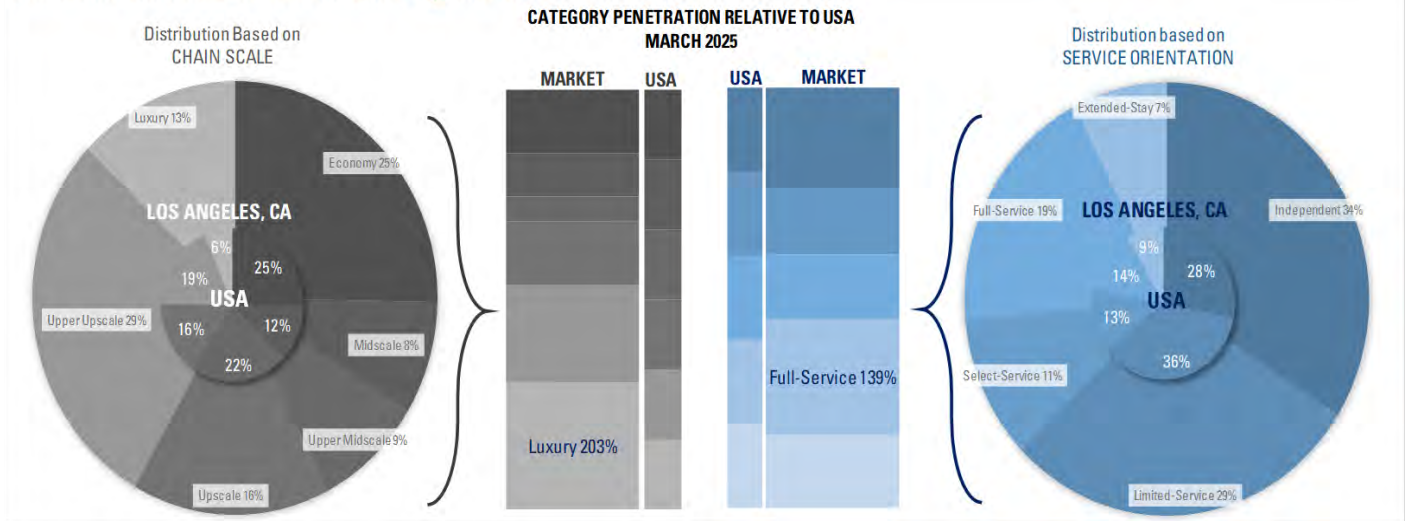
The following summarizes the largest hotel demand generators in the market.

- University of California Los Angeles
- Kaiser Permanente
- University of Southern California
- Northrop Grumman Corp.
- Providence Health Systems
- Target Brands Inc.
- The Kroger Co.
- The Boeing Co.
- The Walt Disney Co.
- Albertsons/Vons/Pavilions
- Bank of America Corp.
- Cedars-Sinai Medical Center
- NBC Universal
- AT&T
- The Home Depot U.S.A. Inc.
- Wells Fargo & Co.
- ABM Industries Inc.
- California Institute of Technology
- Wonderful Co.
- FedEx Corp.

### SCALE & SERVICE DISTRIBUTION

Most organized markets in the U.S. are host to all hotel chain scales and orientation of service. The following graphic summarizes the distribution of supply as it existed in the most recent query, both in terms of chain scale and service orientation. These metrics are furthermore compared against the current distribution status of all hotels in the U.S., both in terms of number of rooms allocated to each category, as well as the penetration level of the subject market's room count.

Scale and Service Distribution: Los Angeles, CA



As shown, Los Angeles, CA is primarily populated with upper upscale hotels (29% of the total inventory) while the rest of the U.S. is led by economy-grade hotels (25% of the national mix). The distribution of scale levels in the subject market is less evenly-distributed than the U.S. as a whole. However, the luxury class is most prominently represented with respect to overall supply penetration. Specifically, the existence of luxury-style rooms is 103% higher than the amount distributed by the U.S. in this same class category, making this market an outlier in this class category.

A different perspective of the subject market's distribution of inventory involves service orientation. Los Angeles, CA is primarily populated with full-service hotels (34% of the total inventory) while the U.S. hosts more limited-service-grade hotels (36% of the national mix). The distribution of service styles in the subject market is more evenly-distributed than the U.S. as a whole. However, the full-service service style is most prominently represented with respect to overall supply penetration. Specifically, the existence of full-service-style rooms is 39% higher than the amount distributed by the U.S. in this same service category.

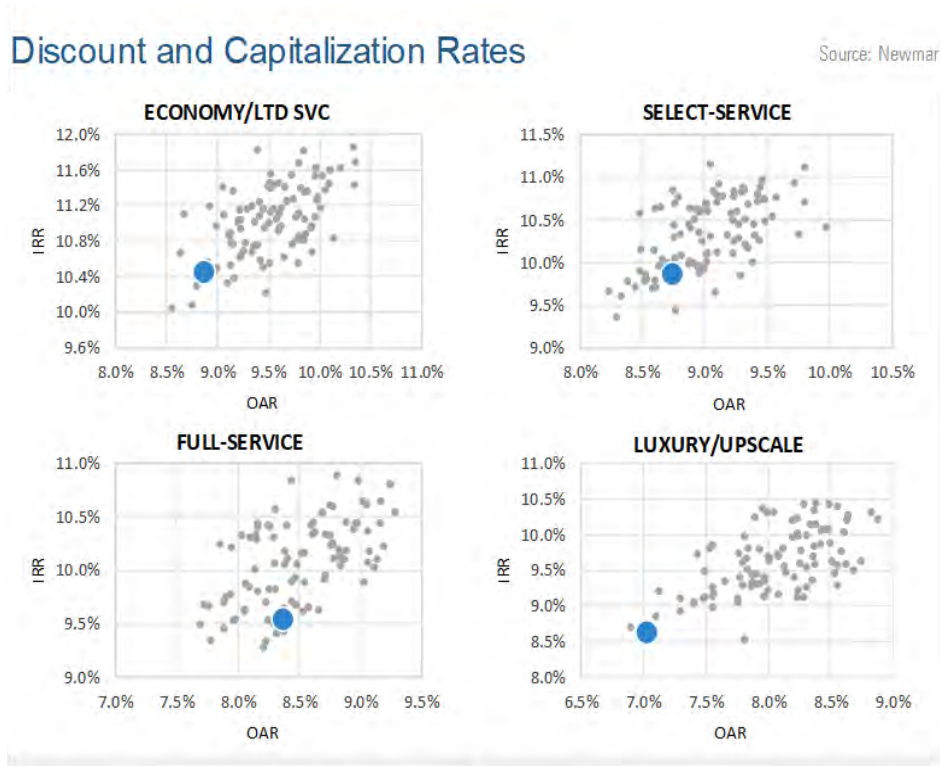
**TRENDS, RISKS & INVESTMENT RATES**

Los Angeles, CA has certain characteristics that contribute to its status as an above average hotel market. The following summarizes key performance trends in recent months:

- Revenue growth potential, which is an assessment of total revenue growth over the past three to five years against the other Top 104 markets, is below average. Specifically, it ranked 88th.
- Supplier power trend, which is an assessment of a market's ability to maximize loyalty and profits, and to ward off booking costs over the past 12 months, ranked 96th out of 104 (soft).
- Our analysis of investment yields is such that the market's investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets was strong, ranking 9th.
- Supply risk, which is an assessment of market supply growth over the past 12 months that is still in the process of absorption, ranked 70th out of 104 markets. This is below average.

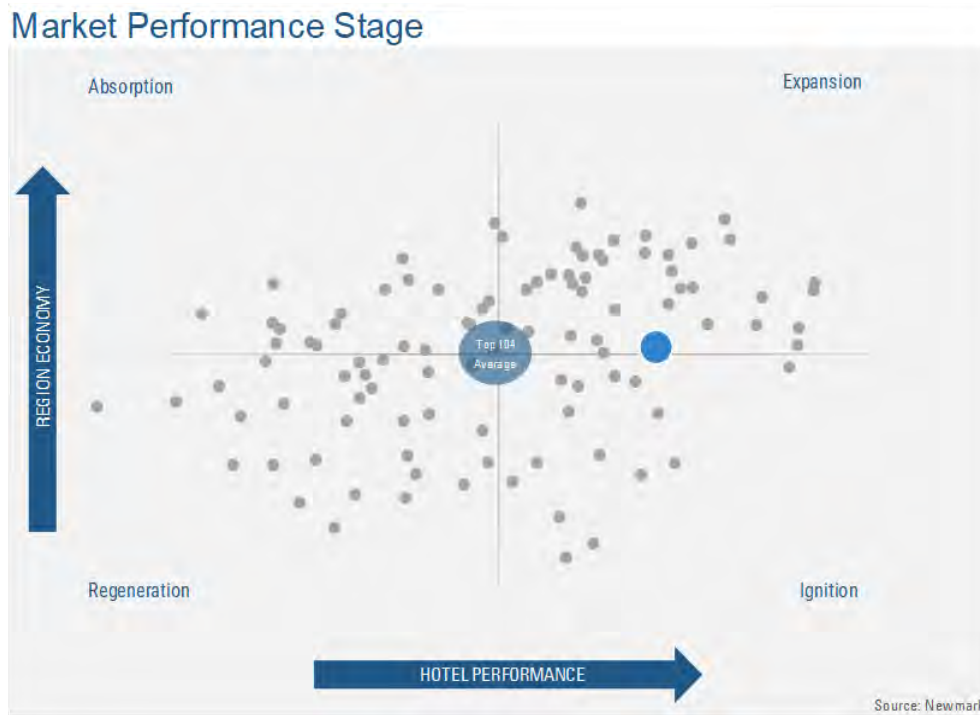
- Labor risk, which is a measure of current employment health over the past two years relative to the other markets, ranked 26th, which is above average.
- Finally, macro-fiscal risk, which is a snapshot of the health and diversity of lodging demand generators relative to the Top 104 markets, ranked 70th (below average).

As a result of these observations, it is our opinion that investment rates (once transaction volume regains pace) are favorable. The following scattergram summarizes this market's investment positions relative to the other Top 104 US hotel markets in the major hotel categories.



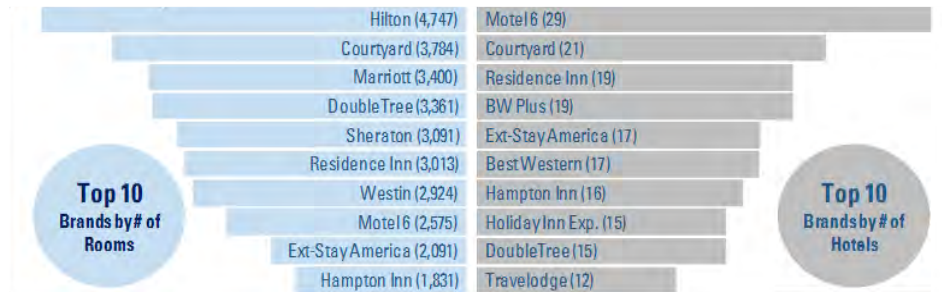
### PERFORMANCE CYCLE

The Los Angeles, CA market is currently in the 'Expansion' stage of the performance cycle. In this stage, hotels perform adequately, contributing to a resilient economy that has fully exited from the pandemic environment. Displacement demand is high, new hotel supply is feasible (despite barriers normally being high), and the overall economy is expanding. Example markets in this stage include Anaheim, CA; Atlanta, GA; and Austin, TX. The following chart illustrates this market's position in the performance matrix relative to the other 104 lodging markets:



**BRAND DISTRIBUTION**

The performance of the Los Angeles, CA lodging market is in some fashion tied to the brand diversity. As illustrated earlier, there are approximately 103,630 hotel rooms in the area, affording there to be a highly diverse array of brands. The following summarizes the top 10 brand distribution figures in this market, both in terms of number of hotel properties and number of guest units, as of 1Q 2025.



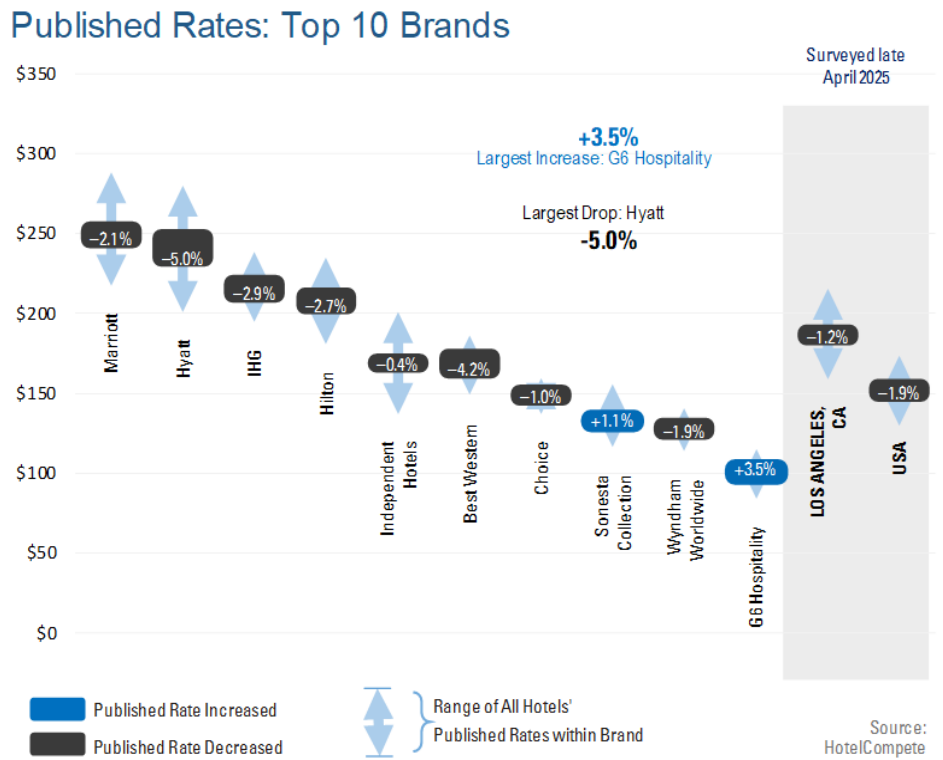
**PUBLISHED RATE ACTIVITY**

Travelers within the subject market book rooms through a variety of distribution channels. There are moderate rate variances amongst the channels with respect to free and independent travelers; however, significant variance can exist between the published rate and ultimate guest-paid rate, particularly with respect to the lead time. As the lead time increases, so does the spread between these two rates. The more published rates are manipulated by operators, the higher the rate competitiveness becomes and the longer a market could take to recover.

In Los Angeles, CA, hotel operators have made only moderate changes to its most recently-published rates, signifying stable pricing decisions which are in-line with the U.S. Specifically, the subject market published 30/3

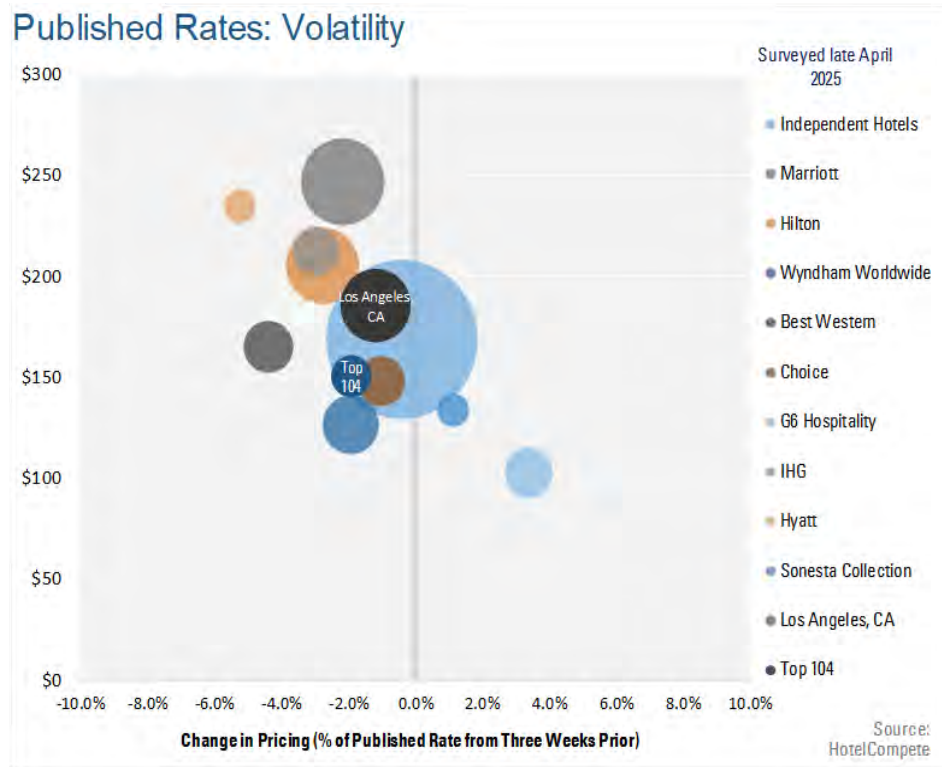
lead time rates averaging \$185.40 in late April 2025, while three weeks prior to this date the average published room rate for the same exact date range was \$187.60—a downward adjustment of -1.2% over this time period.

The following table summarizes published rate activity for the top 10 brands in the Los Angeles, CA market. The center bars mark the aggregate change in 30/3 published rate activity compared to the rates offered for the same date range three weeks earlier. The arrows indicate the full range offered by all hotels in the denoted brand.



As shown, each brand displays a unique range of published rates and spreads. As the market navigates economic volatility in the U.S., we anticipate that the rate adjustments will become more pronounced for the higher rated brands (i.e. Marriott and Hyatt) as the market becomes less rate sensitive, and the trendline for these published rates becomes steeper from these higher-rated brands and the lower ones (i.e. Wyndham Worldwide and G6 Hospitality).

For additional context, the following scattergram illustrates these brands' sizes, average room rate levels, and rate of published rate volatility during the 3/30 time period:

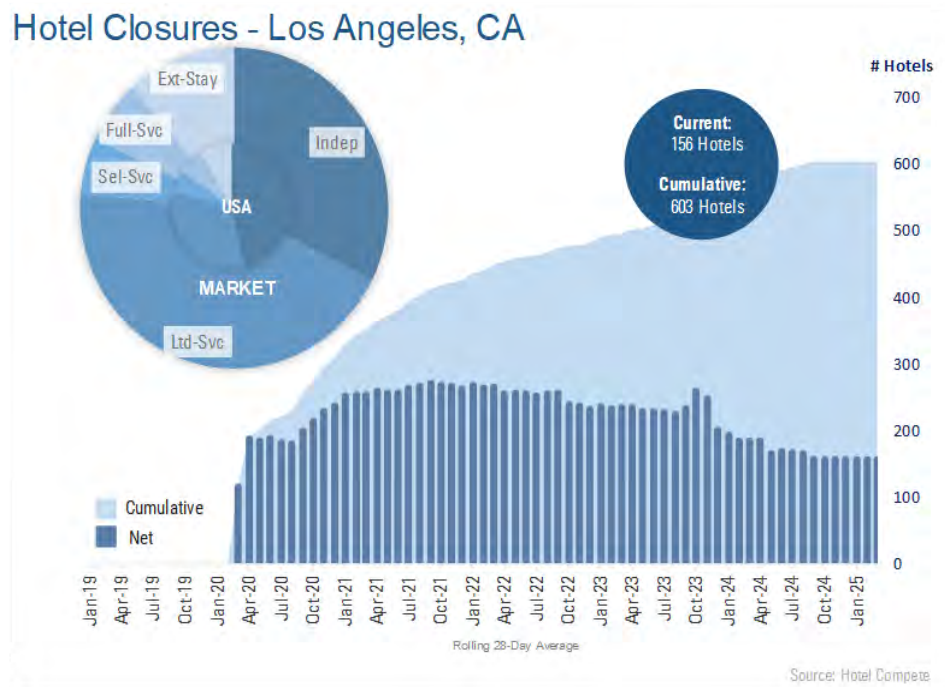


### NET HOTEL CLOSURES

As discussed, the pandemic prompted several thousand lodging facilities to temporarily shutter in 2020 and 2021. The highest velocity of closures in the United States occurred in the last week of May 2020. Since this time, the vast majority of hotels that were once closed have reopened.

As shown in the following graph, net closures in the Los Angeles, CA market reached peak velocity on about December 1st, plateauing shortly thereafter. The maximum number of hotels closed in this market was 271 and the approximate number of hotels most recently closed (as of March 1, 2025) was 156. Overall, a total of 603 hotels were closed at one point since the beginning of the pandemic.

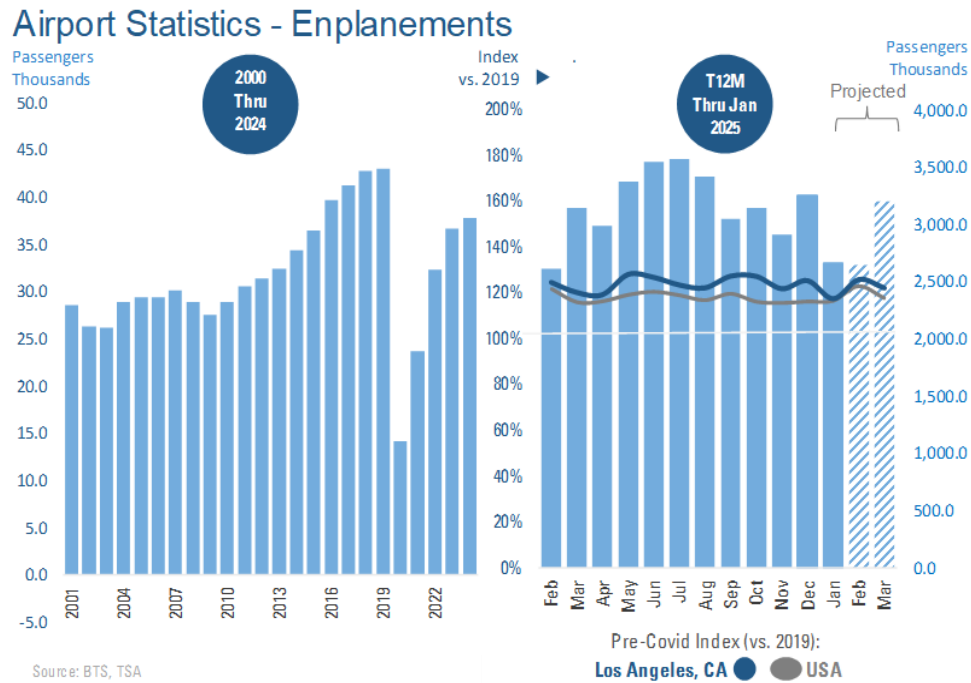
Looking back over the past few weeks, the velocity of hotels reopening (the inverse of net closings) appears to be behind that of the nation, according to Hotel Compete. The following graph summarizes the mix of currently closed hotel properties relative to that of the nation.



### LOCAL AIRPORT STATISTICS

According to the Bureau of Transportation Statistics and the Travel Security Administration, total travel in the Los Angeles, CA area (enplanements for all locally-generated flights), increased by 26.2 million total passengers between 1990 and 2020. Compounded average growth over this time period was 5.1%.

In mid-2020, air travel declined precipitously due to the pandemic crisis and by late 2020, air traffic began to recover. The following chart summarizes historical long-term growth in passenger enplanement counts as well as annual changes over the past 12 months.



## CONCLUSION

Overall, the Los Angeles, CA lodging market is above average relative to the Top 104 US markets tracked by Newmark. The expectation of sustained rooms revenue growth over the long term is favorable. As this market progresses through its recovery curve, investors will keep track of potential risks, such as T12-Month COPE ADR Percentage, T12-Month Booking Costs POR, and Short-Term Historical Guest Paid ADR Growth. However, OAR: Luxury/Upscale, Total Rooms Supply, and Short-Term Historical Booking Costs POR Growth are positive characteristics that will help in the healing process.

# Supply & Demand Analysis

## **CURRENT COMPETITIVE SUPPLY**

The following table summarizes the physical characteristics of the subject hotel and its competitors. The information is estimated based on data obtained from third-party sources, as well as our understanding of competitive forces at each brand and type. Due to the proprietary nature of this sort of information, it cannot be positively confirmed with source documentation. Additionally, we were not provided with any source information regarding the subject property's historical occupancy and average rate performance. We were provided with historical occupancy tax information by our client. This information was provided on a fiscal quarterly basis for the past three years and year-to-date. We have reorganized this data into a calendar format to the extent we could and have included it in this report in this manner. It should also be noted that the occupancy tax information is based only on taxable revenue. Since stays that last more than 60 days are not taxed and the subject property is an extended stay hotel, this could have an impact on the data used.

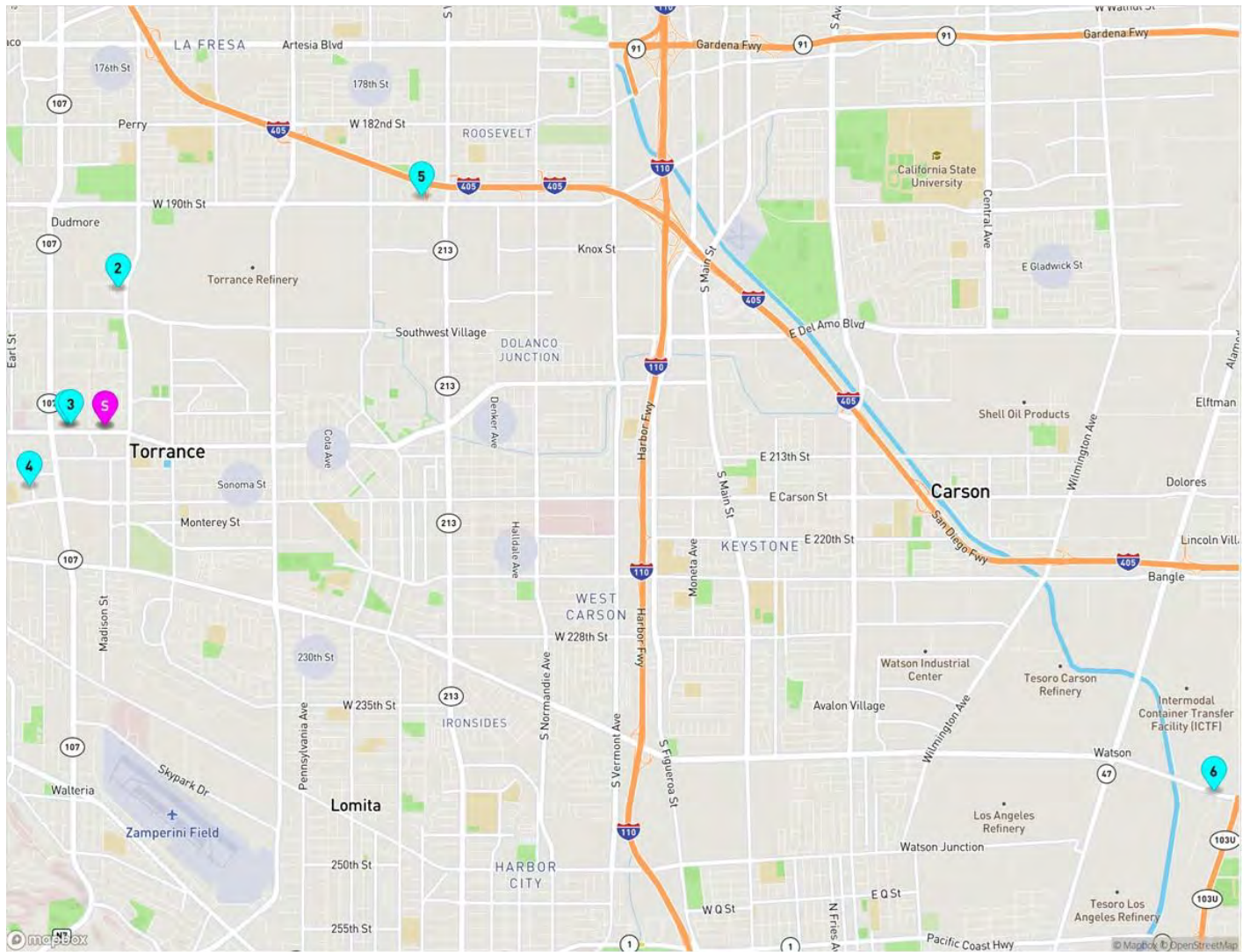
The competitive set was selected based on discussions with management and ownership, as well as our knowledge of the local market.

## COMPETITIVE PROPERTY FACILITIES OVERVIEW

### General Property Information

Property Name / Address	Number of Rooms	Year Opened	Competitor Type	Meeting Space (Total SF)	Meeting Space (Per Room)
<b>Extended Stay America Los Angeles -Torrance E</b> 3525 Torrance Boulevard, Torrance, CA	122	1997	-	0	0.0
<b>Residence Inn Los Angeles Torrance Redondo B</b> 3701 Torrance Boulevard, Torrance, CA	248	1984	Primary	4,700	19.0
<b>Sonesta ES Suites Torrance Redondo Beach</b> 19901 Prairie Avenue, Torrance, CA	144	1990	Primary	2,053	14.3
<b>Howard Johnson by Wyndham Torrance</b> 3673 Torrance Boulevard, Torrance, CA	55	1990	Primary	5,063	92.1
<b>Extended Stay America Los Angeles - Torrance</b> 3995 West Carson Street, Torrance, CA	139	1999	Primary	16,188	116.5
<b>Sonesta Select Los Angeles Torrance South Bay</b> 1925 West 190th Street, Torrance, CA	151	1990	Primary	6,085	40.3
<b>Courtyard Los Angeles Torrance Palos Verdes</b> 2633 West Sepulveda Boulevard, Torrance, CA	149	1988	Primary	2,297	15.4

MAP OF COMPETITIVE PROPERTIES



COMPETITION MAP KEY

Property Name	Location	Pin No.	Distance	Latitude, Longitude
Extended Stay America Los Angeles -Torrance Bl	Torrance, CA	S	-	33.838329,-118.347597
Residence Inn Los Angeles Torrance Redondo B	Torrance, CA	1	0.2 miles northwest	33.8392517,-118.3513213
Sonesta ES Suites Torrance Redondo Beach	Torrance, CA	2	0.9 miles north	33.850694,-118.3460817
Howard Johnson by Wyndham Torrance	Torrance, CA	3	0.2 miles west	33.8382766,-118.3513677
Extended Stay America Los Angeles - Torrance -	Torrance, CA	4	0.6 miles southwest	33.8325512,-118.3559752
Sonesta Select Los Angeles Torrance South Bay	Torrance, CA	5	2.5 miles northeast	33.8590628,-118.3120777
Courtyard Los Angeles Torrance Palos Verdes	Torrance, CA	6	1.3 miles southeast	33.823517,-118.3322633

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COMPETITIVE PROPERTIES - OPERATIONAL ANALYSIS

Property Name	Number of Rooms	Competitive Quotient	Primary/Secondary	Estimated 2022				Estimated 2023				Estimated 2024			
				Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
				Extended Stay America Los Angeles -Torrance Blvd	122	100%	-	122	70%	\$70.00	\$49.00	122	70%	\$75.00	\$52.50
Residence Inn Los Angeles Torrance Redondo Beach	248	100%	Primary	248	80-85%	185-190	155-160	248	80-85%	190-195	155-160	248	80-85%	195-200	160-165
Sonesta ES Suites Torrance Redondo Beach	144	100%	Primary	144	75-80%	140-145	105-110	144	70-75%	145-150	105-110	144	75-80%	130-135	100-105
Howard Johnson by Wyndham Torrance	55	100%	Primary	55	85-90%	115-120	105-110	55	85-90%	120-125	105-110	55	85-90%	110-115	95-100
Extended Stay America Los Angeles - Torrance - Del Amo Circle	139	100%	Primary	139	75-80%	70-75	50-55	139	70-75%	70-75	50-55	139	60-65%	65-70	40-45
Sonesta Select Los Angeles Torrance South Bay	151	100%	Primary	151	75-80%	115-120	90-95	151	80-85%	120-125	95-100	151	80-85%	110-115	85-90
Courtyard Los Angeles Torrance Palos Verdes	149	100%	Primary	149	95-100%	180-185	175-180	149	90-95%	185-190	170-175	149	90-95%	175-180	160-165
<b>Total/Average Including Subject</b>	<b>1,008</b>			<b>1,008</b>	<b>81%</b>	<b>\$139</b>	<b>\$112</b>	<b>1,008</b>	<b>80%</b>	<b>\$142</b>	<b>\$114</b>	<b>1,008</b>	<b>77%</b>	<b>\$138</b>	<b>\$107</b>
<b>Total/Average Excluding Subject</b>	<b>886</b>			<b>886</b>	<b>82%</b>	<b>\$147</b>	<b>\$121</b>	<b>886</b>	<b>82%</b>	<b>\$150</b>	<b>\$123</b>	<b>886</b>	<b>79%</b>	<b>\$146</b>	<b>\$116</b>

COMPETITIVE PROPERTIES - PENETRATION ANALYSIS

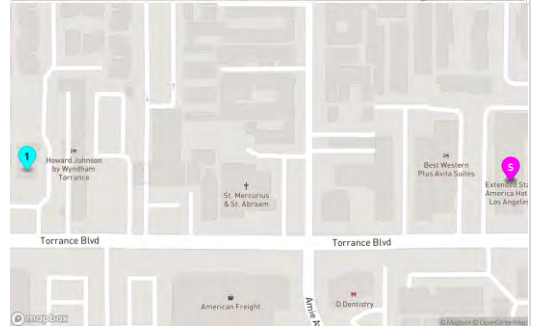
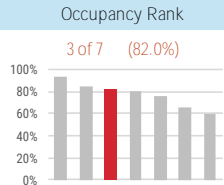
Property Name	Estimated Room Nights Sold			Penetration Indices 2022				Penetration Indices 2023				Penetration Indices 2024			
	2022	2023	2024	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
	Extended Stay America Los Angeles -Torrance Blvd	31,171	31,171	28,945	122	86.7%	50.3%	43.6%	122	87.1%	52.8%	46.0%	122	84.0%	50.6%
Residence Inn Los Angeles Torrance Redondo Beach	74,226	75,132	74,226	248	101.6%	135.9%	138.1%	248	103.3%	135.1%	139.6%	248	105.9%	140.8%	149.2%
Sonesta ES Suites Torrance Redondo Beach	39,420	38,894	39,420	144	92.9%	102.8%	95.5%	144	92.1%	102.1%	94.0%	144	96.9%	96.1%	93.1%
Howard Johnson by Wyndham Torrance	17,867	17,666	17,064	55	110.2%	85.6%	94.3%	55	109.5%	84.5%	92.5%	55	109.8%	80.9%	88.8%
Extended Stay America Los Angeles - Torrance - Del Amo Circle	38,051	37,037	30,441	139	92.9%	50.3%	46.8%	139	90.8%	51.4%	46.7%	139	77.5%	49.1%	38.1%
Sonesta Select Los Angeles Torrance South Bay	42,990	45,194	44,092	151	96.6%	84.9%	82.0%	151	102.0%	84.5%	86.2%	151	103.4%	79.5%	82.1%
Courtyard Los Angeles Torrance Palos Verdes	53,297	50,578	50,578	149	121.4%	129.4%	157.1%	149	115.7%	130.2%	150.7%	149	120.2%	126.4%	151.9%
<b>Total/Average</b>	<b>297,022</b>	<b>295,672</b>	<b>284,766</b>	<b>1,008</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1,008</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1,008</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**NEWMARK VALUATION & ADVISORY**

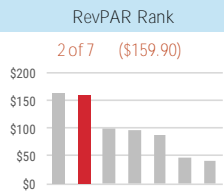
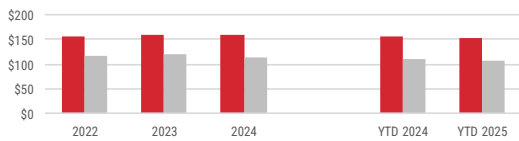
**Residence Inn Los Angeles Torrance Redondo Beach**

PHYSICAL INFORMATION	
<b>Address</b>	3701 Torrance Boulevard Torrance, CA, 90503
<b>Year Built</b>	1984
<b>Room Count</b>	248
<b>Competitiveness</b>	100.0% (Primary)
<b>Competitive Room Count</b>	248
<b>Meeting Space</b>	4,700 square feet
<b>Umbrella Brand</b>	Residence Inn
<b>Brand Orientation</b>	Extended-Stay
<b>Published Post-COVID Rate</b>	\$118.00
<b>Distance from Subject</b>	0.2 miles north west

**2024 PERFORMANCE RANK**



**REVPAR PERFORMANCE (VS. MARKET)**



**SEGMENTATION**



- Commercial
- Group
- Leisure
- Extended-Stay

**COMPETITOR ANALYSIS**

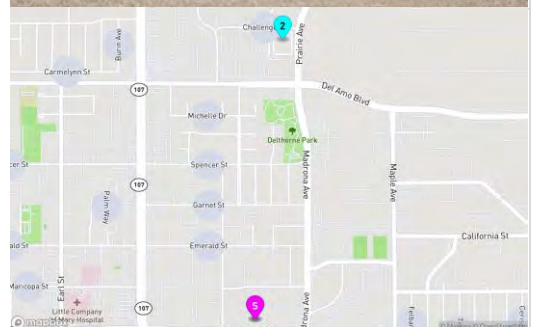
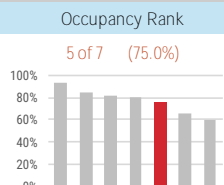
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Features include 2 floors. Considering this property's estimated market mix, location, service orientation, rate structure and condition, this property has an overall competitive quotient of approximately 100% (248 competitive rooms). The occupancy and ADR penetration indices during the base year were 106 and 141, respectively. With a Base Year segment index of 199%, this property competes most favorably within the Extended-Stay segment. This property is managed by Marriott International and owned by BRE Hotels & Resorts LLC.

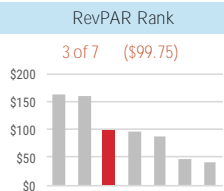
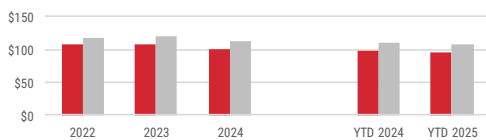
**Sonesta ES Suites Torrance Redondo Beach**

PHYSICAL INFORMATION	
<b>Address</b>	19901 Prairie Avenue Torrance, CA, 90503
<b>Year Built</b>	1990
<b>Room Count</b>	144
<b>Competitiveness</b>	100.0% (Primary)
<b>Competitive Room Count</b>	144
<b>Meeting Space</b>	2,053 square feet
<b>Umbrella Brand</b>	Sonesta
<b>Brand Orientation</b>	Limited-Service
<b>Published Post-COVID Rate</b>	\$98.00
<b>Distance from Subject</b>	0.9 miles north

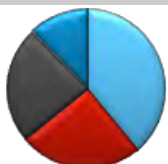
**2024 PERFORMANCE RANK**



**REVPAR PERFORMANCE (VS. MARKET)**



**SEGMENTATION**



- Commercial
- Group
- Leisure
- Extended-Stay

**COMPETITOR ANALYSIS**

The property features 2 floors. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 100%, rendering a weighted competitive unit count of 144 rooms. The occupancy and ADR penetration indices during the base year were 97 and 96, respectively. With a Base Year segment index of 156%, this property competes most favorably within the Group segment. This property is managed by Sonesta International Hotels Corp and owned by Service Properties Trust.

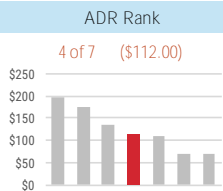
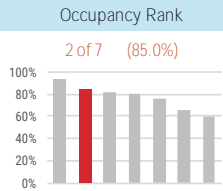
**NEWMARK VALUATION & ADVISORY**

**Howard Johnson by Wyndham Torrance**

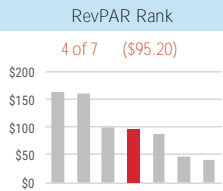
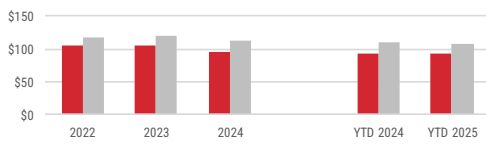
**PHYSICAL INFORMATION**

<b>Address</b>	3673 Torrance Boulevard Torrance, CA, 90503
<b>Year Built</b>	1990
<b>Room Count</b>	55
<b>Competitiveness</b>	100.0% (Primary)
<b>Competitive Room Count</b>	55
<b>Meeting Space</b>	5,063 square feet
<b>Umbrella Brand</b>	Howard Johnson
<b>Brand Orientation</b>	Select-Service
<b>Published Post-COVID Rate</b>	\$119.00
<b>Distance from Subject</b>	0.2 miles west

**2024 PERFORMANCE RANK**



**REVPAR PERFORMANCE (VS. MARKET)**



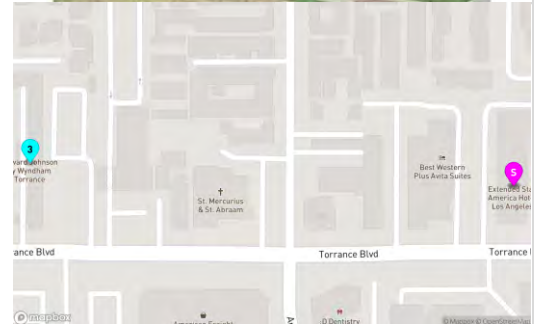
**SEGMENTATION**



- Commercial
- Group
- Leisure
- Extended-Stay

**COMPETITOR ANALYSIS**

Features include focused food & beverage service and 2 floors. Considering this property's estimated market mix, location, service orientation, rate structure and condition, this property has an overall competitive quotient of approximately 100% (55 competitive rooms). The occupancy and ADR penetration indices during the base year were 110 and 81, respectively. With a Base Year segment index of 166%, this property competes most favorably within the Leisure segment. This property is owned by Aria Shafiee & Mohamad Pournamdari.



## NEWMARK VALUATION & ADVISORY

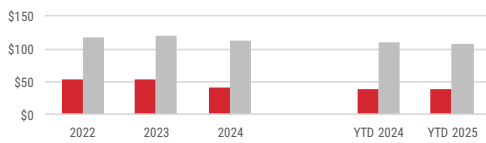
### Extended Stay America Los Angeles - Torrance - Del Amo Circle

#### PHYSICAL INFORMATION

**Address** 3995 West Carson Street  
Torrance, CA, 90503

**Year Built** 1999  
**Room Count** 139  
**Competitiveness** 100.0% (Primary)  
**Competitive Room Count** 139  
**Meeting Space** 16,188 square feet  
**Umbrella Brand** Extended Stay America  
**Brand Orientation** Extended-Stay  
**Published Post-COVID Rate** \$84.00  
**Distance from Subject** 0.6 miles south west

#### REVPAR PERFORMANCE (VS. MARKET)



#### SEGMENTATION

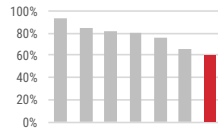


- Commercial
- Group
- Leisure
- Extended-Stay

#### 2024 PERFORMANCE RANK

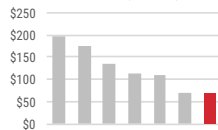
Occupancy Rank

7 of 7 (60.0%)



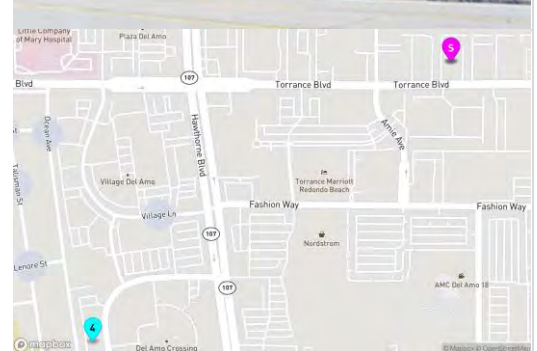
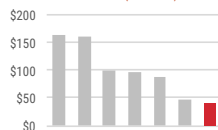
ADR Rank

7 of 7 (\$68.00)



RevPAR Rank

7 of 7 (\$40.80)



#### COMPETITOR ANALYSIS

The property features 3 floors and indoor corridors. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 100%, rendering a weighted competitive unit count of 139 rooms. The occupancy and ADR penetration indices during the base year were 78 and 49, respectively. With a Base Year segment index of 139%, this property competes most favorably within the Extended-Stay segment. This property is owned by Extended Stay America.

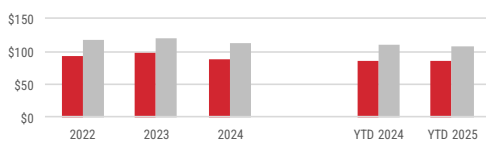
### Sonesta Select Los Angeles Torrance South Bay

#### PHYSICAL INFORMATION

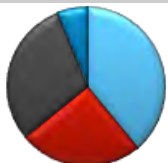
**Address** 1925 West 190th Street  
Torrance, CA, 90504

**Year Built** 1990  
**Room Count** 151  
**Competitiveness** 100.0% (Primary)  
**Competitive Room Count** 151  
**Meeting Space** 6,085 square feet  
**Umbrella Brand** Sonesta  
**Brand Orientation** Limited-Service  
**Published Post-COVID Rate** \$142.00  
**Distance from Subject** 2.5 miles northeast

#### REVPAR PERFORMANCE (VS. MARKET)



#### SEGMENTATION

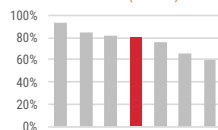


- Commercial
- Group
- Leisure
- Extended-Stay

#### 2024 PERFORMANCE RANK

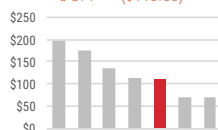
Occupancy Rank

4 of 7 (80.0%)



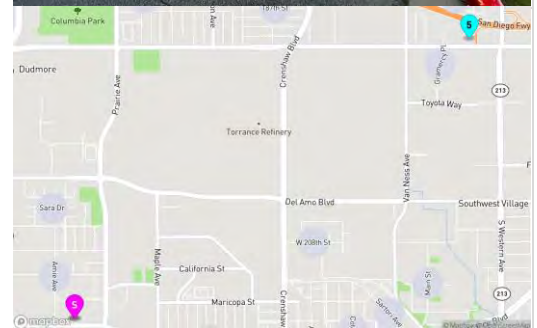
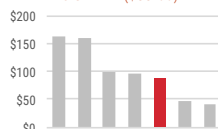
ADR Rank

5 of 7 (\$110.00)



RevPAR Rank

5 of 7 (\$88.00)



#### COMPETITOR ANALYSIS

Features include 4 floors and indoor corridors. Considering this property's estimated market mix, location, service orientation, rate structure and condition, this property has an overall competitive quotient of approximately 100% (151 competitive rooms). The occupancy and ADR penetration indices during the base year were 103 and 79, respectively. With a Base Year segment index of 166%, this property competes most favorably within the Group segment. This property is managed by Sonesta International Hotels Corp and owned by Service Properties Trust.

**NEWMARK VALUATION & ADVISORY**

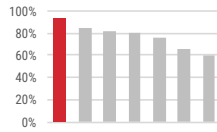
**Courtyard Los Angeles Torrance Palos Verdes**

PHYSICAL INFORMATION	
<b>Address</b>	2633 West Sepulveda Boulevard Torrance, CA, 90505
<b>Year Built</b>	1988
<b>Room Count</b>	149
<b>Competitiveness</b>	100.0% (Primary)
<b>Competitive Room Count</b>	149
<b>Meeting Space</b>	2,297 square feet
<b>Umbrella Brand</b>	Courtyard
<b>Brand Orientation</b>	Select-Service
<b>Published Post-COVID Rate</b>	\$217.00
<b>Distance from Subject</b>	1.3 miles southeast

**2024 PERFORMANCE RANK**

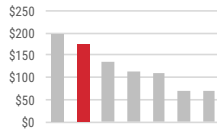
**Occupancy Rank**

1 of 7 (93.0%)



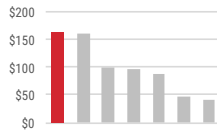
**ADR Rank**

2 of 7 (\$175.00)

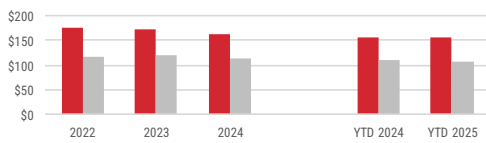


**RevPAR Rank**

1 of 7 (\$162.75)



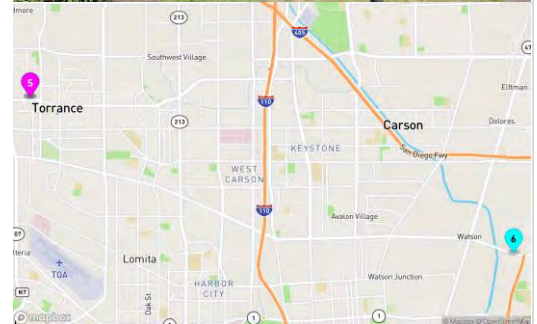
**REVPAR PERFORMANCE (VS. MARKET)**



**SEGMENTATION**



- Commercial
- Group
- Leisure
- Extended-Stay



**COMPETITOR ANALYSIS**

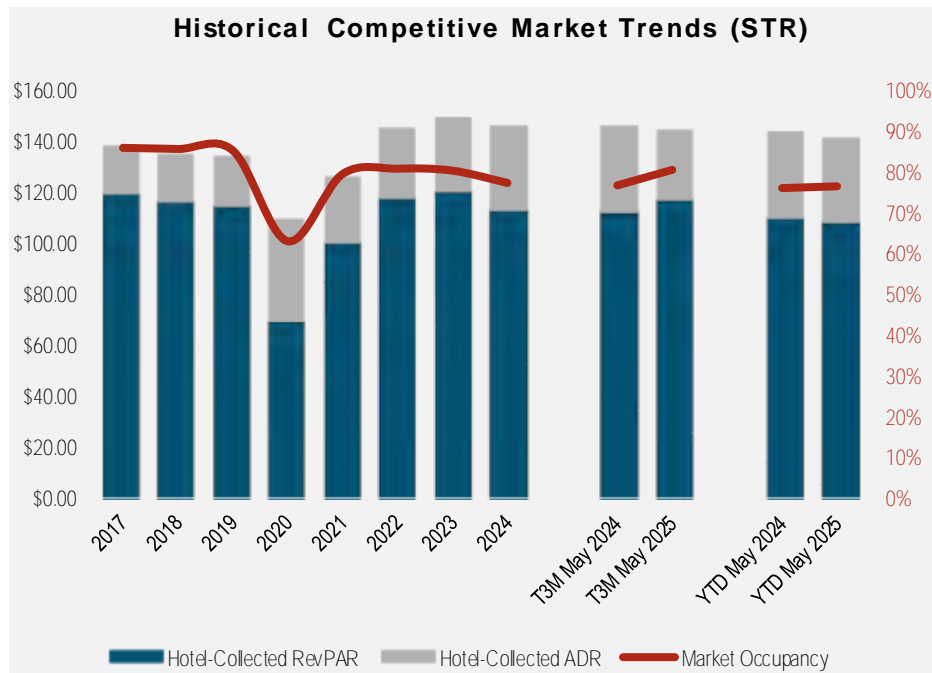
Features include focused food & beverage service, 3 floors and indoor corridors. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 100%, rendering a weighted competitive unit count of 149 rooms. The occupancy and ADR penetration indices during the base year were 120 and 126, respectively. With a Base Year segment index of 196%, this property competes most favorably within the Leisure segment. This property is managed by Marriott International and owned by Clarion Partners.

### HISTORICAL PERFORMANCE: SELECTED COMPETITORS

The aggregated operating data for the competitive set is presented in the following table. Please note that the competitors in the report are generally similar to what is reported by the management of the subject hotel; however, not all hotels that report to STR do so consistently and timely creating potential for some discrepancies within the data (particularly during COVID-19 as some properties may have temporarily closed).

HISTORICAL COMPETITIVE MARKET TRENDS (DATA INCLUDES SUBJECT PROPERTY)											
Year	Number of Rooms	Total Market Supply	% Change	Total Market Demand	% Change	Market Occupancy	% Change	Hotel-Collected ADR	% Change	Hotel-Collected RevPAR	% Change
2017	1,003	366,095	-	315,019	-	86.0%	-	\$138.06	-	\$118.80	-
2018	1,006	367,195	0.3%	314,966	0.0%	85.8%	-0.3%	\$134.89	-2.3%	\$115.70	-2.6%
2019	1,007	367,555	0.1%	313,850	-0.4%	85.4%	-0.5%	\$133.95	-0.7%	\$114.37	-1.1%
2020	1,007	367,555	0.0%	231,893	-26.1%	63.1%	-26.1%	\$109.36	-18.4%	\$69.00	-39.7%
2021	1,007	367,555	0.0%	292,702	26.2%	79.6%	26.2%	\$125.61	14.9%	\$100.03	45.0%
2022	1,007	367,555	0.0%	297,490	1.6%	80.9%	1.6%	\$144.48	15.0%	\$116.94	16.9%
2023	1,007	367,555	0.0%	295,681	-0.6%	80.4%	-0.6%	\$149.16	3.2%	\$119.99	2.6%
2024	1,007	367,555	0.0%	284,535	-3.8%	77.4%	-3.8%	\$145.54	-2.4%	\$112.66	-6.1%
<b>CAGR:</b>			<b>0.1%</b>		<b>-1.4%</b>		<b>-1.5%</b>		<b>0.8%</b>		<b>-0.8%</b>
T3M May 2024	1,007	92,644	-	71,173	-	76.8%	-	\$145.81	-	\$112.02	-
T3M May 2025	1,007	92,705	0.1%	74,764	5.0%	80.6%	5.0%	\$144.29	-1.0%	\$116.36	3.9%
YTD May 2024	1,007	152,057	-	115,808	-	76.2%	-	\$143.66	-	\$109.41	-
YTD May 2025	1,007	152,118	0.0%	116,509	0.6%	76.6%	0.6%	\$141.07	-1.8%	\$108.05	-1.2%
T12 May 2025	1,007	367,616	0.0%	285,236	0.2%	77.6%	0.2%	\$142.95	-1.8%	\$110.92	-1.6%

Source: STR, Inc.



### Summary of Market Trends

- The subject market has historically been a high occupancy and low rate market, however post pandemic, area managers began to transform the market by weeding out most of the lower rated demand, which was primarily contract demand coming from the LAX market. While occupancy suffered due to this strategy, rate improved. It should also be noted that most of the managers we spoke with mentioned that the movement out of contract demand was not necessarily a conscious choice. Apparently, hotels in Torrance were being pressured by their contract partners to drop rates in order to match hotels located closer to LAX. While the above data shows that marketwide RevPAR recovered fully in 2023, 2024 saw a regression in performance due to several factors that negatively impacted the entirety of the Los Angeles hotel market. Specifically, bad weather in the first quarter and lingering effects of the entertainment industry strikes that were not settled until late 2023 caused occupancy and average rate to fall in most markets throughout the area. While most managers we spoke with believe the change in strategy was the right thing to do, they may have gone a little too far as revenge travel may have played more of a roll in the market's rise post pandemic than they originally thought. Year-to-date, the market has shown continued weakness, but this is due primarily to more unusual impacts to the entire Los Angeles market. As is well known, significant fires throughout Los Angeles in the January and February of 2025 again negatively impacted the Los Angeles market. However, the subject market performance has improved over the past three months as occupancy has again reached the 80% level as managers continued to discount rates. Overall, the market appears to be on the road to another recovery, but economic headwinds could derail the recent performance going forward. Most market participants are cautiously optimistic for the remainder of the year, but if summer tourism is negatively impacted by the current wars in Europe and the Middle East and continued trade drama the recent market strength could be wiped out completely. Overall, summer performance will dictate how the year ends.

### ADDITIONS TO SUPPLY

During the course of our research, we have not identified any proposed hotels or properties that are currently under development that would be directly competitive with the subject.

While the potential for new hotel inventory has been considered as a part of the market research and reasonable efforts were made to determine which new properties might be added to the market, it is important to note that it is not possible to ascertain every property that might be developed in the future. The impact that any new supply additions could have on the operational performance of existing properties and/or the subject property is very difficult to judge. As such, the characteristics of the local market and the potential for unexpected inventory additions within the market are both considered in the selection of the stabilized occupancy rate and appropriate investment parameters.

### ANALYSIS OF DEMAND

The total room demand within the competitive set is comprised of the total number of rooms occupied by all demand segments during a full year. Operators within this market recognize multiple main demand segments;

the distribution of accommodated hotel room night demand for the competitive set in aggregate is delineated into the following market segments:

- Commercial
- Group
- Leisure
- Extended-Stay

The subject has historically been most competitive in the Extended-Stay segment as it was purpose built for his task. Other extended-stay hotels also exist within the market, but they are at a higher quality level than the subject. However there is one other economy extended-stay hotel in the set which happens to be another Extended-Stay America property.

The primary segments are discussed in the following paragraphs along with our projections of future growth rates for the market as a whole.

**Commercial Demand**

The following includes a list of major commercial-oriented demand generators in the subject’s market:

COMMERCIAL DEMAND GENERATORS	
ACT-1 Personnel Services	Pelican Products
Adia	Phenomenex
American Honda Finance Corporation	Rapiscan Systems
El Camino College	Robinson Helicopter
Huck International Incorporated	Torrance Memorial Medical Center
JTB USA	Toyota Financial Svc
Mercury Air Group	US FrontLine
Nissin International Transport U.S.A.	Motorcar Parts of America

**Group Demand**

This segment includes both corporate and social groups (such as weddings, family gatherings, sports teams and religious gatherings). While the corporate group demand occurs typically midweek, the social group demand mostly occurs on the weekends. The following table illustrates our growth rate assumptions.

GROUP SEGMENT GROWTH RATES						
	2024	2025	2026	2027	2028	2029
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	44,346	45,012	45,687	46,144	46,605	47,071

**Leisure Demand**

In the Torrance area, travelers visiting area attractions and friends and relatives of local residents comprise much of the leisure demand. The following summarizes some of the major leisure demand generators in the market:

**LEISURE DEMAND GENERATORS**

Aquarium of the Pacific	Mitsuwa Marketplace - Torrance Del Amo
Bowlero Torrance	South Coast Botanic Garden
Charles H. Wilson Park	Street Faire Antiques
Del Amo Fashion Center	Torrance Certified Farmers' Market
Delthorne Park	Torrance Cultural Arts Center
Los Arboles Rocketship Park	Torrance Promenade
Madrona Marsh Preserve and Nature Center	Venice Canals
Miramar Park	Western Museum of Flight

**Extended-Stay Demand**

Based on our research, Supply, demand, room revenue, ADR and RevPar performance metrics compared to March 2024 were better for extended-stay hotels than the overall hotel industry. Extended-stay hotel occupancy reported a larger contraction but the premium the segment achieves compared to the total hotel industry stayed within its long-term average range. Although metrics in March were relatively good, like the overall hotel industry, a decelerating trend in extended-stay hotel performance metrics appears to be emerging.

**Market Demand Growth**

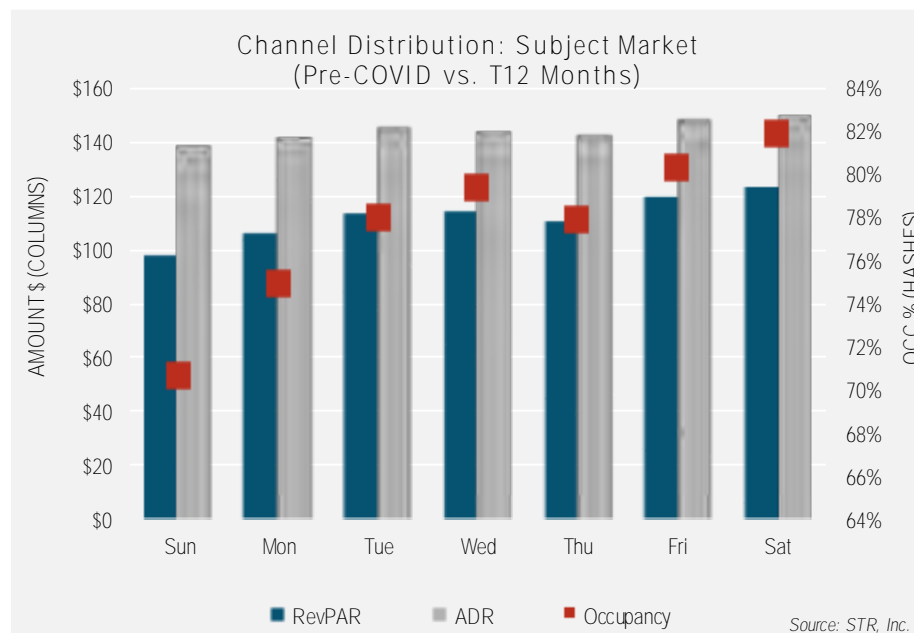
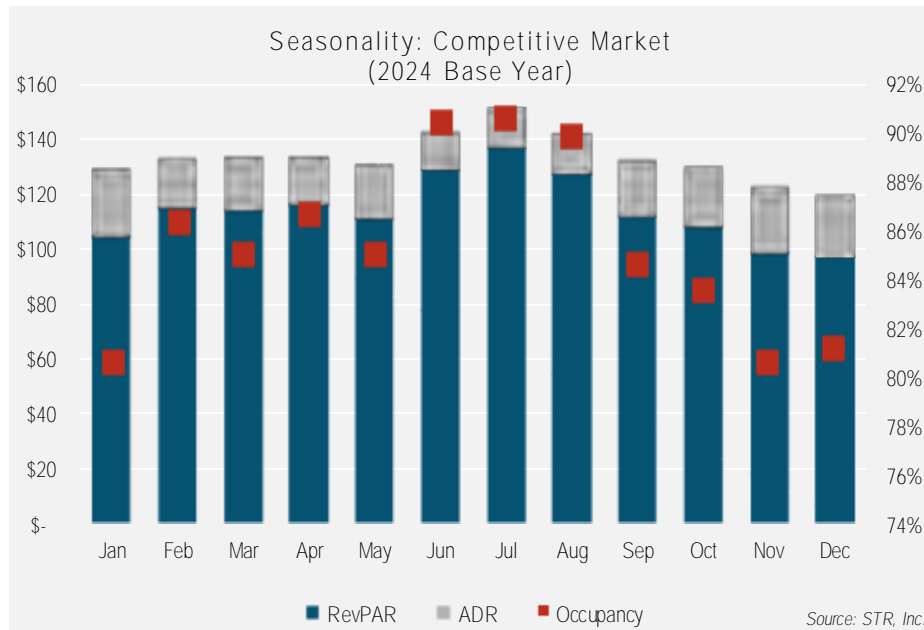
As mentioned previously in this report, market demand growth accelerated following the pandemic, but has been stifled over the past two years as bad weather and odd circumstances have wreaked havoc on the Southern California hotel market. Fires in January and February of this year also stifled demand growth in the beginning of the year, but significant growth has been seen over the past three months. If the Summer performs to historical norms, growth for the full year should be positive. However, there are significant headwinds in the economy that could slow growth. As such, we have forecast the following conservative growth rates over the holding period.

<b>GROWTH RATES</b>						
	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	284,766	289,037	293,373	296,307	299,271	302,264

**SEASONALITY AND WEEKDAY DISTRIBUTION**

Recently, the demand for lodging accommodations in the Torrance area is strongest in the summer months. Demand during these months often spike and drive occupancy levels to near-capacity levels. During the week, occupancy tends to peak on Saturday and Friday. This market has commanded its highest occupancy measurements in the months of July and June, with low months registering in January and November. While occupancy tends to be the highest on Saturday nights throughout the course of the week, Sundays and Mondays typically command the lowest demand levels during this time.

Seasonal demand distribution is graphically illustrated below with data from competitive set.



### MARKET OCCUPANCY PROJECTION

As shown in the following table, the market's occupancy level is expected to surpass the historical peak at some point during the first projection year (2025/26). Market demand is expected to improve in 2025 and achieve positive growth in the following years. Compared to Base Year data, over the first four projected calendar years, total demand is projected to increase by a compounded annual growth rate of 1.2% from the

2024 year of operation. This represents considerable improvement in growth relative to the competitive set's historical trend (-1.4% CAGR from 2017 to 2024, as reported by STR). Looking forward, we anticipate there to be a negligible amount of new competitive supply entering the market.

PROJECTION OF BASE ROOM NIGHT DEMAND AND ANNUAL GROWTH						
Segment	Historical 2024	2025	2026	2027	2028	2029
<b>Commercial</b>						
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	69,922	70,971	72,036	72,756	73,484	74,219
Total Market Segment Demand	69,922	70,971	72,036	72,756	73,484	74,219
<b>Group</b>						
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	44,346	45,012	45,687	46,144	46,605	47,071
Total Market Segment Demand	44,346	45,012	45,687	46,144	46,605	47,071
<b>Leisure</b>						
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	73,285	74,384	75,500	76,255	77,018	77,788
Total Market Segment Demand	73,285	74,384	75,500	76,255	77,018	77,788
<b>Extended-Stay</b>						
Annual Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	97,212	98,670	100,150	101,152	102,164	103,186
Total Market Segment Demand	97,212	98,670	100,150	101,152	102,164	103,186
<b>Total</b>						
Annual Base Demand Growth	-	1.5%	1.5%	1.0%	1.0%	1.0%
Base Demand	284,766	289,037	293,373	296,307	299,271	302,264
<b>Total Market Segment Demand</b>	<b>284,766</b>	<b>289,037</b>	<b>293,373</b>	<b>296,307</b>	<b>299,271</b>	<b>302,264</b>
% Change	-	1.5%	1.5%	1.0%	1.0%	1.0%
Rolling CAGR over 2024	-	1.5%	1.5%	1.3%	1.2%	1.2%
<b>Market Statistics</b>						
Total Rooms Supply	1,008	1,008	1,008	1,008	1,008	1,008
Total Available Room Nights	367,920	367,920	367,920	367,920	367,920	367,920
% Change	-	0.0%	0.0%	0.0%	0.0%	0.0%
Rolling CAGR over 2024	-	0.0%	0.0%	0.0%	0.0%	0.0%
<b>MARKETWIDE OCCUPANCY</b>	<b>77.4%</b>	<b>78.6%</b>	<b>79.7%</b>	<b>80.5%</b>	<b>81.3%</b>	<b>82.2%</b>

### SUBJECT OCCUPANCY PROJECTION

To derive the occupancy projection of the subject, a room night analysis is completed that quantifies and projects overall room night demand for the subject property. This analysis is based on the competitiveness of the subject with the other hotels in the competitive set and its penetration into the various demand segments previously discussed. A more detailed discussion of the methodology associated with occupancy projection is presented in the **Glossary** section of this report.

The following table summarizes the subject's operating levels over the past few years. As mentioned, this information was based on occupancy tax information provided by the City of Torrance. The information provides RevPAR information and the from that we interpolated possible occupancy and rate information.

SUBJECT'S HISTORICAL OPERATING PERFORMANCE							
Year	Occ %	% Change	ADR	% Change	RevPAR	% Change	
2022	60.0%	-	\$55.00	-	\$33.00	-	
2023	60.0%	0.0%	\$60.00	9.1%	\$36.00	9.1%	
2024	65.0%	8.3%	\$70.00	16.7%	\$45.50	26.4%	
<b>CAGR:</b>		<b>4.1%</b>		<b>12.8%</b>		<b>17.4%</b>	
YTD Apr 2024	60.0%	-	\$65.00	-	\$39.00	-	
YTD Apr 2025	62.0%	3.3%	\$69.00	6.2%	\$42.78	9.7%	

Source: Newmark

### Occupancy Penetration Indexes

The penetration indexes for the subject property and each of the competitive properties during 2024 are illustrated in the following table.

TOTAL							
Property	Type of Competitor	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2024 Rooms Occupied	Market Share	Penetration Index
Extended Stay America Los Angeles - Torrance Blvd	-	100.0%	122	12.1%	28,945	10.2%	84.0%
Residence Inn Los Angeles Torrance Redondo Beach	Primary	100.0%	248	24.6%	74,226	26.1%	105.9%
Sonesta ES Suites Torrance Redondo Beach	Primary	100.0%	144	14.3%	39,420	13.8%	96.9%
Howard Johnson by Wyndham Torrance	Primary	100.0%	55	5.5%	17,064	6.0%	109.8%
Extended Stay America Los Angeles - Torrance - Del Mar	Primary	100.0%	139	13.8%	30,441	10.7%	77.5%
Sonesta Select Los Angeles Torrance South Bay	Primary	100.0%	151	15.0%	44,092	15.5%	103.4%
Courtyard Los Angeles Torrance Palos Verdes	Primary	100.0%	149	14.8%	50,578	17.8%	120.2%
<b>Total/Average (Base Year)</b>		<b>100.0%</b>	<b>1,008</b>	<b>100.0%</b>	<b>284,766</b>	<b>100.0%</b>	<b>100.0%</b>

### PENETRATION INDEX ANALYSIS

We have forecast penetration levels to remain in line with historical performance.

The subject's estimated penetration rates over the projection period are displayed in the following tables. The penetration rates, combined with the base demand growth rates and all latent demand, result in an occupancy forecast for the subject property.

**SUBJECT'S PROJECTED PENETRATION, MARKET SHARE AND TOTAL CAPTURE**

	Base Year 2024	2025	2026	2027	2028	2029
<b>Subject Property Fair Share</b>						
Market Room Supply	1,008	1,008	1,008	1,008	1,008	1,008
Subject Property Room Count	122	122	122	122	122	122
<b>Fair Share</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>
<b>Room Nights Captured by Subject</b>						
<b>Total</b>						
Fair Share	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Penetration Index	84.0%	84.0%	84.0%	84.4%	83.6%	84.0%
Market Share	29.8%	29.8%	29.8%	29.8%	29.8%	29.8%
Market Segment Demand	97,212	98,670	100,150	101,152	102,164	103,186
Market Share	21.1%	29.8%	29.8%	29.8%	29.8%	29.8%
Room Nights Accommodated	20,551	29,379	29,819	30,118	30,419	30,723
<b>Total Capture</b>	<b>28,945</b>	<b>29,379</b>	<b>29,819</b>	<b>30,118</b>	<b>30,419</b>	<b>30,723</b>
<b>Overall Penetration Index</b>	<b>84.0%</b>	<b>84.0%</b>	<b>84.0%</b>	<b>84.0%</b>	<b>84.0%</b>	<b>84.0%</b>

**SUBJECT PROPERTY PROJECTED OCCUPANCY**

	Base Year 2024	2025	2026	2027	2028	2029
<b>Calendar Years</b>						
Room Nights Accommodated	28,945	29,379	29,819	30,118	30,419	30,723
Available Room Nights	44,530	44,530	44,530	44,530	44,530	44,530
Occupancy	65.0%	66.0%	67.0%	67.6%	68.3%	69.0%
<b>Fiscal Year Adjustment</b>						
		<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>
		<b>(Stabilized)</b>				
First Calendar Year %		50.41%	50.41%	50.41%	50.41%	50.41%
Second Calendar Year %		49.59%	49.59%	49.59%	49.59%	49.59%
Fiscalized Room Nights Accommodated		29,597	29,967	29,967	29,967	29,967
Fiscalized Room Nights Available		44,530	44,530	44,530	44,530	44,530
Occupancy		66.5%	67.3%	67.3%	67.3%	67.3%
<b>Rounded Occupancy</b>		<b>66%</b>	<b>67%</b>	<b>67%</b>	<b>67%</b>	<b>67%</b>
Overall Market Share		10.2%	10.2%	10.2%	10.2%	10.2%
Overall Penetration Index		84.0%	84.0%	84.0%	84.0%	84.0%

The overall captured room nights metric is anticipated to increase beyond the stabilized date as illustrated in the previous table; however, the stabilized occupancy figure is intended to reflect the projected occupancy level over the remaining economic life. An occupancy rate of 67.0% is selected as of the stabilized date of July 1, 2026. As of the stabilized date, penetration level of the subject hotel is estimated at 84.0%, whereas the penetration level during 2024 was 84.0%.

We projected occupancy to be staging a recovery in the foreseeable future. While we have projected occupancy to increase significantly in the next few quarters, we do not believe that the subject will reach stabilized occupancy until 2026/27.

## AVERAGE DAILY RATE PROJECTION

After the subject’s occupancy level has been forecast, the next step is to estimate the average daily rate (ADR) of the subject hotel to determine the Rooms department revenue. A detailed discussion of the subject’s ADR projection is presented in the **Glossary** section of this report.

The following table summarizes the rate history at each of the competitors.

<b>HISTORICAL COMPETITIVE AVERAGE DAILY ROOM RATES (ESTIMATED)</b>			
<b>Property</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Extended Stay America Los Angeles -Torrance Blvd	\$70.00	\$75.00	\$70.00
Residence Inn Los Angeles Torrance Redondo Beach	\$185-\$190	\$190-\$195	\$195-\$200
Sonesta ES Suites Torrance Redondo Beach	\$140-\$145	\$145-\$150	\$130-\$135
Howard Johnson by Wyndham Torrance	\$115-\$120	\$120-\$125	\$110-\$115
Extended Stay America Los Angeles - Torrance - Del Amo Circle	\$70-\$75	\$70-\$75	\$65-\$70
Sonesta Select Los Angeles Torrance South Bay	\$115-\$120	\$120-\$125	\$110-\$115
Courtyard Los Angeles Torrance Palos Verdes	\$180-\$185	\$185-\$190	\$175-\$180
<b>Average Including Subject</b>	<b>\$139.06</b>	<b>\$142.07</b>	<b>\$138.45</b>
<b>Average Excluding Subject</b>	<b>\$147.16</b>	<b>\$149.98</b>	<b>\$146.19</b>
<b>STR Trend Report</b>	<b>\$144.48</b>	<b>\$149.16</b>	<b>\$145.54</b>
<b>Subject's Positioned ADR:</b>	<b>\$70.00</b>	<b>\$75.00</b>	<b>\$70.00</b>

The preceding table illustrates the subject’s positioned ADR of \$70.00, which is below the average calculated from the competitive properties. The actual ADR trends of the subject property are shown in the following table.

<b>SUBJECT'S HISTORICAL ADR GROWTH</b>		
<b>Year</b>	<b>ADR</b>	<b>% Change</b>
2022	\$55.00	-
2023	\$60.00	9.1%
2024	\$70.00	16.7%
<b>CAGR:</b>		<b>12.8%</b>
YTD Apr 2024	\$65.00	-
YTD Apr 2025	\$69.00	6.2%

Write two or three sentences as to why the subject's base-year positioned ADR is what it is, and why you are projecting ADR to grow. Optional: then click Chat button ---->

### Subject Property Vs. Competitive Set

Historical trends both within the competitive set and at the subject property were observed and discussed previously in the report. These trends of the metrics (Occupancy, ADR, and RevPAR) are compared in the following table.

**PROJECTED PENETRATION ANALYSIS - SUBJECT PROPERTY VS. MARKET**

MARKET	2022	2023	2024	Year 1 2025/26	(Stabilized) 2026/27	Year 3 2027/28	Year 4 2028/29	Year 5 2029/30
<b>Occupancy</b>	80.9%	80.4%	77.4%	79.1%	80.1%	80.9%	81.7%	82.6%
<i>Growth</i>	-	-0.6%	-3.8%	2.2%	1.3%	1.0%	1.0%	1.0%
<b>ADR</b>	\$144.48	\$149.16	\$145.54	\$149.90	\$154.40	\$159.03	\$163.80	\$168.72
<i>Resulting Growth</i>	-	3.2%	-2.4%	3.0%	3.0%	3.0%	3.0%	3.0%
<b>RevPAR</b>	\$116.94	\$119.99	\$112.66	\$118.64	\$123.73	\$128.71	\$133.90	\$139.30
<i>Resulting Growth</i>	-	2.6%	-6.1%	5.3%	4.3%	4.0%	4.0%	4.0%

SUBJECT	2022	2023	2024	Year 1 2025/26	(Stabilized) 2026/27	Year 3 2027/28	Year 4 2028/29	Year 5 2029/30
Occupancy	70.0%	70.0%	65.0%	66.0%	67.0%	67.0%	67.0%	67.0%
<b>Penetration Index</b>	<b>0.86</b>	<b>0.87</b>	<b>0.84</b>	<b>0.83</b>	<b>0.84</b>	<b>0.83</b>	<b>0.82</b>	<b>0.81</b>
ADR	\$70.00	\$75.00	\$70.00	\$75.30	\$77.56	\$79.89	\$82.29	\$84.76
<b>Penetration Index</b>	<b>0.48</b>	<b>0.50</b>	<b>0.48</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>	<b>0.50</b>
RevPAR	\$49.00	\$52.50	\$45.50	\$49.70	\$51.97	\$53.53	\$55.13	\$56.79
<b>Penetration Index</b>	<b>0.42</b>	<b>0.44</b>	<b>0.40</b>	<b>0.42</b>	<b>0.42</b>	<b>0.42</b>	<b>0.41</b>	<b>0.41</b>

**Overall Historical Observations**

- The subject market recovered nicely following the pandemic, but has given back some gains over the past year as various issues have plagued the market including poor weather, strikes, and wars. Most recently, fire swept through Southern California which cause a significant loss in demand over the two months of the year, but since then the demand has rebounded and is slightly higher year-to-date. Rates are down, but are expected to rebound following the busy summer months. As for the subject, it has historically under performed the market due primarily to its economy nature but its trends have generally followed those of the market.

**Looking Forward**

- Going forward, we expect the subject to remain well within its historical range in terms of occupancy, average rate, and RevPAR penetration.

**ADR Growth Projections**

Rate growth trends in the competitive set, as well as the local and national economic trends, influence the forecasted ADR growth as illustrated in the following table. Projections are first shown on a calendar-year basis, then on a fiscal-year basis which reflects a projection period commencing on July 1, 2025.

**SUBJECT'S PROJECTED ADR**

Analysis Year	Calendar Year	Assumed Growth Rate	ADR	Projection Year	Fiscally Adjusted ADR Projection	Resulting Growth Rate
Base Year Actual	2024	-	\$70.00	-	\$72.08	-
1	2025	6.0%	\$74.20	2025/26	<b>\$75.30</b>	4.5%
2 (Stabilized)	2026	3.0%	\$76.43	2026/27	<b>\$77.56</b>	3.0%
3	2027	3.0%	\$78.72	2027/28	<b>\$79.89</b>	3.0%

**Inflation Test**

The subject's operating performance forecast is based on the market-derived projections of annual guestroom occupancy and average daily room rate discussed previously. The projections are cross-checked with historical levels to determine the risk characteristics of the anticipated economic benefits to the subject hotel. Historical ADR levels are compared to projected levels, both on an actual basis, as well as an inflation-adjusted basis, as shown in the following table.

**SUBJECT'S INFLATION-ADJUSTED ADR**

Year	Actual ADR	CPI-Adjusted ADR	CPI ASSUMPTIONS	
			As of Dec. Year-End	Annual % Change
<b>Historical:</b>			<b>Historical:</b>	
2022	\$55.00	\$58.63	294.400	8.6%
2023	\$60.00	\$61.80	304.700	3.5%
2024	\$70.00	\$70.00	313.841	3.0%
<b>Projected:</b>			<b>Projected</b>	
2025/26	\$75.30	\$72.03	328.069	3.0%
2026/27	\$77.56	\$72.04 (Stabilized)	337.911	3.0%
2027/28	\$79.89	\$72.04	348.049	3.0%
2028/29	\$82.29	\$72.04	358.490	3.0%
2029/30	\$84.76	\$72.04	369.245	3.0%
<b>Difference between stabilized ADR and historical peak ADR:</b>		<b>\$77.56</b>	<b>10.8%</b>	
<b>CPI-Adjusted:</b>		<b>\$72.04</b>	<b>2.9%</b>	

The inflation-adjusted average room rate has ranged between \$58.63 and \$70.00 over the historical analysis period shown, with the base year representing current dollars.

The projections indicate that the deflated stabilized average room rate represents a figure that is 3% above the historical peak level on an inflation-adjusted basis. The subject's CPI-adjusted ADR is expected to surpass the historical peak level at some point during the first projection year (2025/26). This difference is reasonable considering the trends in the local and national market, risk of new supply, recent and planned capital commitment, and the expected performance of the subject hotel over the next several years following a hypothetical transaction on July 1, 2025.

For illustrative purposes, it is noted that inflation for all future years is estimated at 3.0%. Although inflation for general goods and services has been lower than 3.0% in recent years, the inflation figure of 3.0% is intended

to represent risk-adjusted local inflation for lodging rates only and to reflect the common practices of typical buyers and sellers.

**Conclusion**

The concluded room revenue is derived from the occupancy and ADR as forecast earlier in this section and is shown in the following table.

<b>PROJECTED ROOMS DEPARTMENT REVENUE</b>						
<b>Projection Year</b>	<b>Base Year 2024</b>	<b>Year 1 2025/26</b>	<b>(Stabilized) 2026/27</b>	<b>Year 3 2027/28</b>	<b>Year 4 2028/29</b>	<b>Year 5 2029/30</b>
Number of Days	365	365	365	365	365	365
Number of Rooms	122	122	122	122	122	122
Rounded Occupancy	65%	66%	67%	67%	67%	67%
Occupied Rooms (Rounded)	28,945	29,390	29,835	29,835	29,835	29,835
Average Rate	\$70.00	\$75.30	\$77.56	\$79.89	\$82.29	\$84.76
RevPAR	\$45.50	\$49.70	\$51.97	\$53.53	\$55.13	\$56.79
<b>Rooms Department Revenue</b>	<b>\$2,026,150</b>	<b>\$2,213,067</b>	<b>\$2,314,003</b>	<b>\$2,383,518</b>	<b>\$2,455,122</b>	<b>\$2,528,815</b>

# Highest & Best Use

## PROCESS

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible
- Legally permissible under the zoning regulations and other restrictions that apply to the site
- Financially feasible
- Maximally productive (i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses)

## HIGHEST & BEST USE AS IF VACANT

The subject site is Level at street grade with good accessibility. The subject offers good frontage on Torrance Boulevard. The subject is located along the northern side of Torrance Boulevard between its intersection with Hawthorne Boulevard and Madrona Avenue within walking distance of the Del Amo Fashion Center and two miles from the Redondo Beach Pier. The neighborhood is a good mix of retail, commercial, hospitality and residential properties. Los Angeles International Airport is ten miles away. The physical characteristics of the site do not appear to impose any unusual restrictions on development. Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses.

The site is zoned H-DA2, Hawthorne Boulevard Corridor Specific Plan Zone - Del Amo Business Subdistrict Two. The Hawthorne Boulevard Corridor Specific Plan articulates a vision for Hawthorne Boulevard and provides the strategic and regulatory framework within which this vision can be realized. This is a community-based vision, crafted by the policy makers, property and business owners, and residents of Torrance in a collaborative process lasting more than three years. It is a vision founded on the present, seeking not to disregard, but to build upon and improve upon the more positive aspects of the Hawthorne Boulevard of today. There are several subdistricts within the specific plan and the subject is part of the Del Amo Business District which makes up the largest and most densely concentrated commercial area within the Hawthorne Boulevard Corridor and includes the Del Amo Fashion Center. This district begins on the north side of Torrance Boulevard, extends south to Sepulveda Boulevard, and includes commercial property on the south-west and southeast corners of Sepulveda Boulevard and Hawthorne Boulevard. The Del Amo Business District is generally bounded by Ocean Avenue to the west and Madrona Avenue to the east. It also includes the Little Company of Mary Hospital, and properties to the north of the hospital that are zoned HMD: Hospital, Medical, Dental District. With this subdistrict are two other subdistricts and the subject is located within the Del Amo Business Sub-District Two which provides for the range of uses allowed in DA-1 District. However, due to the adjacency of residential neighborhoods, less building height is permitted, density limits for mixed-use and residential projects are imposed, and in some instances a greater level of review is required. While slightly less intense development is permitted in this sub-district, it remains part of the City's urban center. As in DA-1, individual buildings and projects should be designed to make a positive contribution to the image of the area, and provide

generous landscaped setbacks. Each development project should likewise be designed to promote pedestrian activity and transit

To our knowledge, there are no legal restrictions (such as easements or deed restrictions) that would effectively limit the use of the subject property.

Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site as if vacant is to hold as vacant until demand clearly dictates a use in compliance with all zoning laws.

**HIGHEST & BEST USE AS IMPROVED**

It is an extraordinary assumption of this report that the highest and best use of the subject property as improved is an economy extended-stay hotel as it is currently improved.

# Valuation

## VALUATION METHODOLOGY

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach, and the income capitalization approach.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **cost approach** assumes that an informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land, or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization, room revenue multiplier, and discounted cash flow analysis (DCF).

## RECONCILIATION

The DCF approach is the most widely used method in appraising income-producing properties, such as the subject. We have therefore placed primary emphasis on this approach.

The cost approach has limited applicability in the valuation of existing hotels. Along with the difficulty in accurately quantifying physical depreciation due to ongoing capital improvements and replacement of FF&E (which can make this approach less reliable), it is our experience that prudent purchasers of hotel properties are more concerned with the economics of the investment. Therefore, prudent hotel investors typically do not rely on the cost approach, and we have not employed the cost approach in this analysis. We have used the Sales Comparison Approach as a check for reasonableness.

Reconciliation of the various value indications into a value conclusion is based on an evaluation of the quantity, quality, and reliability of available data in each approach and the applicability of each approach to the property type.

# Sales Comparison Approach

The sales comparison approach develops an indication of value by comparing the subject to sales of similar properties. This approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying certain adjustments to bracket the subject property within an appropriate unit value comparison.

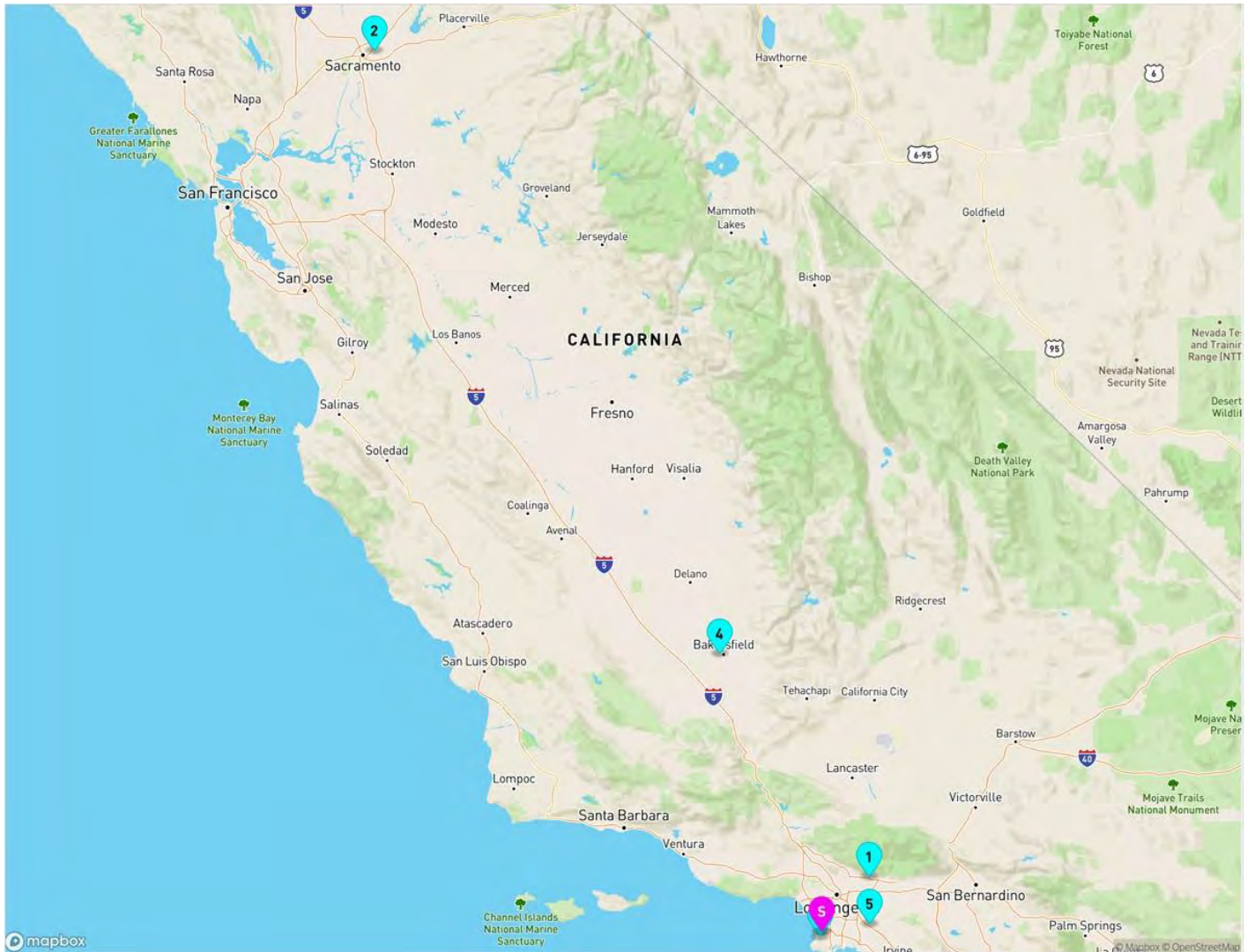
For this analysis, the most relevant unit of comparison is the price per room as this unit of measure best reflects the perspective utilized by market participants in the hospitality industry. The following pages summarize the relevant improved comparable sales. Following these items, adjustments are made to each sale for the applicable elements of comparison resulting in an estimate of the subject's value via the sales comparison approach.

**NEWMARK VALUATION & ADVISORY**

SALES COMPARABLE SUMMATION TABLE														
PROPERTY INFORMATION							TRANSACTION INFORMATION							
No.	Property Name Address, City, State	Umbrella Co.	Orientation	Class Tier	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price (Pre-CapX)	Post-Sale CapX	Total Sale Investment	\$/Unit	OAR
S	SUBJECT PROPERTY - 3525 Torrance Boulevard Torrance, CA	Extended Stay America	Extended-Stay	Economy Class	122	1997	-	-	-	-	-	-	-	-
1	Extended Stay America Los Angeles - Monrovia - 930 South 5th Avenue Monrovia, CA	Extended Stay America	Extended-Stay	Economy Class	123	1998	ESA P Portfolio LLC	Classic Motor Inn Inc	2/7/2025	\$14,300,000	\$0	\$14,300,000	\$116,260	-
2	Staybridge Suites Torrance - 4111 Pacific Coast Hwy Torrance, CA	Staybridge Suites	Extended-Stay	Upscale Class	94	1962	Vivo Apartments Torrance, LLC	MC Torrance LLC	8/6/2024	\$14,200,000	\$0	\$14,200,000	\$151,064	6.10%
3	Residence Inn Bakersfield - 4241 Chester Lane Bakersfield, CA	Residence Inn	Extended-Stay	Upscale Class	114	1990	Bre Newton Hotels Property Own	Greens INV 6 LLC	6/17/2024	\$11,000,000	\$0	\$11,000,000	\$96,491	10.00%
4	Relax Suites Extended Stay - La Mirada - 14775 Firestone Boulevard La Mirada, CA	Independent - Limited- Service Upper Midscale Class	Limited-Service	Upper Midscale Class	104	1998	ESA P Portfolio LLC	Vaidehi, inc	5/13/2024	\$17,000,000	\$0	\$17,000,000	\$163,462	5.87%

Transactional Summary - Comparable Improved Sales						
Range Level	Sale Date			Total Sale Investment	\$/Unit	OAR
Low	5/13/2024			\$11,000,000	\$96,491	5.87%
Average	8/18/2024			\$14,125,000	\$131,819	7.32%
High	2/7/2025			\$17,000,000	\$163,462	10.00%

COMPARABLE IMPROVED SALES MAP



IMPROVED SALES MAP KEY

Property Name	City, ST	Pin No.	Distance	Latitude, Longitude
Extended Stay America Los Angeles -Torrance Bl	Torrance, CA	S	-	33.838329,-118.347597
Extended Stay America Los Angeles - Monrovia	Monrovia, CA	1	28 miles northeast	34.141483,-118.019822
Staybridge Suites Torrance	Torrance, CA	2	370 miles northwest	38.59387,-121.414119
Residence Inn Bakersfield	Bakersfield, CA	3	2 miles southwest	33.807765,-118.356203
Relax Suites Extended Stay - La Mirada	La Mirada, CA	4	113 miles northwest	35.368951,-119.047249
		5	19 miles east	33.878709,-118.016331

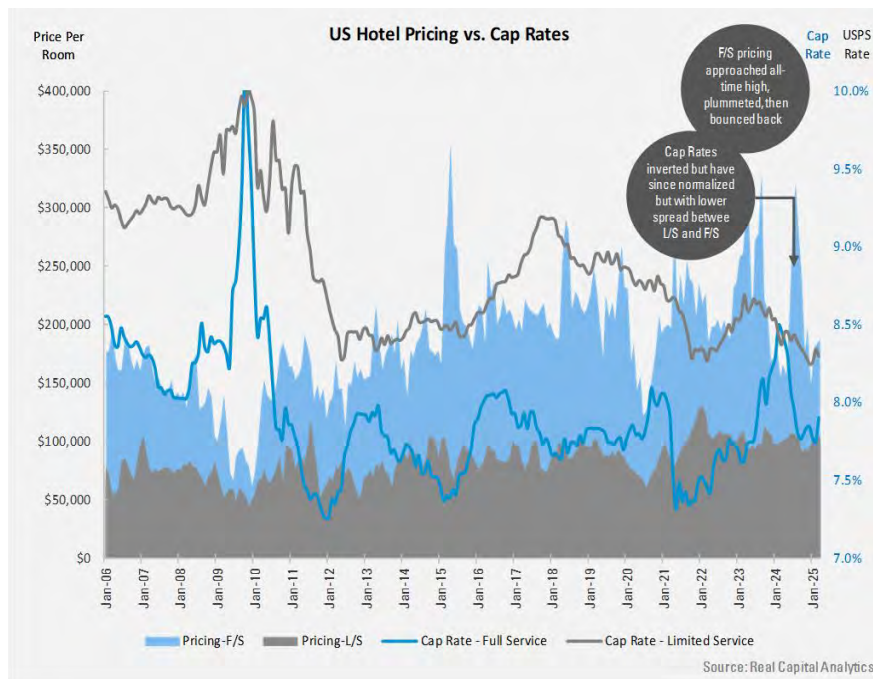
## ADJUSTMENT FACTORS

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

<b>Real Property Rights</b>	Leased fee, fee simple, leasehold, partial interest, etc.
<b>Conditions of Sale</b>	Extraordinary motivation of buyer or seller, such as 1031 exchange transaction, assemblage, or forced sale.
<b>Financing Terms</b>	Seller financing, or assumption of existing financing, at non-market terms.
<b>Market Conditions</b>	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.

### Market Conditions

We have considered the RCA US Hotel Sector Volume and Pricing Trends in an effort to ascertain market conditions adjustments to the comparable sales:

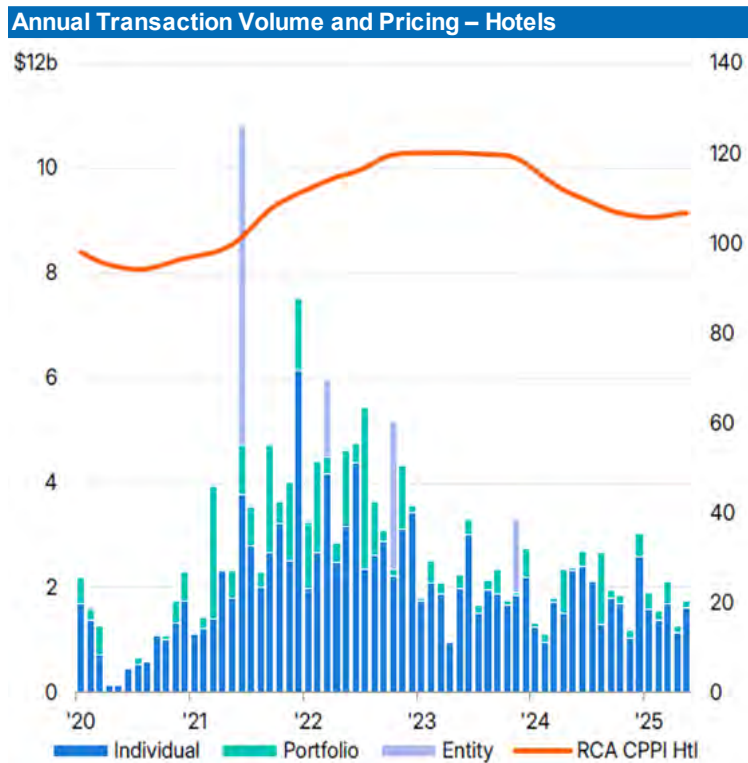


As evident from the data, market conditions, especially regarding lodging transactions, have exhibited significant fluctuations over the past 18 months. The pandemic precipitated a brief downturn in pricing across both full service and limited-service properties. However, according to RCA, pricing has now fully rebounded

for limited-service hotels and mostly recovered for full-service ones. It's worth noting that assessing the exact impact is challenging due to the substantially reduced deal volume in 2023.

Of greater importance, our regular conversations with numerous sellers, buyers, and brokers reveal that the majority still anticipate hotels' values to rise. Many believe buyers continue to factor in revenue and income increases, especially for well-positioned properties in major metropolitan areas. Consequently, despite prevailing interest rates, many buyers have yet to adjust their pricing strategies.

We have also considered historic trends in transaction volume and pricing in an effort to ascertain recent market conditions adjustments to the comparable sales:

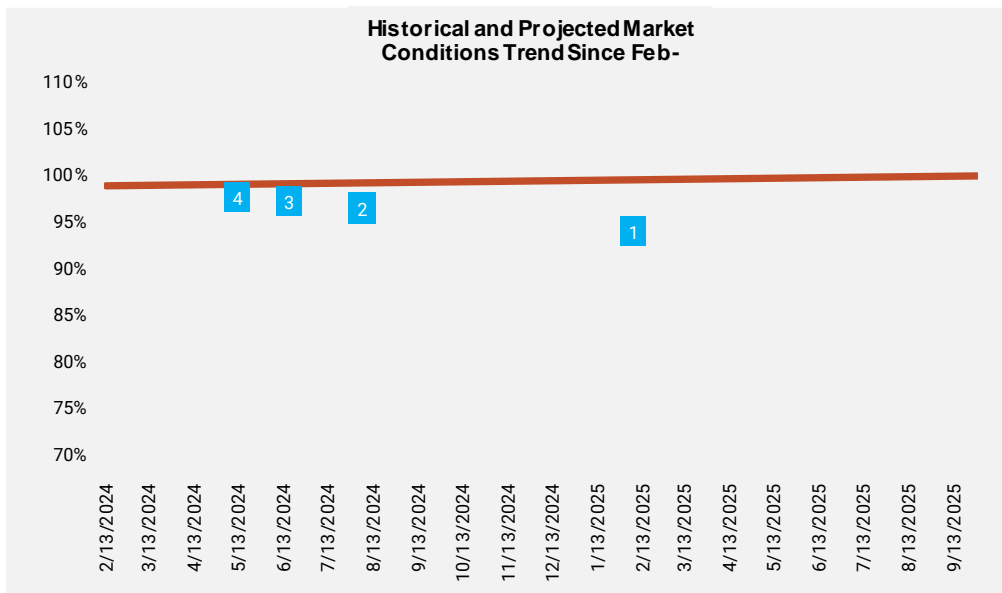


Source: RCA

Deal volume for the hotel sector declined again in May, marking two straight months of double-digit drops in sale activity, with hotel prices also under pressure as the RCA CPPI fell 3.6% year over year. Despite these challenges, recent trends show mixed signals, as limited-service hotel activity has not mirrored the broader market's slowdown. Limited-service hotel sales had already displayed weakness, falling each quarter in 2024 and alternating between growth and declines in each month of 2025—leaving year-to-date volume just 2.4% below the pace seen through May last year. In contrast, full-service hotels experienced four consecutive months of substantial sales increases before growth reversed sharply in April and May of this year amid growing concerns about cross-border travel.

As shown in the following table and graph, we have projected annual market conditions adjustments at various points in time. Please note that the growth rates shown are *annualized* growth rates, and not the total growth projected for the defined period.

MARKET CONDITIONS INFLECTION CHART			
Period Considered	Inflection Date	Annualized Growth	Perspective
Prior to:	1/1/2019	3.0%	Historical
Between 01/01/2019 and:	3/9/2020	0.0%	Historical
Between 03/09/2020 and:	1/1/2021	-10.0%	Historical
Between 01/01/2021 and:	5/1/2022	10.0%	Historical
Between 05/01/2022 and:	7/1/2026	-5.0%	Stabilized Date
After 07/01/2026:	-	3.0%	Forward-Looking



The following table summarizes the previously-discussed transactional adjustments applied in this portion of the analysis:

TRANSACTIONAL ADJUSTMENTS (QUANTITATIVE)							
No.	Unit Price	Property Rights Conveyed	Conditions of Sale	Financing Terms	Market Conditions*	Initial Adjustment	Subtotal
1	\$116,260	Fee Simple	Arms-Length	At Market	Superior	Downward	\$113,931
	Feb-25	0.0%	0.0%	0.0%	-2.0%	-2.0%	-2.0%
2	\$151,064	Fee Simple	Arms-Length	At Market	Superior	Downward	\$144,239
	Aug-24	0.0%	0.0%	0.0%	-4.5%	-4.5%	-4.5%
3	\$96,491	Fee Simple	Arms-Length	At Market	Superior	Downward	\$91,486
	Jun-24	0.0%	0.0%	0.0%	-5.2%	-5.2%	-5.2%
4	\$163,462	Fee Simple	Arms-Length	At Market	Superior	Downward	\$154,223
	May-24	0.0%	0.0%	0.0%	-5.7%	-5.7%	-5.7%

\*Market Conditions Adjustment Factor (annual):  
Date of Value for Sales Adjustment Purposes:

Please refer to inflection schedule  
July 1, 2025

**Property Adjustments**

Quantitative adjustments are also made for location and physical characteristics, such as size, age, quality, condition, and utility (site ratios, parking ratios, access, exposure, etc.), as well as any other applicable physical elements of comparison. It should be stressed that the physical adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

The factors and rationale for the property adjustments were discussed earlier in this section. For graphical purposes, the following table summarizes the property adjustments applied in this portion of the analysis:

PROPERTY ADJUSTMENTS (QUANTITATIVE)								
No.	Subtotal Value /Room	Location	Size	Age, Quality & Condition	Amenities	Economic	Qualitative Adjustment	Adjusted Unit Price
1	\$113,931	Superior	Similar	Superior	Similar	Superior	Superior	\$79,752
	Feb-25	-10.0%	0.0%	-10.0%	0.0%	-10.0%	-30.0%	-30.0%
2	\$144,239	Similar	Similar	Superior	Similar	Superior	Superior	\$86,543
	Aug-24	0.0%	0.0%	-20.0%	0.0%	-20.0%	-40.0%	-40.0%
3	\$91,486	Inferior	Similar	Superior	Similar	Superior	Superior	\$82,337
	Jun-24	10.0%	0.0%	-10.0%	0.0%	-10.0%	-10.0%	-10.0%
4	\$154,223	Superior	Similar	Superior	Similar	Superior	Superior	\$84,823
	May-24	-10.0%	0.0%	-20.0%	0.0%	-15.0%	-45.0%	-45.0%

It should be noted that, in addition to these factors, some of the differences between the comparable sales and the subject property can also include chain affiliation, market orientation, management, room rate structure, the highest and best use of the land, and the anticipated profitability of the operation. Circumstances surrounding a sale, including financing terms, tax considerations, income guarantees, sales of partial interests, duress on the part of the buyer or seller, or a particular deal structure, result in disparities between the actual sales price and pure market value. Additionally, it is usually very difficult to obtain the marketing period and an accurate capitalization rate for the comparable sales. In practice, it is virtually impossible to quantify the appropriate adjustment factors accurately due to their number and complexity, as well as the difficulty in obtaining specific, detailed information.

**IMPROVED SALE TRANSACTION DISCUSSION**

**Sale No. 1**

On February 7th, 2025, Starwood Capital Group and Blackstone sold the 123-room hospitality property known as Extended Stay America Los Angeles to CAAZ Hospitality for \$14.3 Million, approximately \$116,260 per room. The information provided for this sale transaction was obtained via public record. The parties involved did not comment on the transaction.

- To account for the various inflection points over the time period between the sale date of this comparable and the date of value, the unit value has been decreased by -2.0%.
- When considering property adjustments, it is our opinion that this particular comparable has locational characteristics that are superior relative to that of the subject as it is in a better area for economy extended stay demand.

- The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment.
- After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**Sale No. 2**

On August 6th, 2024, Vivo Investment Group LLC sold the 94-room hospitality property known as Staybridge Suites Torrance to Mid-Continent Hospitality for \$14.2 Million, approximately \$151,064 per key. At the time the sale the cap rate was 6.10% and the NOI was \$866,200. The buyer secured a \$8,930,000 loan from Celtic Bank. The information provided for this sale transaction was verified by sources deemed reliable.

Other remarks include the following:

- A downward adjustment is required to account for market conditions at this property.
- This property had similar locational and size characteristics, requiring no adjustment.
- The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment.
- After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**Sale No. 3**

BRE Hotels & Resorts LLC sold this 114-room hotel to the joint venture between Greens Development Inc. and ON Bakersfield, LLC for \$11 million, or \$96,491 per square foot. Greens Development Inc. now has 75% ownership while ON Bakersfield, LLC has 25% ownership. The pro forma net operating income for year one was estimated to be \$110,000, yielding a pro forma cap rate of 10%. All information in the comparable has been verified by the buyer.

Other remarks about adjustments include the following:

- A downward adjustment is required to account for market conditions at this property.
- It is our opinion that this particular comparable has locational characteristics that are inferior relative to that of the subject.
- The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment.
- After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**Sale No. 4**

On May 13th, 2024, ESH Hospitality sold the 104-room hotel known as Extended Stay America La Mirada to Ashish Patel for \$17 Million, approximately \$163,462 per room. The buyer secured a \$10,625,000 loan from American Plus Bank. The information provided for this sale transaction was obtained via the buyer.

Other adjustment remarks are as follows:

- A downward adjustment is required to account for market conditions at this property.
- It is our opinion that this particular comparable has locational characteristics that are superior relative to that of the subject.
- The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment.
- After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**CONCLUSION**

After making certain quantitative adjustments, we considered the range set by the comparable sales after applying these adjustments. The adjusted range of these comps was \$79,752 to \$86,543 with an average of \$83,364 per room.

The following table illustrates a summary of our adjusted value ranges, and market value as is as applied in the sales comparison approach to value:

<b>PERCENT ADJUSTMENT METHOD SUMMARY</b>			
Unadjusted Unit Range	\$96,491	to	\$163,462
Adjusted Unit Range	\$79,752	to	\$86,543
<b>Rounded Adjusted Unit Range</b>	<b>\$80,000</b>	<b>to</b>	<b>\$87,000</b>
<b>Market Value As Is</b>	<b>\$9,800,000</b>	<b>to</b>	<b>\$10,600,000</b>

# Income Capitalization Approach

In this analysis, the following methods are utilized based on the physical and economic characteristics of the subject hotel, as well as the highest and best use and valuation methods that would be considered by a typical investor of a property of this type.

METHOD EMPLOYED	
Approach	Weight
Discounted Cash Flow	Primary

(A discussion of the relevant approaches to value is presented in the **Glossary** section of this report.)

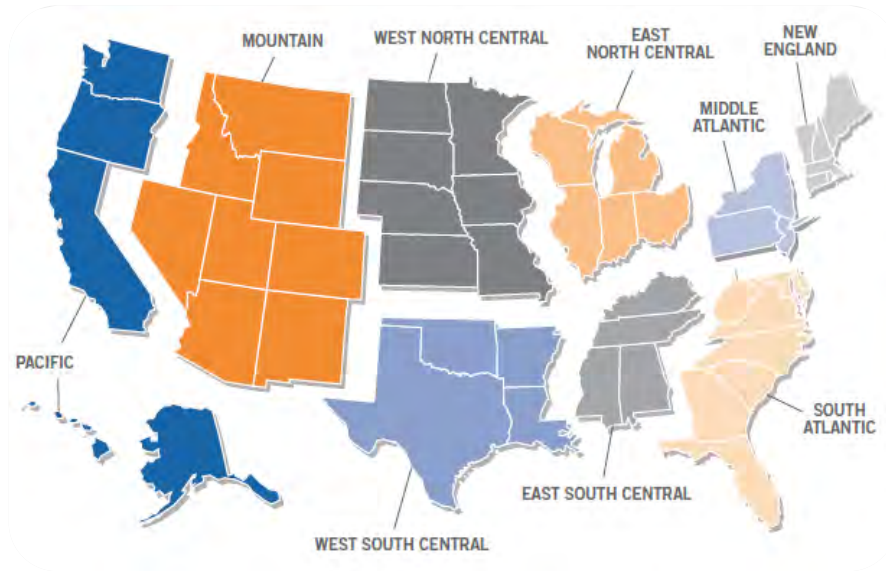
The appraisers were not provided with any historical operating information or management prepared budgets for the subject property and have relied on comparable property performance and industry metrics all other revenue and expense line items throughout the projection period. The projection period begins on July 1, 2025.

## Comparable Operating Data

To further support our forecasts for the subject property, we have analyzed the operating performance of the subject against hotel industry averages and the actual operations of various comparable hotels. We have carefully analyzed all the relevant ratios, and have considered the data presented in this report, as well as those in our files, to prepare a well-supported forecast of revenue and expenses for each line item.

The following page details the averages for five selected property descriptive categories from the most recent *HOST Report*, published by STR, Inc. A map depicting the regions as defined by STR that were analyzed is below. Those comparative categories include:

CATEGORIES - STR, Inc.	
Orientation	Limited Service Properties
Affiliation	Chain-Affiliated
Geographic Region	Pacific
Market Type	Suburban
Price Category	Midscale/Economy Class



The second following page summarizes the operating results of various competitive assets that are known to have similar physical and/or economic characteristics. It should also be noted that all of the comparable properties were extended stay oriented properties that would be classified as Economy or Midscale in nature.

## NEWMARK VALUATION & ADVISORY

### HOST REPORT - STR, Inc. 2024 Hotel Profitability Review (Based on Year End 2023 Data)

Limited Service Properties															
Category	Limited Service Properties (All)			Chain-Affiliated			Pacific			Suburban		Midscale/Economy Class			
Days Open	365			365			365			365			365		
Number of Rooms	126			125			141			115			113		
Occupied Rooms	33,012			32,793			38,624			29,638			29,131		
Occupancy Rate	71.9%			71.8%			75.3%			70.9%			70.6%		
Average Daily Room Rate (ADR)	\$155.73			\$153.65			\$185.01			\$136.91			\$84.98		
Revenue Per Avail. Room (RevPAR)	\$111.95			\$110.39			\$139.25			\$97.09			\$59.96		

DEPARTMENTAL REVENUES	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR
Rooms	94.0%	\$40,584	\$154.67	94.5%	\$40,016	\$152.60	92.4%	\$50,642	\$184.34	96.2%	\$35,193	\$135.97	92.3%	\$21,670	\$84.15
Other Oper. Dept. Revenue	3.3%	\$1,424	\$5.43	3.3%	\$1,389	\$5.30	4.0%	\$2,177	\$7.92	2.5%	\$917	\$3.54	3.5%	\$815	\$3.16
Miscellaneous Income	2.7%	\$1,148	\$4.38	2.2%	\$937	\$3.57	3.6%	\$1,971	\$7.17	1.3%	\$463	\$1.79	2.2%	\$515	\$2.00
<b>Total Operating Revenue</b>	<b>100.0%</b>	<b>\$43,157</b>	<b>\$164.48</b>	<b>100.0%</b>	<b>\$42,342</b>	<b>\$161.47</b>	<b>100.0%</b>	<b>\$54,789</b>	<b>\$199.44</b>	<b>100.0%</b>	<b>\$36,572</b>	<b>\$141.30</b>	<b>100.0%</b>	<b>\$23,470</b>	<b>\$91.14</b>

DEPARTMENTAL EXPENSES	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR
Rooms	29.6%	\$12,024	\$45.83	29.0%	\$11,613	\$44.28	28.9%	\$14,643	\$53.30	28.0%	\$9,866	\$38.12	27.5%	\$5,957	\$23.13
Other Oper. Dept. Expense	66.9%	\$953	\$3.63	66.9%	\$929	\$3.54	50.9%	\$1,107	\$4.03	66.0%	\$605	\$2.34	62.6%	\$510	\$1.98
<b>Total Departmental Expenses</b>	<b>30.1%</b>	<b>\$12,977</b>	<b>\$49.46</b>	<b>29.6%</b>	<b>\$12,541</b>	<b>\$47.83</b>	<b>28.7%</b>	<b>\$15,751</b>	<b>\$57.33</b>	<b>28.6%</b>	<b>\$10,472</b>	<b>\$40.46</b>	<b>29.5%</b>	<b>\$6,913</b>	<b>\$26.84</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>69.9%</b>	<b>\$30,180</b>	<b>\$115.02</b>	<b>70.4%</b>	<b>\$29,801</b>	<b>\$113.64</b>	<b>71.3%</b>	<b>\$39,038</b>	<b>\$142.10</b>	<b>71.4%</b>	<b>\$26,101</b>	<b>\$100.84</b>	<b>70.5%</b>	<b>\$16,557</b>	<b>\$64.29</b>

UNDISTRIBUTED OPERATING EXPENSES	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR
Administrative & General	10.5%	\$4,530	\$17.26	10.5%	\$4,440	\$16.93	10.1%	\$5,558	\$20.23	10.9%	\$3,974	\$15.35	11.6%	\$2,713	\$10.54
Marketing	3.3%	\$1,412	\$5.38	3.1%	\$1,330	\$5.07	3.9%	\$2,143	\$7.80	2.9%	\$1,044	\$4.04	2.5%	\$580	\$2.25
Royalty/Franchise Fees	4.7%	\$2,023	\$7.71	4.9%	\$2,093	\$7.98	3.4%	\$1,879	\$6.84	5.4%	\$1,982	\$7.66	3.8%	\$890	\$3.46
Property Operations & Maintenance	5.4%	\$2,333	\$8.89	5.4%	\$2,273	\$8.67	4.9%	\$2,707	\$9.85	5.6%	\$2,054	\$7.94	6.3%	\$1,468	\$5.70
Utilities	3.5%	\$1,508	\$5.75	3.5%	\$1,498	\$5.71	3.5%	\$1,906	\$6.94	3.8%	\$1,404	\$5.42	4.3%	\$1,018	\$3.95
Information & Telecomm Systems	1.2%	\$511	\$1.95	1.2%	\$499	\$1.90	1.0%	\$574	\$2.09	1.3%	\$471	\$1.82	1.9%	\$437	\$1.70
<b>Total Undistributed Operating Expenses</b>	<b>28.5%</b>	<b>\$12,317</b>	<b>\$46.94</b>	<b>28.7%</b>	<b>\$12,134</b>	<b>\$46.27</b>	<b>27.0%</b>	<b>\$14,766</b>	<b>\$53.75</b>	<b>29.9%</b>	<b>\$10,929</b>	<b>\$42.22</b>	<b>30.3%</b>	<b>\$7,106</b>	<b>\$27.59</b>

MANAGEMENT FEES	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR
Base Management Fee	3.9%	\$1,666	\$6.35	3.9%	\$1,645	\$6.27	4.5%	\$2,482	\$9.03	3.8%	\$1,401	\$5.41	0.0%	\$0	\$0.00
<b>HOUSE PROFIT (IBNOIE)</b>	<b>37.5%</b>	<b>\$16,197</b>	<b>\$61.73</b>	<b>37.8%</b>	<b>\$16,022</b>	<b>\$61.10</b>	<b>39.8%</b>	<b>\$21,791</b>	<b>\$79.32</b>	<b>37.7%</b>	<b>\$13,771</b>	<b>\$53.21</b>	<b>40.3%</b>	<b>\$9,451</b>	<b>\$36.70</b>

NON-OPERATING INCOME & EXPENSES	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR	% Total	\$ PAR	\$ POR
Property Taxes	4.3%	\$1,840	\$7.01	4.2%	\$1,761	\$6.71	4.2%	\$2,307	\$8.40	3.9%	\$1,430	\$5.52	4.2%	\$993	\$3.86
Insurance	1.9%	\$841	\$3.21	1.9%	\$824	\$3.14	2.2%	\$1,211	\$4.41	2.0%	\$747	\$2.88	2.8%	\$661	\$2.57
Reserve for Replacement	1.8%	\$761	\$2.90	1.8%	\$742	\$2.83	2.1%	\$1,124	\$4.09	1.5%	\$565	\$2.18	0.4%	\$98	\$0.38
<b>Total Non-Operating Charges</b>	<b>8.0%</b>	<b>\$3,443</b>	<b>\$13.12</b>	<b>7.9%</b>	<b>\$3,327</b>	<b>\$12.69</b>	<b>8.5%</b>	<b>\$4,642</b>	<b>\$16.90</b>	<b>7.5%</b>	<b>\$2,742</b>	<b>\$10.59</b>	<b>7.5%</b>	<b>\$1,752</b>	<b>\$6.80</b>

<b>NET OPERATING INCOME (EBITDA-LR)</b>	<b>29.6%</b>	<b>\$12,755</b>	<b>\$48.61</b>	<b>30.0%</b>	<b>\$12,695</b>	<b>\$48.41</b>	<b>31.3%</b>	<b>\$17,148</b>	<b>\$62.42</b>	<b>30.2%</b>	<b>\$11,029</b>	<b>\$42.61</b>	<b>32.8%</b>	<b>\$7,699</b>	<b>\$29.90</b>
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OPERATING RATIOS	%	%	%	%
Food & Beverage to Rooms	0.0%	0.0%	0.0%	2.2%
Miscellaneous Expense to Rooms	2.8%	2.3%	3.9%	2.4%
Royalty/Franchise Fees to Rooms	5.0%	5.2%	3.7%	4.1%

\*Note: moderate rounding and re-allocation to some line items have been applied.

## NEWMARK VALUATION & ADVISORY

### COMPARABLE OPERATING STATEMENTS

Property Number	1			2			3			4			5			6		
Property Type	Extended-Stay			Extended-Stay			Extended-Stay			Extended-Stay			Extended-Stay			Extended-Stay		
Days Open	365			365			365			365			365			365		
Number of Rooms	104			83			122			85			200			122		
Occupied Rooms	30,650			23,835			29,289			24,386			61,024			35,624		
Occupancy Rate	80.7%			78.7%			65.8%			78.6%			83.6%			80.0%		
Average Daily Room Rate (ADR)	\$88.42			\$113.73			\$82.21			\$67.33			\$133.94			\$110.00		
Revenue Per Avail. Room (RevPAR)	\$71.39			\$89.48			\$54.07			\$52.93			\$111.97			\$88.00		
<b>DEPARTMENTAL REVENUES</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>
Rooms	96.4%	\$26,059	\$88.42	99.9%	\$32,661	\$113.73	97.3%	\$19,736	\$82.21	99.9%	\$19,318	\$67.33	96.7%	\$40,868	\$133.94	98.0%	\$32,120	\$110.00
Other Oper. Dept. Revenue	1.1%	\$303	\$1.03	0.1%	\$46	\$0.16	0.0%	\$0	\$0.00	0.1%	\$19	\$0.07	3.3%	\$1,381	\$4.52	2.0%	\$657	\$2.25
Miscellaneous Income	2.5%	\$662	\$2.25	0.0%	\$0	\$0.00	2.7%	\$554	\$2.31	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
<b>Total Operating Revenue</b>	<b>100.0%</b>	<b>\$27,024</b>	<b>\$91.70</b>	<b>100.0%</b>	<b>\$32,707</b>	<b>\$113.89</b>	<b>100.0%</b>	<b>\$20,290</b>	<b>\$84.51</b>	<b>100.0%</b>	<b>\$19,337</b>	<b>\$67.40</b>	<b>100.0%</b>	<b>\$42,249</b>	<b>\$138.47</b>	<b>100.0%</b>	<b>\$32,777</b>	<b>\$112.25</b>
<b>DEPARTMENTAL EXPENSES</b>																		
Rooms	18.7%	\$4,879	\$16.56	16.1%	\$5,262	\$18.32	20.9%	\$4,119	\$17.16	21.1%	\$4,076	\$14.21	23.0%	\$9,402	\$30.81	21.0%	\$6,745	\$23.10
Other Oper. Dept. Expense	12.3%	\$37	\$0.13	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	6.1%	\$84	\$0.28	60.0%	\$394	\$1.35
<b>Total Departmental Expenses</b>	<b>18.2%</b>	<b>\$4,917</b>	<b>\$16.68</b>	<b>16.1%</b>	<b>\$5,262</b>	<b>\$18.32</b>	<b>20.3%</b>	<b>\$4,119</b>	<b>\$17.16</b>	<b>21.1%</b>	<b>\$4,076</b>	<b>\$14.21</b>	<b>22.5%</b>	<b>\$9,486</b>	<b>\$31.09</b>	<b>21.8%</b>	<b>\$7,139</b>	<b>\$24.45</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>81.8%</b>	<b>\$22,108</b>	<b>\$75.01</b>	<b>83.9%</b>	<b>\$27,445</b>	<b>\$95.57</b>	<b>79.7%</b>	<b>\$16,171</b>	<b>\$67.36</b>	<b>78.9%</b>	<b>\$15,261</b>	<b>\$53.19</b>	<b>77.5%</b>	<b>\$32,764</b>	<b>\$107.38</b>	<b>78.2%</b>	<b>\$25,638</b>	<b>\$87.80</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																		
Administrative & General	9.3%	\$2,516	\$8.54	6.9%	\$2,250	\$7.83	10.1%	\$2,059	\$8.58	3.9%	\$762	\$2.66	8.5%	\$3,588	\$11.76	8.5%	\$2,800	\$9.59
Marketing	5.0%	\$1,340	\$4.55	5.9%	\$1,925	\$6.70	2.8%	\$565	\$2.36	3.3%	\$630	\$2.20	10.2%	\$4,306	\$14.11	5.2%	\$1,704	\$5.84
Royalty/Franchise Fees	4.8%	\$1,303	\$4.42	5.0%	\$1,633	\$5.69	4.8%	\$978	\$4.07	5.0%	\$964	\$3.36	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
Property Operations & Maintenance	6.7%	\$1,802	\$6.12	3.1%	\$1,026	\$3.57	5.7%	\$1,147	\$4.78	4.0%	\$768	\$2.68	6.4%	\$2,687	\$8.80	4.6%	\$1,500	\$5.14
Utilities	4.5%	\$1,228	\$4.17	3.0%	\$979	\$3.41	3.1%	\$633	\$2.64	3.4%	\$650	\$2.26	3.3%	\$1,391	\$4.56	3.7%	\$1,200	\$4.11
Information & Telecomm Systems	1.2%	\$314	\$1.07	1.4%	\$452	\$1.57	1.7%	\$351	\$1.46	0.5%	\$104	\$0.36	0.7%	\$290	\$0.95	0.0%	\$0	\$0.00
<b>Total Undistributed Operating Expenses</b>	<b>31.5%</b>	<b>\$8,504</b>	<b>\$28.86</b>	<b>25.3%</b>	<b>\$8,264</b>	<b>\$28.78</b>	<b>28.3%</b>	<b>\$5,733</b>	<b>\$23.88</b>	<b>20.1%</b>	<b>\$3,877</b>	<b>\$13.52</b>	<b>29.0%</b>	<b>\$12,262</b>	<b>\$40.19</b>	<b>22.0%</b>	<b>\$7,204</b>	<b>\$24.67</b>
<b>MANAGEMENT FEES</b>																		
Base Management Fee	3.0%	\$811	\$2.75	3.0%	\$981	\$3.42	3.0%	\$609	\$2.54	2.7%	\$531	\$1.85	3.0%	\$1,271	\$4.16	3.5%	\$1,147	\$3.93
<b>Total Management Fees</b>	<b>3.0%</b>	<b>\$811</b>	<b>\$2.75</b>	<b>3.0%</b>	<b>\$981</b>	<b>\$3.42</b>	<b>3.0%</b>	<b>\$609</b>	<b>\$2.54</b>	<b>2.7%</b>	<b>\$531</b>	<b>\$1.85</b>	<b>3.0%</b>	<b>\$1,271</b>	<b>\$4.16</b>	<b>3.5%</b>	<b>\$1,147</b>	<b>\$3.93</b>
<b>HOUSE PROFIT (IBNOIE)</b>	<b>47.3%</b>	<b>\$12,793</b>	<b>\$43.41</b>	<b>55.6%</b>	<b>\$18,200</b>	<b>\$63.38</b>	<b>48.4%</b>	<b>\$9,829</b>	<b>\$40.94</b>	<b>56.1%</b>	<b>\$10,852</b>	<b>\$37.82</b>	<b>45.5%</b>	<b>\$19,231</b>	<b>\$63.03</b>	<b>52.7%</b>	<b>\$17,286</b>	<b>\$59.20</b>
<b>NON-OPERATING INCOME &amp; EXPENSES</b>																		
Property Taxes	5.5%	\$1,497	\$5.08	3.7%	\$1,198	\$4.17	2.4%	\$480	\$2.00	5.1%	\$984	\$3.43	3.0%	\$1,285	\$4.21	0.0%	\$0	\$0.00
Insurance	2.3%	\$623	\$2.11	1.5%	\$507	\$1.77	1.6%	\$330	\$1.37	1.7%	\$335	\$1.17	1.0%	\$427	\$1.40	1.2%	\$393	\$1.35
Reserve for Replacement	4.0%	\$1,081	\$3.67	4.0%	\$1,308	\$4.56	2.0%	\$414	\$1.72	4.0%	\$773	\$2.70	4.0%	\$1,690	\$5.54	4.0%	\$1,311	\$4.49
<b>Total Non-Operating Charges</b>	<b>11.8%</b>	<b>\$3,201</b>	<b>\$10.86</b>	<b>9.2%</b>	<b>\$3,014</b>	<b>\$10.49</b>	<b>6.0%</b>	<b>\$1,224</b>	<b>\$5.10</b>	<b>10.8%</b>	<b>\$2,092</b>	<b>\$7.29</b>	<b>8.1%</b>	<b>\$3,403</b>	<b>\$11.15</b>	<b>5.2%</b>	<b>\$1,704</b>	<b>\$5.84</b>
<b>NET OPERATING INCOME (EBITDA-LR)</b>	<b>35.5%</b>	<b>\$9,592</b>	<b>\$32.55</b>	<b>46.4%</b>	<b>\$15,186</b>	<b>\$52.88</b>	<b>42.4%</b>	<b>\$8,605</b>	<b>\$35.84</b>	<b>45.3%</b>	<b>\$8,760</b>	<b>\$30.53</b>	<b>37.5%</b>	<b>\$15,829</b>	<b>\$51.88</b>	<b>47.5%</b>	<b>\$15,582</b>	<b>\$53.36</b>
<b>OPERATING RATIOS</b>	<b>%</b>			<b>%</b>			<b>%</b>			<b>%</b>			<b>%</b>			<b>%</b>		
Other Oper. Dept. Revenue to Rooms	1.2%			0.1%			0.0%			0.1%			3.4%			2.0%		
Miscellaneous Income to Rooms	2.5%			0.0%			2.8%			0.0%			0.0%			0.0%		
Royalty/Franchise Fees to Rooms	5.0%			5.0%			5.0%			5.0%			0.0%			0.0%		

Note: Some totals have been adjusted to account for similar line items only.

## FINANCIAL PROJECTIONS

The projection of revenue and expenses reflects the expectations of a well-informed and prudent buyer pertaining to the subject property's operating results. Anticipated economic benefits may be adjusted upward or downward relative to actual operating results based on the local market dynamics, which has been incorporated into this analysis. The following table illustrates the relationships of each line item. Note that all of the income and expense line items were marked to market or input with contractual or government determined inputs.

### SUMMARY OF BASE YEAR RATIOS AND ADJUSTMENTS

DEPARTMENTAL REVENUE	% Fixed	% Variable	Dependent Variable	% Total	\$ PAR	\$ POR	Comments
Other Oper. Dept. Revenue	50.0%	50.0%	Rooms	1.4%	\$244	\$1.03	Marked to market
Miscellaneous Income	50.0%	50.0%	Rooms	3.1%	\$534	\$2.25	Marked to market
<b>DEPARTMENTAL EXPENSES</b>							
Rooms	60.0%	40.0%	Rooms	20.0%	\$3,322	\$14.00	Marked to market
Other Oper. Dept. Expense	75.0%	25.0%	Other Dept. Rev.	15.0%	\$37	\$0.15	Marked to market
<b>UNDISTRIBUTED OPERATING EXPENSES</b>							
Administrative & General	75.0%	25.0%	Total Revenue	9.0%	\$1,565	\$6.60	Marked to market
Marketing	60.0%	40.0%	Total Revenue	5.5%	\$956	\$4.03	Marked to market
Royalty/Franchise Fees	0.0%	100.0%	Rooms, F&B	4.8%	\$830	\$3.50	Franchise (royalty) fees based on brand-mandated level.
Property Operations & Maintenance	75.0%	25.0%	Total Revenue	6.5%	\$1,130	\$4.76	Marked to market
Utilities	75.0%	25.0%	Total Revenue	4.0%	\$695	\$2.93	Marked to market
Information & Telecomm Systems	50.0%	50.0%	Total Revenue	1.5%	\$261	\$1.10	Marked to market
<b>MANAGEMENT FEES</b>							
Base Management Fee	0.0%	100.0%	Total Revenue	3.0%	\$522	\$2.20	Management fees based on market-mandated level
<b>NON-OPERATING INCOME &amp; EXPENSES</b>							
Property Taxes	100.0%	0.0%	Prop 13	9.4%	\$1,634	\$6.89	Property taxes were based on Prop 13 calculations. See Property Tax section.
Insurance	100.0%	0.0%	Total Revenue	2.4%	\$415	\$1.75	Marked to market
Reserve for Replacement	0.0%	100.0%	Total Revenue	4.0%	\$695	\$2.93	Reserves set to market and industry norms

## DETAILED RATIO ANALYSIS

The following narrative involves a brief discussion of the subject's operating data and our accompanying assumptions for each line item. A more detailed discussion of the relevant line items is presented in the *Glossary* section of this report.

### Departmental Revenue

#### Room Revenue

The revenue from the Rooms department was developed earlier in this report based on the room night analysis and market-oriented ADR projections. The summary of this revenue stream is reiterated in the following table. It is noted that the occupancy figures have been rounded to the nearest full percentage point.

Rooms Revenue				
Source		OCCUPANCY	ADR	RevPAR
<b>Operating Comparables</b>				
Low		65.8%	\$67.33	\$52.93
High		83.6%	\$133.94	\$111.97
Average		77.9%	\$99.27	\$77.97
<b>STR HOST Study</b>				
All Limited Service Properties		71.9%	\$154.67	\$111.19
Chain-Affiliated		71.8%	\$152.60	\$109.63
Pacific		75.3%	\$184.34	\$138.74
Suburban		70.9%	\$135.97	\$96.42
Midscale/Economy Class		70.6%	\$84.15	\$59.37
<b>Subject Projections</b>				
Year 1	2025/26	66.0%	\$75.30	\$49.70
Year 2	2026/27 (Stabilized)	67.0%	\$77.56	\$51.97
Year 3	2027/28	67.0%	\$79.89	\$53.53

**Other Operated Departmental Revenue**

Properties such as the subject property often generate revenue from other sources such as vending machines, pet fees, telephone services, and other guest amenities. In general, our projections were based on the performance of the comparable properties.

Other Oper. Dept. Revenue				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		0.1%	\$19	\$0.07
High		3.3%	\$1,381	\$4.52
Average		1.3%	\$481	\$1.61
<b>STR HOST Study</b>				
All Limited Service Properties		3.3%	\$1,424	\$5.43
Chain-Affiliated		3.3%	\$1,389	\$5.30
Pacific		4.0%	\$2,177	\$7.92
Suburban		2.5%	\$917	\$3.54
Midscale/Economy Class		3.5%	\$815	\$3.16
<b>First Projection Year (2025/26)</b>		<b>1.4%</b>	<b>\$261</b>	<b>\$1.08</b>
<b>Stabilized Year (2026/27)</b>		<b>1.4%</b>	<b>\$271</b>	<b>\$1.11</b>

**Miscellaneous Income**

The miscellaneous income line-item revenue is derived from all sources other than the primary categories discussed above and below, and typically includes resort fees, certain commissions, business interruption insurance payouts, foreign currency exchange fees, unused or forfeited gift certificates, certain interest income, and other miscellaneous revenue sources. Overall, we have observed that there is a moderate percentage of variable components in this department.

After considering the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject

property, we project the subject's Miscellaneous Income in line with the comparable properties. The following table summarizes our projections in this category.

<b>Miscellaneous Income</b>				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		2.5%	\$554	\$2.25
High		2.7%	\$662	\$2.31
Average		2.6%	\$608	\$2.28
<b>STR HOST Study</b>				
All Limited Service Properties		2.7%	\$1,148	\$4.38
Chain-Affiliated		2.2%	\$937	\$3.57
Pacific		3.6%	\$1,971	\$7.17
Suburban		1.3%	\$463	\$1.79
Midscale/Economy Class		2.2%	\$515	\$2.00
<b>First Projection Year (2025/26)</b>		<b>3.0%</b>	<b>\$571</b>	<b>\$2.37</b>
<b>Stabilized Year (2026/27)</b>		<b>3.0%</b>	<b>\$592</b>	<b>\$2.42</b>

### Departmental Expenses

Departmental expenses are based on expense line items that correlate to a specific revenue department. A more detailed discussion of the core expense line items is presented in the **Glossary** section of this report.

### Rooms Expenses

This expense generally represents costs associated with the various guest services and operations of the guestrooms. Expenses within this department range from reservation/registration activities to the settlement of guest accounts upon checkout, as well as the wages of the rooms division manager, assistant managers, registration clerks, cashiers, mail and information clerk, and uniform service personnel.

We have forecast room expenses in line with the comparable properties on both a ratio and per occupied room basis.

<b>Rooms Expenses</b>				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		16.1%	\$4,076	\$14.21
High		23.0%	\$9,402	\$30.81
Average		20.1%	\$5,747	\$20.03
<b>STR HOST Study</b>				
All Limited Service Properties		29.6%	\$12,024	\$45.83
Chain-Affiliated		29.0%	\$11,613	\$44.28
Pacific		28.9%	\$14,643	\$53.30
Suburban		28.0%	\$9,866	\$38.12
Midscale/Economy Class		27.5%	\$5,957	\$23.13
<b>First Projection Year (2025/26)</b>		<b>19.5%</b>	<b>\$3,534</b>	<b>\$14.67</b>
<b>Stabilized Year (2026/27)</b>		<b>19.3%</b>	<b>\$3,663</b>	<b>\$14.98</b>

**Other Operated  
Departmental  
Expenses**

These expenses are a result of their related revenue items, and these line items assume a relatively even balance of fixed and variable components. Assumptions associated with the projection of this line item are illustrated in the following tables.

<b>Other Oper. Dept. Expense</b>				
<b>Source</b>		<b>RATIO</b>	<b>PAR</b>	<b>POR</b>
<b>Operating Comparables</b>				
Low		6.1%	\$37	\$0.13
High		60.0%	\$394	\$1.35
Average		26.1%	\$172	\$0.58
<b>STR HOST Study</b>				
All Limited Service Properties		66.9%	\$953	\$3.63
Chain-Affiliated		66.9%	\$929	\$3.54
Pacific		50.9%	\$1,107	\$4.03
Suburban		66.0%	\$605	\$2.34
Midscale/Economy Class		62.6%	\$510	\$1.98
<b>First Projection Year (2025/26)</b>		<b>14.8%</b>	<b>\$39</b>	<b>\$0.16</b>
<b>Stabilized Year (2026/27)</b>		<b>14.8%</b>	<b>\$40</b>	<b>\$0.16</b>

**Undistributed Operating Expenses**

Undistributed or “non-direct” operating expenses are costs shouldered by the overall hotel operation and not attributable to any one specific department or profit center.

**Administrative &  
General (A&G)**

Assumptions associated with the projection of this line item are illustrated in the following table and the forecast is based on the performance of the comparable properties on both a per available room and ratio basis:

<b>Administrative &amp; General Expenses</b>				
<b>Source</b>		<b>RATIO</b>	<b>PAR</b>	<b>POR</b>
<b>Operating Comparables</b>				
Low		3.9%	\$762	\$2.66
High		10.1%	\$3,588	\$11.76
Average		7.9%	\$2,329	\$8.16
<b>STR HOST Study</b>				
All Limited Service Properties		10.5%	\$4,530	\$17.26
Chain-Affiliated		10.5%	\$4,440	\$16.93
Pacific		10.1%	\$5,558	\$20.23
Suburban		10.9%	\$3,974	\$15.35
Midscale/Economy Class		11.6%	\$2,713	\$10.54
<b>First Projection Year (2025/26)</b>		<b>8.7%</b>	<b>\$1,654</b>	<b>\$6.86</b>
<b>Stabilized Year (2026/27)</b>		<b>8.6%</b>	<b>\$1,710</b>	<b>\$6.99</b>

**Marketing  
Expenses**

The following chart details our forecast of marketing costs for the subject property and are based on the performance of the comparable properties on a ratio and per available room basis. Note that marketing costs include franchise assessed

marketing fees of 5.0% of rooms revenue. Trends and assumptions associated with the projection of this line item are illustrated in the following table:

<b>Marketing Expenses</b>				
<b>Source</b>		<b>RATIO</b>	<b>PAR</b>	<b>POR</b>
<b>Operating Comparables</b>				
Low		2.8%	\$565	\$2.20
High		10.2%	\$4,306	\$14.11
Average		5.4%	\$1,745	\$5.96
<b>STR HOST Study</b>				
All Limited Service Properties		3.3%	\$1,412	\$5.38
Chain-Affiliated		3.1%	\$1,330	\$5.07
Pacific		3.9%	\$2,143	\$7.80
Suburban		2.9%	\$1,044	\$4.04
Midscale/Economy Class		2.5%	\$580	\$2.25
<b>First Projection Year (2025/26)</b>		<b>5.4%</b>	<b>\$1,017</b>	<b>\$4.22</b>
<b>Stabilized Year (2026/27)</b>		<b>5.3%</b>	<b>\$1,054</b>	<b>\$4.31</b>

**Franchise Fee (Royalties)**

We assume that the subject the hotel will continue to operate under its current brand based on the fee schedule for new franchises. Specifically, we project franchise fees (royalties) to be equal to 5.00% of rooms revenue annually throughout the holding period.

Please note only royalty fees are included in this line item; advertising/marketing contribution fees have been included in Marketing expenses and reservation fees have been included in Rooms expenses, respectively. Any other fees, depending on the nature of their use and application, have been included in the Rooms, Marketing, and/or A&G line items, as appropriate. *It should be noted, however, that the HOST report retains the marketing assessment costs in the Franchise Fee line item.*

We call your attention to the Assumptions and Limiting Conditions of this report.

**Property Operations & Maintenance**

These expenses have been forecast in line with the comparable properties on a per available room and ratio basis. Trends and assumptions associated with the projection of this line item are illustrated in the following table:

<b>Property Operations &amp; Maintenance Expenses</b>				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		3.1%	\$768	\$2.68
High		6.7%	\$2,687	\$8.80
Average		5.1%	\$1,488	\$5.18
<b>STR HOST Study</b>				
All Limited Service Properties		5.4%	\$2,333	\$8.89
Chain-Affiliated		5.4%	\$2,273	\$8.67
Pacific		4.9%	\$2,707	\$9.85
Suburban		5.6%	\$2,054	\$7.94
Midscale/Economy Class		6.3%	\$1,468	\$5.70
<b>First Projection Year (2025/26)</b>		<b>6.3%</b>	<b>\$1,194</b>	<b>\$4.96</b>
<b>Stabilized Year (2026/27)</b>		<b>6.2%</b>	<b>\$1,235</b>	<b>\$5.05</b>

**Utilities**

Trends and assumptions associated with the projection of this line item are illustrated in the following table:

<b>Utilities Expenses</b>				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		3.0%	\$633	\$2.26
High		4.5%	\$1,391	\$4.56
Average		3.5%	\$1,014	\$3.52
<b>STR HOST Study</b>				
All Limited Service Properties		3.5%	\$1,508	\$5.75
Chain-Affiliated		3.5%	\$1,498	\$5.71
Pacific		3.5%	\$1,906	\$6.94
Suburban		3.8%	\$1,404	\$5.42
Midscale/Economy Class		4.3%	\$1,018	\$3.95
<b>First Projection Year (2025/26)</b>		<b>3.9%</b>	<b>\$735</b>	<b>\$3.05</b>
<b>Stabilized Year (2026/27)</b>		<b>3.8%</b>	<b>\$760</b>	<b>\$3.11</b>

**Information & Telecomm. Systems Expense**

Trends and assumptions associated with the projection of this line item are illustrated in the following table:

Information & Telecomm Systems Expenses				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		0.5%	\$104	\$0.36
High		1.7%	\$452	\$1.57
Average		1.1%	\$302	\$1.08
<b>STR HOST Study</b>				
All Limited Service Properties		1.2%	\$511	\$1.95
Chain-Affiliated		1.2%	\$499	\$1.90
Pacific		1.0%	\$574	\$2.09
Suburban		1.3%	\$471	\$1.82
Midscale/Economy Class		1.9%	\$437	\$1.70
<b>First Projection Year (2025/26)</b>		<b>1.5%</b>	<b>\$279</b>	<b>\$1.16</b>
<b>Stabilized Year (2026/27)</b>		<b>1.5%</b>	<b>\$289</b>	<b>\$1.18</b>

**Management Fee**

For purposes of this appraisal, we assume that the subject could be sold free and clear of any and all management contracts, and that future management expenses are market-oriented. Specifically, management fees are projected to equate to 3.00% percent of total revenue throughout the holding period.

It is important to note that the effectiveness of management is not being evaluated and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

**Non-Operating (Fixed) Expenses**

Fixed expenses include any expenses that relate to ownership including property taxes, building and contents insurance, reserves for replacements, and any applicable land, building, or equipment rent.

**Property Taxes**

A discussion of the subject 's real estate tax burden was included in an earlier section of this report. Our forecast of the subject's property taxes per year is reiterated as follows.

Property Taxes Expenses				
Source		RATIO	PAR	POR
<b>Operating Comparables</b>				
Low		2.4%	\$480	\$2.00
High		5.5%	\$1,497	\$5.08
Average		3.9%	\$1,089	\$3.78
<b>STR HOST Study</b>				
All Limited Service Properties		4.3%	\$1,840	\$7.01
Chain-Affiliated		4.2%	\$1,761	\$6.71
Pacific		4.2%	\$2,307	\$8.40
Suburban		3.9%	\$1,430	\$5.52
Midscale/Economy Class		4.2%	\$993	\$3.86
<b>First Projection Year (2025/26)</b>		<b>5.3%</b>	<b>\$1,010</b>	<b>\$4.19</b>
<b>Stabilized Year (2026/27)</b>		<b>5.2%</b>	<b>\$1,031</b>	<b>\$4.21</b>

**Insurance**

As discussed, global warming has led to an increase in natural disasters, causing more insurance claims for hotels. To cover the increased risk, insurance companies are raising premiums, which reduces hotel profits and cash flow. This also lowers hotel values and makes it harder to secure financing. We have forecast future insurance expenses at the subject property in line with the comparables, which do take into account recent increases.

<b>Insurance Expenses</b>				
<b>Source</b>		<b>RATIO</b>	<b>PAR</b>	<b>POR</b>
<b>Operating Comparables</b>				
Low		1.0%	\$330	\$1.17
High		2.3%	\$623	\$2.11
Average		1.6%	\$436	\$1.53
<b>STR HOST Study</b>				
All Limited Service Properties		1.9%	\$841	\$3.21
Chain-Affiliated		1.9%	\$824	\$3.14
Pacific		2.2%	\$1,211	\$4.41
Suburban		2.0%	\$747	\$2.88
Midscale/Economy Class		2.8%	\$661	\$2.57
<b>First Projection Year (2025/26)</b>		<b>2.3%</b>	<b>\$434</b>	<b>\$1.80</b>
<b>Stabilized Year (2026/27)</b>		<b>2.3%</b>	<b>\$447</b>	<b>\$1.83</b>

**Reserve for Replacements**

It is assumed that the subject hotel's facilities will be well maintained and remain fully competitive throughout the projection period. Replacement reserves equal to 4.0% of total revenue per year is deducted from the operating cash flow to account for short-life replacement items and preserve the competitive positioning of the subject hotel. This estimate of capital reserves should be adequate to account for all typical future capital expenditures throughout the holding period.

**Non-Operating Income**

**NET OPERATING INCOME**

**Net Operating Income**

Net Operating Income is synonymous with Earnings Before Interest, Taxes, Depreciation and Amortization Less Reserves, or EBITDA-LR. The overall calculated conclusion of net operating income is illustrated in the following table.

<b>NET OPERATING INCOME (EBITDA-LR)</b>				
<b>Source</b>		<b>RATIO</b>	<b>PAR</b>	<b>POR</b>
<b>Operating Comparables</b>				
Low		35.5%	\$8,605	\$30.53
High		47.5%	\$15,829	\$53.36
Average		42.4%	\$12,259	\$42.84
<b>STR HOST Study</b>				
All Limited Service Properties		29.6%	\$12,755	\$48.61
Chain-Affiliated		30.0%	\$12,695	\$48.41
Pacific		31.3%	\$17,148	\$62.42
Suburban		30.2%	\$11,029	\$42.61
Midscale/Economy Class		32.8%	\$7,699	\$29.90
<b>First Projection Year (2025/26)</b>		<b>36.1%</b>	<b>\$6,841</b>	<b>\$28.40</b>
<b>Stabilized Year (2026/27)</b>		<b>36.6%</b>	<b>\$8,212</b>	<b>\$33.58</b>

### PROJECTION OF REVENUE & EXPENSES

On the following pages, the forecast of revenue and expenses for the subject property is presented on a detailed basis for the first five years of operation, along with a summary presentation of the same line items over the entire 10-year holding period. The projection begins July 1, 2025. As discussed, stabilization is anticipated to occur on or about July 1, 2026. The statements are expressed in future values for each projection year.

**NEWMARK VALUATION & ADVISORY**

**DETAILED FORECAST OF INCOME AND EXPENSE - FIRST FIVE PROJECTION YEARS**

Extended Stay America Los Angeles - Torrance Blvd

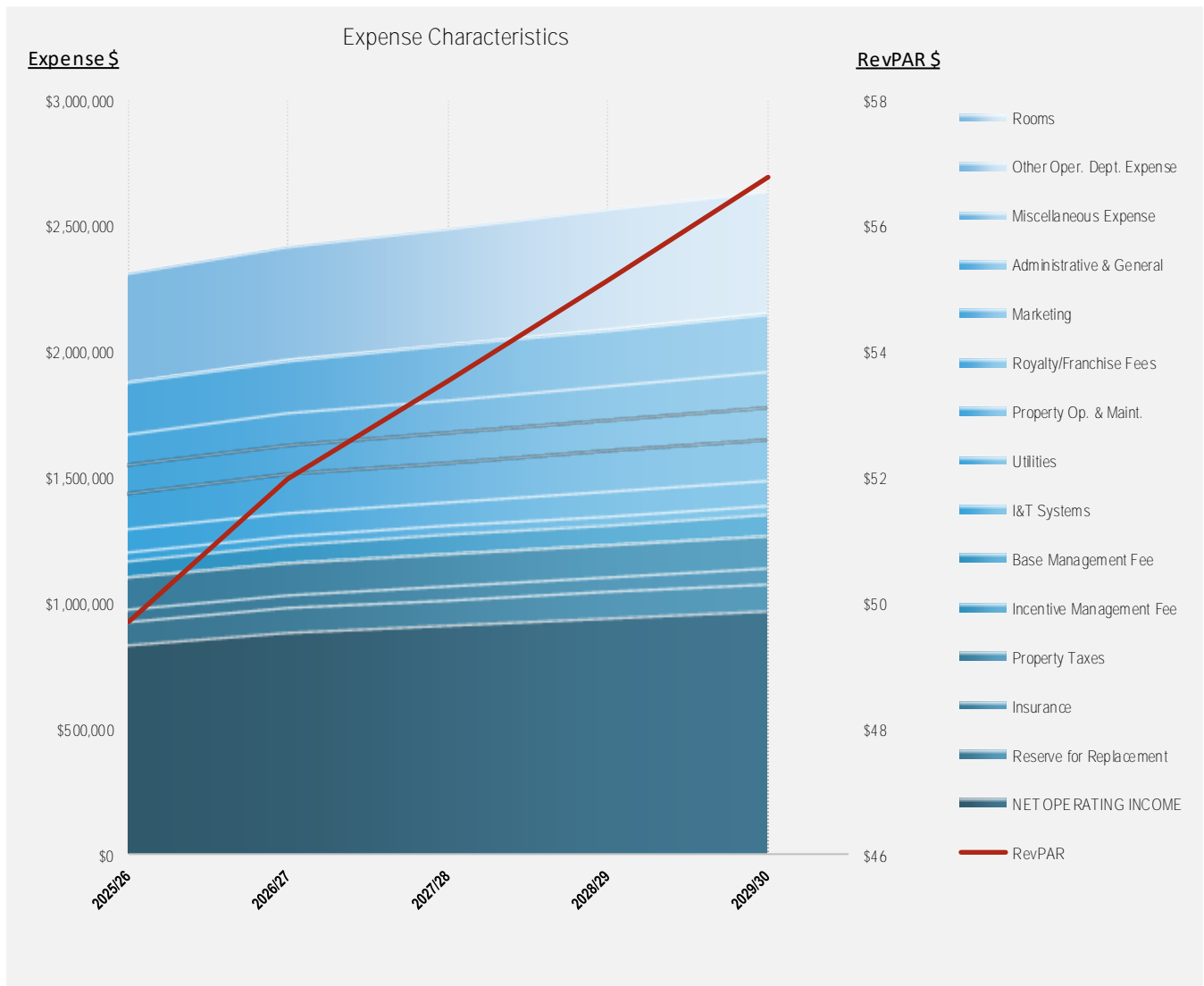
Period	2025/26				2026/27 (Stabilized)				2027/28				2028/29				2029/30			
Projection Year	1				2				3				4				5			
Days Open	365				365				365				365				365			
Number of Rooms	122				122				122				122				122			
Occupied Rooms	29,390				29,835				29,835				29,835				29,835			
Occupancy Rate	66.0%				67.0%				67.0%				67.0%				67.0%			
Average Daily Room Rate (ADR)	\$75.30				\$77.56				\$79.89				\$82.29				\$84.76			
Revenue Per Avail. Room (RevPAR)	\$49.70				\$51.97				\$53.53				\$55.13				\$56.79			
<b>DEPARTMENTAL REVENUE</b>	<b>\$</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>\$</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>\$</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>\$</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>	<b>\$</b>	<b>% Total</b>	<b>\$ PAR</b>	<b>\$ POR</b>
Rooms	\$2,213,067	95.6%	\$18,140	\$75.30	\$2,314,003	95.6%	\$18,967	\$77.56	\$2,383,518	95.6%	\$19,537	\$79.89	\$2,455,122	95.6%	\$20,124	\$82.29	\$2,528,815	95.6%	\$20,728	\$84.76
Other Oper. Dept. Revenue	\$31,864	1.4%	\$261	\$1.08	\$33,069	1.4%	\$271	\$1.11	\$34,061	1.4%	\$279	\$1.14	\$35,084	1.4%	\$288	\$1.18	\$36,137	1.4%	\$296	\$1.21
Miscellaneous Income	\$69,606	3.0%	\$571	\$2.37	\$72,237	3.0%	\$592	\$2.42	\$74,406	3.0%	\$610	\$2.49	\$76,640	3.0%	\$628	\$2.57	\$78,940	3.0%	\$647	\$2.65
<b>Total Operating Revenue</b>	<b>\$2,314,537</b>	<b>100.0%</b>	<b>\$18,972</b>	<b>\$78.75</b>	<b>\$2,419,309</b>	<b>100.0%</b>	<b>\$19,830</b>	<b>\$81.09</b>	<b>\$2,491,986</b>	<b>100.0%</b>	<b>\$20,426</b>	<b>\$83.53</b>	<b>\$2,566,846</b>	<b>100.0%</b>	<b>\$21,040</b>	<b>\$86.03</b>	<b>\$2,643,891</b>	<b>100.0%</b>	<b>\$21,671</b>	<b>\$88.62</b>
<b>DEPARTMENTAL EXPENSES</b>																				
Rooms	\$431,202	19.5%	\$3,534	\$14.67	\$446,830	19.3%	\$3,663	\$14.98	\$460,242	19.3%	\$3,772	\$15.43	\$474,057	19.3%	\$3,886	\$15.89	\$488,282	19.3%	\$4,002	\$16.37
Other Oper. Dept. Expense	\$4,727	14.8%	\$39	\$0.16	\$4,887	14.8%	\$40	\$0.16	\$5,034	14.8%	\$41	\$0.17	\$5,185	14.8%	\$43	\$0.17	\$5,341	14.8%	\$44	\$0.18
<b>Total Departmental Expenses</b>	<b>\$435,929</b>	<b>18.8%</b>	<b>\$3,573</b>	<b>\$14.83</b>	<b>\$451,718</b>	<b>18.7%</b>	<b>\$3,703</b>	<b>\$15.14</b>	<b>\$465,276</b>	<b>18.7%</b>	<b>\$3,814</b>	<b>\$15.59</b>	<b>\$479,242</b>	<b>18.7%</b>	<b>\$3,928</b>	<b>\$16.06</b>	<b>\$493,623</b>	<b>18.7%</b>	<b>\$4,046</b>	<b>\$16.55</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$1,878,608</b>	<b>81.2%</b>	<b>\$15,398</b>	<b>\$63.92</b>	<b>\$1,967,591</b>	<b>81.3%</b>	<b>\$16,128</b>	<b>\$65.95</b>	<b>\$2,026,709</b>	<b>81.3%</b>	<b>\$16,612</b>	<b>\$67.93</b>	<b>\$2,087,603</b>	<b>81.3%</b>	<b>\$17,112</b>	<b>\$69.97</b>	<b>\$2,150,268</b>	<b>81.3%</b>	<b>\$17,625</b>	<b>\$72.07</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	\$201,739	8.7%	\$1,654	\$6.86	\$208,561	8.6%	\$1,710	\$6.99	\$214,820	8.6%	\$1,761	\$7.20	\$221,267	8.6%	\$1,814	\$7.42	\$227,906	8.6%	\$1,868	\$7.64
Marketing	\$124,088	5.4%	\$1,017	\$4.22	\$128,568	5.3%	\$1,054	\$4.31	\$132,427	5.3%	\$1,085	\$4.44	\$136,402	5.3%	\$1,118	\$4.57	\$140,495	5.3%	\$1,152	\$4.71
Royalty/Franchise Fees	\$110,653	4.8%	\$907	\$3.77	\$115,700	4.8%	\$948	\$3.88	\$119,176	4.8%	\$977	\$3.99	\$122,756	4.8%	\$1,006	\$4.11	\$126,441	4.8%	\$1,036	\$4.24
Property Operations & Maintenance	\$145,700	6.3%	\$1,194	\$4.96	\$150,627	6.2%	\$1,235	\$5.05	\$155,148	6.2%	\$1,272	\$5.20	\$159,804	6.2%	\$1,310	\$5.36	\$164,599	6.2%	\$1,349	\$5.52
Utilities	\$89,662	3.9%	\$735	\$3.05	\$92,694	3.8%	\$760	\$3.11	\$95,476	3.8%	\$783	\$3.20	\$98,341	3.8%	\$806	\$3.30	\$101,291	3.8%	\$830	\$3.40
Information & Telecomm Systems	\$33,988	1.5%	\$279	\$1.16	\$35,267	1.5%	\$289	\$1.18	\$36,326	1.5%	\$298	\$1.22	\$37,416	1.5%	\$307	\$1.25	\$38,539	1.5%	\$316	\$1.29
<b>Total Undistributed Operating Expenses</b>	<b>\$705,830</b>	<b>30.5%</b>	<b>\$5,785</b>	<b>\$24.02</b>	<b>\$731,418</b>	<b>30.2%</b>	<b>\$5,995</b>	<b>\$24.52</b>	<b>\$753,373</b>	<b>30.2%</b>	<b>\$6,175</b>	<b>\$25.25</b>	<b>\$775,986</b>	<b>30.2%</b>	<b>\$6,361</b>	<b>\$26.01</b>	<b>\$799,271</b>	<b>30.2%</b>	<b>\$6,551</b>	<b>\$26.79</b>
<b>MANAGEMENT FEES</b>																				
Base Management Fee	\$69,436	3.0%	\$569	\$2.36	\$72,579	3.0%	\$595	\$2.43	\$74,760	3.0%	\$613	\$2.51	\$77,005	3.0%	\$631	\$2.58	\$79,317	3.0%	\$650	\$2.66
<b>HOUSE PROFIT (IBNOIE)</b>	<b>\$1,103,342</b>	<b>47.7%</b>	<b>\$9,044</b>	<b>\$37.54</b>	<b>\$1,163,594</b>	<b>48.1%</b>	<b>\$9,538</b>	<b>\$39.00</b>	<b>\$1,198,577</b>	<b>48.1%</b>	<b>\$9,824</b>	<b>\$40.17</b>	<b>\$1,234,612</b>	<b>48.1%</b>	<b>\$10,120</b>	<b>\$41.38</b>	<b>\$1,271,681</b>	<b>48.1%</b>	<b>\$10,424</b>	<b>\$42.62</b>
<b>NON-OPERATING INCOME &amp; EXPENSES</b>																				
Property Taxes	\$123,261	5.3%	\$1,010	\$4.19	\$125,726	5.2%	\$1,031	\$4.21	\$128,240	5.1%	\$1,051	\$4.30	\$130,805	5.1%	\$1,072	\$4.38	\$133,421	5.0%	\$1,094	\$4.47
Insurance	\$52,925	2.3%	\$434	\$1.80	\$54,513	2.3%	\$447	\$1.83	\$56,149	2.3%	\$460	\$1.88	\$57,833	2.3%	\$474	\$1.94	\$59,568	2.3%	\$488	\$2.00
Reserve for Replacement	\$92,581	4.0%	\$759	\$3.15	\$96,772	4.0%	\$793	\$3.24	\$99,679	4.0%	\$817	\$3.34	\$102,674	4.0%	\$842	\$3.44	\$105,756	4.0%	\$867	\$3.54
<b>Total Non-Operating Charges</b>	<b>\$268,768</b>	<b>11.6%</b>	<b>\$2,203</b>	<b>\$9.14</b>	<b>\$277,011</b>	<b>11.5%</b>	<b>\$2,271</b>	<b>\$9.28</b>	<b>\$284,068</b>	<b>11.4%</b>	<b>\$2,328</b>	<b>\$9.52</b>	<b>\$291,312</b>	<b>11.3%</b>	<b>\$2,388</b>	<b>\$9.76</b>	<b>\$298,745</b>	<b>11.3%</b>	<b>\$2,449</b>	<b>\$10.01</b>
<b>NET OPERATING INCOME (EBITDA-LR)</b>	<b>\$834,574</b>	<b>36.1%</b>	<b>\$6,841</b>	<b>\$28.40</b>	<b>\$886,583</b>	<b>36.6%</b>	<b>\$7,267</b>	<b>\$29.72</b>	<b>\$914,509</b>	<b>36.7%</b>	<b>\$7,496</b>	<b>\$30.65</b>	<b>\$943,300</b>	<b>36.7%</b>	<b>\$7,732</b>	<b>\$31.62</b>	<b>\$972,936</b>	<b>36.8%</b>	<b>\$7,975</b>	<b>\$32.61</b>
Other Oper. Dept. Revenue to Rooms	1.4%				1.4%				1.4%				1.4%				1.4%			
Miscellaneous Income to Rooms	3.1%				3.1%				3.1%				3.1%				3.1%			
Royalty/Franchise Fees to Rooms	5.0%				5.0%				5.0%				5.0%				5.0%			

**NEWMARK VALUATION & ADVISORY**

**TEN-YEAR PROJECTION OF INCOME AND EXPENSE: Extended Stay America Los Angeles -Torrance Blvd**

LINE ITEM	PROJECTED																			
	2025/26		2026/27 (Stabilized)		2027/28		2028/29		2029/30		2030/31		2031/32		2032/33		2033/34		2034/35	
Period	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June	June
Projection Year	1	2	3	4	5	6	7	8	9	10										
Days Open	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365	365
Number of Rooms	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122	122
Occupied Rooms	29,390	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835	29,835
Occupancy Rate	66.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%	67.0%
Average Daily Room Rate (ADR)	\$75.30	\$77.56	\$79.89	\$82.29	\$84.76	\$87.30	\$89.92	\$92.61	\$95.39	\$98.25	\$101.11	\$103.97	\$106.83	\$109.69	\$112.55	\$115.41	\$118.27	\$121.13	\$123.99	\$126.85
Revenue Per Avail. Room (RevPAR)	\$49.70	\$51.97	\$53.53	\$55.13	\$56.79	\$58.49	\$60.25	\$62.05	\$63.91	\$65.83	\$67.74	\$69.69	\$71.67	\$73.68	\$75.72	\$77.79	\$79.89	\$81.99	\$84.11	\$86.25
<b>DEPARTMENTAL REVENUE</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>	<b>\$</b>	<b>% Total</b>
Rooms	\$2,213,067	95.6%	\$2,314,003	95.6%	\$2,383,518	95.6%	\$2,455,122	95.6%	\$2,528,815	95.6%	\$2,604,596	95.6%	\$2,682,763	95.6%	\$2,763,019	95.6%	\$2,845,961	95.6%	\$2,931,289	95.6%
Other Oper. Dept. Revenue	\$31,864	1.4%	\$33,069	1.4%	\$34,061	1.4%	\$35,084	1.4%	\$36,137	1.4%	\$37,220	1.4%	\$38,337	1.4%	\$39,486	1.4%	\$40,670	1.4%	\$41,890	1.4%
Miscellaneous Income	\$69,606	3.0%	\$72,237	3.0%	\$74,406	3.0%	\$76,640	3.0%	\$78,940	3.0%	\$81,306	3.0%	\$83,746	3.0%	\$86,255	3.0%	\$88,843	3.0%	\$91,508	3.0%
<b>Total Operating Revenue</b>	<b>\$2,314,537</b>	<b>100.0%</b>	<b>\$2,419,309</b>	<b>100.0%</b>	<b>\$2,491,986</b>	<b>100.0%</b>	<b>\$2,566,846</b>	<b>100.0%</b>	<b>\$2,643,891</b>	<b>100.0%</b>	<b>\$2,723,122</b>	<b>100.0%</b>	<b>\$2,804,846</b>	<b>100.0%</b>	<b>\$2,888,760</b>	<b>100.0%</b>	<b>\$2,975,474</b>	<b>100.0%</b>	<b>\$3,064,687</b>	<b>100.0%</b>
<b>DEPARTMENTAL EXPENSES</b>																				
Rooms	\$431,202	19.5%	\$446,830	19.3%	\$460,242	19.3%	\$474,057	19.3%	\$488,282	19.3%	\$502,924	19.3%	\$518,014	19.3%	\$533,537	19.3%	\$549,547	19.3%	\$566,029	19.3%
Other Oper. Dept. Expense	\$4,727	14.8%	\$4,887	14.8%	\$5,034	14.8%	\$5,185	14.8%	\$5,341	14.8%	\$5,501	14.8%	\$5,666	14.8%	\$5,836	14.8%	\$6,011	14.8%	\$6,191	14.8%
<b>Total Departmental Expenses</b>	<b>\$435,929</b>	<b>18.8%</b>	<b>\$451,718</b>	<b>18.7%</b>	<b>\$465,276</b>	<b>18.7%</b>	<b>\$479,242</b>	<b>18.7%</b>	<b>\$493,623</b>	<b>18.7%</b>	<b>\$508,425</b>	<b>18.7%</b>	<b>\$523,680</b>	<b>18.7%</b>	<b>\$539,373</b>	<b>18.7%</b>	<b>\$555,558</b>	<b>18.7%</b>	<b>\$572,221</b>	<b>18.7%</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>\$1,878,608</b>	<b>81.2%</b>	<b>\$1,967,591</b>	<b>81.3%</b>	<b>\$2,026,709</b>	<b>81.3%</b>	<b>\$2,087,603</b>	<b>81.3%</b>	<b>\$2,150,268</b>	<b>81.3%</b>	<b>\$2,214,697</b>	<b>81.3%</b>	<b>\$2,281,166</b>	<b>81.3%</b>	<b>\$2,349,387</b>	<b>81.3%</b>	<b>\$2,419,917</b>	<b>81.3%</b>	<b>\$2,492,466</b>	<b>81.3%</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	\$201,739	8.7%	\$208,561	8.6%	\$214,820	8.6%	\$221,267	8.6%	\$227,906	8.6%	\$234,741	8.6%	\$241,784	8.6%	\$249,032	8.6%	\$256,504	8.6%	\$264,198	8.6%
Marketing	\$124,088	5.4%	\$128,568	5.3%	\$132,427	5.3%	\$136,402	5.3%	\$140,495	5.3%	\$144,708	5.3%	\$149,050	5.3%	\$153,517	5.3%	\$158,123	5.3%	\$162,866	5.3%
Royalty/Franchise Fees	\$110,653	4.8%	\$115,700	4.8%	\$119,176	4.8%	\$122,756	4.8%	\$126,441	4.8%	\$130,230	4.8%	\$134,138	4.8%	\$138,151	4.8%	\$142,298	4.8%	\$146,564	4.8%
Property Operations & Maintenance	\$145,700	6.3%	\$150,627	6.2%	\$155,148	6.2%	\$159,804	6.2%	\$164,599	6.2%	\$169,535	6.2%	\$174,622	6.2%	\$179,857	6.2%	\$185,253	6.2%	\$190,810	6.2%
Utilities	\$89,662	3.9%	\$92,694	3.8%	\$95,476	3.8%	\$98,341	3.8%	\$101,291	3.8%	\$104,329	3.8%	\$107,459	3.8%	\$110,681	3.8%	\$114,002	3.8%	\$117,422	3.8%
Information & Telecomm Systems	\$33,988	1.5%	\$35,267	1.5%	\$36,326	1.5%	\$37,416	1.5%	\$38,539	1.5%	\$39,695	1.5%	\$40,886	1.5%	\$42,111	1.5%	\$43,374	1.5%	\$44,675	1.5%
<b>Total Undistributed Operating Expenses</b>	<b>\$705,830</b>	<b>30.5%</b>	<b>\$731,418</b>	<b>30.2%</b>	<b>\$753,373</b>	<b>30.2%</b>	<b>\$775,986</b>	<b>30.2%</b>	<b>\$799,271</b>	<b>30.2%</b>	<b>\$823,238</b>	<b>30.2%</b>	<b>\$847,939</b>	<b>30.2%</b>	<b>\$873,349</b>	<b>30.2%</b>	<b>\$899,556</b>	<b>30.2%</b>	<b>\$926,536</b>	<b>30.2%</b>
<b>MANAGEMENT FEES</b>																				
Base Management Fee	\$69,436	3.0%	\$72,579	3.0%	\$74,760	3.0%	\$77,005	3.0%	\$79,317	3.0%	\$81,694	3.0%	\$84,145	3.0%	\$86,663	3.0%	\$89,264	3.0%	\$91,941	3.0%
<b>HOUSE PROFIT (IBNOIE)</b>	<b>\$1,103,342</b>	<b>47.7%</b>	<b>\$1,163,594</b>	<b>48.1%</b>	<b>\$1,198,577</b>	<b>48.1%</b>	<b>\$1,234,612</b>	<b>48.1%</b>	<b>\$1,271,681</b>	<b>48.1%</b>	<b>\$1,309,765</b>	<b>48.1%</b>	<b>\$1,349,082</b>	<b>48.1%</b>	<b>\$1,389,376</b>	<b>48.1%</b>	<b>\$1,431,097</b>	<b>48.1%</b>	<b>\$1,473,990</b>	<b>48.1%</b>
<b>NON-OPERATING INCOME &amp; EXPENSES</b>																				
Property Taxes	\$123,261	5.3%	\$125,726	5.2%	\$128,240	5.1%	\$130,805	5.1%	\$133,421	5.0%	\$136,090	5.0%	\$138,812	4.9%	\$141,588	4.9%	\$144,420	4.9%	\$147,308	4.8%
Insurance	\$52,925	2.3%	\$54,513	2.3%	\$56,149	2.3%	\$57,833	2.3%	\$59,568	2.3%	\$61,355	2.3%	\$63,196	2.3%	\$65,092	2.3%	\$67,044	2.3%	\$69,056	2.3%
Reserve for Replacement	\$92,581	4.0%	\$96,772	4.0%	\$99,679	4.0%	\$102,674	4.0%	\$105,756	4.0%	\$108,925	4.0%	\$112,194	4.0%	\$115,550	4.0%	\$119,019	4.0%	\$122,587	4.0%
<b>Total Non-Operating Charges</b>	<b>\$268,768</b>	<b>11.6%</b>	<b>\$277,011</b>	<b>11.5%</b>	<b>\$284,068</b>	<b>11.4%</b>	<b>\$291,312</b>	<b>11.3%</b>	<b>\$298,745</b>	<b>11.3%</b>	<b>\$306,370</b>	<b>11.3%</b>	<b>\$314,201</b>	<b>11.2%</b>	<b>\$322,230</b>	<b>11.2%</b>	<b>\$330,483</b>	<b>11.1%</b>	<b>\$338,951</b>	<b>11.1%</b>
<b>NET OPERATING INCOME (EBITDA-LR)</b>	<b>\$834,574</b>	<b>36.1%</b>	<b>\$886,583</b>	<b>36.6%</b>	<b>\$914,509</b>	<b>36.7%</b>	<b>\$943,300</b>	<b>36.7%</b>	<b>\$972,936</b>	<b>36.8%</b>	<b>\$1,003,396</b>	<b>36.8%</b>	<b>\$1,034,881</b>	<b>36.9%</b>	<b>\$1,067,146</b>	<b>36.9%</b>	<b>\$1,100,614</b>	<b>37.0%</b>	<b>\$1,135,039</b>	<b>37.0%</b>
<b>OPERATING RATIOS</b>																				
Other Oper. Dept. Revenue to Rooms	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	
Miscellaneous Income to Rooms	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	
Royalty/Franchise Fees to Rooms	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	

The following is a graphical analysis of the subject property’s operating expense characteristics. The top of the graph represents total revenue, while the bottom represents net operating income.



The following sections discuss how this cash flow (net operating income) projection is converted into market value for the subject property.

**NOTES ON INFLATION**

The recent problem with high inflation has impacted hotel operating costs in several ways. Inflation refers to the general increase in prices of goods and services over time, and it can affect various aspects of hotel operations, including labor costs, supply chain costs, and energy costs. Here are some ways in which high inflation can impact hotel operating costs:

- **Labor costs:** High inflation can lead to higher wages and salaries for hotel employees, as the cost-of-living increases. This can lead to higher labor costs for hotel operators, which can affect profitability and the ability to invest in other areas of the business.
- **Maintenance costs:** High inflation can lead to higher costs for maintaining hotel guest rooms. This includes the cost of repairs and replacement of furniture, fixtures, and equipment, as well as the cost of regular maintenance tasks such as cleaning and painting. Higher maintenance costs can impact the profitability of hotel rooms and may require hotel operators to adjust their room rates to cover these expenses.
- **Housekeeping costs:** The cost of labor for housekeeping staff can also increase due to high inflation, which can impact the cost of operating hotel guest rooms. Hotel operators may need to adjust their staffing levels or increase their labor costs to ensure that guest rooms are properly cleaned and maintained.
- **Supply chain costs:** The recent problem with high inflation has been driven by supply chain disruptions. These disruptions have led to shortages of goods and increased costs for producers, which can impact hotel operating costs. For example, the cost of food, linens, and other supplies used in hotels may be higher due to supply chain disruptions and increased demand.
- **Energy costs:** High inflation can also lead to higher energy costs for hotels, as the prices of utilities and fuel increase. This can lead to higher operating expenses for hotel operators, which can affect profitability and the ability to invest in other areas of the business.

Overall, the recent problem with high inflation has made hotel operating costs more expensive and challenging, particularly in markets where competition for labor and supplies is already high. Hotel operators will need to carefully manage costs and adjust their strategies to account for the impact of inflation on their businesses. This may include exploring new ways to reduce costs, such as improving efficiency and implementing cost-saving measures.

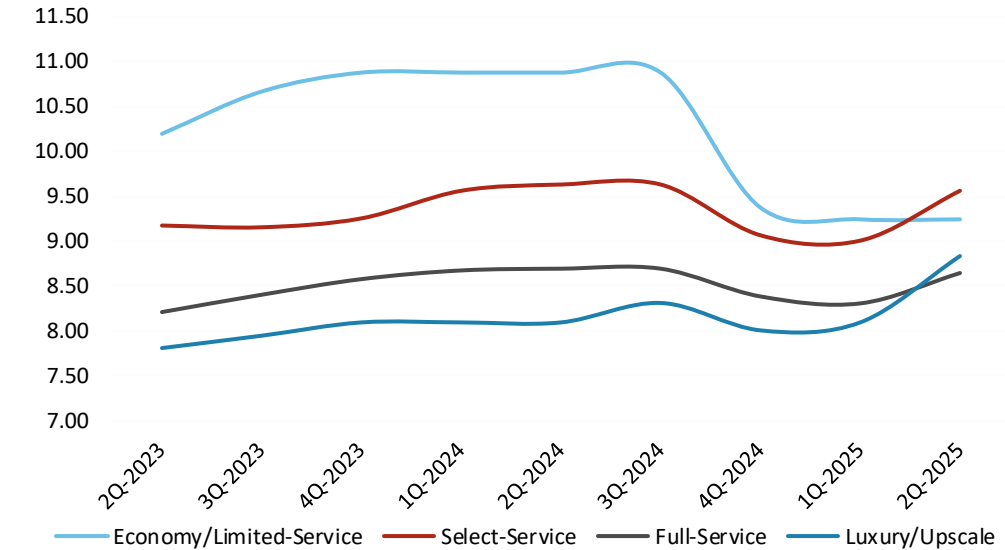
## YIELD CAPITALIZATION

Yield capitalization is a method of converting future income from an investment into present value by discounting each year's income using an appropriate discount rate or by using one overall rate that reflects the investment. A more detailed discussion of the underlying process is presented in the **Glossary** of this report.

### Terminal Capitalization Rate

The following table provides a historical illustration of terminal capitalization rate statistics as surveyed by PricewaterhouseCoopers that we believe are relevant to the subject property.

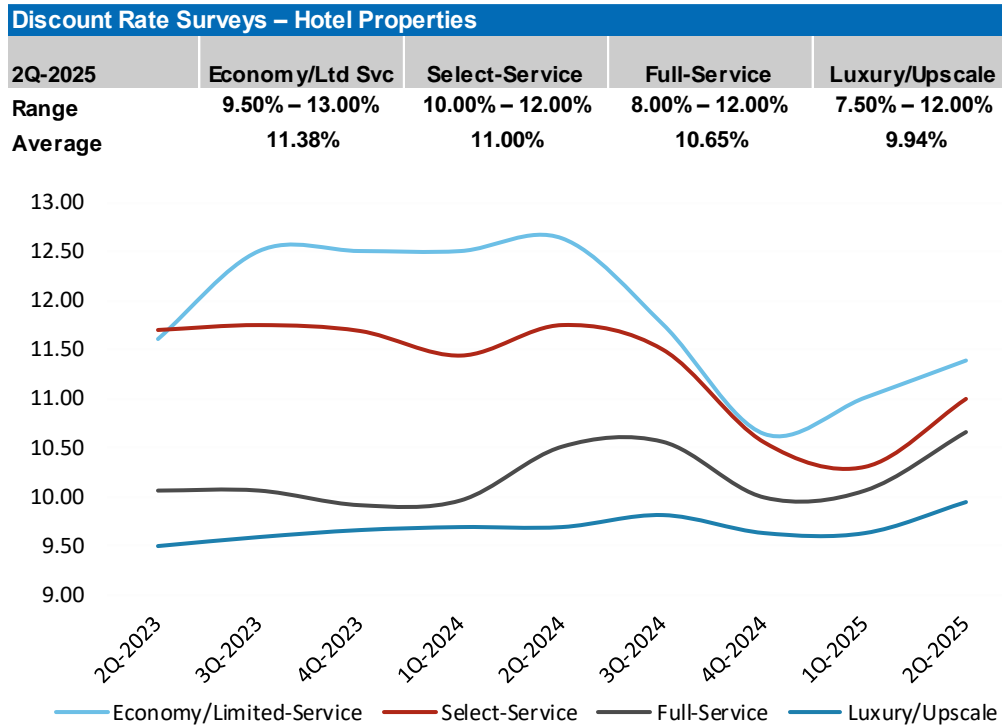
Terminal Capitalization Rate Surveys – Hotel Properties				
2Q-2025	Economy/Ltd Svc	Select-Service	Full-Service	Luxury/Upscale
Range	8.50% – 10.00%	8.00% – 11.00%	4.50% – 10.50%	6.50% – 11.00%
Average	9.25%	9.56%	8.65%	8.84%



Source: Real Estate Investor Survey, 2Q-2025, published by PwC

**Discount Rate**

The following graph provides a historical illustration of discount rate statistics as surveyed by PricewaterhouseCoopers that we believe are relevant to the subject property.



**INVESTMENT MATTERS CONSIDERED**

The following remarks summarize information that we believe is consistent with the observations held by the investor pool of commercial real estate assets, particularly with respect to the trends that influence demand for hotels overall.

**Market Highlights**

- Los Angeles, CA is a market with above average lodging characteristics. Its lodging performance index (LPI, or the measure of a hotel market's effective overall performance using multiple key performance metrics as inputs) was 1.27 in 1Q 2025 (1.0 representing the T-104 average). As a rank, the LPI for Los Angeles, CA is 18th of 104 organized hotel markets that Newmark analyzes on a continual basis.
- Revenue growth potential, which is an assessment of total revenue growth over the past three to five years against the other Top 104 markets, is below average. Specifically, it ranked 88th. Our analysis of investment yields is such that the market's investment parameters (yields, OAR, IRR, interest rates, etc.) against other Top 104 markets was strong, ranking 9th.
- Supply risk, which is an assessment of market supply growth over the past 12 months that is still in the process of absorption, ranked 70th out of 104 markets. This is below average. Labor risk, which

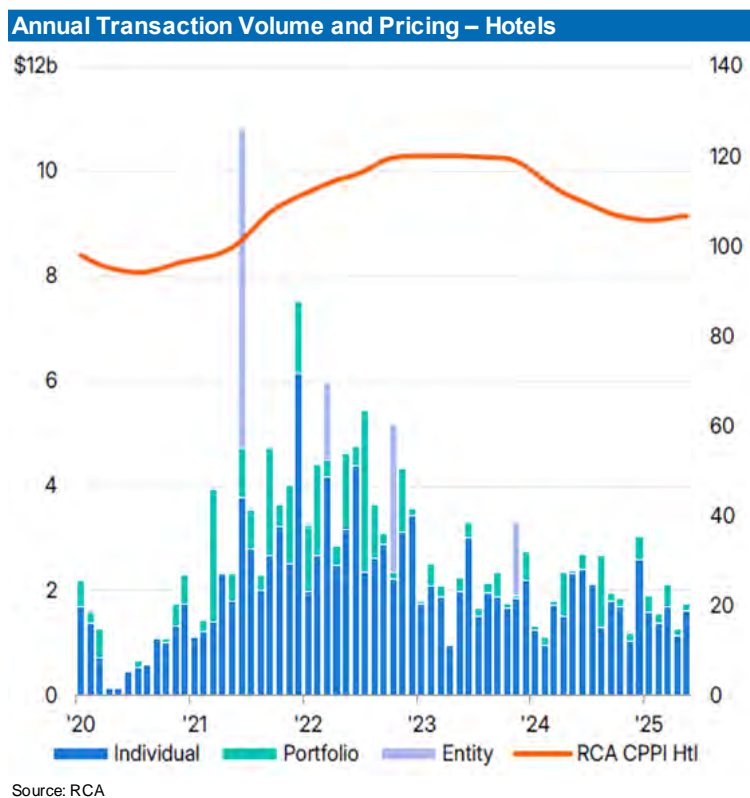
is a measure of current employment health over the past two years relative to the other markets, ranked 26th, which is above average.

- Finally, macro-fiscal risk, which is a snapshot of the health and diversity of lodging demand generators relative to the Top 104 markets, ranked 70th (below average).

**Salient Industry Observations – Capital Markets**

Deal volume for the hotel sector declined again in May, marking two straight months of double-digit drops in sale activity, with hotel prices also under pressure as the RCA CPPI fell 3.6% year over year. Despite these challenges, recent trends show mixed signals, as limited-service hotel activity has not mirrored the broader market’s slowdown. Limited-service hotel sales had already displayed weakness, falling each quarter in 2024 and alternating between growth and declines in each month of 2025—leaving year-to-date volume just 2.4% below the pace seen through May last year. In contrast, full-service hotels experienced four consecutive months of substantial sales increases before growth reversed sharply in April and May of this year amid growing concerns about cross-border travel.

The following table summarizes lodging transactional activity over the past several years:



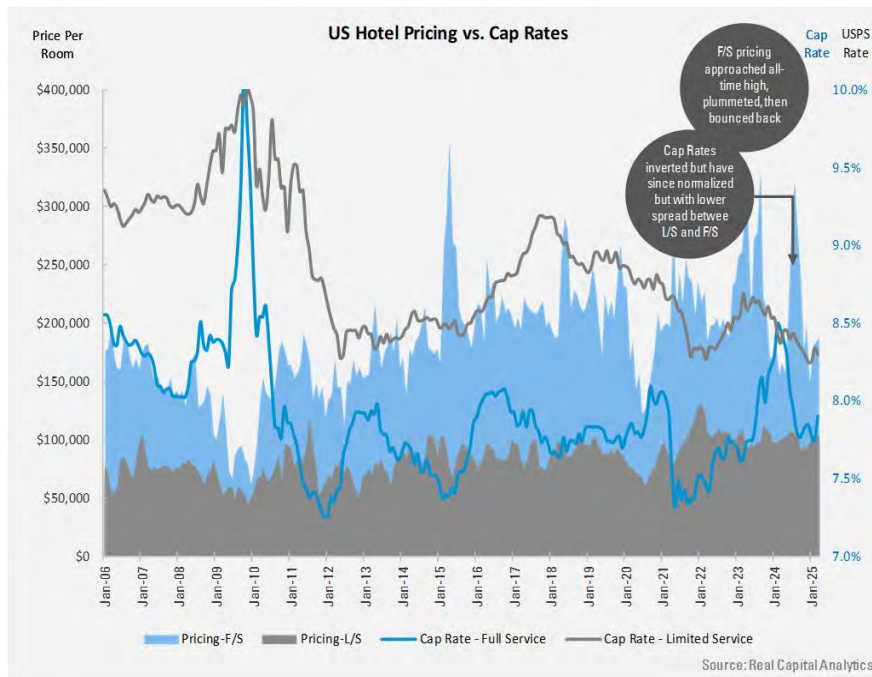
Newmark continually tracks events within the global capital markets industries, with recent remarks coming from its July 7, 2025 'Trading Department' briefing:

- Treasury yields rose steadily throughout the shortened holiday week as markets digested solid economic data, Fed commentary, and deficit concerns. The 10-year Treasury yield began the week

hovering in the low 4.20%s as investors monitored the ongoing progress in deals with US trading partners, but then started to climb after a slew of Fed speak and a stronger than expected job openings number pared market expectations for a rate cut at the September FOMC meeting. Equities finished the week at record highs after a hot June jobs report showed an unexpected drop in the unemployment rate and higher than forecast number of jobs added, while Treasury yields continued their climb alongside reports of the budget bill passing through Congress – reigniting deficit concerns. The 10-year Treasury yield ended the week at 4.35%, 11 basis points higher week over week, while the policy-sensitive 2-year Treasury yield ended the week almost 15 basis points higher at 3.89%.

- Last week, Fed officials emphasized the need for caution in adjusting interest rates, reiterating the continued showing of solid economic data and the uncertain impact of tariffs. Early in the week, Fed President Bostic warned that tariff-related price increases “may be incremental instead of a one-time bump,” potentially leading to “more persistent upward pressure on inflation.” Kashkari echoed Bostic’s sentiment, warning that tariffs may have a delayed impact on inflation and policymakers should remain flexible. At the ECB Forum, Fed Chair Powell reiterated that policy remains “modestly restrictive” and emphasized that the Fed would “take no meeting off the table,” including July, for lowering rates – though the baseline remains a cut “later this year.” He also acknowledged that the bank probably would have cut rates further this year absent President Trump’s expanded use of tariffs, repeating that he expects to see the effect of that in inflation data in the coming months. Towards the end of the week, President Barkin stressed that there is no urgency to lower rates, while President Bostic reiterated the bank’s “wait-and-see approach” amid uncertainty over economic policy. By the end of the week, and after the hotter than expected jobs report, the market-implied probability of a rate cut at the September meeting dropped to around 70% - down from 100% the prior week.
- After a quiet week last week, Freddie Mac is expected to return to the market this week with a \$753MM 5-year conventional deal (K-543) featuring fixed and floating rate classes.
- This week, markets will likely be focused on a handful of key economic indicators, as well as fresh Fed commentary and any last-minute US trade deal announcements ahead of the July 9th deadline. Wednesday’s release of the June FOMC meeting minutes will also likely catch headlines as markets continue to navigate the evolving path of what the Fed will do this year. Notable economic data for the week includes weekly initial jobless and continuing claims, final May wholesale inventories, June NY Fed 1-yr inflation expectations, and the June Federal budget balance. Treasury auctions for the week include \$58B 3-year notes, \$39B 10-year notes, and \$22B 30-year bonds.

The following graphic summarizes trends in transaction and investment activity over the past several years, according to Real Capital Analytics:



### Subject Property Considerations

Observations about the subject property are considered and discussed below:

- The subject asset involves the Fee Simple interest with no known encumbering characteristics that would negatively impact its marketability.
- As previously discussed, the subject is expected to post positive operating performance in the coming years. While the projections are supported, they are still considered speculative and possess a certain degree of uncertainty. Such uncertainty plays a direct role in the return requirements a potential investor would command from the subject property. Over the assumed 10-year holding period, more volatile changes are noted early in the projection as the subject is expected to post a recovery up through the date of stabilization. Following the stabilized year, growth rates are expected to moderate and represent growth indicative of inflation. The following table illustrates growth rates for various departmental revenue and expense line items, measured in increments that are relevant to the stabilization period and the 10-year holding period.

GROWTH RATE ANALYSIS - COMPOUNDED ANNUAL GROWTH RATES			
DEPARTMENTAL REVENUE	Year 1 to Stabilized Year	Year 1 to Year 10	Stabilized Year to Year 10
Rooms	4.6%	3.2%	3.0%
Other Oper. Dept. Revenue	3.8%	3.1%	3.0%
Miscellaneous Income	3.8%	3.1%	3.0%
<b>Total Operating Revenue</b>	<b>4.5%</b>	<b>3.2%</b>	<b>3.0%</b>
DEPARTMENTAL EXPENSES			
Rooms	3.6%	3.1%	3.0%
Other Oper. Dept. Expense	3.4%	3.0%	3.0%
<b>Total Departmental Expenses</b>	<b>3.6%</b>	<b>3.1%</b>	<b>3.0%</b>
<b>TOTAL DEPARTMENTAL INCOME</b>	<b>4.7%</b>	<b>3.2%</b>	<b>3.0%</b>
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	3.4%	3.0%	3.0%
Marketing	3.6%	3.1%	3.0%
Royalty/Franchise Fees	4.6%	3.2%	3.0%
Property Operations & Maintenance	3.4%	3.0%	3.0%
Utilities	3.4%	3.0%	3.0%
Information & Telecomm Systems	3.8%	3.1%	3.0%
<b>Total Undistributed Operating Expenses</b>	<b>3.6%</b>	<b>3.1%</b>	<b>3.0%</b>
MANAGEMENT FEES			
Base Management Fee	4.5%	3.2%	3.0%
<b>HOUSE PROFIT (IBNOIE)</b>	<b>5.5%</b>	<b>3.3%</b>	<b>3.0%</b>

- Part of the reason hotel assets command higher returns relative to other asset classes is the fact that a sizable portion of the asset’s overall value is comprised by furniture, fixtures, and equipment, which has a shorter economic life and needs to be replaced more often than the building components. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at an accelerated depreciation rate, often faster than straight-line depreciation. These assets also depreciate immediately upon being placed into service. Such velocity in the depreciation of this component, along with the human labor required to maintain not only the FF&E but most public areas of the property, causes prudent investors to require higher rates of return. However, we were not provided access to the property and could not inspect the FF&E in order to determine its effective age. We did uncover that the last renovation of the property took place in 2012, but could not determine if piecemeal replacements of FF&E have taken place since that time. As such, we have relied on a value in use determination for the FF&E and applied an allocated value of 10% of the total value of the FF&E. This assumption has been taken into account in our selection of appropriate rates of return.
- Numerous hotel transactions in the region have been researched and based on information which was revealed during the verification process of these hotel sales, capitalization rates ranged from 5.9% to 10.0% with an average of 7.3%. The following table summarizes this transaction information:

Transactional Summary - Comparable Improved Sales						
Range Level	Sale Date			Total Sale Investment	\$/Unit	OAR
Low	5/13/2024			\$11,000,000	\$96,491	5.87%
Average	8/18/2024			\$14,125,000	\$131,819	7.32%
High	2/7/2025			\$17,000,000	\$163,462	10.00%

This property has an overall rating of average when measured against other properties in this marketplace after considering all the subject’s physical characteristics, economy extended-stay, nature and the risk profile associated with its anticipated economic benefits. In general, the subject investment would command a base discount rate of 11.00% and a base terminal capitalization rate of 9.0% and a loaded overall capitalization rate of 10.11%.

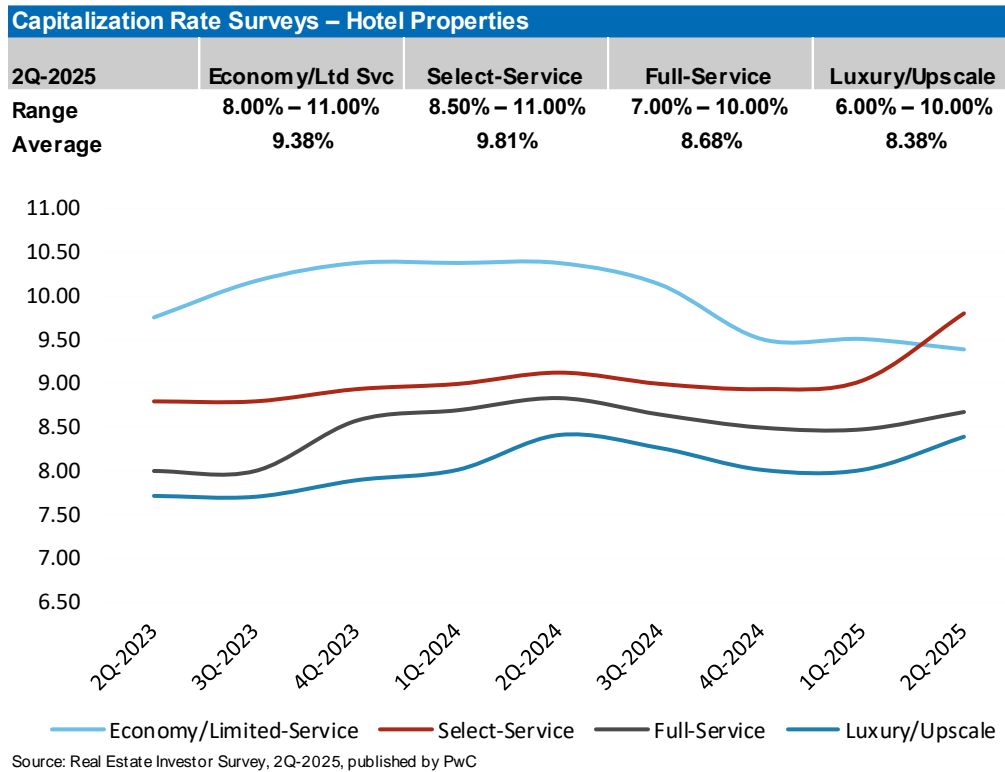
**Loaded Capitalization Rate**

As previously discussed, property taxes are governed by Prop 13, in that property taxes are based on the stabilized market value of the fee simple estate in the property at the time of acquisition. As such, it is appropriate to estimate the market value of the subject property employing a “loaded” capitalization rate, which entails combining a market-oriented terminal capitalization rate with the tax rate. This rate is applied to the hotel’s 11<sup>th</sup> year net operating income, less any tax burden. The following table summarizes this calculation.

SUMMARY OF CAPITALIZATION RATE CONCLUSIONS	
Metric	Rate
Effective Tax Rate	1.10967%
Terminal Capitalization Rate	9.00%
<b>Loaded Terminal Capitalization Rate</b>	<b>10.11%</b>
<i>Other Notes:</i>	
Indicated Fair Value of Assessment (Rounded):	\$10,200,000
Post-Transaction Tax Burden	\$113,186
Special Assessments	\$10,075

**Implied Direct Capitalization Metric**

As will be illustrated in greater detail later in this section, the calculated implied loaded overall capitalization rate of the subject (measured against the year-one net operating income after the application of all capital costs over and above reserves) is 8.20% and the implied rate upon stabilization is 8.2%. These implied rates have been cross-checked with the PwC surveys for limited-service hotels. The results of the survey are as follows.



Based on the comparables listed previously in this report, a capitalization rate within a range of 5.9% to 10.0% could be expected for the subject. The average overall rate equated to 7.32%. However, the subject’s lack of renovation since 2012 and its generally inferior performance based on room revenue calculated from occupancy tax revenue would require a higher than average overall capitalization rate. Based on these factors and considering the subject’s expected future performance with respect to RevPAR and NOI an implied capitalization rate within a range of 7.75% to 8.50% is reasonable for the subject.

In conclusion, considering the subject’s Fee Simple ownership interest, overall condition, quality, expected operational performance, and all the aforementioned risk characteristics of the subject and the local market, the implied loaded overall capitalization rate and selected investment parameters are supported.

## DISCOUNTED CASH FLOW

<b>Discount Rate:</b>	11.00% (annually)
<b>Loaded Terminal Capitalization Rate:</b>	Loaded rate of 10.11% (base rate of 10.11% plus effective tax rate of 1.11% applied to the 11th year NOI)
<b>Holding Period:</b>	10 years
<b>Closing Costs:</b>	2.00% (deducted from the projected sale price)
<b>Projection Commencement:</b>	July 1, 2025
<b>Date of Stabilization:</b>	July 1, 2026 (Year 2)
<b>Reversion Year:</b>	2034/35 (Year 10, based on Year 11 projection)

**DISCOUNTED CASH FLOW ANALYSIS**

**Calculation of Market Value, As Is  
Extended Stay America Los Angeles -Torrance Blvd**

Projection Period	Projection Year	Net Operating Income (NOI)		Discount Factor	Present Value of NOI	Cash on Cash Return	Composition of Value
				<b>11.00%</b>			
1	2025/26	\$834,574	x	0.90090	\$751,868	8.18%	7.39%
2	2026/27 <i>(Stabilized)</i>	\$886,583	x	0.81162	\$719,570	8.69%	7.07%
3	2027/28	\$914,509	x	0.73119	\$668,681	8.97%	6.57%
4	2028/29	\$943,300	x	0.65873	\$621,381	9.25%	6.11%
5	2029/30	\$972,936	x	0.59345	\$577,390	9.54%	5.67%
6	2030/31	\$1,003,396	x	0.53464	\$536,456	9.84%	5.27%
7	2031/32	\$1,034,881	x	0.48166	\$498,459	10.15%	4.90%
8	2032/33	\$1,067,146	x	0.43393	\$463,063	10.46%	4.55%
9	2033/34	\$1,100,614	x	0.39092	\$430,257	10.79%	4.23%
10	2034/35	\$1,135,039	x	0.35218	\$399,743	11.13%	3.93%
<b>Total/Net Present Value of NOI:</b>		<b>\$9,892,975</b>			<b>\$5,666,869</b>	<b>9.70%</b>	<b>55.69%</b>

**Reversion Analysis**

Projection Period	Projection Year	NOI (Before Taxes)		Loaded Terminal Rate	Reversion Value	
11	2035/36	\$1,320,817	÷	<b>10.11%</b>	\$13,064,889	
<b>Less: Transactional Costs</b>				x	<b>2.00%</b>	<u>-\$261,298</u>
<b>Net Reversion</b>					\$12,803,591	
<b>Discount Factor</b>				0.35218		
<b>Total Present Value of Reversion</b>					\$4,509,226	
Composition of Value					<u>44.31%</u>	
<b>Indicated Value</b>					<b>\$10,176,095</b>	

**Valuation Analysis: Extended Stay America Los Angeles -Torrance Blvd**

<b>Indicated Calculation of Market Value, As Is</b>				\$10,176,095
<b>Rounded</b>				<b>\$10,200,000</b>
Number of Rooms				122
Value Estimate Per Room				\$83,607
<b>Analysis Period:</b>		<b>First</b>	<b>Stabilized</b>	<b>Stabilized</b>
<b>Projection Period:</b>		<b>2025/26</b>	<b>2026/27</b>	<b>Deflated to</b>
		<b>1</b>	<b>2</b>	<b>2025/26</b>
Room Revenue Multiplier		4.61	4.41	4.54
Gross Revenue Multiplier		4.41	4.22	4.34
Net Operating Income*		\$834,574	\$886,583	\$860,760
Implied Year-1 Cap Rate		8.20%	8.71%	8.46%

# Reconciliation

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

As addressed earlier in this report, the cost approach has limited reliability in the valuation of existing hotels. We find there is considerable difficulty in accurately quantifying physical deterioration, and it is our experience that experienced purchasers of complex hotel properties are more concerned with the economics of the investment. As such, if employed, the cost approach typically provides only a test a feasibility.

The sales comparison approach employed a price per room analysis. The subject is expected to sell at a price point where market participants typically put minimal emphasis on this approach. Recognizing shifting market conditions, investors would typically give limited weight to the sales comparison approach in determining value. Therefore, minimal weight is given to the sales comparison approach in this appraisal; rather, this approach was employed to estimate a reasonable range in value for the subject property and as a test of reasonableness for our conclusion via the income capitalization approach.

The income approach to value is generally considered to be the best and most accurate measure of the value for income-producing properties. In this analysis, the Discounted Cash Flow was developed and relied upon most heavily in arriving at our final determination of value. The value estimate by this approach best reflects the analysis that knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. Sufficient market data was available to reliably estimate gross revenue, vacancy, expenses, and capitalization and discount rates for the subject property. While other approaches were contemplated, the Discounted Cash Flow is generally given primary emphasis within the income capitalization approach.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject 's value.

## **Reconciliation of Value Conclusions**

We have placed primary emphasis on the income capitalization approach and, more specifically, the Discounted Cash Flow method as this mirrors the methodology of purchasers of this type of property. After considering all the factors relevant to the valuation of the subject property, our overview value conclusions and final reconciled values are presented in the following table:

OVERVIEW OF VALUE CONCLUSIONS	
Methodology for Market Value Conclusions	As Is July 1, 2025
<b>Sales Comparison Approach</b>	
Adjusted Low End of Range	\$9,800,000
Adjusted High End of Range	\$10,600,000
<b>Income Approach</b>	
Discounted Cash Flow	\$10,200,000
<b>Reconciled Value Conclusion</b>	<b>\$10,200,000</b>
<b>Per Room</b>	<b>\$83,607</b>

FINAL RECONCILED VALUES	
Conclusions	As Is July 1, 2025
<b>Market Value</b>	<b>\$10,200,000</b>
Per Room	\$83,607
<b>Allocation of Property Components</b>	
<b>As Is</b>	
Real Property	\$9,180,000
Furniture, Fixtures and Equipment	\$1,020,000
Business	\$0
<b>Total</b>	<b>\$10,200,000</b>

**Contributory Value of the Furniture, Fixtures, and Equipment**

We have estimated the value in use of the subject’s FF&E by allocating 10% of the total value of the property to the FF&E, or at \$1,020,000.

**Most Probable Buyer**

Considering the size and characteristics of the subject property, as well as its service scale, franchise affiliation, location, and physical aspects, the most likely buyer type would be a local or regional investor.

**Exposure Time**

Exposure time is the length of time the subject property would have been exposed for sale in the market had it sold on the effective valuation date at the concluded market value. Exposure time is always presumed to precede the effective date of the appraisal.

Recent sales transaction data for similar properties, supply and demand characteristics for the local market, and the opinions of local market participants were reviewed and analyzed. Based on this data and analysis, it is our opinion that the probable exposure time for the subject at the concluded market value for all valuation scenarios is 12 months or less.

**Marketing Time**

Marketing time is an estimate of the amount of time it might take to sell a property at the concluded market value immediately following the effective date of value. Accordingly, we estimate the subject's marketing period for all valuation scenarios is 12 months or less.

# Going Concern Analysis

## CONTRIBUTORY VALUE OF BUSINESS AND OTHER INTANGIBLE COMPONENTS

Going Concern is a term used in accounting to describe a business or organization that is expected to continue its operations for the foreseeable future, without the intention or need of liquidation or significant changes in its operations. In other words, the going concern concept assumes that a business will continue its activities and generate profit, meet its obligations, and pay off its debts in the normal course of business operations.

The going concern concept is important in financial reporting because it affects the valuation of a company's assets and liabilities. If a business is considered a going concern, its assets are valued at their expected future value, and its liabilities are valued at their expected future cost. On the other hand, if a business is not a going concern, its assets may be valued at their liquidation value, and its liabilities may be valued at their immediate payment amount. This can have a significant impact on a company's financial statements and its ability to secure financing from investors or lenders.

### Definition of Going-Concern Premise

*One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely). Under the going-concern premise, the value of a business as a going concern is equal to the sum of the value of the tangible assets and the value of the intangible assets, which may include the value of excess profit, where asset values are derived consistently with the going-concern premise.*

*Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 7th ed. (Chicago: Appraisal Institute, 2022).*

### Applicability to Complex Commercial Real Estate

*Certain types of real estate improvements are designed and constructed solely for use in a business operation. Often, this type of real property is sold together with the business. In real property valuation, the business entity is referred to as a 'going concern', which can include real property, tangible personal property, and intangible assets (such as franchise agreements, other business contracts, and business goodwill).*

*Source: The Appraisal of Real Estate, 15th Edition (2020).*

We note the following:

- The tangible real and personal property components of the subject property have been valued in this appraisal using the aforementioned techniques. These valuation methods account for—and extract—intangible value by the deduction of a market-oriented management fee and all applicable franchise and/or licensing costs.
- The subject property is located in a market with competitive pressure from other hotels. The feasibility in adding supply of hotel rooms to the market is somewhat limited; nevertheless, the barrier to entry is not significant. The subject is not an asset that currently has or is expected to have at any point in the holding period, a sustainable competitive advantage that would generate

excess rent or revenue to any of its departments. Furthermore, the subject property does not enjoy a sustained competitive advantage that would insulate it from an equilibrium environment.

- The market value of the subject property is deemed to be well below its replacement cost, including consideration for entrepreneurial profit.
- The application of the discount rate used in this appraisal reflects a relatively risky commercial real estate investment. The resulting market value when applying this discount rate (and other investment parameters) is not considerably in excess of comparable sales of similar asset types in the area.
- The subject's projected stabilized net operating income ratio is well within the range of comparable properties and is generally reflective of industry performance.

By accounting for these factors, there is no business value included in our conclusion of market value. Furthermore, since it has been determined that there is no value to any component other than those to be recognized as part of "market value" in this appraisal, the going concern value in this document is concluded to be the same as market value.

### Allocation of Property Components

After considering the contributory value of the subject's FF&E, as well as any intangible components, we have concluded to the following allocation of property components under the various scenarios:

Allocation of Property Components	As Is
Real Property	\$9,180,000
Furniture, Fixtures and Equipment	\$1,020,000
Business	\$0
<b>Total</b>	<b>\$10,200,000</b>

# Assumptions & Limiting Conditions

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this Report, title to the property which is the subject of this Report (herein, "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This Report shall not constitute a survey of the Property.
2. Unless otherwise stated in this Report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this Report is based, unless otherwise stated. The physical condition of the Property reflected in this Report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this Report, this Report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this Report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.
4. All statements of fact contained in this Report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third-party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions Reported if made aware of any such error.
5. The opinion of value stated in this Report is only as of the date of value stated in this Report. An appraisal is inherently subjective, and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This Report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this Report. Any projections of income, expenses and economic conditions utilized in this Report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this Report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this Report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this Report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could

substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.

9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This Report shall be considered only in its entirety. No part of this Report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this Report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this Report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this Report and the opinion of value contained herein as only one factor together with its own independent considerations and underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors. The use of this Report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this Report and the appraisal contained herein.
12. Unless otherwise specifically stated in the agreement to prepare this Report, the appraiser shall not be required to participate in, prepare for, or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this Report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the Report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this Report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this Report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this Report and full acceptance of any limitation of liability or claims contained therein.
15. During the course of fieldwork, the professionals within the Hospitality, Gaming, and Leisure Group at Newmark have understood actual segmentation data obtained by operators at the most competitive properties is problematic as the data may not be accurate for a variety of reasons. Efforts were made to ascertain the demand mix at each of the competitive hotels; however, additional industry data is utilized to enhance research collected in the competitive set. There is a correlation between the various service scales of hotels and the demand mix indicated by market participants as well as industry data. With this information, the base segmentation for each service class is estimated and additional qualitative adjustments are made in accordance with the hotel's **size, suite inventory, total inventory of meeting space**, etc.

# Glossary

In this section, we provide additional analysis and discussion of the terms, definitions and methodologies employed in this appraisal. The sections are configured in the same sequence as this appraisal report.

## LODGING PERFORMANCE INDEX (LPI)

### How is it Calculated?

The Lodging Performance Index, or LPI, is the measure of a hotel market's effective overall performance using multiple key performance metrics as inputs. The higher the index, the more resilient the market is and the higher the probability will be for the market to recover from a downturn.

The index takes into account all key performance measurements including but not limited to occupancy, guest-paid ADR, contribution to operating profit and expenses (COPE %), average length of stay, average booking costs, loyalty contribution, and both long-term and short-term fluctuations in these and other important metrics. The index also takes into account the retrospective performance of the market in pre-COVID and intra-COVID environments.

## SUPPLY AND DEMAND ANALYSIS

### Meeting Space Index

The metric is a ratio of the estimated number of annual group room nights sold relative to the square footage of meeting and event space (per 1,000 square feet). A higher figure represents a higher portion of group business in relation to the total meeting and event space at each property.

A property that offers a significant amount of meeting space may show a lower factor. This is due to larger events requiring more space per attendee. The space required includes pre-function areas in addition to the meeting and event space, if available. The calculation is made as follows:

$$\text{Base year annual group nights accommodated} \div \text{total meeting space} \div 365 \times 1000$$

Using an example of 10,000 guests from group-demand and 20,000 square feet of meeting and event space, the MESI equates to 1.4. This metric is beneficial when viewing the overall meeting and event space utilization in addition to the ability of the property to accommodate additional group business, or to create compression within food and beverage as well as meeting and event space revenue line items.

The range of MSI factors shows that the Sonesta ES Suites Torrance Redondo Beach, which features 2,053 square feet of meeting space, displayed the highest MSI (13.2) during the base year relative to the other competitive properties. This property features the highest concentration of group-oriented guests in relation to the quantity of meeting and event space offered. This property is generally effective in utilizing its meeting space and may have the opportunity to displace group-related demand with commercial demand sources. The commercial demand segment is typically less price sensitive than group-related demand, and with additional commercial-oriented demand sources, this hotel could potentially increase its room rates. While an increase in room rates may cause a slight occupancy decline, room revenue may still grow with a more advantageous RevPAR mix that may also assist in reducing variable operating expenses.

The hotel in the competitive set that displayed the lowest MSI during the base year (excluding hotels that do not contain meeting and event space) is Extended Stay America Los Angeles - Torrance - Del Amo Circle, which features 16,188 square feet of meeting and event space and registering an MSI of 0.8. This hotel has the greatest upside relative to group-related demand, thereby indicating that occupancy may be improved with a more targeted marketing focus towards this segment. It is noted that management of this property would need certain that higher-rated guests that already frequent the hotel would not be displaced as a result of the shift in marketing focus. Any such displacement may have an adverse influence on potential rates, and that additional variable operating expenses connected with increased occupancy may offset prospective revenue increases.

The MSI for the competitive set as a whole was 1.3 during the base year. This figure represents by the total quantity of group-related guests relative to the combined square footage of the meeting and event space within the competitive set. In a market with substantial existing group demand where and there is a shortage of meeting and event space, the collective MSI will be even higher than most of the individual properties. The **subject hotel's** MSI is lower than this, and generally operates within the range of the competition. As a result, we recognize that the subject may have some upside in either occupancy or room rates. Should management opt to increase occupancy, it can do so by targeting group-related guests. In implementing this strategy, there would be some deceleration in ADR growth because the group demand would eventually displace some of the higher-rated

guests during some periods of the year. The subject's MSI under this premise would increase. Alternatively, management could opt to increase and/or reposition room rates. In doing so, additional non-group room nights (namely commercial or high-rated leisure-related nights) could be accommodated but with some softening in group penetration levels. During a transition of this type, the subject's MSI would decrease. The potential upside is considered in the projections and selection of investment parameters for the subject property.

### Competitiveness

To provide an indication of the overall competitiveness of each property relative to the subject hotel, the rate structure, physical attributes (such as meeting space and guest amenities), service scale, location, property condition, and operating characteristics were reviewed. Moreover, operating data of similarly-branded properties and/or similar assets were considered and reviewed. These data, as well as findings from fieldwork, were used to estimate an anticipated percentage of each demand segment that contributes to the market mix of each competitor. This determination is critical to the estimation of the competitiveness of each competitive hotel relative to the subject hotel. The competitive quotient illustrates the overall competitiveness and market mix of each competitor and the subject hotel.

The correlation in the market mix of the demand segments between each competitive hotel and the subject hotel is applied to estimate the likely competitive overlap. Any competitive hotel that possesses a very similar market mix to the subject hotel will innately show a substantially higher degree of competitiveness compared to a property that targets vastly different demand segments. The greater the degree of competitive overlap, the higher the potential competitive level.

Following the application of the quantitative measurements, the rate differential between each of the competitors and the subject hotel, as well as the general price sensitivity of the local lodging market, was also considered. This assessment is used to make additional qualitative adjustments to the competitiveness of each property. In markets where the price sensitivity is considered to be high, the competitiveness between properties decreases more rapidly as the rate differential between the two hotels increases. Alternatively, in markets where there is low price sensitivity, the competitiveness will be less impacted by the rate differential. Overall, the subject hotel's competitive market is viewed to have moderate price sensitivity, thereby commanding a fairly moderate adjustment to the potential competitiveness.

The estimated competitive overlap of each property within each segment compared to the subject's demand levels during the base year, as well as an aggregated overlap potential amount, is estimated as part of the competitive quotient analysis. It also displays the rate differential between the subject property and each of the competitors, followed by the overall competitiveness estimated for each property. **In the case of the subject's competitive set, there is a total guestroom count of 1,008 guestrooms. Once the percentage of competitiveness is applied to each competitive hotel, a base number of 1,008 guestrooms is derived rendering this competitive set as 100.0% competitive overall with the subject hotel.**

## MARKET SEGMENTS

### Commercial Demand

Travelers attracted to the local companies in an area comprise commercial demand. Most commercial demand patrons occupy hotel rooms from Sunday through Thursday nights, with fewer commercial travelers on Friday and Saturday nights. Duration of guest stays is typically one to three days and most often single occupancy per guestroom. These travelers are typically less rate sensitive than other travelers and provide a consistent source of demand at relatively strong room rates. This demand includes travelers visiting local companies or those passing through town. This type of traveler is usually influenced by quality of the product, brand loyalty, and location.

Rates that are pre-negotiated with local companies for their employees or those doing business with the firm create volume demand, which can result in discounted rates in return for higher occupancy. This type of business is referred to as Local Negotiated Rates, or LNRs.

**In some cases, contract or "airline" demand is generated by a scheduled contract wherein an airline secures a fixed quantity** of rooms for an extended period to guarantee room availability. The guarantee of room nights affords the airlines the ability to negotiate significant discounts on the room rates. The advantage for the hotel operator is the base level of occupancy the contract provides over a long period that include off-peak day and/or months; however, the boost to occupancy is countered by the discounted rates. Experienced hotel operators utilize this type of demand to fill in occupancy during off-peak periods and quickly displace this lower-rated demand during peak periods when higher-rated clientele provides a superior RevPAR mix.

### Group Demand

For this report, group travelers are defined as any collection of guests that occupy five or more room nights. Most often, this demand is part the conference and trade show industry and includes demand from corporate groups, associations, SMERFE organizations, governments, non-profit

entities, and professional networks. The two key elements of this demand are business-to-business (B2B) events and business-to-consumer (B2C) events, both of which are moderately rate sensitive.

Corporate marketing budgets directly impact B2B events as companies with larger budgets invest more into promotional events. Rising corporate profits in recent years have resulted in higher demand for trade show and event planning services for these events. Revenue from B2C events is driven by consumer attendance at events such as technology or car shows; these events can be correlated to employment figures, wage growth, and disposable income, which in recent years has bolstered attendance at many of these events.

This industry is facing constant challenges from technology-based applications and websites that allow for virtual meetings and networking, such as LinkedIn, Facebook, and others. However, trade show and conference planners have embraced new technologies, which have helped reduce wage costs and improve industry margins over the past five years. Consequently, average profit in this industry margin is currently near 8.0%, up significantly from 1.7% in 2010, according to IBISWorld.

We note that industry revenue is expected to increase at a comparatively healthy rate and remain at or above the \$16 billion mark for each of the next two or three years, at a minimum. Demand will likely improve as companies continue to expand their marketing budgets and disposable income levels increase. Industry profit is projected to rise as new technologies, such as automated registration, enable operators to spend less on labor. However, technology may also pose a threat to the industry; the rising popularity of video conferencing and online events will serve as a substitute for live conferences for some patrons. Successful hotel meeting operators must leverage new technology as an asset, not as a replacement, for event attendance.

Some of the notable external drivers to the health of this industry correlate to the success of the group demand segment are as follows:

- *Corporate profit* – Declines in corporate profits cause event attendance to decrease as discretionary and unnecessary items are eliminated from budgets. Alternately, growth in corporate profits often provides an increase in event demand marketing efforts to sustain the increases in profits.
- *Disposable income* – Declines in disposable per capita income can impede event attendance as income is diverted to fixed expenses.
- *Domestic trips by U.S. residents* - The industry is sensitive to changes in domestic travel patterns from factors such as fuel prices and availability of airlift. In addition, geopolitical tensions and fears of contagious diseases can contribute to altered travel patterns.
- *Inbound trips by non- U.S. residents* – International travelers are attracted to domestic events for both business and pleasure. While international attendees comprise a small fraction of demand, an increase in inbound trips by non-U.S. residents aids event demand.

### Leisure Demand

Leisure demand, also known as FIT (Free Independent Traveler) demand, consists of individual tourists and families visiting leisure attractions in an area or passing through to other locations. Friday and Saturday nights accommodate most leisure demand, with holiday periods and summer months also prominent periods. These peak periods are often inversely associated other with commercial and group demand segments. Weddings and other social activities often occur seasonally in the spring and summer months.

This demand segment is very dependent on trends in domestic leisure, international tourism, and vacation travel:

- Domestic leisure travel – Numerous factors impact travel, including changes in disposable income (influenced by changes in general employment growth), as well as adjustments to interest and tax rates. The number of trips a household takes, as well as daily travel expenditures, are impacted by changes in disposable income, which consequently impacts the tourism industry. The price of fuel may also impact household disposable income, as well as overall travel demand patterns and trends. In addition, the availability of leisure time and motivations for employees to use their holiday leave also influence domestic travel. Travel spending also competes with other leisure and recreational industries for a portion of disposable income.
- Another influence on travel patterns is the comparative cost of domestic travel relative to international trips. Exchange rate movements, discounted airfares and vacation packages, and the availability of airline seats influences travel decisions as do tourism promotions by federal and state governments and/or private operators. It is noted that state tourism agencies typically work to influence domestic only within the specific state, rather than the entire industry.
- International tourism - International tourism is highly competitive globally and is affected by factors similar to domestic travel, as well as global economic conditions, particularly changes in economic growth. Moreover, countries that are major feeder markets to destinations in the U.S. are affected by exchange rates directly impacting the cost of travel.

- Heightened geopolitical tensions including wars, threats of war, and terrorism impact international travel plans. Governments and other organizations can improve the sentiment of a particular destination. Factors such as airlift are also of critical importance, as well as accommodations to and at their selected destination.
- Vacation travel –The majority of leisure travel is discretionary and, therefore, exposed to broad economic trends such as the onset of a recession or high fuel prices. According to the U.S. Travel Association, approximately half the revenue for the U.S. lodging industry is derived from domestic travelers. As such, leisure travel declines significantly during a recession when lower cost alternatives are often visited rather than higher cost destinations.

### Extended-Stay Demand

Properties that cater to guests requiring rooms for five nights or longer constitute extended-stay hotels; these properties offer features that are typically not unavailable at standard hotels with the intent to make longer stays more appealing with home-like amenities. There are approximately 27 franchises in North America with more than 2,000 properties that are categorized as extended-stay. These hotels differ with respect to the guestroom product offering, public spaces, and other amenities. Some of the budget-oriented properties appeal to patrons that utilize these hotels as semi-permanent housing.

Patrons in this segment generally prefer hotels with facilities designed for long-term stays. Many transient-style hotels also offer a limited selection of large guestrooms or suites with kitchenettes and capture some extended-stay demand. Many of these travelers require guest laundry facilities, as well as units with kitchens that feature a sink, a refrigerator (usually full size), a microwave oven, and a stovetop. Some hotel kitchens (and most upscale ones) also feature dishwashers and conventional ovens.

Travelers targeted by extended-stay hotels are on lengthy work-related assignments, relocating families in between permanent homes, and others in need of temporary housing. Booking rooms in an extended-stay hotel can differ from booking a room at other hotels as patrons may be more concerned with room location, noise factors, floor plans, and floor location, which requires a more personal approach from the staff. Another reason a reservation agent is required to assist a guest with long-term reservations is that potential guests may not know the checkout date. Such stays include guests who wait for availability of their permanent home to be built, renovated, or for a transaction to close. As such, offering the full inventory of rooms on common booking engines can be challenging for these hotels. Some focused booking companies are used to allow the extended-stay hotels to accept or decline requests (rather than accepting any confirmed booking) to allow communication with the guest regarding the specific needs prior to confirmation of the reservation. For this reason, hotels that are not designed specifically for extended-stay demand can capture a small amount of this demand.

Due to the typically longer duration of guest stays and less guest turnover, extended-stay hotels generally have higher operating margins, lower occupancy break-even thresholds, and higher returns on capital than traditional hotels. Furthermore, this service scale is a fast growing and under-served segment of the national lodging industry, with investor demand for extended-stay lodging significantly exceeding the current and anticipated inventory of dedicated extended-stay rooms.

### LATENT DEMAND

Demand captured by the subject and the competitive set considers only those room nights sold. Latent demand considers the potential guests that could not be accommodated by the existing competitive supply for a variety of reasons. Latent demand can be divided into induced demand and displaced demand.

### Induced Demand

Room nights that are created by the development of a new demand generator are deemed to be induced demand as the existence of this new demand generator encourages additional business and property development, which in turn strengthens demand for lodging into the area on a long-term basis, permanently, or temporarily.

Examples of events that may induce new lodging demand into a local hotel market are:

- Development or expansion of an event or convention center
- Development and opening of a new hotel, especially of a type or service sector not currently satisfied
- Expansion or development of a theme park or sports entertainment facility, etc.
- Development or expansion of an airport facility
- Development or expansion of a major retail center
- Completion of a public transportation facility

- Implementation of a destination marketing organization or an economic development group

One method to quantify these additional room nights of induced demand is using a build-up approach. Demand generators are evaluated to estimate the potential number of room nights that may be introduced into the competitive set. The induced demand is phased-in to mimic the gradual increase of the potential room nights. The build-up method typically coincides with the opening of new hotel facilities that were developed due to the new economic driver. When induced demand is recognized to be the direct outcome of new hotel supply, the phase-in of the demand should closely match the timing of the opening of the hotel.

### Displaced Demand

Potential guests that were unable obtain the desired accommodations in the competitive set or were not successful for a variety of reasons are considered displaced demand. This displaced demand either settles for less desirable (non-competitive) lodging options, stays in a different market area, or defers the trip completely. Displaced demand is unable to be accurately tracked and is excluded from the accommodated room nights in historical periods.

Displaced demand is opportunistic, as the local market could potentially take advantage of this demand when new hotels are constructed or as cycles shift. In many markets, there are peak periods or events that push hotel occupancies close to 100%. During these periods, it is not possible to accommodate all the demand. Displaced demand can be substantial based on seasonality and/or weekly cycles. In most markets, displaced commercial-oriented demand occurs during spring and autumn months from Monday through Thursday (during the week).

Areas where hotels reach an annual occupancy level greater than 70% on average may experience displaced demand. Many operators try to track the quantity of guests turned away when the hotel is near full capacity. The higher the average occupancy of a hotel over the threshold in the market, the greater the number of room nights that are displaced.

Displaced demand is particularly important when new supply additions are known to be entering the area. It is a reasonable assumption that displaced demand can be absorbed into the competitive set under these circumstances. Displaced demand is typically estimated as a percentage of accommodated demand in the base year and can also be phased in according to the openings of additional hotel inventory.

## SUBJECT HOTEL OCCUPANCY PROJECTION

### Overview

To derive the occupancy projection of the subject hotel, a room night analysis is completed that quantifies and projects overall room night demand for the subject property. This analysis is based on the competitiveness of the subject hotel with the other hotels in the competitive set and its penetration into the various demand segments previously discussed. The first step in the process is to examine the occupancy, average daily rate, and corresponding RevPAR (occupancy multiplied by ADR) of the subject hotel.

Operating performance of an individual hotel may be above or below the metrics of its competitive set depending on a multitude of factors such as management, physical plant, location, visibility, access, etc., as well as future opportunities or threats. A method that is commonly employed by hotel valuation professionals is to analyze the penetration of the subject hotel against the competitive set via penetration indices. Relating to occupancy, this method demonstrates how well each property in a competitive set performs as compared to its competitors. The occupancy index of the subject hotel, as well as the indices in each demand segment, is therefore analyzed.

### Occupancy Penetration Indexes

The ratio between the portion of total demand accommodated by an individual property and its fair share of the market (which is represented by the portion of total supply accounted for by the same property) is the penetration index. A penetration index of 100% indicates that a property captures its fair share in a given demand segment, whereas indices above or below 100% indicates the relative strengths or weaknesses relative to the competitive set.

### Average Daily Rate (ADR) Projection

After the **subject's occupancy level has been forecast, the next step is to estimate the average daily rate (ADR) of the** subject hotel to determine the Rooms department revenue. The market-appropriate room rates are derived via a market analysis and examination of the rates of the competitive hotels.

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## NEWMARK VALUATION & ADVISORY

Rate categories between hotels of different service scales and brand affiliations can vary widely. The ADR estimate represents a blended rate of each category across all demand segments, which factors in the various characteristics of the rented rooms such as size, floor location, view, amenities, etc. The primary rate categories are discussed as follows.

- *Rack Rate* – A room rate that is not discounted and normally extended to a guest who does not qualify for a specific rate. This is typically the rate offered to walk-in guests or to patrons that are seeking accommodations during high-occupancy periods.
- *Published Rate* – The rate listed on websites and in publications. Usually, this rate is displayed as a range and represents a general rate that would be charged for a room without a specific contracted price; this rate can often increase as the arrival time nears. This rate on the same date of requested accommodation might be as high as the rack rate.
- *Corporate Rate* – These rates are discounted rate for certain travelers that are members or agents of a specific company. This rate is often referred to as the LNR (Local Negotiated Rate) and, depending on the market mix, may be similar to the ADR of the property.
- *Contract Rate* – A discounted room rate based on a contracted price over a defined time frame that is available to specific travelers. This rate is generally correlated with higher volume contracts and most often part of the Group market segment, and might include airlines, convention groups, or SMERFE-oriented travelers. This rate typically reflects a block of guaranteed sold rooms.

It is important to note that an estimate of ADR correlates with the occupancy projection, and vice versa, as each individual factor cannot be held constant. Travelers almost always have some degree of price sensitivity; thus, increases in room rates by management may impact the decision to patronize a particular hotel thereby causing a decrease in occupancy. Characteristics that impact a hotel's **rate potential include supply and demand relationships, inflationary pressures, renovations at competitive properties, and demand compression, as well as other factors.**

The metric resulting from occupancy and ADR is RevPAR (Revenue per Available Room), which reflects a property's propensity to generate rooms revenue. The rate structure and the approximate average room rates for the competitive properties are analyzed as a means to estimate the subject property's market-oriented average room rate.

## INCOME CAPITALIZATION APPROACH

### Overview

The income capitalization approach converts anticipated economic benefits of owning real property into a present value estimate. The anticipated cash flows are converted into a value opinion at a rate that attracts capital investment when compared to investments with similar characteristics, such as liquidity, holding period, and risk. The process considers the quantity and the durability of the income stream in determining the appropriate rates for a lodging property.

The three most common methods of converting income into a value estimate are the discounted cash flow (DCF) method, direct capitalization method, and the room revenue multiplier method. In discounted cash flow analysis, anticipated future net income streams and a future resale value **are discounted to a present value at an appropriate yield rate. In direct capitalization, a single year's expected income is** divided by an appropriate capitalization rate to arrive at a value indication. The room revenue multiplier (RRM) is derived by dividing the sales price of a hotel by the room revenue for that hotel at the time of the sale (most often a Trailing 12-month estimate). The room revenue multiplier displays the relationship between the sales price and the room revenue, and this method is most often used in budget or economy-oriented lodging properties with a single main source of revenue.

### Financial Projections

In order for a hotel to compete in the market, a well-coordinated marketing plan and an appropriately-crafted yield management strategy is required. It is also assumed the hotel will be maintained with all facilities in good working order, sufficient to render the property fully competitive in the relevant marketplace throughout the holding period, unless otherwise noted.

### Inflation Assumptions

General price inflation is accounted for within the projections and is based upon economic projections from various sources, including the Bureau of Labor Statistics and the U.S. Congressional Budget Office. Observations and various accounts derived from local and national perspectives are also implemented into the projections.

To reflect potential price level changes, the consumer price index (CPI) is assumed to adequately account for inflation levels predicated to the hospitality industry, and an inflationary assumption of 3.0% per year on average is applied throughout the 10-year projection period. To derive the 3.0% per annum growth rate (rate of inflation) used in our analysis, we first reviewed historical changes to the Consumer Price Index (CPI). The CPI

for all U.S. cities indicates an average growth rate of 3.5% since 1947, which represents the entire historical period recorded by the U.S. Bureau of Labor Statistics. CPI rates ranged from a low of -1.0% recorded in 1949 to a high of 13.5% recorded in 1980. Though inflation for U.S. goods and services has been lower than 3.5% in recent years – averaging 1.6% during the past decade – we used a 3.0% annual growth rate in our analysis, which is risk-adjusted and widely accepted by Commercial Real Estate (CRE) investors.

Further supporting our growth rate assumption, most hotel and other CRE proformas generated by developers, operators, and brokers include 3.0% long-term annual growth rates despite market-to-market variance and the reality that certain expense line items may increase at a faster rate than revenue. Additionally, impact of our 3.0% annual growth rate assumption is negated since our stabilized revenue and expense forecasts both grow at the same rate

### Fixed & Variable Expenses

Fixed cost line items are expenses or overheads that are not dependent on the level of goods or services produced by the business. They tend to be time-oriented, such as salaries or rents being paid. This is contrary to variable line items, which are expenses that change in relation to the good or service that a business produces. These expenses are considered to be normal costs and are sometimes called unit-level costs as they vary with the number of units produced. In the case of hospitality properties, the units produced are the quantity of room nights sold, and therefore, the line-item expenses adjust with incremental changes based on occupancy and utilization levels.

A 10-year projection of revenue and expenses is developed following a thorough review of the subject property's actual operating data, hotel industry averages, and the performances of comparable hotels. The projection period begins on July 1, 2025 and, with market factors considered as previously discussed, the subject property is anticipated to reach stabilization on or about July 1, 2026.

The projection of revenue and expenses reflects the expectations of a well-informed and prudent buyer pertaining to the subject property's operating results. Anticipated economic benefits may be adjusted upward or downward relative to actual operating results based on the local market dynamics, which has been incorporated into this analysis.

### DETAILED RATIO ANALYSIS – MAJOR DEPARTMENTS

Fixed cost line items are expenses or overheads that are not dependent on the level of goods or services produced by the business. They tend to be time-oriented, such as salaries or rents being paid. This is contrary to variable line items, which are expenses that change in relation to the good or service that a business produces. These expenses are considered to be normal costs and are sometimes called unit-level costs as they vary with the number of units produced. In the case of hospitality properties, the units produced are the quantity of room nights sold, and therefore, the line-item expenses adjust with incremental changes based on occupancy and utilization levels.

### Food & Beverage Revenue

Many hotels have a full-service bar and/or restaurant that can provide substantial ancillary revenue relative to rooms (i.e., in excess of 10.0%). As the industry is highly competitive, some hotel operators position the food and beverage service as the hotel's **signature attraction with the aim of** attracting travelers that would otherwise stay elsewhere. In addition, meeting and event spaces are a significant revenue stream, when considering the long-term national trends, and many hotels market their ability to hold lucrative events or conferences that attract hundreds or thousands of attendees. For these events, hotels will offer lower bulk room rates and work to offset the discounted room rates with enhanced sales within the food-and-beverage (F&B) department.

Much of this revenue is, in most cases, self-generating; however, depending on the market, F&B outlets can also attract significant patronage from local residents. Furthermore, meeting and event spaces can enable revenue from sources that would not utilize the facility for any other reason, including the rooms department. Overall, there is a relatively high percentage of variable components within this department that are dependent upon occupancy.

### Rooms Expense

This expense generally represents costs associated with the various guest services and operations of the guestrooms. Expenses within this department range from reservation/registration activities to the settlement of guest accounts upon checkout, as well as the wages of the rooms division manager, assistant managers, registration clerks, cashiers, mail and information clerk, and uniform service personnel. Expenses included in this department include the following:

- *Commissions expenses:* This account includes payments by the hotel to authorized agents that bring room business to the hotel. Usually on a periodic basis, hotel managers and owners meet with these agents to reconcile monthly sales figures and authorize commission payment. This is usually transacted in the form of a percentage of room revenue.
- *Reservation expenses:* This expense account represents any payment to various agents contracting to bring potential room rental business to the hotel. These agents might have the form of central reservation offices (whether affiliate or non-affiliate) or online procuring entities such as Expedia, Travelocity or Egencia.
- *Contract cleaning expenses:* This expense account represents payment to contracting outside cleaning agencies. Some hotels (especially small and middle size hotels) might opt for contract cleaning due to its more efficient scale. If this is the case, these managers might not be prompted to have a housekeeping department, or it might keep housekeeping staff to a minimum. Such expenses should be determined in light of the contract signed between both parties (i.e., the hotel from one side and the cleaning company from the other.)
- *Laundry and dry-cleaning expenses:* This cost applies to outside laundry and dry cleaning costs for the Rooms department. In most cases, such contracts are signed to benefit more than one revenue generator. In this case, the Rooms department shall report the laundry and dry-cleaning expenses related only to the Rooms Division department.
- *Guest transportation expenses:* These expenses include the cost of transporting guests from and to the hotel via various means of transportation (e.g., mini-buses, buses, limousines or town cars). If the guest transportation volume costs are high and do not offer enough scale, then a separate department might be established.
- *Linen expenses:* This specific expense account includes the allocation of a portion of linen expenditure for a specific period of time.
- *Other expenses:* This account includes the various guest supplies provided free of charge to guests in their rooms. Some sub-accounts of guest supplies expenses might include newspaper, guest stationery, shoe cloth, coffee service, writing supplies, toiletries, flowers, hangers, ice, complementary sundries, uniforms, cleaning supplies, and items pertaining to the operation and maintenance of the business center, if any.

Many of the expenses within this department—namely commissions—are dependent on occupancy alone, or occupancy and rate. A reservation expense associated with a franchise system or a third-party booking system is a similar expense; these systems typically bill hotel owners a percentage of rooms revenue. Many of the remaining items in the preceding list (such as operating supplies, uniforms or other operating expenses) are only slightly affected by changes in volume. Overall, there is a relatively high percentage of variability this department and the forecast reflects this accordingly.

### Food & Beverage Expenses

This expense consists of the costs necessary for the operation of the food and beverage outlets and the meeting and event space within the subject. Major items within this department include payroll, flatware, glassware, uniforms, and the cost of goods sold pertaining to food and beverages. There is a relatively high degree of variability associated with this direct expense line item.

### Administrative & General

The A&G expense consists of payroll and related benefits for employees in operations management, finance, legal, human resources, and other support services, as well as general corporate and public company expenses. Most A&G expenses are relatively fixed; the exceptions are cash overages and shortages, commissions on credit card charges, provision for doubtful accounts (which are moderately affected by the number of transactions or total revenue), and salaries, wages, and benefits (which are very slightly influenced by volume).

### Marketing Expenses

Marketing expenses reflect the costs necessary for advertising and promotional activities. Salaries and wages, employee benefits, dues and subscriptions, operating supplies, postage, telephone, trade shows, travel and entertainment, advertising and merchandising expenses, other marketing activities, and applicable fees and commissions are all within this expense category. This also includes franchise or brand associated marketing charges.

### Franchise / Royalty Fees

**A franchise affiliation can be critical in a property's ability to compete in a market, secure profits, gain recognition, achieve a certain market orientation, and benefit from repeat business.** Considering the value of a hotel is most often based on the cash flow it generates (as previously discussed) and considering franchise fees can be significant relative to other expense categories, owners must maximize the benefits and services the franchise affiliation offers.

Fees charged by a hotel franchise company typically include the following:

- *Royalty Fee:* Usually based on a percentage of rooms revenue, the royalty fee represents compensation for the use of the brand's trade name, service marks and associated logos, goodwill, and other franchise services.
- *Advertising or Marketing Contribution Fee:* This fee covers the cost of brand-wide advertising and marketing placed in various types of media, the development and distribution of a brand directory, and marketing geared toward specific groups and segments.
- *Reservation Fee:* If the franchise brand utilizes reservation systems, the reservation fee supports the cost of operating and paying for the central office, telephone, computers, and reservation personnel.
- *Frequent Traveler Program:* Some franchisors maintain incentive programs that reward guests for frequent stays; these programs are designed to encourage loyalty to the brand. The cost of administering the program is financed by a frequent traveler assessment.
- *Miscellaneous Fees:* Depending on the franchise agreement, the franchisor may assess a separate charge for additional services such as training programs, travel agent commissions, global distribution system fees, computer hardware and software, and IT maintenance.

### Property Operations & Maintenance

Cost for property operations and maintenance are those expenses that have been incurred for the administration, supervision, operation, **maintenance, preservation, and protection of the hotel's physical plant.** These expenses normally include such items as janitorial and onsite utility upkeep; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of the grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; facility planning and **management; and central receiving.** The projections consider whether this cost level is adequate relative to the hotel's size, position in the market, and service orientation. Inadequate expenditures in this department could indicate that there are items of deferred maintenance that need to be addressed.

### Utilities

Energy consumption expenses for a hotel typically include the cost of electricity, fuel, steam, and water. A large portion of a hotel's **utility usage** is relatively fixed because public spaces receive constant lighting and climate control regardless of rooms occupancy or utilization of the property. The energy usage in the rooms themselves vary in relationship to occupancy; however, the variability can be mitigated provided that the hotel operator implements sound energy-saving measures or, more importantly, the property is equipped with modern technology that better controls power usage.

In addition, utility costs tend to be very property-specific expenses, reflecting any efficiencies or inefficiencies in a building's construction, design, or layout. As such, a hotel's **actual historical utility expenses are the best indication of future costs (unless energy upgrades are planned).**

### Information & Telecommunications Systems

This line item includes the cost of administrative phone calls, complimentary guest phone calls, internet connectivity, and all other telecommunications expenses (labor, maintenance, operating supplies, etc.).

### Management Fee

A general assumption of this assignment is that the subject property is operated by a competent, third-party management company. A prudent investor would install a competent management company or, at a minimum, structure a management team that could operate the property to its maximum, albeit practical level of profitability upon a sale. Some companies provide management services alone, while others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the appropriate recognition within the market. Hotel management fees typically equal roughly 2.0% to 5.0% of total revenue.

### Property Taxes

Property tax, or ad valorem tax, is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

We note that government appraised values for lodging facilities across the United States are typically quite different from actual estimated market value. This disparity is due to the mass-appraisal techniques used by a jurisdiction to appraise a vast array of property within a very short period of time. Due to the high number of hotel properties in any given county, the appraiser can typically not dedicate any significant amount of time to any individual asset. For this reason, the government-appraised value should usually not be relied upon as an indication of actual market value.

### Insurance Expense

The cost of insuring the hotel and its contents against damage or destruction by fire, weather, flood, breakage, etc., is included in this line item. General liability insurance costs are also included in this category. Over the past several years, insurance costs for many hotels have fluctuated dramatically and can depend upon previous loss runs.

### Reserve for Replacement

Funds set aside for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be **replaced during the building's economic life are known as the Reserves for Replacements. The components include furniture, fixtures, and equipment (FF&E), the replacement of which is generally funded from a hotel's cash flow. In theory, deductions are made so a sufficient amount of money is available to replace FF&E at the end of its useful life.** In the event the replacement fund is insufficient, a capital deduction at the point of a transaction (i.e., a property improvement plan, or PIP) might be assessed to address the shortfall.

**The items a hotel's reserve account addresses are considered short-lived components, since the average economic life is less than that of the building itself.** These components usually include the replacement of the roof; heating, ventilation, and air conditioning (HVAC) systems; parking lot resurfacing; hard goods and soft goods replacements; etc. Replacement reserves do not include minor repairs and maintenance, such as broken doorknobs or lightbulbs. These minor expenses are considered routine property operation and maintenance expenses, not irregular capital expenditures.

Industry data indicates that a reserve for replacements of 2.0% to 5.0% of total hotel revenue is adequate to provide for the timely completion of capital repairs and replacement of FF&E.

## YIELD CAPITALIZATION

Yield capitalization is a method of converting future income from an investment into present value by discounting each year's income using an appropriate discount rate or by using one overall rate that reflects the investment. The anticipated economic benefit—which is typically the net operating income stream—is converted into a value opinion using investment rates that are applicable to investments with similar characteristics. The yield capitalization process takes into consideration the risk profile of the income stream in determining which rates are appropriate for arriving at a value conclusion for the subject hotel.

### Terminal Capitalization Rate

A terminal capitalization rate is a rate used to estimate the resale value of a property at the end of the holding period. The expected annual net operating income (NOI) at the end of the holding period is divided by the terminal cap rate (expressed as a percentage) to get the terminal value. Terminal capitalization rates are based on forecasts and changes, remaining economic life, and risk associated with garnering future income streams as of the end of the holding period. This rate is also known as the reversionary capitalization rate.

**Investor surveys, discussions with market participants, and the subject's investment characteristics were considered in developing our opinion of the terminal capitalization rate for the subject.**

### Discount Rate

The discount rate, or internal rate of return, is the rate of discount on an investment that equates the present value of the investment's cash outflows with the present value of the investment's cash inflows. The rate is expressed as the real return anticipated in the hotel investment and considers any change in value, as well as all associated risk premiums. It is the average annual rate of return necessary to attract capital based upon the overall investment characteristics.

## CALCULATION OF OVERALL CAPITALIZATION RATE

### Mortgage Equity Technique

Most properties are purchased with debt and equity capital; therefore, the overall capitalization rate must satisfy the market return requirements of both investment positions. The lender/mortgagee must anticipate a rate of return that is appropriate for **the investment's perceived risk in order to make the loan**; the loan principal is typically repaid through periodic amortization payments. The equity investor/mortgagor must also anticipate a **rate of return that is commensurate with the investment's perceived risk**, or they opt for an alternative investment.

Mortgage-equity analysis is defined by *The Dictionary of Real Estate Appraisal* as:

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## NEWMARK VALUATION & ADVISORY

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

This analysis is also known as the Ellwood Formula, which is defined as:

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern.

Thus, rates of return for debt and equity are analyzed, as well as anticipated changes in both income and value.

The mortgage-equity procedure developed by Charles B. Akerson substitutes an arithmetic format for the algebraic equation in the Ellwood formula. This format is applicable to level income situations; when modified with the J or K factors, it can also be applied to changing income situations.

In the following paragraphs, we discuss the various components used in the Akerson formula, which are then followed by a calculation of the overall capitalization rate.

### Mortgage Rate

The following mortgage interest rate is based on periodic conversations with representatives of lending institutions providing local mortgage financing. Thus, given the physical and economic characteristics of the subject property, and on the bases of our research, the market terms for conventional loans made on properties similar to the subject are as follows:

<b>MORTGAGE COMPONENT</b>	
<b>Market-Oriented Loan Terms</b>	
Mortgage Rate	8.00%
Amortization Term (Years)	25
Number of Payments	300
Loan-to-Value Ratio	60.00%
Equity Ratio	40.00%
<b>Mortgage Constant (RM)</b>	<b>0.09262</b>

The preceding data are used in the development of an overall capitalization rate for the subject property.

The capitalization rate for debt (indicated in the preceding table) is known as the mortgage constant; it is the ratio of annual debt service to the principal amount of the mortgage loan. The Present Value Factor can be obtained from financial tables that show the six functions of a dollar.

### Equity Yield Rate

The Appraisal Institute defines equity yield rate as a rate of return on equity capital over the investment period. It is the **equity investor's internal rate** of return. The equity yield rate that will be used in this analysis is a reflection of current rates of return sought by equity investors.

The following table summarizes the equity yield rate that is employed in this analysis:

<b>EQUITY COMPONENT</b>	
Equity Ratio	40.00%
Equity Yield Rate	14.25%

### Projection Assumptions

Projection assumptions are as follows:

PROJECTION ASSUMPTIONS	
Projection Period	10 Years
Annual Appreciation/Depreciation	5.00% per Year
Total Appreciation/Depreciation	62.89%

The projection period represents a typical holding period for commercial real estate; this projected holding period is also consistent with the typical discounted cash flow projections. The annual appreciation/depreciation is projected based on our view of current market conditions as well as future conditions anticipated during the holding period. Both assumptions are considered reasonable for the subject property. The Sinking Fund Factor that is employed in this analysis is calculated based on the estimated Equity Yield Rate and the Projection Period. The portion of the loan that is paid off during the projection period is calculated based on the mortgage rate, mortgage amortization term, and the length of the projection period.

The sinking fund factor and the percentage of the loan paid off during the projection period, which are calculated based on the foregoing assumptions, are as follows:

SINKING FUND FACTOR PERCENTAGE PAID OFF	
Sinking Fund Factor	5.11%
Percentage of Loan Paid Off	19.24%

The calculation of the overall capitalization rate (Ro) using the mortgage-equity technique is summarized in the following table.

MORTGAGE AND EQUITY ANALYSIS						
Loan-to-Value Ratio x Mortgage Constant	=	60.00%	x	9.26%	=	5.56%
Equity Ratio x Equity Yield Rate	=	40.00%	x	14.25%	=	5.70%
Weighted Average						11.26%
<b>Less Credit for Equity Build-up</b>						
LTV Ratio x % of Loan Paid off x Sinking Fund Factor	=	60.00%	x	19.24%	x	5.11%
Basic Rate						10.67%
<b>Less Appreciation/Depreciation</b>						
Appreciation/Depreciation x Sinking Fund Factor	=	62.89%	x	5.11%	=	3.21%
<b>Indicated Overall Capitalization Rate (Base)</b>						<b>7.45%</b>

### ROOM REVENUE MULTIPLIER ANALYSIS

The room revenue multiplier (RRM) is calculated in the sales transactions by dividing the sales price by the room revenue for each of the comparable sales. The RRM expresses the relationship between a sales price and the property's effective room revenue. The principal advantage of using economic units of comparison is that the reflection of value is direct, i.e., no adjustments are necessary. If the comparable properties have some advantage over the subject property in terms of the various elements of comparison, the difference in actual revenue and efficiencies of operations primarily reflect the extent of this advantage. However, there are other variables that affect the price/room revenue relationship, such as the condition of the property, the stability of the income stream, the likelihood of near-term change (up or down), and the ratio of operating expenses to effective room revenue.

For mid-scale and economy limited-service hotels, the room revenue multiplier is a secondary valuation tool used by buyers in the marketplace. These buyers are typically only concerned with revenue being generated by the hotel and consist of local and/or regional buyers. The general attitude is that they can operate the property more efficiently than the previous owner. Additionally, these buyers are often very hands-on and are more operationally efficient by keeping payroll low.

### CONTRIBUTORY VALUE OF THE FURNITURE, FIXTURES & EQUIPMENT

Fixtures, furniture, and equipment (FF&E) are considered integral components of a hotel that contribute to its value. This includes all the FF&E in the **subject's guestrooms and common areas, and the related maintenance and mechanical equipment.** FF&E is recognized as part of a hotel's operations because it is typically sold with the real estate.

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Reference is given to various surveys and data retained in our files in estimating the value of FF&E. The following table shows the average and median range of cost new for FF&E for different types of motel/hotels:

FF&E COST NEW (BY PROPERTY TYPE)	
Property Type	Estimated Cost
Budget Economy	\$5,000-\$18,000
Midscale w/o F&B	\$6,500-\$30,000
Extended-Stay	\$8,000-\$25,000
Midscale with F&B	\$10,000-\$40,000
Full-Service	\$23,000-\$60,000
Luxury and Resort	\$35,000-\$150,000

Source: Newmark

Part of the reason hotel assets command higher returns relative to other asset classes is the fact that a sizable portion of the asset's overall value is comprised by furniture, fixtures, and equipment, which has a shorter economic life and needs to be replaced more often than the building components. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at an accelerated depreciation rate, often faster than straight-line depreciation. These assets also depreciate immediately upon being placed into service. Such velocity in the depreciation of this component, along with the human labor required to maintain not only the FF&E but most public areas of the property, causes prudent investors to require higher rates of return.

### LIQUIDATION VALUE

Liquidation value is the likely price of an asset when it is allowed insufficient time to sell on the open market, thereby reducing its exposure to potential buyers. Liquidation value is typically lower than fair market value. Unlike cash or securities, certain illiquid assets, like real estate, often require a period of several months in order to obtain their fair market value in a sale and will generally sell for a significantly lower price if a sale is forced to occur in a shorter time period. Liquidation value may be either the result of a forced liquidation or an orderly liquidation. Either value assumes that the sale is consummated by a seller who is compelled to sell and assumes an exposure period which is less than normal for the market.

Liquidation value is likely to occur under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Given the parameters of the definition of disposition value noted above, as well as forced and distress sale, we undertook an investigation of the market in consideration of these issues.

In this type of analysis, the seller would be under extreme compulsion to sell thereby eliciting a forced sale. For purposes of this example, we have assumed a maximum of a 90-day marketing period. There is a great degree of subjectivity and judgment with respect to an appropriate discount to assess to market value; furthermore, there is no single method, or "rule of thumb" regarding such a value estimate. Rather, we have relied on discussions with local real estate professionals involved in the disposition of real estate.

What is evident from our conversations with these individuals is that location is of paramount importance and is certain to be a key consideration in determining appropriate levels of discounting in order to expedite an orderly disposition. Also, not to be underestimated is the overall functional

utility of the real estate and its adaptability to various alternate uses. This type of analysis underscores the highest and best use of the site and improvements as it relates to the maximum value to a third party. Through numerous discussions with market participants it has been uncovered that a discount rate in the range of 25 to 50% of market value is typical in forced sales.

## PRIMARY SOURCES USED

The Appraisal of Real Estate, 15th Edition is a comprehensive textbook that provides a detailed guide to the valuation of real estate properties. It is published by the Appraisal Institute, a global professional association of real estate appraisers. The book covers a wide range of topics related to real estate valuation, including market analysis, highest and best use analysis, appraisal methods and techniques, and report writing. It provides detailed information on how to apply these concepts in practice and includes numerous case studies and examples to illustrate key points. The 15th edition of the book has been updated to reflect changes in the real estate market and the appraisal profession. It includes new information on topics such as green building, sustainable design, and property rights. The book also addresses new appraisal standards and regulations, including changes to the Uniform Standards of Professional Appraisal Practice (USPAP). The Appraisal of Real Estate is widely used by real estate appraisers, lenders, attorneys, and other professionals in the real estate industry. It is considered a valuable resource for anyone involved in real estate valuation and appraisal.

CoStar Group is a leading provider of commercial real estate information, analytics, and online marketplaces. The company was founded in 1987 and is headquartered in Washington, D.C., with additional offices in the United States, Canada, Europe, and Asia. CoStar's primary product is its online platform, which provides access to comprehensive data and analytics on commercial real estate properties, including sales and lease listings, property information, and market trends. The platform also includes tools for property managers, brokers, and investors, such as advertising and marketing services, valuation tools, and research reports. In addition to its online platform, CoStar operates several subsidiary brands, including LoopNet, which is an online marketplace for commercial real estate properties; Apartments.com, which is an online platform for rental apartments; and STR, which provides data and analytics on the hospitality industry. CoStar has a broad customer base, including commercial real estate brokers, property owners and managers, investors, and other professionals in the industry. The company generates revenue through subscriptions to its online platform, advertising and marketing services, and other value-added products and services. CoStar has received numerous awards and recognitions for its products and services, including being named one of Fortune's 100 Fastest-Growing Companies in 2020. The company has also been recognized for its commitment to sustainability and corporate social responsibility, including its efforts to reduce its carbon footprint and support local communities through philanthropic initiatives.

The Dictionary of Real Estate Appraisal, 7th Edition, is a reference book that provides definitions and explanations of terms and concepts used in real estate appraisal. It is published by the Appraisal Institute, a global professional association of real estate appraisers. The dictionary contains over 5,000 terms and definitions related to real estate appraisal, including terms related to appraisal methods and techniques, property valuation, appraisal regulations and standards, and other related topics. It is intended to be a comprehensive resource for appraisers, lenders, attorneys, and other professionals in the real estate industry. The 7th Edition of the dictionary has been updated to include new terms and concepts that have emerged in the real estate appraisal profession. It also includes definitions of terms that are commonly used in related fields, such as finance, accounting, and law. The Dictionary of Real Estate Appraisal is considered an essential reference for anyone involved in real estate appraisal, and it is widely used by appraisers, lenders, and other professionals in the real estate industry.

Highland Group is a real estate consulting and advisory firm that specializes in the hospitality industry. The company was founded in 1991 and is based in Atlanta, Georgia, USA. The Highland Group provides a range of services to clients in the hospitality industry, including market feasibility studies, site analysis, financial projections, operational reviews, and asset management. They work with hotel owners, investors, developers, and lenders to help them make informed decisions about their properties. The company has worked on a variety of hospitality projects, including hotels, resorts, spas, and golf courses, in locations around the world. They have also been involved in the development and management of mixed-use projects that include hospitality components. The Highland Group is known for its expertise in the extended-stay and select-service hotel segments, and has published a number of industry reports and studies on these topics. They are also actively involved in industry associations and events, and regularly participate in conferences and speaking engagements.

Kalibri Labs is a data analytics company that provides solutions and insights for the hospitality industry. The company was founded in 2012 and is based in Washington, DC, USA. Kalibri Labs specializes in analyzing hotel industry data to help hotel owners and operators make data-driven decisions. They use advanced analytics and machine learning algorithms to process large volumes of data, including data from hotel reservations systems, property management systems, and other sources. The company's products and services include revenue management tools, market insights, and benchmarking services. They help hotels improve their revenue management strategies, optimize their pricing and distribution, and identify new market opportunities. Kalibri Labs also provides consulting services to hotel owners and operators, helping them to develop and implement data-driven strategies for their businesses. They work with a range of clients, from small independent hotels to large hotel chains and industry associations. Kalibri Labs is known for its innovative approach to data analysis in the hospitality industry, and has been recognized with several industry awards for its products and services.

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Marshall Valuation Service (MVS) is a manual that provides a comprehensive guide to the valuation of commercial real estate properties. It is widely used by appraisers, lenders, and other professionals in the real estate industry. The MVS includes information on a wide range of property types, including office buildings, shopping centers, industrial properties, apartment buildings, and hotels. It provides detailed information on how to value these properties using a variety of approaches, including the income approach, the cost approach, and the sales comparison approach. The manual also includes information on market trends, economic conditions, and other factors that can affect property values. It provides guidance on how to analyze market data and other information to arrive at an accurate estimate of a property's value. The MVS is published by Marshall & Swift, a company that provides a range of real estate valuation and data services. The manual is updated regularly to reflect changes in the real estate market and industry best practices.

The PwC Real Estate Investor Survey typically includes responses from a diverse group of real estate investors, including institutional investors, private equity firms, REITs (real estate investment trusts), and other entities that invest in commercial real estate. (PwC, or PricewaterhouseCoopers, is a professional services firm that provides audit, tax, and consulting services to clients across various industries, including real estate. Each year, PwC publishes a real estate investor survey, which provides insights into trends and expectations in the commercial real estate industry.) The survey covers a range of topics related to the real estate industry, including market sentiment, investment strategies, capital markets, and technology trends. The survey also provides insights into the outlook for various property types, including office, retail, industrial, and multifamily. The PwC real estate investor survey is widely regarded as a valuable resource for real estate investors, developers, and other professionals in the industry. The survey provides a comprehensive view of the current state of the commercial real estate market, as well as insights into emerging trends and opportunities. Overall, the PwC real estate investor survey is an important tool for real estate investors and professionals looking to stay informed about the latest trends and developments in the industry.

Real Capital Analytics (RCA) is a leading provider of data and analytics on commercial real estate investments. The company was founded in 2000 and is headquartered in New York City, with additional offices in the United States, Europe, and Asia. RCA's primary product is its online platform, which provides access to comprehensive data and analytics on commercial real estate investments, including sales and lease listings, property information, and market trends. The platform also includes tools for property managers, brokers, and investors, such as investment analysis, market research, and portfolio management tools. In addition to its online platform, RCA provides customized consulting services to its clients, including portfolio analysis, due diligence, and market research. The company also produces research reports on commercial real estate trends and investment strategies. RCA has a broad customer base, including commercial real estate investors, lenders, brokers, and service providers. The company generates revenue through subscriptions to its online platform, consulting services, and research reports. RCA has received numerous awards and recognitions for its products and services, including being named one of the most innovative companies in real estate by Fast Company in 2019. The company has also been recognized for its commitment to sustainability and corporate social responsibility, including its efforts to reduce its carbon footprint and support local communities through philanthropic initiatives.

STR (formerly Smith Travel Research) is a company that provides market data, analytics, and insights for the global hospitality industry. The company was founded in 1985 and is based in Hendersonville, Tennessee, USA. STR's main focus is on providing benchmarking and performance data for the hotel industry, including data on occupancy rates, room rates, revenue per available room (RevPAR), and other key metrics. They collect and analyze data from over 180 countries, covering more than 63,000 hotels and 8.3 million hotel rooms. STR's clients include hotel owners, investors, developers, and managers, as well as tourism boards, government agencies, and industry associations. The company also partners with other organizations to provide research and consulting services related to the hospitality industry. In 2019, STR was acquired by CoStar Group, a leading provider of commercial real estate information, analytics, and online marketplaces.

# Addenda

**IMPROVED SALE DATA SHEETS**

**QUALIFICATIONS OF HOSPITALITY, GAMING & LEISURE SPECIALTY PRACTICE**

**ENGAGEMENT LETTER**

**QUALIFICATIONS OF THE APPRAISERS**

# Improved Sale Data Sheets

**IMPROVED COMPARABLE 1****LOCATION INFORMATION**

Name Extended Stay America Los Angeles - Monrovia  
 Address 930 South 5th Avenue  
 Address (cont.) Monrovia, CA 91016  
 County Monrovia

Distance from Subject: 28 miles northeast

**TRANSACTION INFORMATION**

Seller ESA P Portfolio LLC  
 Buyer Classic Motor Inn Inc  
 Transaction Date February 7, 2025  
 Verification Source Seller  
 Transaction Price \$14,300,000  
 Price per Room \$116,260

Rights Transferred Fee Simple

**PHYSICAL INFORMATION**

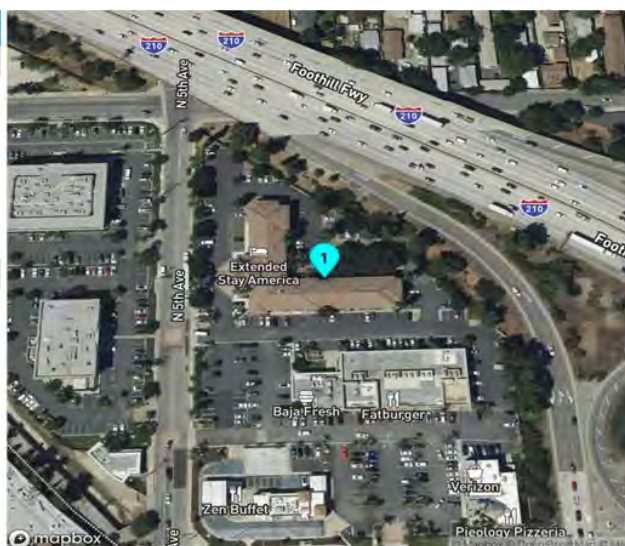
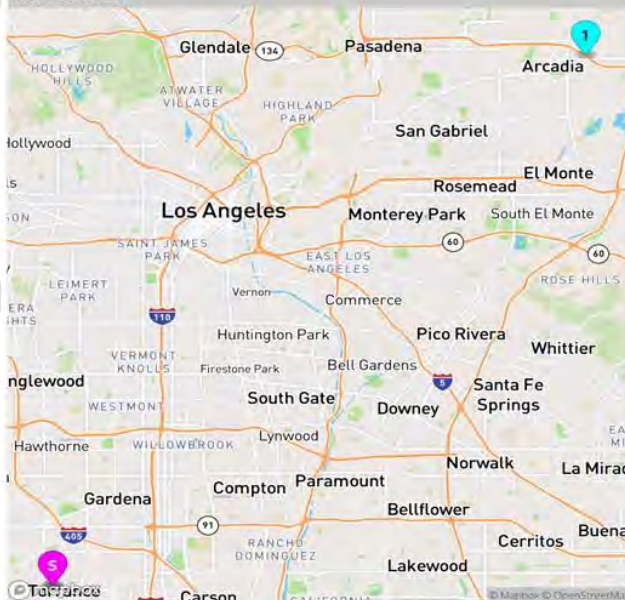
Number of Rooms 123  
 Year Built 1998  
 Umbrella Company Extended Stay America  
 Service Orientation Extended-Stay  
 Estimated Market Mix 10% comf, 3% group, 17% leisure, 70% E/S

**TRANSACTION METRICS**

Approx. occupied rooms Not available for this property

**TRANSACTION REMARKS**

On February 7th, 2025, Starwood Capital Group and Blackstone sold the 123-room hospitality property known as Extended Stay America Los Angeles to CAAZ Hospitality for \$14.3 Million, approximately \$116,260 per room. The information provided for this sale transaction was obtained via public record. The parties involved did not comment on the transaction.

**MAP OF AREA****ADJUSTMENT REMARKS**

To account for the various inflection points over the time period between the sale date of this comparable and the date of value, the unit value has been decreased by -2.0%. When considering property adjustments, it is our opinion that this particular comparable has locational characteristics that are superior relative to that of the subject as it is in a better area for economy extended stay demand. The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment. After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**IMPROVED COMPARABLE 2****LOCATION INFORMATION**

Name Staybridge Suites Torrance  
 Address 4111 Pacific Coast Hwy  
 Address (cont.) Torrance, CA 90505

Distance from Subject: 370 miles northwest

**TRANSACTION INFORMATION**

Seller Vivo Apartments Torrance, LLC  
 Buyer MC Torrance LLC  
 Transaction Date August 6, 2024  
 Verification Source Seller  
 Transaction Price \$14,200,000  
 Price per Room \$151,064  
 Rights Transferred Fee Simple

**PHYSICAL INFORMATION**

Number of Rooms 94  
 Year Built 1962  
 Umbrella Company Staybridge Suites  
 Service Orientation Extended-Stay  
 Estimated Market Mix 10% comf, 3% group, 17% leisure, 70% E/S

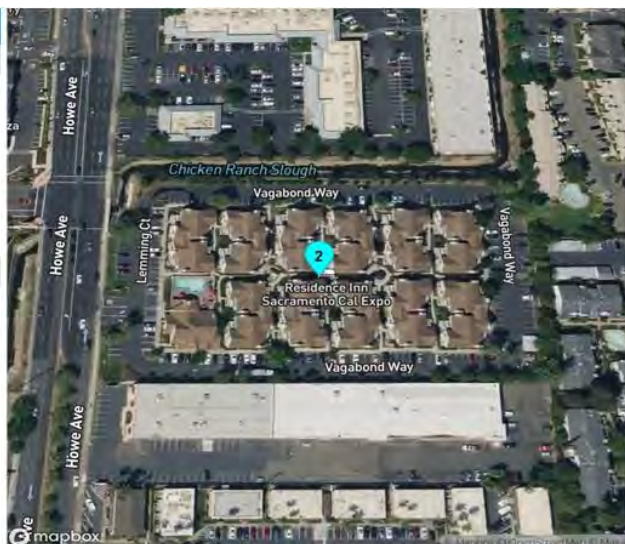
**TRANSACTION METRICS**

Net Operating Income \$866,200  
 Capitalization Rate 6.10%

Approx. occupied rooms Not available for this property

**TRANSACTION REMARKS**

On August 6th, 2024, Vivo Investment Group LLC sold the 94-room hospitality property known as Staybridge Suites Torrance to Mid-Continent Hospitality for \$14.2 Million, approximately \$151,064 per key. At the time the sale the cap rate was 6.10% and the NOI was \$866,200. The buyer secured a \$8,930,000 loan from Celtic Bank. The information provided for this sale transaction was verified by sources deemed reliable.

**MAP OF AREA****ADJUSTMENT REMARKS**

A downward adjustment is required to account for market conditions at this property. This property had similar locational and size characteristics, requiring no adjustment. The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment. After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**IMPROVED COMPARABLE 3**

**LOCATION INFORMATION**

Name: Residence Inn Bakersfield  
Address: 4241 Chester Lane  
Address (cont.): Bakersfield, CA 93309

Distance from Subject: 2 miles southwest

**TRANSACTION INFORMATION**

Seller: Bre Newton Hotels Property Owner  
Buyer: Greens INV 6 LLC  
Transaction Date: June 17, 2024  
Verification Source: Seller  
Transaction Price: \$11,000,000  
Price per Room: \$96,491  
Rights Transferred: Fee Simple

**PHYSICAL INFORMATION**

Number of Rooms: 114  
Year Built: 1990  
Umbrella Company: Residence Inn  
Service Orientation: Extended-Stay  
Estimated Market Mix: 10% com'l, 3% group, 17% leisure, 70% E/S

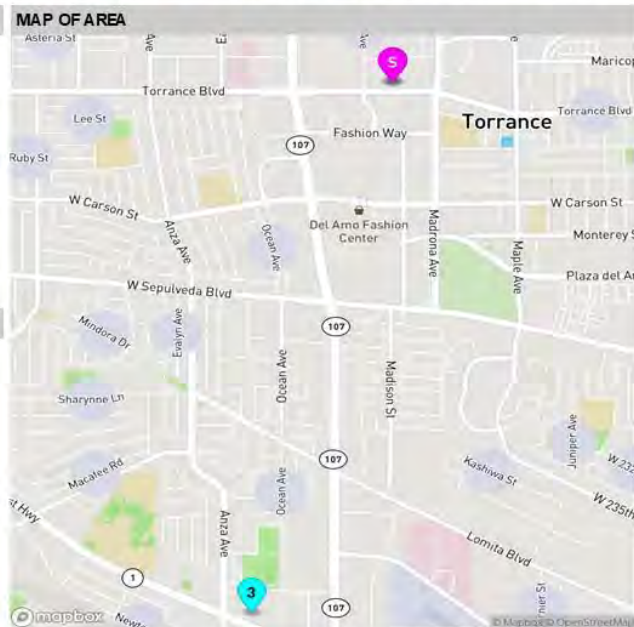
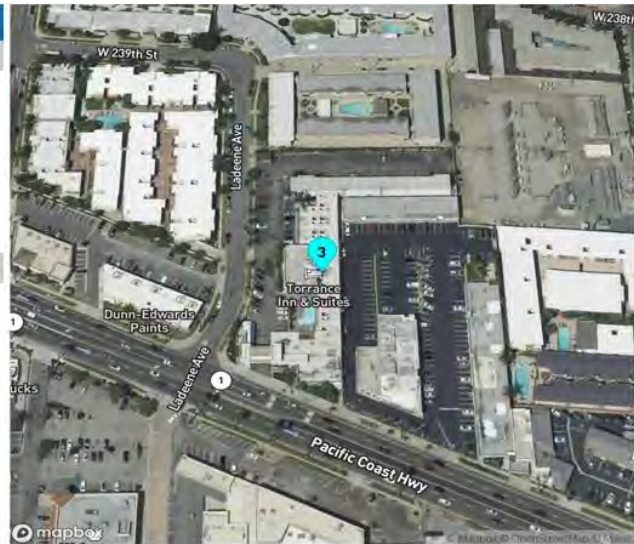
**TRANSACTION METRICS**

Net Operating Income: \$1,100,000  
Capitalization Rate: 10.00%

Approx. occupied rooms: Not available for this property

**TRANSACTION REMARKS**

BRE Hotels & Resorts LLC sold this 114-room hotel to the joint venture between Greens Development Inc. and ON Bakersfield, LLC for \$11 million, or \$96,491 per square foot. Greens Development Inc. now has 75% ownership while ON Bakersfield, LLC has 25% ownership. The pro forma net operating income for year one was estimated to be \$110,000, yielding a pro forma cap rate of 10%. All information in the comparable has been verified by the buyer.



**ADJUSTMENT REMARKS**

A downward adjustment is required to account for market conditions at this property. It is our opinion that this particular comparable has locational characteristics that are inferior relative to that of the subject. The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment. After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

**IMPROVED COMPARABLE 4****LOCATION INFORMATION**

Name Relax Suites Extended Stay - La Mirada  
 Address 14775 Firestone Boulevard  
 Address (cont.) La Mirada, CA 90638

Distance from Subject: 113 miles north west

**TRANSACTION INFORMATION**

Seller ESA P Portfolio LLC  
 Buyer Vaidehi, inc  
 Transaction Date May 13, 2024  
 Verification Source Seller  
 Transaction Price \$17,000,000  
 Price per Room \$163,462  
 Rights Transferred Fee Simple

**PHYSICAL INFORMATION**

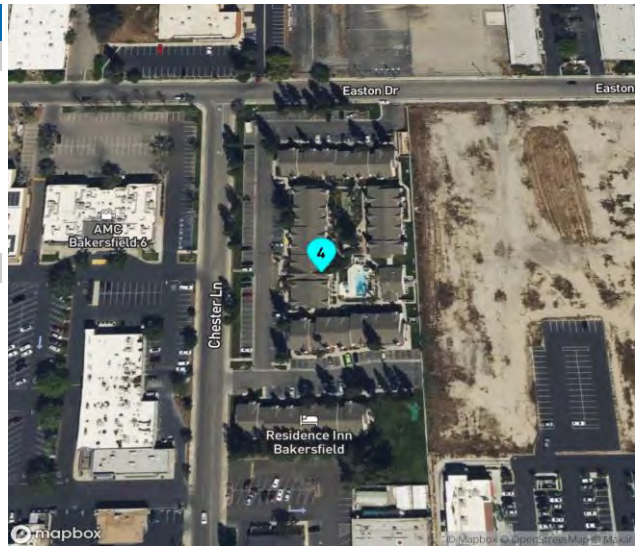
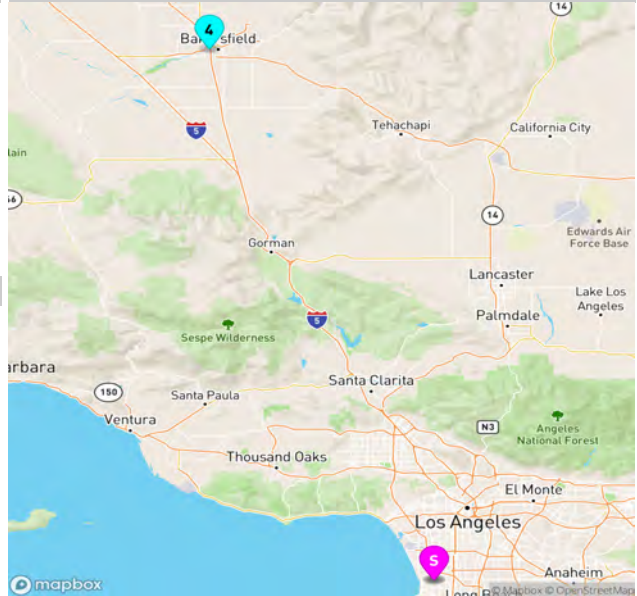
Number of Rooms 104  
 Year Built 1998  
 Umbrella Company Independent - L/S Upper Midscale Class  
 Service Orientation Limited-Service  
 Estimated Market Mix 30% coml, 5% group, 60% leisure, 5% E/S

**TRANSACTION METRICS**

Net Operating Income \$997,900  
 Capitalization Rate 5.87%  
 Approx. occupied rooms Not available for this property

**TRANSACTION REMARKS**

On May 13th, 2024, ESH Hospitality sold the 104-room hotel known as Extended Stay America La Mirada to Ashish Patel for \$17 Million, approximately \$163,462 per room. The buyer secured a \$10,625,000 loan from American Plus Bank. The information provided for this sale transaction was obtained via the buyer.

**MAP OF AREA****ADJUSTMENT REMARKS**

A downward adjustment is required to account for market conditions at this property. It is our opinion that this particular comparable has locational characteristics that are superior relative to that of the subject. The overall age, quality and condition of the comparable is superior thereby calling for a downward adjustment. This sale represents a hotel that had superior operating characteristics (in terms of RevPAR) requiring a downward adjustment. After making all quantitative and qualitative adjustments, it is our opinion that this comparable was generally superior relative to the subject.

# Qualifications of the Hospitality, Gaming and Leisure Specialty Practice



## Hospitality, Gaming & Leisure

Our Hospitality, Gaming & Leisure practice is focused exclusively on providing superior valuation and consulting services for a broad range of hotels, casinos and leisure properties. Our team takes a holistic, consultative approach that goes far beyond the physical asset, analyzing every aspect of a property's business and real estate operations to identify all areas of value for owners and investors.

*Our Hospitality, Gaming & Leisure platform has experience in valuation assignments and market analysis for properties including:*

**Hotels and Resorts**  
**Gaming Facilities**  
**Stadiums, Sports & Entertainment Facilities**

**Conference, Expo and Convention Centers**  
**Golf Courses**  
**Marinas**

**Ski and Village Resorts**  
**Water Parks, Amusement Parks and Attractions**

*Our core disciplines and expert subject areas include:*

**Economic Impact**  
We empower owners and operators to maximize economic incentives and advise government entities on the impact of incentives on a community or development.

**Feasibility**  
We take feasibility studies to the next level, combining market knowledge with expert economic impact analysis and acumen in cash-on-cash, ROI and other metrics.

**Financial Reporting**  
Our seamless approach to fulfilling clients' financial reporting requirements means no outside assistance is needed.

**Litigation**  
Our experts bring a strategic perspective and hands-on approach, exceeding the depth and scope of typical litigation services every time.

**Portfolio Analytics**  
We bring industry averages and trends to bear on traditional analytics, ensuring comprehensive due diligence.

**Property Tax**  
We understand every aspect of a property's operations, allowing us to craft advanced tax strategies.

### ABOUT NEWMARK

**We transform untapped potential into limitless opportunity.**

At Newmark, we don't just adapt to what our partners need—we adapt to what the future demands. Our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies. We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

# Assignment Specific Addenda Items

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## NEWMARK VALUATION & ADVISORY

June 6, 2025

Carlos Huizar  
Management Associate  
CITY OF TORRANCE - CITY MANAGER  
City Manager's Office - 3rd Floor  
Torrance, CA 90503  
<Address 3>

Phone: 310-618-5965  
Email: [Chuizar@TorranceCA.gov](mailto:Chuizar@TorranceCA.gov)

Re: Appraisal of the property described as:  
Extended Stay America Torrance, an extended-stay hotel  
3525 Torrance Boulevard, Torrance, CA 90503 ("**Property**")

Dear Mr. Huizar:

Newmark Valuation & Advisory, LLC ("Firm") agrees to provide City of Torrance - City Manager ("Client") an appraisal of the above Property in accordance with, and subject to, the terms and conditions set forth below and the attached Schedules (collectively the "Agreement").

APPRAISAL FEE:	\$6,000.00 (exclusive of expenses).
ADDITIONAL HOURLY FEES:	Should court time and preparation be required, it will be billed at \$400.00/hr plus expenses.
RETAINER:	\$3,000.00 with the return of this letter signed by the Client.
REPORT DELIVERABLES:	The appraisal, draft and/or final, shall be delivered in electronic format (typically, pdf). One original hard copy of the final appraisal will be provided to Client upon request.
COMMENCEMENT AND DELIVERY DATE:	Delivery is as follows:  Draft appraisal report: three (3) weeks

Final appraisal report: one (1) week following approval and request for final report

The appraisal process will commence upon receipt by the Firm of (i) this Agreement, signed by Client, (ii) the retainer, and (iii) information and materials identified in Schedule "B." The appraisal process will conclude upon delivery of the final appraisal report, unless terminated sooner by the Firm or Client or as provided herein.

REPORT TYPE: Appraisal Report

VALUATION PREMISE: Market Value

INTEREST IN THE PROPERTY APPRAISED: Fee Simple Estate

DATE(S) OF VALUE: Current as of: July 1, 2025

INTENDED USER(S): Intended users of the appraisal include only City of Torrance personnel ("**Intended User(s)**"), and no other party is permitted to use or rely on the appraisal. The identification of Intended User(s) of the appraisal is to determine the type and extent of research, analysis and reporting appropriate for the assignment. Designation of a party other than Client as an Intended User is not intended to confer upon such party any rights under this Agreement.

INTENDED USE: The intended use of the appraisal is solely for negotiating purposes ("Intended Use") and no other use.

RELIANCE LANGUAGE: None

GUIDELINES: The analyses, opinions and conclusions are to be developed based on, and the appraisal will be prepared in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation.

SCOPE OF WORK: The appraiser will use and properly apply all applicable and appropriate approaches to value sufficient to produce credible assignment results. The scope of the analysis will be appropriate for the appraisal problem.

The scope of work for this assignment will be limited in that the appraisers will not be given access to the property beyond spaces that open to the general public. Additionally, no property data will be provided to the

appraisers and they will have to rely on data that is available in the public domain. Finally, the appraisal will be done from the desktop only.

**APPRAISAL REPORT  
SIGNATORY:**

Mark Capasso

**ASSUMPTIONS/  
LIMITING CONDITIONS:**

The appraisal will be subject to Firm's standard Assumptions and Limiting Conditions, which will be incorporated into the appraisal report. In addition, the appraisal may be subject to and the appraisal report may contain Extraordinary Assumptions and Hypothetical Conditions.

**ACCEPTANCE:**

This shall constitute an Agreement only if countersigned by the Client, or by an officer, director or other representative of Client who, by signing and accepting this proposal, represents and warrants that he/she is authorized by Client to do so.

**PAYMENT:**

Client will be invoiced the appraisal fee (and any expenses) which will be earned in full upon initial delivery of the appraisal report (draft or final), with such appraisal fee (and expenses) payable within 30 days of invoicing.

Payment of the said fee is not contingent upon any predetermined value or on an action or event resulting from the analysis, opinions, conclusions or use of the appraisal.

**CHANGES TO THE  
AGREEMENT:**

Any significant changes to the assignment as outlined in this Agreement such as the identity of the Client, Intended User, or Intended Use, will require the preparation and execution of a new agreement.

**CANCELLATION OF  
ASSIGNMENT:**

Client may cancel this Agreement at any time prior to the Firm's delivery of the appraisal upon written notification to the Firm. Client shall pay Firm for all work completed on the assignment prior to Firm's receipt of such written cancellation notice, unless otherwise agreed upon by Firm and Client in writing. The Firm may withdraw without penalty or liability from the assignment(s) contemplated by the Agreement before completion or reporting if the Firm determines, in the Firm's sole discretion, that incomplete information was provided to the Firm prior to the engagement, that Client or other parties have not or cannot provide documentation or information necessary to the Firm's analysis or reporting, that conditions of the Property render the original scope of work inappropriate, that a conflict of interest has arisen, or that Client has not complied with its payment obligations under this Agreement. The Firm shall notify Client of such withdrawal in writing.

**PHASE PAYMENTS CANCELLATION:**

Client may cancel this Agreement at any time prior to the Firm's delivery of the appraisal upon written notification to the Firm. Client shall pay Firm for all work completed on the assignment prior to Firm's receipt of such written cancellation notice, unless otherwise agreed upon by Firm and Client in writing.

**NO THIRD-PARTY  
BENEFICIARIES:**

Nothing in the Agreement shall create a contractual relationship or any legal duty between Firm or Client and any third party, nor any cause of action, right, or claim in favor of any third party and against Firm or Client. In addition, this Agreement is not intended to, and shall not be construed to, render any person or entity a third-party beneficiary of this Agreement. Client acknowledges and agrees that the appraisal report shall reflect the foregoing. In addition, the appraisal report shall state that no party other than an Intended User identified in the Agreement is entitled to rely upon the appraisal.

This Agreement may be rescinded by the Firm unless signed and returned to the undersigned within 10 days from the date hereof.

If this Agreement correctly sets forth the Client's understanding of the services to be rendered, and if the terms are satisfactory, please execute and return the Agreement together with any required retainer.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute a fully executed agreement, with the same effect and validity as a single, original agreement signed by all of the parties. Facsimile signatures shall have the same validity and effect as original signatures.

Thank you and we look forward to working on this assignment.

Respectfully,



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Mark Capasso  
*Executive Vice President*  
Click or tap here to enter text.  
License No. Click or tap here to enter text.  
Mark.Capasso@nmrk.com  
310-714-7579

Agreed:  
CITY OF TORRANCE - CITY MANAGER

SIGNATURE:



PRINT NAME:

Danny E. Santana

TITLE:

Assistant City Manager

DATE:

6/6/25

Schedule "A"

## TERMS AND CONDITIONS

### ATTACHED TO AND A PART OF THE AGREEMENT DATED JUNE 6, 2025 TO PROVIDE APPRAISAL SERVICES FOR CITY OF TORRANCE - CITY MANAGER

1. These Terms and Conditions are attached to and incorporated into the above referenced Agreement as though fully set forth in full therein. Capitalized terms if not defined herein shall have the same meaning as defined in the Agreement.
2. With respect to any appraisal report, use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by the Firm, constitutes acceptance of these Terms and Conditions as well as acceptance of all other appraisal statements, limiting conditions and assumptions stated in the Agreement and appraisal report.
3. It is assumed that there are no matters affecting the Property that would require the expertise of other professionals, such as engineers or an environmental consultant, for Firm to provide the appraisal. If such additional expertise is required, it shall be provided by other parties retained by Client at Client's sole cost and expense.
4. Client acknowledges that the Firm is being retained as an independent contractor to provide the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Firm and Client, including but not limited to an agency relationship. The parties neither intend nor have any expectation that any such relationship will arise as a matter of law or as a result of this Agreement. This assignment shall be deemed concluded and the services hereunder completed upon delivery of the appraisal described herein to Client.
5. All statements of fact contained in the appraisal report as a basis of the appraiser's analyses, opinions, and conclusions will be true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to, and shall rely upon the accuracy of information and material furnished to the Firm by Client. Appraiser is also entitled to, and shall, rely on information provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by members of that profession without independent verification.
6. The Firm and the appraiser shall have no responsibility for legal matters, or questions or issues involving survey or title, soil or subsoil conditions, engineering, zoning, buildability, environmental contamination, structural matters, construction defects, material or methodology, or other similar technical matters with regarding the Property. Furthermore, the appraisal will not constitute a survey of the Property.
7. The appraisal and the data and information gathered in its preparation (other than the confidential data and information provided by Client) is and will remain, the property of the Firm. The Firm shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished by Client to the Firm. Notwithstanding the foregoing, the Firm and the appraiser are authorized by Client to disclose all or any portion of the appraisal and appraisal report and the related data and information, including confidential data and information provided by Client, to appropriate representatives of the Appraisal Institute if such disclosure is required to comply with the Standards, Bylaws and Regulations of the Appraisal Institute, as well as, such disclosure as required by law and regulations, including compliance with a subpoena and licensing authority regulatory inquiries. The Firm is also authorized to include both confidential and non-confidential data assembled in the course of preparing the appraisal and which may be incorporated into the appraisal report in a database controlled by the Firm for the aggregation of such data and information to produce analytics and other metrics or products.
8. Unless specifically noted in the appraisal report, the appraisal will not take into consideration the possibility or probability of the existence of asbestos, PCB transformers, other toxic, hazardous, or contaminated substances

and/or underground storage tanks (hazardous material) at on or in the Property, or the cost of encapsulation, removal or remediation thereof.

9. Client shall indemnify, defend (by counsel to be selected by Firm), protect, and hold Firm and Firm's appraisers, agents, employees, affiliates, representatives, successors and assigns (each, a "**Firm Party**"), free and harmless from any and all claims, liabilities, losses, penalties, fines, forfeitures, amounts paid in settlement, judgments, and all reasonable attorneys' fees and related litigation costs, fees and expenses incurred by the any of such indemnitees, which result from (i) any failure by Client or Client's agents or representatives to provide Firm with complete and accurate information regarding the Property; (ii) any material breach by Client of the provisions of the Agreement; (iii) if delivery of the appraisal to a third party is permitted by the Firm, Client providing an incomplete copy of the appraisal to such third party; or (iv) arising from Client or Client's agents or representatives providing a copy of the appraisal to a party not authorized by the Firm to receive such copy.
10. In preparing the appraisal, it is possible that the appraiser will discover conflicting information. In that event, appraiser will utilize information and data considered to be the most authoritative and for critical information will document the source. Information and data referred to may include, but is not limited to, legal descriptions; physical street addresses; assessor parcel numbers; property history; dimensions and areas of the site/land; dimensions and areas of the building improvements; physical unit counts; rent rolls; leases; lease abstracts; income and expense data; and any other related data. Any material discrepancy and/or error in any of the above data could have a substantial impact on the conclusions reported, and the Firm therefore reserves the right to amend conclusions reported if the Firm is made aware of any such discrepancy and/or error.
11. The appraisal may not be used, included or referenced, in whole or in part, in any offering or other materials without the prior written consent of the Firm, which consent may be conditioned upon the receipt by the Firm of an indemnity agreement, in form and content, satisfactory to Firm and provided by an indemnitor satisfactory to Firm. Client agrees to pay the fees of the Firm's legal counsel for review of any materials which is the subject of the requested consent. Except as agreed by the Firm expressly in writing, the Firm disclaims liability to any party other than Client.
12. The Firm shall not provide a copy of the appraisal to, or disclose the results of the appraisal to, any party other than Client, unless Client authorizes same, except as provided in the Confidentiality Section of the ETHICS RULE of the Uniform Standards of Professional Appraisal Practice (USPAP) or as otherwise required by law or regulations.
13. Client and any other identified Intended User should consider the appraisal as only one factor together with its own independent considerations and underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors.
14. Unless otherwise stated in this Agreement, Client agrees that the services pursuant to this Agreement shall not include participation in or preparation for, or attendance at, any legal, judicial, administrative, or arbitration proceeding relating to this assignment. In the event the Firm or any Firm Party is required, whether through the service of a subpoena or otherwise, to produce documents or participate in or prepare for any discovery, testimony or attendance, relating to the appraisal or this assignment, where the Firm or Firm Party is not a party to the action or proceedings involved, Client agrees to reimburse expenses incurred by the Firm or Firm Party, including attorney's fees, in responding to such subpoena or other legal process and compensate the Firm therefor based upon the appraiser's prevailing hourly or daily rate for providing services as an expert consultant or witness.
15. **LIMITATION ON LIABILITY** NEITHER PARTY'S AGGREGATE LIABILITY RELATED TO THIS AGREEMENT (WHETHER UNDER CONTRACT, TORT OR OTHERWISE) WILL EXCEED THE AMOUNT OF FEES PAID FOR THE APPRAISAL ASSIGNMENT, AND NEITHER PARTY WILL BE LIABLE FOR ANY CONSEQUENTIAL,

SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE OR EXEMPLARY DAMAGES RELATED TO THIS AGREEMENT (WHETHER UNDER CONTRACT, TORT OR OTHERWISE).

16. **WAIVER OF CONSEQUENTIAL DAMAGES** IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, LOST PROFITS, LOSS OF REVENUE, LOSS OF USE OR INTERRUPTION OF BUSINESS) ARISING OUT OF OR RELATED TO THIS AGREEMENT, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
17. Except as expressly provided herein, Firm makes no representations or warranties to Client or to any other person or entity with respect to the appraisal and the services to be provided by Firm under this Agreement. To the maximum extent permitted under applicable law, in no event will the Firm or any Firm Party be liable to Client or any third party (regardless of whether such party's claimed use or reliance on the appraisal was authorized by the Firm or a Firm Party) for any claimed damages exceeding the damages in Paragraph 15. Legal claims or causes of action relating to the appraisal are not assignable, except: (i) as the result of a merger, consolidation, sale or purchase of a legal entity, (ii) with regard to the collection of a bona fide existing debt for services but then only to the extent of the total compensation for the appraisal plus reasonable interest, or (iii) in the case of an appraisal performed in connection with the origination of a mortgage loan, as part of the transfer or sale of the mortgage before an event of default on the mortgage or note or its legal equivalent.
18. Federal banking regulations require banks and other lending institutions to engage appraisers where FIRREA compliant appraisals must be used in connection with mortgage loans or other transactions involving federally regulated lending institutions. In view of that requirement, the appraisal may not be accepted by a federally regulated financial institution.
19. In the event Client fails to make payments of any fees or sums when due and payable under this Agreement; then from the date due and payable until paid, the amount due and payable shall bear interest at the maximum rate permitted under the laws of the state in which the Property is located. If the Firm is required to undertake collection efforts including institution of legal action against Client relating to the Agreement, the Firm shall be entitled to recover attorney's fees, litigation expenses, and costs from Client.
20. To the extent permitted under applicable law, any legal action or lawsuit or other proceeding by Client or any Intended User of the appraisal against Firm or a Firm Party whether based in contract, tort, warranty, indemnity or otherwise, relating to the appraisal shall be commenced within two (2) years from the date of delivery of the appraisal to the claimant in such action or proceeding, unless the applicable law provides for a shorter period, and any such claimant waives the right to a jury in any such legal action or lawsuit or other proceeding. Notwithstanding the state of domicile or residency of either party to this Agreement, this Agreement shall be governed and construed under the laws of the state in which the Property is located, and venue for any action or proceeding arising out of this Agreement shall be deemed proper only in the court of competent jurisdiction located in the state in which the Property is located.
21. Throughout the performance of services under this Agreement, the Firm shall maintain at its sole cost and expense the following insurance:
  - (a) Workers' Compensation, so as to provide statutory benefits as required by the laws of each state within the United States in which the Firm's services are being provided, and Employer's Liability insurance with limits of liability of \$1,000,000 each accident, \$1,000,000 disease each employee and \$1,000,000 disease policy limit covering all employees of the Firm engaged in the performance of such services.
  - (b) Fidelity insurance or bond with a limit of \$1,000,000 to insure the Firm against loss of its or Client's assets caused from the dishonest acts of the Firm's employees.

- (c) Professional Liability insurance with a limit of liability of \$1,000,000 each claim and \$1,000,000 aggregate, which limits may be provided by a combination of primary and excess policies.
- (d) Commercial General Liability insurance providing coverage against damages due to bodily injury (including death), property damage and personal and advertising injury arising in connection with the Firm's services provided under this Agreement, which insurance coverage shall: (i) be occurrence-based; (ii) provide limits of liability in an amount of \$1,000,000 each occurrence and \$1,000,000 aggregate (including excess and/or umbrella limits), (iii) include at least those coverages generally included in the most current ISO Commercial General Liability insurance policy form (or its equivalent); and (iv) include Client, and such other persons or entities as Client has identified in writing, as additional insureds solely with regard to claims arising out of this Agreement.
- (e) Commercial automobile liability for owned, hired and non-owned motor vehicles, with a \$1,000,000 combined single limit.

Schedule "B"

**PROPERTY INFORMATION LIST**

ATTACHED TO AND A PART OF THE AGREEMENT DATED JUNE 6, 2025 TO PROVIDE APPRAISAL SERVICES FOR CITY OF TORRANCE - CITY MANAGER

The following information is requested to be delivered to the Firm so we can provide the proposed services and prepare the Appraisal within the agreed upon time frame. Please forward the physical data such as the site plan, previous engineering reports and/or property reports describing the physical attributes of the Property and all financial information such as rent roll and income and expense statements first as these items are the most time sensitive and should be received immediately to meet the time requirements of this assignment. If, at this time, you are certain you will not be providing any specific items noted below, please cross out the item and mark "NA" next to the item so that we will be notified that the information is not available and will not be forthcoming.

1. Please indicate whether Newmark is sales broker, leasing broker, mortgage broker or property manager for the subject property.
2. Site plan, if available. (Preferably, an AS BUILT PLAN showing an outline of building/s drawn to scale. Please do not send reductions so original scale may be used for measurement purposes.
3. Building plans, if available.
4. Prior engineering report or physical descriptions from prior appraisals or asset management report, if available.
5. Leasing brochures and/or other marketing materials, if available.
6. If the Property has been offered for sale within the last two years, a copy of the offering memorandum or investment book.
7. Past feasibility or market studies and economic impact studies as well as any relevant information collected from third party sources.
8. Agreements of Sale/Options to Buy (current or during last three years), if any.
9. Income and expense statements for the past three years plus year-to-date income and expense statements.
10. Operating budget for current and next year, if available.
11. Current property insurance binder or last property insurance billing statement.
12. Management contracts.
13. Copy of most recent real estate tax bill. Please advise if there has been a notice or inquiry by either the County Assessment Board or the School Board regarding the property assessment. Is there any pending litigation or negotiations with these parties that could result in an assessment increase or decrease?
14. Title report, Legal Description, or copy of deed. Provide a written statement of five-year history of legal property owner. Please advise, if there any deed restrictions or encumbrances, easements or cross easements.
15. Personal property inventory, if available.
16. Occupancy rates for the last three years, if not revealed in the financial statements.
17. Ground leases, if any.

18. Approximate actual construction costs, if built during the past three years.
19. Environmental audits and studies disclosing any wetlands, hazardous wastes or other environmental conditions such as asbestos or radon.
20. List of any known major repairs and improvements needed.
21. Three-year history of capital improvements.
22. Name of contact person for the on-site physical inspection.

### **FOR APARTMENT PROPERTY**

23. Unit mix showing rentable area and asking rent by unit type
24. Scaled apartment unit plans showing layouts and measurements so that rentable area can be confirmed, if available.
25. Rent roll showing tenant name, apartment number, dates of leases and the type of apartment, asking/market rents for each apartment, and contractual rent for each apartment unit. (It would be greatly appreciated if you can provide the rent roll in Excel.)
26. Terms of leases and/rent roll for leased commercial space or roof top rentals. Copies of commercial leases are desirable. If any commercial leases provide for pass through of operating expenses over a base year stop, please provide the dollar amount of the base year stop.

### **FOR INDUSTRIAL, OFFICE, RETAIL PROPERTY**

27. Rent Roll (please sign and date) and copies of leases, including addenda and all amendments. Please indicate which leases may have early termination provisions, expansion and/or purchase options. Please identify any tenants who have initiated discussions to renew, terminate or renegotiate/modify their lease(s), or who have given notice to terminate. Proposed terms for such re-negotiations should be revealed.
28. Provide letters of intent to lease or other any outstanding lease proposals that have a reasonable likelihood of being finalized into executed leases.
29. Prior Argus files, if any.
30. List of outstanding leasing commissions brokers and terms of future payments.
31. Financial information such as Annual Statements or credit report/ratings on any major tenant in the building.
32. CAM and real estate tax reimbursement worksheets or listing of base year operating expenses, if applicable.
33. Three-year history of tenant retail sales, if available.

### **FOR LODGING PROPERTY**

34. Terms of leases if any and/rent roll for leased commercial space or roof top rentals.
35. ADR and Occupancy rates for the last three years, if not revealed in the financial statements.
36. Business Plan and Marketing Strategy, if any for the upcoming fiscal year.
37. Terms of franchise agreement and management agreement, if any.

### **For Residential Subdivision Property**

38. Building plans for the proposed single family, townhouse, age-restricted, and condominium residences. Please do not send reductions so original scale may be used for measurement purposes.

39. Market Surveys and Feasibility Analyses, if any, for the proposed development program.
40. Marketing materials for the proposed single family, townhouse, age-restricted, and condominium residences.



# Mark Capasso

*Executive Vice President  
Gaming*

t 310-491-2032  
m 310-714-7579  
mark.capasso@nrmrk.com

## YEARS OF EXPERIENCE

# 25+

## AREAS OF SPECIALTY

- Valuation & Advisory
- Hospitality
- Gaming
- Market Studies
- Feasibility Reports
- Expert Witness Testimony

Mark Capasso joined Newmark Valuation & Advisory (V&A) in 2021 and currently serves as an Executive Vice President based in the firm’s El Segundo, California office. Mark leads the Gaming discipline for the Hospitality, Gaming & Leisure (HGL) Specialty Practice and brings to his position nearly 30 years of experience providing appraisal and consulting services for hotels and casinos.

Since beginning his career in the hospitality industry in 1994, Mark has provided valuation, appraisal and expert testimony services for the world’s largest financial institutions, as well as the most prestigious hospitality and gaming companies in the world. Overall, he has consulted with more than 250 hospitality and gaming clients globally.

Mark is a respected member of the casino and hotel industries having been a guest lecturer on Hotel Feasibility Analysis at the University of Nevada, Las Vegas, and author of several articles for industry publications including a bi-monthly column in Casino Executive Magazine. Additionally, Mark has served as an expert witness and consultant in condemnation matters regarding gaming properties in the states of California, Arizona, Puerto Rico, Nevada and New York. He has also been a Hotel Feasibility Analysis guest lecturer at the University of Nevada, and a panel member at the American Bar Association, Section of Real Property Probate and Trust.

Mark joined Newmark from Cushman & Wakefield, where he most recently served as an Executive Director and the Americas Practice Leader of the Hospitality & Gaming Group within C&W’s Valuation & Advisory group. Headquartered in the firm’s Los Angeles office, Mark provided appraisal and consulting services for hotels and casinos. Prior to joining Cushman & Wakefield’s Hospitality & Gaming Group in 2003, Mark was a Vice President in the San Francisco office of HVS International, where he headed and helped establish the Gaming Services Division in 1994.

### Licenses and Designations

- Certified general real estate appraiser, states of California and Nevada
- Mark has completed the continuing education programs for licensure for the California Bureau of Real Estate Appraisers (BREAA)

### Education

Mark earned a Bachelor of Science degree in Hotel Administration with an emphasis in finance and real estate as it pertains to the hotel and casino industries from University of Nevada’s William F. Harrah School of Hotel Administration. Additionally, Mark studied European Economic Community Studies from Scuola Administratione di Aziendale in Turin, Italy.



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Mark D. Capasso**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

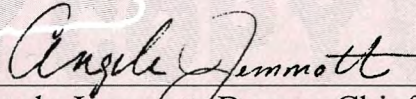
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 026492

Effective Date: January 22, 2025

Date Expires: January 21, 2027

  
\_\_\_\_\_  
Angela Jemmott, Bureau Chief, BREA

3080352



# Keenan M. O'Leary

MAI

Senior Vice President  
Hospitality, Gaming & Leisure  
Agriculture

t 206-765-8364  
t 415-748-8785  
keenan.oleary@nrmk.com

## YEARS OF EXPERIENCE

20+

## AREAS OF SPECIALTY

Valuation & Advisory  
Hotels/Motels  
Resorts  
Hostels  
Short-Term Rentals  
Vineyards & Wineries  
Mixed-Use Hospitality

Keenan O'Leary, MAI currently serves as a Senior Vice President for Newmark Valuation & Advisory (V&A). He is a member of V&A's Hospitality, Gaming & Leisure (HGL) Specialty Practice and Agriculture (Ag) Specialty Practice. Actively engaged in commercial real estate since 2010, O'Leary specializes in the valuation of hotels and other hospitality-related assets (fee simple, leased fee, and leasehold interests) as well as vineyard and winery properties. He has performed appraisals, market studies and feasibility studies throughout the United States for REITs, institutional and local lending institutions, pension funds, governmental entities and agencies, law firms, buyers, sellers, investors, and developers.

Prior to joining Newmark, O'Leary was a Senior Director at Cushman & Wakefield's Seattle and New York City offices. He also spent time advising a prominent developer structuring investor offering for new development projects, restructuring existing investments, and standardizing internal valuations for the company's portfolio of industrial, hotel, retail, and office properties located in Washington and California.

### Professional Affiliations

- Member, Cornell Hotel Society
- Newmark V&A's Hospitality, Gaming & Leisure Specialty Practice
- Newmark V&A's Agriculture Specialty Practice

### Licenses and Designations

- Designated Member, Appraisal Institute (MAI)
- Certified General Real Estate Appraiser in the following U.S. States:
  - Alaska 198666
  - California 3002637
  - Hawaii CGA 0001515
  - Oregon C001513
  - Washington 22010663

### Education

O'Leary graduated from Cornell University's School of Hotel Administration, where he earned a Bachelor of Science degree. In addition, he holds an Associates of Arts degree in culinary arts from the Culinary Institute of America. More recently, O'Leary completed continuing education programs on commercial property valuations sponsored by the Appraisal Institute and other sanctioned learning institutions.



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Keenan M. O'Leary**


has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3002637

Effective Date: August 30, 2024  
Date Expires: August 29, 2026

  
Angela Jemmott, Bureau Chief, BREA

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