



**PROPOSED MESQUITE
FULL-SERVICE HOTEL**

**ECONOMIC IMPACT
ANALYSIS**

MC2022-002

Mr. Cliff Keheley
City Manager
City of Mesquite
1515 North Galloway Avenue
Mesquite, Texas 75149



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May 13, 2022

Mr. Cliff Keheley
City Manager
City of Mesquite
1515 North Galloway Avenue
Mesquite, Texas 75149

Dear Mr. Keheley:

In accordance with the Consulting Services Contract dated February 3, 2022, we have completed an Economic Impact Analysis for the proposed Mesquite Full-Service Hotel in Mesquite, Texas. The economic impact includes the direct and indirect spending related to construction and operation of the proposed Mesquite Full-Service Hotel. The operation of the hotel will also have a direct, indirect and induced impact on employment in the City of Mesquite. In addition, we have provided a fiscal impact summary that details the estimated tax receipts that the City of Mesquite would obtain from the proposed Mesquite Full-Service Hotel.

The Economic Impact Study assumes that the proposed Mesquite Full-Service Hotel would open in January 2026. The hotel market study issued by McCaslin Hotel Consulting, LLC to the City of Mesquite on May 12, 2022, is utilized as the supporting documentation for computing the economic and fiscal impacts.

Although the proposed property's future performance has been conscientiously prepared using information obtained during the course of this study and our experience in the industry, it is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results that will actually be achieved. This report is subject to the same Assumptions and Limiting Conditions as set forth in the market study.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Respectfully submitted,

McCaslin Hotel Consulting, LLC

By: G. Randle McCaslin, CRE
Founder & CEO

ECONOMIC IMPACT

Total economic impact is a product of new direct and indirect spending within the local economy. McCaslin Hotel Consulting, LLC analyzed the direct spending relative to construction of the development and activities associated with the proposed Mesquite Full-Service Hotel in Mesquite, Texas. Each new dollar spent (direct) has a multiplied effect on the economy in the form of increased revenues (spin off activity) to local businesses, increased employment and increased wages (indirect). An example of this would be a retailer who hires more employees as a result of an increase in sales volumes. Each new employee is a new consumer who then re-spends the money within the local economy. Therefore, direct economic impacts are all expenditures that can be linked directly to construction and operations, while indirect impacts are generated when these new dollars are re-spent within the local economy. These direct and indirect expenditures represent the total impact to the economy.

Our methodology separates economic impact into two categories: Construction and Operations. We then utilized the Regional Input-Output Modeling System (RIMS II) for Dallas and Kaufman Counties developed by the U.S. Department of Commerce's Bureau of Economic Analysis. Based on these multipliers, we developed estimates for total economic impact, the increased wages to the area and the increased employment.

- Construction - The impact from the physical construction of the hotel with conference meeting space and the one-time increase it has on spending. The construction spending also influences employment in many sectors of the local economy. Economic impact from the construction of the hotel comes in the form of wages paid to construction personnel as well as the purchase of construction materials.
- Operations – The creation of jobs and paying of wages to the employees of the proposed hotel. This figure represents increased payroll expenditures, excluding benefits paid to workers locally. It also expresses how the employees of local business share in the increased outputs.

Economic Impact from Construction

In addition to the ongoing impacts from the operation of the facilities, the construction of the proposed Mesquite Full-Service Hotel would create a one-time increase in spending. The estimated cost to develop the proposed Mesquite Full-Service Hotel, based on brand standard construction cost estimates, is \$350,000 per key or \$78,750,000. These costs provide an order of magnitude estimate of the development costs for the proposed Mesquite Full-Service Hotel in order to assess economic impact. The estimates could change once the final design and costing of the project by qualified architects, engineers and contractors is completed.

McCaslin Hotel Consulting, LLC interviewed local representatives to determine a reasonable assumption (50%) of materials and labor that will originate from within Dallas and Kaufman Counties. The following table uses the multipliers supplied by the RIMS II model for Dallas and Kaufman Counties to estimate economic impact resulting from construction.

Proposed Mesquite Full-Service Hotel Economic Impact from Construction		
Total Construction Cost ¹		\$78,750,000
Cost Generated From Within Dallas & Kaufman Counties ²	50%	\$39,375,000
Output - Represents the dollar increase in area output for every dollar increase in direct spending	1.863	\$73,355,625
Wages - Represents the dollar increase in area household income for every dollar increase in direct spending	0.4166	\$16,403,625
Total Economic Impact From Construction		\$89,759,250
Jobs - Represents the increase in area jobs for every \$1 Million in direct spending	7.2156	284 Jobs
¹ Construction cost estimated based on industry standards using brand prototypes		
² According to local representatives		
Multiplier Source: US Department of Commerce - Bureau of Economic Analysis (BEA) RIMS II Multipliers		

Economic Impact from Operations

Direct economic impact from employment is generated by the creation of jobs and the paying of wages to the employees of the proposed facility. According to industry standards and comparable hotels, a typical hotel would have payroll costs of approximately 30% of its total revenue. As much as 30% of these wages are typically withheld for taxes and savings and are not spent, which leaves 70% of these wages to be spent on household products and services. For purposes of the analysis, we estimated that 70% of the wages would be spent within the local economy.

After calculating the amount spent by employees in the local economy, we then applied the multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis. Indirect impact occurs when the industries that produce these products and deliver these services hire more persons and pay more wages. The local economic impact from operations is presented in the following table.

Proposed Mesquite Full-Service Hotel Local Economic Impact from Operations							
Year	Total Revenue ¹	Total Payroll (30% of Total Revenue)	Wages After Taxes and Savings (70%)	Amount Spent In Local Economy 70%	Economic Impact ²		
					Output ³ 1.7780	Wages ⁴ 0.3383	Total
2026	\$12,867,000	\$3,860,100	\$2,702,070	\$1,891,449	\$3,362,996	\$639,877	\$4,002,874
2027	\$14,081,000	\$4,224,300	\$2,957,010	\$2,069,907	\$3,680,295	\$700,250	\$4,380,544
2028	\$15,357,000	\$4,607,100	\$3,224,970	\$2,257,479	\$4,013,798	\$763,705	\$4,777,503
2029	\$15,818,000	\$4,745,400	\$3,321,780	\$2,325,246	\$4,134,287	\$786,631	\$4,920,918
2030	\$16,292,000	\$4,887,600	\$3,421,320	\$2,394,924	\$4,258,175	\$810,203	\$5,068,378
2031	\$16,780,000	\$5,034,000	\$3,523,800	\$2,466,660	\$4,385,721	\$834,471	\$5,220,193
2032	\$17,284,000	\$5,185,200	\$3,629,640	\$2,540,748	\$4,517,450	\$859,535	\$5,376,985
2033	\$17,803,000	\$5,340,900	\$3,738,630	\$2,617,041	\$4,653,099	\$885,345	\$5,538,444
2034	\$18,337,000	\$5,501,100	\$3,850,770	\$2,695,539	\$4,792,668	\$911,901	\$5,704,569
2035	\$18,887,000	\$5,666,100	\$3,966,270	\$2,776,389	\$4,936,420	\$939,252	\$5,875,672
Total	\$163,506,000	\$49,051,800	\$34,336,260	\$24,035,382	\$42,734,909	\$8,131,170	\$50,866,079

¹McCasin Hotel Consulting, LLC performance projections for the proposed Mesquite Full-Service Hotel scheduled to open January 2026.
²US Department of Commerce - Bureau of Economic Analysis (BEA) RIMS II Multipliers
³Output represents the dollar increase in all industries for every dollar increase in direct spending
⁴Earnings represents the dollar increase of households in all industries for every dollar increase in direct spending

Source: McCasin Hotel Consulting, LLC, US Department of Commerce - Bureau of Economic Analysis

Total Economic Impact

The following table summarizes the local economic impact of the proposed Mesquite Full-Service Hotel beginning with construction (shown in 2025) through the proposed facilities first 10 years (2026 through 2035) of operations.

Proposed Mesquite Full-Service Hotel Total Economic Impact			
Year	Construction	Operations	Total Economic Impact
2025	\$89,759,250	--	\$89,759,250
2026	--	\$4,002,874	\$4,002,874
2027	--	\$4,380,544	\$4,380,544
2028	--	\$4,777,503	\$4,777,503
2029	--	\$4,920,918	\$4,920,918
2030	--	\$5,068,378	\$5,068,378
2031	--	\$5,220,193	\$5,220,193
2032	--	\$5,376,985	\$5,376,985
2033	--	\$5,538,444	\$5,538,444
2034	--	\$5,704,569	\$5,704,569
2035	--	\$5,875,672	\$5,875,672
Total	\$89,759,250	\$50,866,079	\$140,625,329

Source: McCasin Hotel Consulting, LLC

FISCAL IMPACT

In addition to the economic impact, we have also identified the fiscal benefit to the local community. This analysis estimates fiscal impacts for the governmental units that levy taxes in the jurisdiction. The fiscal impacts are tax revenues that result from the spending and income related to the activities at the new hotel. McCaslin Hotel Consulting, LLC estimated fiscal impact by multiplying the applicable tax rates by the estimated amounts of direct and indirect spending.

Hotel Occupancy Tax

The City of Mesquite will benefit from the collection of a 7% City Hotel Occupancy Tax levied on the rooms revenue of the proposed Mesquite Full-Service Hotel. The following table summarizes the potential hotel occupancy taxes for the period 2026 through 2035, the first 10 years of hotel operations.

Proposed Mesquite Full-Service Hotel Potential Hotel Occupancy Tax Revenue		
Year	Projected Rooms Revenue	Potential Hotel Occupancy Tax Revenues (7%)
2026	\$7,986,000	\$559,020
2027	\$8,740,000	\$611,800
2028	\$9,532,000	\$667,240
2029	\$9,818,000	\$687,260
2030	\$10,112,000	\$707,840
2031	\$10,415,000	\$729,050
2032	\$10,728,000	\$750,960
2033	\$11,050,000	\$773,500
2034	\$11,381,000	\$796,670
2035	\$11,723,000	\$820,610
Total	\$101,485,000	\$7,103,950

Source: McCaslin Hotel Consulting, LLC

Sales Tax

The following table summarizes the potential sales taxes generated by the proposed Mesquite Full-Service Hotel for the period 2025 through 2035, which encompasses the period from construction through the first 10 years of operations. The table presents the taxable revenues realized by the City of Mesquite from the construction spending and operation of the proposed Mesquite Full-Service Hotel.

Proposed Mesquite Full-Service Hotel Potential Sales Tax Revenue					
Year	Construction	Hotel Revenues (Excluding Rooms)	Operations Employment	Total Taxable Revenue	Potential Sales Tax Revenues (2%)
2025	\$89,759,250	--	--	\$89,759,250	\$1,795,185
2026	--	\$4,881,000	\$4,002,874	\$8,883,874	\$177,677
2027	--	\$5,341,000	\$4,380,544	\$9,721,544	\$194,431
2028	--	\$5,825,000	\$4,777,503	\$10,602,503	\$212,050
2029	--	\$6,000,000	\$4,920,918	\$10,920,918	\$218,418
2030	--	\$6,180,000	\$5,068,378	\$11,248,378	\$224,968
2031	--	\$6,365,000	\$5,220,193	\$11,585,193	\$231,704
2032	--	\$6,556,000	\$5,376,985	\$11,932,985	\$238,660
2033	--	\$6,753,000	\$5,538,444	\$12,291,444	\$245,829
2034	--	\$6,956,000	\$5,704,569	\$12,660,569	\$253,211
2035	--	\$7,164,000	\$5,875,672	\$13,039,672	\$260,793
Total	\$89,759,250	\$62,021,000	\$50,866,079	\$202,646,329	\$4,052,927

Source: McCaslin Hotel Consulting, LLC

Property Tax

We have used our projected property tax estimates from the McCaslin Hotel Consulting, LLC market study as a baseline for estimating the expected property tax receipts related to the development. For the purposes of this analysis, McCaslin Hotel Consulting, LLC has assumed no tax rebates are associated with this development.

Proposed Mesquite Full-Service Hotel Forecasted Property Tax	
Year	Forecasted Property Tax
2026	\$506,000
2027	\$522,000
2028	\$537,000
2029	\$553,000
2030	\$570,000
2031	\$587,000
2032	\$605,000
2033	\$623,000
2034	\$642,000
2035	\$661,000
Total	\$5,806,000

Source: McCaslin Hotel Consulting, LLC

TOTAL PROJECTED ECONOMIC, EMPLOYMENT AND FISCAL IMPACT SUMMARY

The table below presents the Total Projected Economic, Employment and Fiscal Impact for the proposed Mesquite Full-Service Hotel in Mesquite, Texas.

Proposed Mesquite Full-Service Hotel Summary of Economic, Employment & Fiscal Impact	
Economic Impact	
Total Economic Impact from Construction (rounded)	\$89,800,000
Total Economic Impact from Operations (rounded)	\$50,900,000
Employment Impact	
Total Jobs from Construction within Dallas & Kaufman Counties	284 Jobs
Direct Jobs from Hotel Operation	146 Jobs
Fiscal Impact	
Potential Hotel Occupancy Tax Revenues (rounded) 10-Year Period	\$7,100,000
Potential Sales Tax Revenues (rounded) 10-Year Period	\$4,100,000
Potential Property Tax Revenues (rounded) 10-Year Period	\$5,800,000
Source: McCaslin Hotel Consulting, LLC, US Department of Commerce - Bureau of Economic Analysis	



PROPOSED MESQUITE
FULL-SERVICE HOTEL

MARKET STUDY

MC2022-002

Mr. Cliff Keheley
City Manager
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May 12, 2022

Mr. Cliff Keheley
City Manager
City of Mesquite
1515 North Galloway Avenue
Mesquite, Texas 75149

Dear Mr. Keheley:

We have completed a market study for the proposed Mesquite Full-Service Hotel to be located in Mesquite, Texas.

The conclusions reached for the updated market study are based on our knowledge of the market as of April 15, 2022, the last day of fieldwork. We have no obligation to revise the report to reflect events or conditions that occur subsequent to this date.

Forecasts of hotel performance are based on estimates and assumptions that are subject to uncertainty and variation. Therefore, we do not represent them as results that will actually be achieved. This report is subject to the Assumptions and Limiting Conditions presented in the Appendix.

It has been a pleasure working with you and your associates on this engagement.

Respectfully submitted,

McCAslin Hotel Consulting, LLC

A handwritten signature in black ink that reads "G. Randle McCAslin".

By: G. Randle McCAslin, CRE
Founder & CEO

TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY	1
SCOPE OF WORK	1
SUMMARY OF CONCLUSIONS	2
ECONOMIC MARKET REVIEW	6
DALLAS AREA OVERVIEW	6
MESQUITE AREA OVERVIEW	13
CONCLUSION	16
PROJECT DESCRIPTION	17
SITE ANALYSIS	17
SITE EVALUATION MATRIX	20
SITE LOCATION	21
MESQUITE CONVENTION CENTER AND EXHIBIT HALL	21
RECOMMENDED HOTEL FACILITIES	23
MARKET ANALYSIS	25
INTERVIEWS	25
SURVEYS	27
MESQUITE HOTEL MARKET	34
COMPETITIVE HOTELS	35
HISTORICAL PERFORMANCE OF COMPETITIVE HOTELS	35
COMPETITIVE HOTELS MIX OF DEMAND	36
FUTURE HOTEL ADDITIONS	36
MARKET OCCUPANCY FORECAST	37
DEMAND GENERATORS	39
OPERATING PERFORMANCE	40
FAIR SHARE ANALYSIS	40
ESTIMATED AVERAGE DAILY RATE	42
FINANCIAL FORECAST	44
ASSUMPTIONS AND LIMITING CONDITIONS	47
CERTIFICATION	48

EXECUTIVE SUMMARY

SCOPE OF WORK

The scope of work to complete the market study included the following tasks.

- Inspected the potential sites and the surrounding areas to identify the most appropriate site and to determine its impact on the performance of the proposed Mesquite Full-Service Hotel.
- Evaluated current economic, demographic and real estate data for the market to assess its present economic environment and future growth potential.
- Evaluated the strength of the Mesquite market to determine the appropriate timing for the proposed Mesquite Full-Service Hotel, taking into account the market's return to pre-Covid levels.
- Interviewed key market representatives, the Mesquite Convention Center and Exhibit Hall staff, area hotels and other relevant entities to assess the strength of the lodging and meeting demand for the proposed hotel.
- Conducted a survey of the Mesquite Economic Development Department business list to assess the meeting and hotel needs of area businesses and organizations that would consider utilizing the proposed facilities.
- Recommended the concept, type of hotel, potential brands, number of rooms, amount and configuration of meeting space, and other hotel amenities that would be appropriate to meet the identified needs of the market.
- Performed a supply and demand analysis which incorporated new supply, mix of demand, demand growth and induced demand to estimate future market occupancies for the competitive hotels.
- Performed a fair share analysis for the proposed hotel based on its location, brand, size and quality of facilities, rate structure, management, marketing and other factors to estimate the future occupancies for the proposed Mesquite Full-Service Hotel.
- Estimated the achievable ADR for the proposed Mesquite Full-Service Hotel based on the historical rate structure of the competitive hotels and the anticipated rate positioning of the proposed hotel.
- Prepared a 10-year financial forecast for the proposed Mesquite Full-Service Hotel to the point of net operating income after reserve for replacement utilizing the *Uniform System of Accounting for the Lodging Industry*.

SUMMARY OF CONCLUSIONS

A summary of the conclusions presented in this report are listed below.

- According to Moody's Analytics, the Dallas-Plano-Irving MSA will expand at an above-average pace, led by financial services, other professional services and the recovery of hospitality. Longer term, the concentration of corporate headquarters, technology businesses and financial services, along with rising population growth, will contribute to better-than-average performance.
- Mesquite is known for its rodeo, regional retail mall, manufacturing and distribution, education and quality of life residential communities. The eastward growth of the Dallas area has had a positive impact on the growth of the City of Mesquite. The Mesquite area is ripe for additional new development and will continue to expand over the foreseeable future.
- The proposed Mesquite Full-Service Hotel will be located at the site of the existing Mesquite Convention Center and Exhibit Hall, located on either Site 1 or Site 2, as outlined in the Site Analysis starting on page 17. The site is well located in Mesquite with easy access from the surrounding area.
- The existing Mesquite Convention Center and Exhibit Hall is attached to the Hampton Inn and Suites and both facilities are currently managed by the same company. It is also located adjacent to the Mesquite Rodeo Arena, which is managed separately. This complex was developed by John Q. Hammonds in 1998.
- The recommended facilities for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are shown in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space Recommended Facilities		
Type of Hotel	Full-Service	
Number of Guest Rooms	200 to 250	225 used for analysis
Meeting Space		
Ballroom	10,000 to 15,000	sq. ft. Divisible by 4 to 6
Junior Ballroom	6,000	sq. ft. Divisible by 3 to 4
Meeting Rooms	<u>4,000 to 6,000</u>	sq. ft. 3 to 6 rooms, Various Sizes
Total Meeting Space	20,000 to 27,000	
Food & Beverage Facilities	Brand Standard Restaurant Room Service Bar/Lounge	
Other Amenities	Fitness Center Swimming Pool Business Center Sundry Shop	
Brand Affiliation	DoubleTree Embassy Suites Marriott Radisson Sheraton Wyndham Other National Brand	
Source: McCaslin Hotel Consulting, LLC		

With the recommended facilities, the hotel will offer many of the amenities and services necessary to serve both the local community and outside visitors and conferences. The proposed Hotel needs to have enough rooms to act as a host hotel to attract existing and new conferences to the market, while allowing overflow to the existing Mesquite hotels.

About 43% of the respondents indicated that their events require up to 200 hotel rooms, which would allow for multiple groups to be accommodated at the same time. Only 2.4% need more than 200 rooms. Therefore, the proposed Mesquite Full-Service Hotel with Conference Meeting Space would be adequately sized with 200 to 250 rooms to accommodate the majority of the events at one hotel, while allowing overflow to the existing Mesquite hotels for the larger events. We have used 225 rooms for our analysis.

To determine the amount and configuration of meeting space for the proposed Mesquite Full-Service Hotel with Conference Meeting Space, we evaluated the size of meetings identified by the interviews and surveys. In addition, we took into consideration the meeting space located at the existing Mesquite Convention Center and Exhibit Hall. It would be ideal for the proposed Mesquite Full-Service Hotel and the existing Mesquite Convention Center and Exhibit Hall to be operated by the same management company to maximize the utilization of the meeting space and to avoid duplication of facilities and competition for the same demand.

- In order to maximize the input from the community and other potential users, McCaslin Hotel Consulting, LLC conducted an email survey of the Mesquite Economic Development Department business list to identify the types, number, size and frequency of the potential events, number of breakout rooms, number of hotel rooms and the potential average daily room rate for the proposed Mesquite Full-Service Hotel with Conference Meeting Space. We surveyed the Mesquite Economic Development Department business list to maximize the input from the community since members include corporations, business owners, healthcare and educational institutions, non-profit organizations, community organizations, existing meeting facilities, hotels, restaurants, churches, performing arts groups and more.

The following table presents the number of events that were identified by the Economic Development Department business list survey and the number of respondents that indicated that they would relocate their events to the proposed Mesquite Full-Service Hotel with Conference Meeting Space.

Mesquite Full-Service Hotel With Conference Meeting Space					
Survey Results - Economic Development Department Business List					
Potential Number of Events by Type					
Type of Event	Total # of Events Identified	% of Events Would Use Hotel	# of Events Would Use Hotel	New Events That Could be Attracted	Total # Events Would Use Hotel
Gala/Banquet Events	91	60%	54	60	114
Social Event/Wedding	68	52%	36	49	85
Meeting/Training	109	64%	70	76	146
Trade/Consumer Show	53	43%	23	41	64
Convention/Conference	73	51%	37	55	92
Sports Event	47	31%	15	30	45
Other Events	58	47%	28	41	69
Total Events	499	52%	262	352	614

Source: McCaslin Hotel Consulting, LLC

The Economic Development Department business list survey identified 499 events which are currently held by the companies and organizations that responded to the survey. Of these events, the respondents indicated that 262 (52%) of those events could be relocated to the proposed Mesquite Full-Service Hotel with Conference Meeting Space. The same respondents identified an additional 352 new events that could be attracted to the area that cannot be accommodated currently. Therefore, the number of potential events that could be held at the new Mesquite Full-Service Hotel with Conference Meeting Space totaled 614 events.

- In order to determine the appropriate timing for the proposed Mesquite Full-Service Hotel, we asked the survey respondents when they expected their organization / company's hotel and meeting needs to return to pre-Covid-19 levels. About 42% indicated that their hotel and meeting needs have already returned to pre-pandemic levels in 2021. Another 39%, expect to return by 2022 and 14% think they will return by 2023. About 5% indicated that they will not return to pre-Covid levels until 2024 or later.
- The mix of demand captured by the proposed Mesquite Full-Service Hotel with Conference Meeting Space in 2028, its stabilized year, is shown in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space			
2028 Mix of Demand			
Demand Segment	Percent of Demand	Room Nights	Percent Capture
Corporate Travelers	32%	18,700	95%
Groups / Meetings	44%	26,300	118%
Leisure Visitors	24%	14,300	82%
Total	100%	59,300	100%

Source: McCaslin Hotel Consulting, LLC

- The estimated operating performance of the proposed Mesquite Full-Service Hotel is presented in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space			
Estimated Operating Performance			
Year	Annual Occupancy	Average Daily Rate	Net Operating Income
2026	64%	\$152	\$2,450,000
2027	68%	\$157	\$2,965,000
2028	72%	\$161	\$3,536,000
2029	72%	\$166	\$3,641,000
2030	72%	\$171	\$3,749,000

Based on an ADR of \$135 in 2022 dollars.

Source: McCaslin Hotel Consulting, LLC

ECONOMIC MARKET REVIEW

DALLAS AREA OVERVIEW

The Dallas-Fort Worth regional economy is among the most diverse in the nation. Logistics and trade, technology, and advanced services represent the lifeblood of the economy, offering competitive advantages on both the national and the international levels. Businesses in DFW can move goods quickly and cost effectively, using a robust intermodal network that connects to regional centers by truck and rail, and to world centers by air. The region's technology sector, led by international powerhouses such as Texas Instruments, has helped develop an active base of engineers and information science professionals to lead product innovation for the world. The DFW area is proving to be a top location for headquarters and other professional services, making the region a magnet for business leadership.

The Dallas/Fort Worth area is home to 23 Fortune 500 companies. The City of Dallas is home to more than 300 corporate headquarters that each employ more than 1,000 people globally. Of Forbes' largest privately held companies, 13 are located in the Dallas/Fort Worth area.

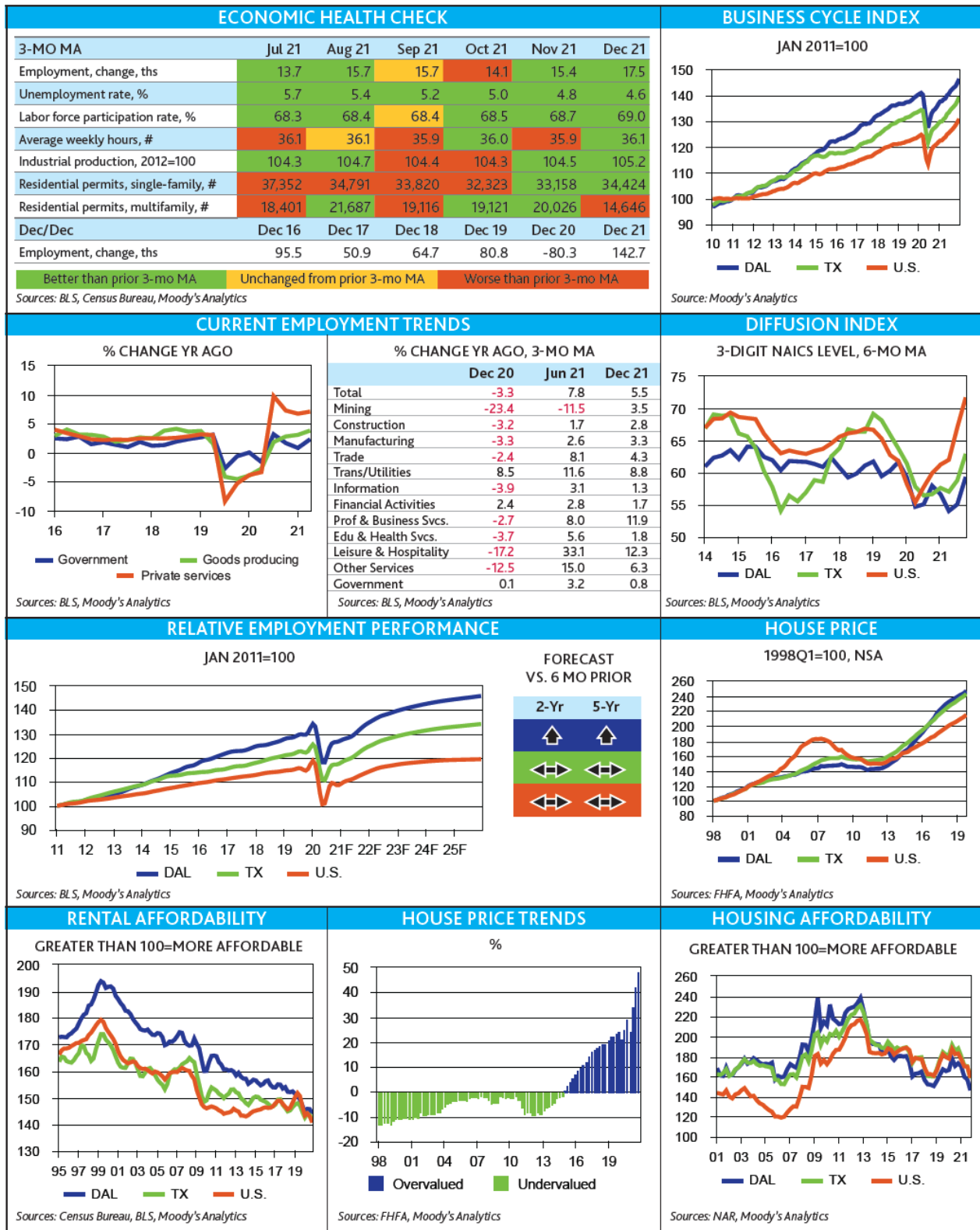
According to Moody's Analytics, the Dallas-Plano-Irving MSA has fully recovered from Covid-19 and is growing at an above-average pace. Core professional and financial services and transportation are leading the way.

With a cost of living below the national average and no personal income tax, Dallas offers a wonderful quality of life. Thousands of restaurants, 28 libraries, 80.9 million square feet of shopping, 23,000 park acres, 143 miles of trails, plus the largest arts district in the U.S. and franchises for all the major professional sports leagues provide endless entertainment.

The following Moody's Analytics Precis Metro report for the Dallas-Plano-Irving MSA provides a current overview of the market, historical economic and demographic data, and a five-year forecast of key economic indicators.



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EMPLOYMENT AND INDUSTRY

TOP EMPLOYERS

Walmart Inc.	34,000
American Airlines	33,000
Baylor Scott & White Health	24,088
Lockheed Martin	20,500
UT Southwestern Medical Center	18,666
AT&T	17,000
Medical City Healthcare	17,000
Bank of America Corp.	14,465
Texas Instruments Inc.	12,901
JPMorgan Chase & Co.	12,600
HCA North Texas Division	11,612
Parkland Hospital	10,361
Southwest Airlines Co.	9,500
Target Brands Inc.	8,270
Verizon	8,100
Raytheon Co.	8,000
Cook Children's Health Care System	5,876
The Kroger Co.	5,732
Methodist Health System	5,723
Albertsons Cos. LLC	5,643

Sources: City of Dallas Economic Profile, 2019, Dallas Business Journal, 2019, Dallas Office of Economic Development, 2016, Dallas Regional Chamber, 2017

PUBLIC

Federal	31,948
State	59,543
Local	219,078

2020

INDUSTRIAL DIVERSITY

Most Diverse (U.S.)

Least Diverse

EMPLOYMENT VOLATILITY

Due to U.S. fluctuations Relative to U.S.

■ Not due to U.S. ■ Due to U.S. ■ DAL ■ U.S.

ENTREPRENEURSHIP

BROAD-BASED START-UP RATE

U.S.=100, 4-QTR MA
2019

■ DAL ■ TX

Sources: Census Bureau, Moody's Analytics

EXPORTS

Product	\$ mil
Food and kindred products	ND
Chemicals	2,631.6
Primary metal manufacturing	ND
Fabricated metal products	ND
Machinery, except electrical	3,775.5
Computer and electronic products	8,499.1
Transportation equipment	13,880.6
Miscellaneous manufacturing	ND
Other products	9,082.6
Total	39,474.0

Destination	\$ mil
Africa	521.2
Asia	14,096.2
European Union	7,714.8
Canada & Mexico	12,563.5
South America	1,514.7
Rest of world	3,063.6
Total	39,474.0

% of GDP: 7.1
Rank among all metro areas: 105

Sources: BEA, International Trade Administration, Moody's Analytics, 2019

PRODUCTIVITY

REAL OUTPUT PER WORKER, \$

■ DAL ■ TX ■ U.S.

Sources: BEA, Moody's Analytics, 2020

COMPARATIVE EMPLOYMENT AND INCOME

Sector	% OF TOTAL EMPLOYMENT			AVERAGE ANNUAL EARNINGS		
	DAL	TX	U.S.	DAL	TX	U.S.
Mining	0.3	1.6	0.4	nd	\$235,835	\$151,071
Construction	5.1	6.0	5.1	\$84,696	\$73,000	\$76,012
Manufacturing	6.9	7.1	8.6	\$101,434	\$99,612	\$91,702
Durable	68.5	63.5	62.2	nd	\$98,350	\$94,522
Nondurable	31.5	36.5	37.8	nd	\$101,760	\$87,083
Transportation/Utilities	5.2	4.9	4.3	\$71,074	\$74,663	\$65,944
Wholesale Trade	5.7	4.8	4.0	\$110,392	\$98,612	\$98,506
Retail Trade	9.3	10.4	10.5	\$45,218	\$39,757	\$41,889
Information	2.6	1.6	1.9	\$126,657	\$100,937	\$153,450
Financial Activities	9.8	6.6	6.1	\$72,988	\$58,316	\$67,570
Prof. and Bus. Services	19.5	14.3	14.3	\$87,199	\$74,515	\$82,393
Educ. and Health Services	11.9	13.8	16.4	\$70,468	\$59,157	\$63,178
Leisure and Hosp. Services	8.6	9.6	9.2	\$31,465	\$26,679	\$30,932
Other Services	2.9	3.2	3.7	\$40,369	\$38,340	\$42,842
Government	11.9	16.0	15.5	\$82,216	\$77,665	\$86,611

Sources: Percent of total employment — BLS, Moody's Analytics, 2020, Average annual earnings — BEA, Moody's Analytics, 2020

BUSINESS COSTS

U.S.=100

■ 2015 ■ 2020

Source: Moody's Analytics

HIGH-TECH EMPLOYMENT

	Ths	% of total
DAL	224.4	8.3
U.S.	7,881.2	5.4

HOUSING-RELATED EMPLOYMENT

	Ths	% of total
DAL	320.7	11.8
U.S.	14,778.1	10.1

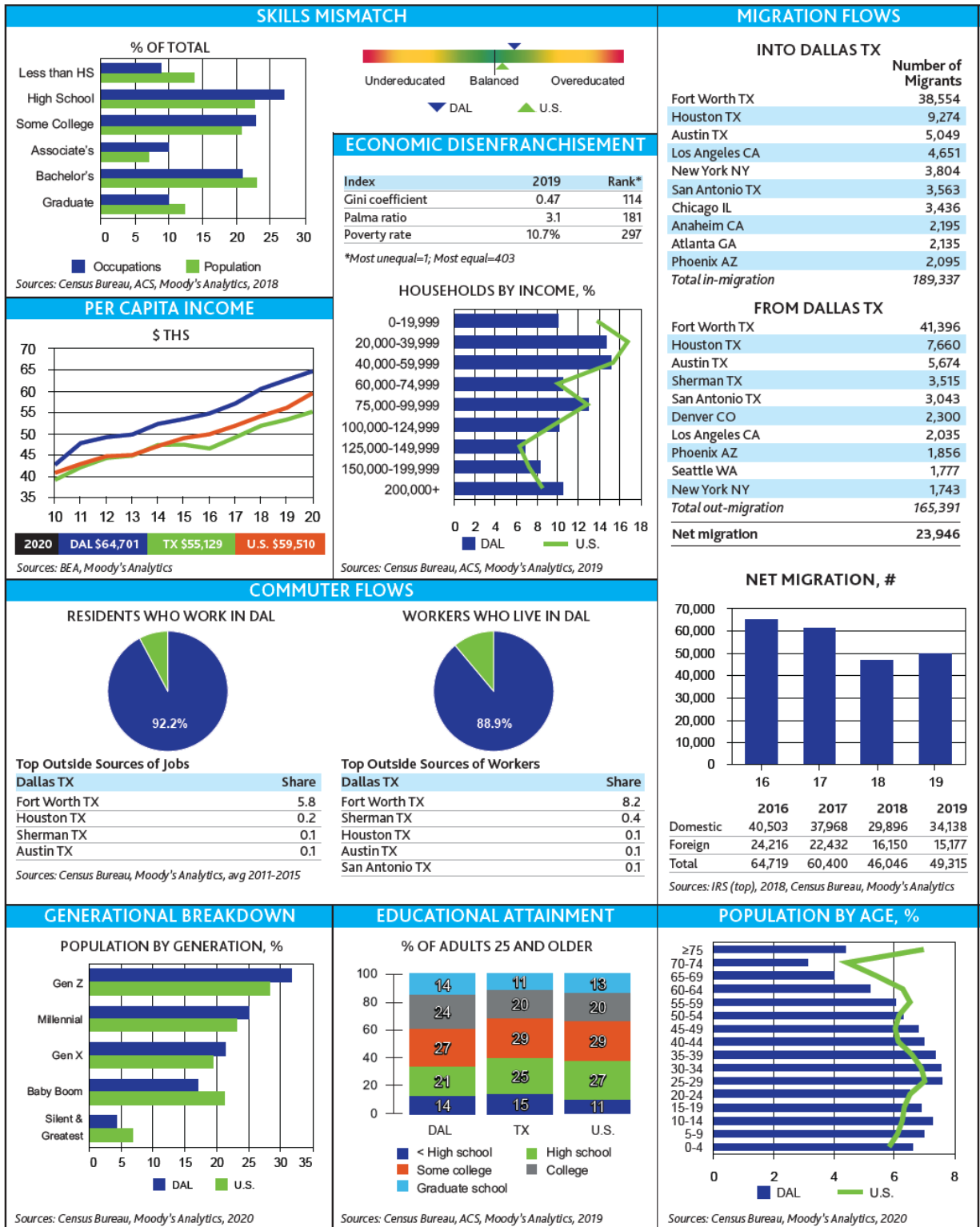
Source: Moody's Analytics, 2021

LEADING INDUSTRIES BY WAGE TIER

	NAICS Industry	Location Quotient	Employees (ths)
HIGH	5415 Computer systems design & related svcs.	2.0	65.9
	6211 Offices of physicians	1.2	50.7
	5511 Management of companies & enterprises	1.2	42.9
MID	5416 Mgmt., scientific & technical consult. svcs.	1.8	41.2
	GVL Local Government	0.9	212.6
	GVS State Government	0.6	48.5
LOW	6221 General medical and surgical hospitals	0.6	47.2
	2382 Building equipment contractors	1.1	36.3
	7225 Restaurants and other eating places	1.0	176.9
	5613 Employment services	1.5	91.4
	6216 Home health care services	1.7	38.3
	5617 Services to buildings and dwellings	1.1	36.6

Source: Moody's Analytics, 2020

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Employment

Dallas has a richly diverse business base. Its large, well-educated workforce, central location and history of innovation support several major industry clusters. Through detailed research, the City of Dallas identified several industries that have proven to be very successful in Dallas. These industry niches are also ones considered to have especially good prospects given global and local trends in business and technology and because of Dallas' unique set of economic assets. The success of these industries demonstrates the overall viability of Dallas as a major business city.

- Building Design, Construction, and Furnishing
- Company Headquarters and Operations
- Food Manufacturing
- Instruments
- IT Services
- Logistics
- Media
- Telecommunications
- Transportation Manufacturing and Assembly

The Dallas-Fort Worth region has been a magnet for corporate headquarters and major company operations, attracting 23 Fortune 500 company headquarters and 42 headquarters among the Fortune 1000. A diverse group of household names such as ExxonMobil, Texas Instruments, AT&T, American Airlines, J.C. Penney, KimberlyClark, Toyota and Dr Pepper call the region home, reflecting the area's strong fundamentals when it comes to workforce, access and cost of doing business.

Logistics and Trade

DFW has historically leveraged its central geography with various transportation assets. Significant trade and distribution activity now comes to and through the DFW metro area by land, air, and rail, with local intermodal facilities linking the three modes of transport. Looking ahead, as high-value materials and products move from shipping vessels to airplanes, the region's place in international trade routes will become increasingly vital.

Technology

Dallas led the nation into the new era of information and communication technologies beginning in 1958 with the invention of the microchip at Texas Instruments. Today, the local technology sector is broad and deep and DFW technology companies enable the core activities and processes of the global economy.

Advanced Services

Advanced services have traditionally meant headquarters, but also include financial, professional, and technical services ranging from management consulting firms to business insurers, accountants, and legal services. Complex technologies and transnational operations pushed most of the growth in advanced services activities into highly specialized firms and enterprises. This region has a large number of such operations and is likely to continue to attract additional companies.

Major Expansions and Relocations

The Dallas-Fort Worth region is regularly identified as one of the nation's top markets for new and expanded corporate facilities. Dallas-Fort Worth attracts an impressive list of companies from diverse industries. Past relocations to the region included headquarters moves for Fortune 500 and Forbes Top Private companies such as Golden Living, Fluor, Comerica and AT&T. These companies are more recently joined by well-known industry leaders like Toyota, Top Golf, NTT Data and Jamba. During the same period, companies including Amazon, Bed, Bath & Beyond, BMW, Galderma and General Motors have expanded into distribution, logistics and manufacturing centers. Meanwhile, corporations including 7-Eleven, American Airlines, Liberty Mutual, State Farm, FedEx and Mr. Cooper (formerly Nationstar Mortgage) have expanded operations.

Transportation

Due to its central location and world-class transportation infrastructure, Dallas-Fort Worth is a major international gateway. DFW excels in passenger air travel and air cargo operations. The region is home to Dallas Fort Worth International Airport, the nation's fourth-busiest airport; Dallas Love Field Airport, home to Southwest Airlines, the largest domestic airline in the country; and Fort Worth Alliance Airport, the world's first major industrial airport. Additionally, DFW's roads and rail lines are remarkable for the volume and delivery speed they provide for transporting freight products across the country.

Leisure Attractions

Dallas boasts a diverse mix of art and culture options, with over 300 venues for live music, more than 10 film festivals annually, the nation's largest urban arts district, a world-renowned science museum and a nationally recognized orchestra in one of the world's finest concert halls.

The Dallas parks and recreation system covers 21,000 park acres and includes 17 lakes, 62 miles of jogging and bike trails, 41 recreation centers, 1,020 sports complexes, 490 playgrounds and picnic areas, 21 pools, six 18-hole golf courses, two driving ranges and the 100-acre Dallas Zoo.

Four urban parks have been developed for downtown, starting with Main Street Garden and Belo Garden (completed in 2009 and 2012) and a five-acre deck park spanning Woodall Rodgers freeway (completed 2012) to connect downtown and Uptown.

Sports

Dallas has some of the most popular professional sports in the nation. The American Airlines Center hosts the champion Dallas Mavericks and Dallas Stars, along with other sporting events and entertainment. Since 1937, the Cotton Bowl has hosted an annual New Year's Day game, along with the Red River Rivalry between Texas and Oklahoma in October. The area is also home to America's Team the Dallas Cowboys, along with the Texas Rangers, Texas Motor Speedway, Lone Star Park for horse racing, FC Dallas and other sport franchises.

MESQUITE AREA OVERVIEW

Mesquite is a suburban city located east of the City of Dallas, Texas. Most of the city is located in Dallas County, though a small portion extends into Kaufman County. With a population of approximately 145,000 people, the City of Mesquite is located approximately eight miles east of Downtown Dallas on Interstate 30 (I-30), making it a convenient gateway to the Dallas/Fort Worth Metroplex.

The eastward growth of the Dallas area is benefitting Mesquite, which currently has more than 10,000 lots platted for homes. Mesquite's gateway location and distribution network makes it a major manufacturing and/or distribution hub for numerous companies with easy airport access to Dallas/Fort Worth or Love Field Airports just 35 minutes away.

Visitors to Mesquite can spend a day or a weekend where real authentic Texas culture is thriving, a city that was declared the Official Rodeo Capital of Texas by the Governor. Enjoy the Texas traditions of rodeo and BBQ at the Mesquite Championship Rodeo Arena. This world-famous rodeo has evolved into a top-tier concert facility hosting thousands for acts like the Charlie Daniels Band, the Temptations and Keith Sweat.

Industrial Development

The City of Mesquite is in the process of developing the eastern industrial sector surrounding the Mesquite Metro Airport. Alcott Station, Airport Logistics Center, Ashley Furniture, and Airport East Business Parks and campuses comprise approximately 1,000 acres. This eastern development, in combination with the existing Skyline Business Park, make Mesquite home to the largest concentration of industries on the east side of the Dallas/Fort Worth Metroplex. Employers range in size from the small manufacturers employing less than 10 people to United Parcel Service which employs over 2,000 people.

The Top 25 employers in Mesquite are listed in the following table.

Mesquite Top 25 Employers		
Name of Company	Sector/Industry	Employees
Mesquite ISD	Education	5,487
Town East Mall	Retail	2,750
UPS	Distribution/Delivery	2,300
Baker Triangle	Builder	1,900
City of Mesquite	Government	1,078
Dallas College (Eastfield)	Education	950
Dallas Regional Medical Center	Healthcare	900
Walmart	Retail	850
Pepsi Beverage Co	Manufacturing	800
Ashley Furniture Distribution	Distribution/Manufacturing	650
Morrison Products	Manufacturing	460
Baker Brothers	Service	450
Orora Visual	Manufacturing	400
FedEx Ground	Distribution/Delivery	350
Fritz Industries	Manufacturing	350
IRIS USA, Inc.	Manufacturing	200
Future Telecom Inc.	Service	165
Norkol Converting	Manufacturing	160
Christian Care Center	Healthcare	150
H & K Dallas Inc	Manufacturing	150
Unifirst	Service	150
Westrock	Distribution	150
Elements International	Distribution	110
Strukmyer Medical	Manufacturing	90
Mesquite Specialty Hospital	Healthcare	75

Source: Mesquite Economic Development Department

Mesquite currently has 12 million square feet of industrial space with plans to add 18 million square feet, bringing 8,000 to 15,000 new jobs to the City of Mesquite between 2020 and 2030, a \$1 billion private investment. New companies and expansions since 2020 include Ashley Furniture, 1,000 Bulbs, Steve Silver Company, Elements International, Vehicle Accessories and more. The City of Mesquite has eight business parks either existing or in the construction phases. In addition to the locations listed above, existing and future business parks include: Twenty East at Trinity Pointe, Urban District 30, East Dallas Logistics Center, Mesquite 635 and IH-20 Business Park.

Education

The Dallas College Eastfield campus, located in Mesquite, is one of the fastest growing campuses of the seven campus Dallas College. The Eastfield campus grew from 9,839 students in 2007 to 17,500 students in 2021. Enrollment is expected to increase to 18,000 in 2022, 18,500 in 2023, 19,500 in 2024 and 20,000+ in 2025. The future growth is partially being fueled by a new dual-credit program with Garland High School, which is estimated to reach 500 students by 2025.

In order to keep pace with this growth, Dallas College Eastfield campus is currently adding a 116,000-square foot, \$62.4 million Student Success and Academic building, which should be completed by June 2023.

The Eastfield campus also has a strong athletic program in basketball, volleyball and baseball. The men's basketball team placed 4th at the National NJCAA-Division III Championship tournament in March 2022.

There are two new sports facilities being developed on the Eastfield campus that are expected to draw major regional tournaments to Mesquite, which will require additional hotel rooms. The baseball field is undergoing a \$1.5 million upgrade to turf, which will be completed in August 2022. In addition, a new \$5.8 million natatorium is being developed in conjunction with the Mesquite ISD, which is estimated to open in the Fall of 2022.

Another significant program at the Dallas College Eastfield campus is an Amazon employee training program for the North Texas region. Since June 2020, over 300 Amazon employees have completed a 12-week program with a 94% success rate. The classes are structured as four to five cohorts of 30 students each on a 12-week rotating basis with 80 to 100 students on campus at any given time. Many of these students are housed at local hotels, which is paid for by Amazon.

This partnership with Amazon generated over \$800,000 in revenue (hotel, transportation and dining) to the City of Mesquite from June to December 2020. There is an opportunity for this program to continue to grow based on additional faculty and equipment requirements, plus expanded housing and transportation needs.

Regional Retail Center

Retail and entertainment anchors include Town East Mall, Market East Shopping Center, the Peachtree Entertainment Area, which includes the AMC Theater. The 1.3 million-square foot Town East Mall, which opened in 1971, is a regional mall for residential communities located east of Dallas with some visitors coming from as far away as Texarkana and Louisiana. The mall attracts 12 to 14 million visitors per year and maintains a 93% to 97% lease rate. The Town East Mall will be undergoing a \$50 million redevelopment project over the next two to three years.

Entertainment and Tourism

Attractions continue to support the travel and tourism industry such as the Mesquite Championship Rodeo, Devil's Bowl Speedway, Celebration Station, sporting tournaments, arts and culture, historic assets and more. Art enthusiasts are sure to find something to spark their interest through a rotation of local artists at The Mesquite Art Center. Performing arts are supported by the Mesquite Symphony Orchestra and the Mesquite Community Theatre. Annual festivals include Cinco de Mayo, Pumpkin Fest, Dia de Los Muertos Cultural Celebration and Christmas in the Park. The Downtown Mesquite Farmers Market at Front Street Station have new murals created by local artists and serve up local fare from artisans and growers with live music and food vendors every Saturday, from April through November. Visitors can enjoy the new Visitors Center at Heritage Plaza which will house Downtown Development, the Convention and Visitors Bureau, and the Chamber of Commerce, located just down the street from the potential location of the proposed Mesquite Full-Service Hotel (Sites 1 and 2).

The vibrant community of Mesquite is also a great place to enjoy the outdoors with over 70 parks and more than 17 miles of trail. Stroll through the Paschall Park Butterfly trail, take archery lessons at the Westlake Archery Range, relax at the Opal Lawrence Historical Park, play a round at the Mesquite Golf Club or take the family to KidsQuest at Debusk Park. The possibilities for outside exercise and fun are endless. For dining enjoyment, satisfy any craving from Tex-Mex to Greek with a variety of restaurants, including a few Zagat rated eateries.

Residential

Average new home values in Mesquite range from \$300,000 to \$400,000, as opposed to about \$150,000 just a few years ago. Mesquite has 10,000 new home lots under construction and/or planned and will be adding 30,000 new residents to Mesquite over the next 10 years. Median household income has grown from the mid-\$50,000 range just two years ago to over \$62,000 for 2022.

CONCLUSION

According to Moody's Analytics, the Dallas-Plano-Irving MSA will expand at an above-average pace, led by financial services, other professional services, and the recovery of hospitality. Longer term, the concentration of corporate headquarters, technology businesses and financial services, along with rising population growth, will contribute to better-than-average performance.

Mesquite is known for its rodeo, regional retail mall, manufacturing and distribution, education and quality of life residential communities. The eastward growth of the Dallas area has had a positive impact on the growth of the City of Mesquite. The Mesquite area is ripe for additional new development and will continue to expand over the foreseeable future.

PROJECT DESCRIPTION

SITE ANALYSIS

McCaslin Hotel Consulting, LLC considered several sites in various areas of Mesquite as potential locations for the proposed Mesquite Full-Service Hotel. To determine the best site for the proposed development, we considered a number of attributes which could help make the project more suitable for success. While the site responses from our interviews were critical in helping us gauge the community's preferences for the location of the proposed Mesquite Full-Service Hotel, ultimately the key site attributes were considered primary in grading each of the sites.

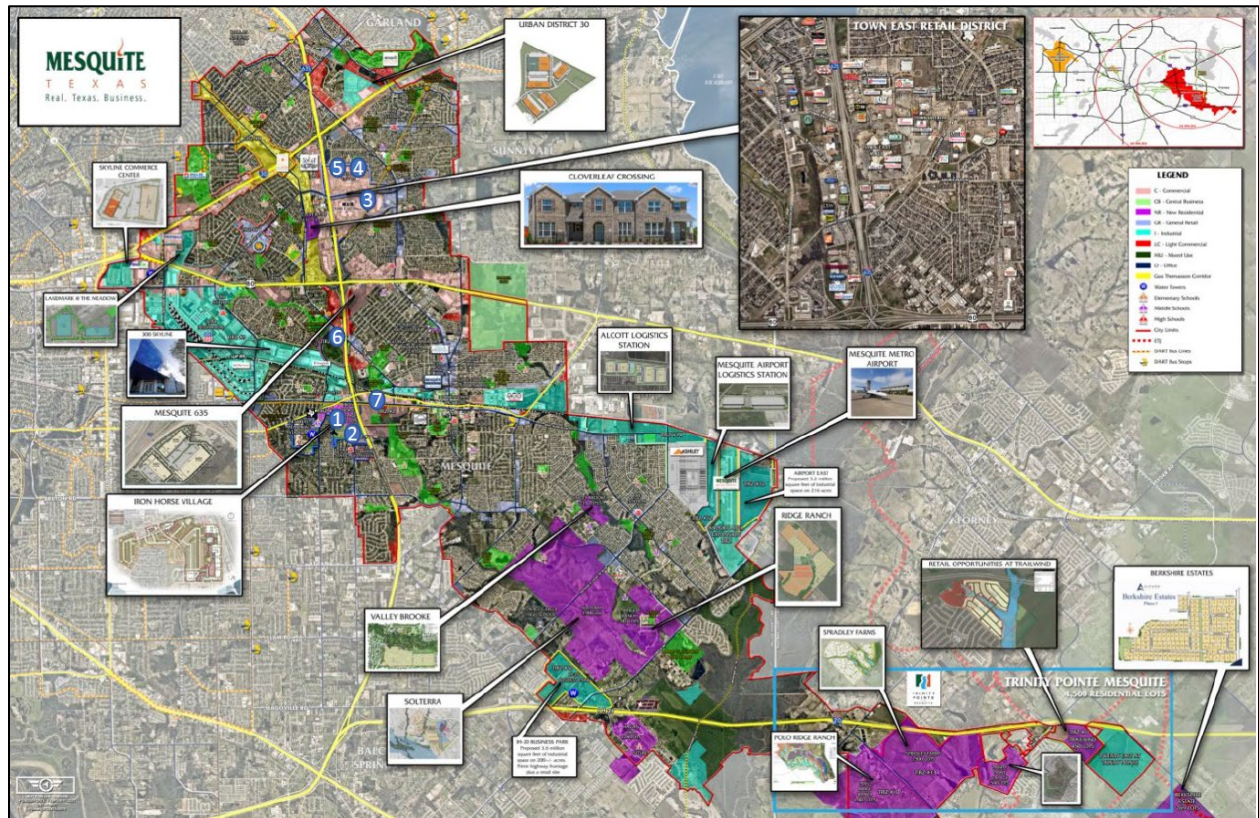
Site Locations

The City of Mesquite identified several potential areas where there has been interest in developing a hotel and conference center. The preferred sites for each of these areas are identified on the following table.

Proposed Mesquite Full-Service Hotel Potential Site Locations		
Site Number	Site Location	Area of Submarket
1	1800 Rodeo Drive (1.5 acres)	Adjacent to existing Convention Center and Hampton Inn
2	410 Rodeo Center Boulevard (6.3 acres)	Across the Street from existing Convention Center and Hampton Inn
3	1800 N. Town East Boulevard (7.2 acres)	Adjacent to Town East Mall and Retail District
4	3677 Emporium Circle (9.2 acres)	Adjacent to Town East Mall and Retail District
5	3733 Emporium Circle (4.8 Acres)	Adjacent to Town East Mall and Retail District
6	1400 Gross Road (7.3 Acres)	Adjacent to Planned Future Medical District
7	1305 & 1401 Military Parkway (14 acres)	Between Convention Center and Downtown Districts

Source: City of Mesquite

The following map shows the location of each potential site area.



Evaluation Criteria

To determine the best site for the proposed Mesquite Full-Service Hotel, we considered eight criteria which could help make the project more suitable for success. Each of the criteria was weighted according to the importance of the item with the total possible points equaling 100 points. The following criteria were considered as important factors in determining the best site for the proposed Mesquite Full-Service Hotel.

Proximity to Mesquite Convention Center & Exhibit Hall

The City of Mesquite currently owns and is responsible for the cost of upkeep and capital improvements for the existing Mesquite Convention Center and Exhibit Hall. It makes sense to capitalize on the existing facilities when building a new Full-Service Hotel to expand the potential of the current facilities. Building elsewhere in the market would result in two competing facilities, which is why proximity to the existing facility is considered a critical factor in our grading criteria for the sites.

Proximity to Demand Sources

The ability of a hotel to attract hotel demand from the submarket demand generators will determine the success of the hotel. Therefore, proximity to the primary demand sources is critical to hotel development. It is important to assess the proximity of the site to these demand sources.

Proximity to Retail, Restaurants and Entertainment

Hotel guests often desire the convenience of being able to walk or drive a short distance to nearby retail, restaurants, entertainment venues or other amenities. Having a location near these amenities can significantly improve the appeal of a hotel and conference center to potential guests.

Surrounding Uses

Surrounding land uses are important to both local attendees and outside visitors. Safety of the surrounding area and compatibility of the adjacent land uses are also a consideration for hotel guests. An evaluation of surrounding uses also takes into account exceptional views from the site such as views of a city skyline, entertainment venue, convention center, water feature or other scenic vistas.

Accessibility

Good access ensures that both hotel guests and local meeting attendees can reach the proposed hotel without difficulty. Locations on major roads near population centers or on major highway routes without excessive lights and traffic are preferred. Direct routes from local airports and easy highway exits play an important part in determining good accessibility. The mitigation of traffic congestion is considered a key component to providing proper access. When a proposed hotel has meeting facilities, it is important for the roadways leading to the hotel to be able to handle a large volume of traffic before and after group events.

Visibility

A full-service hotel and convention center should be a focal point for visitors and event attendees. Having a site that is easily visible to the surrounding area helps with ease of access for visitors not familiar with the area. Additionally, visibility can include creating the feel of a convention district for the community, outside visitors and convention attendees.

Land Cost

Site ownership and cost of land plays an important role in the viability of a site. For example, if the site is owned by the city or economic development corporation, there is no additional cost to acquire the land. On the other hand, if there are high costs to acquire the site or restrictions on a site, it can make development much more difficult. The site also needs to be large enough to accommodate the proposed Mesquite Full-Service Hotel.

Parking

The site needs to be large enough to accommodate an appropriate number of parking spaces that can be easily accessed. If the hotel will have meeting facilities, the site needs to accommodate both event attendees and hotel guests, often requiring a parking garage. Valet parking may need to be used to mitigate parking issues for larger events.

SITE EVALUATION MATRIX

The following table shows the grading of the five potential site areas based on the various criteria described above.

Site Evaluation Matrix for the Proposed Mesquite Full-Service Hotel								
Evaluation Criteria	Potential	Site 1	Site 2	Site 3	Site 4	Site 5	Site 6	Site 7
	Points							
Proximity to Mesquite Convention Center & Exhibit Hall	20	20	18	10	10	10	15	15
Proximity to Demand Sources	15	15	15	15	15	15	12	12
Proximity to Retail, Restaurants and Entertainment	15	12	12	15	15	15	10	10
Surrounding Uses	10	10	10	10	8	8	5	5
Accessibility	10	10	10	10	8	8	10	10
Visibility	10	10	10	8	8	8	10	8
Land Cost	10	10	7	5	5	5	5	5
Parking	10	7	8	8	8	8	8	8
Total Points	100	94	90	81	77	77	75	73

Source: McCaslin Hotel Consulting, LLC

Site Conclusions

After grading each of the site areas, we determined that Site 1 and Site 2, adjacent to the existing Mesquite Convention Center and Exhibit Hall, held the greatest number of attributes which are critical to the success of a hotel and conference center. Both Site 1 and Site 2 are considered “A” sites and would be excellent choices for the proposed Mesquite Full-Service Hotel since they are proximate to the existing convention center, demand sources and near restaurants and retail. Sites 1 and 2 are located proximate enough to the existing Convention Center, which would potentially qualify for state incentive programs that rebate hotel occupancy taxes. Site 2 would need to be purchased at a reasonable price. These sites do have potential for traffic congestion and parking challenges, but there is sufficient space to build a parking garage to help with this. The addition of a parking garage would be critical to the success of the expanded meeting facilities, if the proposed Mesquite Full-Service Hotel is located on sites 1 or 2.

Site 3 is considered a “B” site that would typically be considered an acceptable alternative. However, in this case a completely different type of facility would need to be developed on this site to be successful since it is located four miles from the existing Mesquite Convention Center and Exhibit Hall. Sites 4 through 7 are considered “C” sites that are not ideal for the proposed Mesquite Full-Service Hotel. Sites 4 and 5 are on the back side of the retail centers at the mall and there are existing buildings on each site which would add to the cost of development. Sites 6 and 7 are adequately sized land parcels but they are not located in current activity centers in the market and would require driving to existing meeting facilities, restaurants and retail.

A list of strengths and weaknesses for each site is shown in the following table.

Potential Sites for Proposed Mesquite Full-Service Hotel Assessment of Strengths and Weaknesses		
Site Number	Strengths of Site	Weaknesses of Site
1	Adjacent to existing Convention Center and Hampton Inn City owned land, additional land to add parking garage Could be connected to existing meeting space	Smaller site to build on
2	Adjacent to existing Convention Center and Hampton Inn Large site with room for mixed-use development Walkable to existing meeting space/possible sky bridge	Site needs to be cleared Land is not City owned
3	Adjacent to restaurants and retail Large site with room for mixed-use development	4 miles from existing Convention Center Land is not City owned
4	Adjacent to restaurants and retail Large site with room for mixed-use development	4 miles from existing Convention Center Land is not City owned Existing building on site needs to be demolished
5	Adjacent to restaurants and retail Large site with room for mixed-use development	4 miles from existing Convention Center Land is not City owned Existing building on site needs to be demolished
6	Large site with room for mixed-use development A short drive from restaurants and retail A short drive from existing Convention Center	Not adjacent to existing Convention Center, retail or restaurants Land is not City owned Site needs to be cleared
7	Large site with room for mixed-use development A short drive from restaurants and retail A short drive from existing Convention Center	Not adjacent to existing Convention Center, retail or restaurants Land is not City owned

Source: McCaslin Hotel Consulting, LLC

The following analysis is based upon the use of Site 1 or Site 2 for the project. If another site were to be selected that is not located adjacent to the existing Mesquite Convention Center and Exhibit Hall, the projected performance would vary from what is shown in this report and the recommended meeting facilities would vary greatly from the current recommendation.

SITE LOCATION

The proposed Mesquite Full-Service Hotel will be located at the site of the existing Mesquite Convention Center, located on either Site 1 or Site 2, as outlined above. The site is well located in Mesquite with easy access from the surrounding area.

MESQUITE CONVENTION CENTER AND EXHIBIT HALL

The existing Mesquite Convention Center and Exhibit Hall is attached to the Hampton Inn and Suites and both facilities are currently managed by the same company. It is also located adjacent to the Mesquite Rodeo Arena, which is managed separately. This complex was developed by John Q. Hammonds in 1998.

The meeting space currently available at the existing Mesquite Convention Center and Exhibit Hall is listed in the following table.

Mesquite Convention Center & Exhibit Hall Existing Facilities			
Exhibit Hall	35,000	sq. ft.	Divisible by 2
Ballroom	18,000	sq. ft.	Divisible by 5
Meeting Rooms			
Riata	816	sq. ft.	Divisible by 2
Latigo	816	sq. ft.	Divisible by 2
Pelham	816	sq. ft.	
Cayuse	<u>816</u>	sq. ft.	
Total Meeting Space	56,264	sq. ft.	
Source: Mesquite Convention & Visitors Bureau			

The following table presents the historical booking events and lost business at the Mesquite Convention Center and Exhibit Hall for the period 2018 through 2021.

Mesquite Convention Center and Exhibit Hall Historical Booking Events and Lost Business				
Year	Definite Bookings		Lost Business	
	Events	Revenues	Events	Revenues
2018	466	\$2,051,514	229	\$1,748,656
2019	530	\$2,313,300	300	\$1,580,559
2020	166	\$864,006	463	\$9,306,210
2021	236	\$1,779,699	596	\$5,262,676
Source: Mesquite Convention & Visitors Bureau				

Historical booking events were strong in 2018 and 2019 with 466 and 530 events, respectively. However, the Covid-19 pandemic took its toll on events booked in 2020 and 2021. Bookings are expected to return to normal historical levels over the next few years as the pandemic disappears.

The lost business data shows a history of lost events with 229 and 300 events lost in 2018 and 2019, respectively. These events could potentially be captured by the new meeting facilities added in the proposal Mesquite Full-Service Hotel. The survey also reflected a large number of events identified that are being held outside of the Mesquite market. These events are lost for a variety of reasons including the lack of adequate lodging and meeting facilities and the need for a full-service hotel. The larger number of events lost in 2020 and 2021 are due to the Covid-19 pandemic.

RECOMMENDED HOTEL FACILITIES

Based on the interview and survey results, the recommended facilities for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are shown in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space Recommended Facilities		
Type of Hotel	Full-Service	
Number of Guest Rooms	200 to 250	225 used for analysis
Meeting Space		
Ballroom	10,000 to 15,000	sq. ft. Divisible by 4 to 6
Junior Ballroom	6,000	sq. ft. Divisible by 3 to 4
Meeting Rooms	4,000 to 6,000	sq. ft. 3 to 6 rooms, Various Sizes
Total Meeting Space	20,000 to 27,000	
Food & Beverage Facilites	Brand Standard Restaurant Room Service Bar/Lounge	
Other Amenities	Fitness Center Swimming Pool Business Center Sundry Shop	
Brand Affiliation	DoubleTree Embassy Suites Marriott Radisson Sheraton Wyndham Other National Brand	
Source: McCaslin Hotel Consulting, LLC		

The interviews and surveys summarized above provide support for a full-service hotel that does not currently exist in the Mesquite market. It appears from our research that there is a large amount of lodging and meeting demand that is not currently being captured in the Mesquite market due to the lack of a quality, full-service hotel with meeting space.

With the recommended facilities, the hotel will offer many of the amenities and services necessary to serve both the local community and outside visitors and conferences. The proposed Hotel needs to have enough rooms to act as a host hotel to attract existing and new conferences to the market, while allowing overflow to the existing Mesquite hotels.

About 43% of the respondents indicated that their events require up to 200 hotel rooms, which would allow for multiple groups to be accommodated at the same time. Only 2.4% need more than 200 rooms. Therefore, the proposed Mesquite Full-Service Hotel with Conference Meeting Space would be adequately sized with 200 to 250 rooms to accommodate the majority of the events at one hotel, while allowing overflow to the existing Mesquite hotels for the larger events. We have used 225 rooms for our analysis.

To determine the amount and configuration of meeting space for the proposed Mesquite Full-Service Hotel with Conference Meeting Space, we evaluated the size of meetings identified by the interviews and surveys. In addition, we took into consideration the meeting space located at the existing Mesquite Convention Center and Exhibit Hall. It would be ideal for the proposed Mesquite Full-Service Hotel and the existing Mesquite Convention Center and Exhibit Hall to be operated by the same management company to maximize the utilization of the meeting space and to avoid duplication of facilities and competition for the same demand.

According to the interviews and surveys, 63% of the existing events identified attract less than 100 attendees, indicating a need for a variety of smaller sized meeting rooms. In addition, the survey indicated that the majority of the existing events require up to 10 breakout rooms. With the limited number of breakout rooms at the existing Mesquite Convention Center, the proposed Mesquite Full-Service Hotel needs to provide a variety of smaller meeting rooms. We are recommending 6 to 10 breakout rooms, including the Junior Ballroom and additional meeting rooms.

Approximately 14% of the existing events identified by the survey attract 100 to 200 attendees and another 8% attract 200 to 400 attendees, which indicates a need for a junior ballroom that seats up to 400 people that can be divided into smaller rooms. By making the junior ballroom divisible into three to four sections, it can provide additional rooms for the large number of smaller events.

Another 6% of the events attract between 400 and 1,000 attendees. A ballroom to seat these larger events could range in size from 10,000 to 15,000 square feet, depending on the utilization of the existing ballroom at the Mesquite Convention Center and Exhibit Hall. Only 6% of the existing events are larger than 1,000 attendees. While these events could be accommodated in a new larger ballroom, it would be ideal to hold these events in the Mesquite Convention Center ballroom or exhibit hall to avoid the cost and duplication of existing facilities.

In addition, the rates that respondents were willing to pay for a new hotel and meeting space provide support for a moderately-priced, full-service hotel. This is further supported by the survey data that shows that 25% of the existing events are leaving the Mesquite market.

MARKET ANALYSIS

INTERVIEWS

We interviewed key representatives of the Mesquite community to understand the Mesquite lodging and meeting needs and to assess the type of hotel that would best meet those needs. The individuals that we interviewed expressed a strong interest in a full-service hotel with meeting space that will attract visitors and conferences that are not currently being accommodated as well as provide better hotel and meeting space for local meetings and events.

Entities that were interviewed included:

City of Mesquite – City Manager
City of Mesquite – Assistant City Manager
City of Mesquite – Convention & Visitors Bureau
City of Mesquite – Economic Development
Dallas College
Local Hotels
Mesquite Chamber of Commerce
Mesquite Convention Center and Exhibit Hall
Mesquite ISD
Mesquite Rodeo Arena
Town East Mall

The following information was provided by the interviewees:

- The City of Mesquite is located approximately 20 minutes east of Downtown Dallas on Interstate 30 (I-30), making it a convenient gateway to the Dallas/Fort Worth Metroplex. Mesquite is known for its rodeo, regional retail mall, manufacturing and distribution, and quality of life residential communities. The eastward growth of the Dallas area is benefitting Mesquite, which currently has more than 10,000 lots platted for new homes.
- Mesquite's gateway location and transportation network makes it a major manufacturing and/or transportation hub for numerous companies, including UPS, Pepsi Beverage, Ashley Furniture, Morrison Products, Orora Visual, FedEx Ground, Fritz Industries, Iris USA and more.
- The majority of the hotels located in Mesquite are economy type of hotels. The remaining five hotels are made up of branded limited-service, extended-stay and select-service hotels. While these existing hotels support the price-sensitive traveler, there are currently no full-service hotels in Mesquite that meet the higher quality needs of the visitors to the area.

The lack of a full-service hotel with conference meeting space has resulted in the loss of room nights and events to the Hilton Lakeside Rockwall, Embassy Suites Frisco and other area hotels, as well as full-service hotels in Downtown Dallas.

- The existing Mesquite Convention Center and Exhibit Hall provides a large exhibit hall and ballroom but is limited on breakout rooms. Built in 1998, the facilities are in need of an overall renovation. While the adjacent Hampton Inn has done a good job of handling SMERF groups and consumer trade shows, Mesquite needs a branded, full-service hotel to attract larger, higher-quality groups, conventions and state associations.
- Local existing meetings/events that would consider using the proposed Mesquite Full-Service Hotel with Conference Meeting Space are, as follows:
 - Mesquite ISD showcase event
 - Mesquite ISD job fairs
 - Mesquite ISD basketball and football playoffs
 - Dallas College Eastfield campus - Amazon trainings
 - Dallas College baseball, basketball and volleyball regional tournaments
 - Dallas College swimming tournaments at new Natatorium
 - Phi Beta Kappa events
 - Local manufacturing and distribution company trainings
- Type of hotel, amenities and recommendations desired by interviewees include the following:
 - Full-Service
 - National brand – DoubleTree, Sheraton, Embassy Suites, Wyndham, Radisson
 - Quality food and beverage venues
 - Entertainment and dining options for convention attendees
 - 200 to 250 guest rooms
 - Meeting space should complement the existing convention center
 - Higher-quality ballroom – at least 10,000 square feet
 - Larger and more breakout rooms and boardroom
 - Most meetings requested are for up to 200 people
 - Ballroom needs to seat at least 600 people
 - Not too upscale
 - \$150 to \$160 rate would be reasonable
 - Full-service hotel and existing convention center and exhibit hall must be operated by the same management company.

SURVEYS

In order to maximize the input from the community and other potential users, McCaslin Hotel Consulting, LLC conducted an email survey of the Mesquite Economic Development Department business list to identify the types, number, size and frequency of the potential events, number of breakout rooms, number of hotel rooms and the potential average daily room rate for the proposed Mesquite Full-Service Hotel with Conference Meeting Space. We surveyed the Mesquite Economic Development Department business list to maximize the input from the community since members include corporations, business owners, healthcare and educational institutions, non-profit organizations, community organizations, existing meeting facilities, hotels, restaurants, churches, performing arts groups and more.

The survey results are summarized below.

Responses

The following table presents the number of surveys sent, surveys received and response rate for the Economic Development Department business list survey.

Mesquite Full-Service Hotel With Conference Meeting Space			
Survey Results			
Response Rate			
Survey Type	Surveys Sent	Surveys Received	Response Rate
Economic Development Department	3,167	180	5.7%
Source: McCaslin Hotel Consulting, LLC			

Surveys were sent to the 3,167 people on the Economic Development Department business list and 180 responses were received, a response rate of 5.7%. A response rate of 5% or higher is considered a statistically significant sample of the market to identify trends.

The following table shows the responses from the Economic Development Department business list survey by type of respondent.

Mesquite Full-Service Hotel With Conference Meeting Space		
Survey Results		
Type of Organization/Company		
Organization/Company	Number of Responses	Percent of Total
Business/Corporation	87	48.3%
Other	27	15.0%
Service Industry - Retail, Restaurant, Hotel	25	13.9%
Health Care Services	12	6.7%
Club/Community Organization/Association	12	6.7%
Education	9	5.0%
Government or Related	6	3.3%
Visitor Attraction	2	1.1%
Total	180	100.0%
Source: McCaslin Hotel Consulting, LLC		

The majority of responses were from members that represent local businesses and corporations, service industries, health care services, club/community organizations/associations and other organizations/companies with almost 91% of the responses. The Other category included a variety of organizations/companies from the types of entities listed above.

Effects of Covid-19

The table below presents when the respondents expect their organization / company's hotel and meeting needs to return to pre-Covid-19 levels.

Mesquite Full-Service Hotel With Conference Meeting Space		
Survey Results		
When Events Return to Pre-Covid Levels		
Year	Number of Responses	Percent of Total
2021	72	42%
2022	67	39%
2023	24	14%
2024 or later	8	5%
Total	171	100%
Source: McCaslin Hotel Consulting, LLC		

About 42% indicated that their hotel and meeting needs have already returned to pre-pandemic levels in 2021. Another 39%, expect to return by 2022 and 14% think they will return by 2023. About 5% indicated that they will not return to pre-Covid levels until 2024 or later.

Most respondents indicated that, in 2020, Covid-19 shut down their normal hotel and meeting activities. Many simply switched to virtual meetings. While some respondents have experienced a slow down due the recent Omicron surge, most respondents said that business activity was not impacted and that things are returning to normal. A few respondents indicated that the reduced attendance due to the fear of the pandemic has delayed their return to in person events.

Number of Events

The following table presents the number of events that were identified by the Economic Development Department business list survey and the number of respondents that indicated that they would relocate their events to the proposed Mesquite Full-Service Hotel with Conference Meeting Space.

Mesquite Full-Service Hotel With Conference Meeting Space					
Survey Results - Economic Development Department Business List					
Potential Number of Events by Type					
Type of Event	Total # of Events Identified	% of Events Would Use Hotel	# of Events Would Use Hotel	New Events That Could be Attracted	Total # Events Would Use Hotel
Gala/Banquet Events	91	60%	54	60	114
Social Event/Wedding	68	52%	36	49	85
Meeting/Training	109	64%	70	76	146
Trade/Consumer Show	53	43%	23	41	64
Convention/Conference	73	51%	37	55	92
Sports Event	47	31%	15	30	45
Other Events	58	47%	28	41	69
Total Events	499	52%	262	352	614

Source: McCaslin Hotel Consulting, LLC

The Economic Development Department business list survey identified 499 events which are currently held by the companies and organizations that responded to the survey. Of these events, the respondents indicated that 262 (52%) of those events could be relocated to the proposed Mesquite Full-Service Hotel with Conference Meeting Space. The same respondents identified an additional 352 new events that could be attracted to the area that cannot be accommodated currently. Therefore, the number of potential events that could be held at the new Mesquite Full-Service Hotel with Conference Meeting Space totaled 614 events.

The majority of these events are meetings/trainings (146), gala/banquet events (114), conventions/conferences (92) and social events/weddings (85). For these events, 58% of the respondents indicated that they would use the proposed Mesquite Full-Service Hotel with Conference Meeting Space.

Size of Events

Existing Events

The table below shows the number of existing events by the number of attendees at each event.

Mesquite Full-Service Hotel With Conference Meeting Space										
Survey Results										
Existing Events by Number of Attendees										
Type of Event	Less Than 50	50 to 100	100 to 200	200 to 400	400 to 600	600 to 800	800 to 1,000	1,000 to 1,500	More Than 1,500	Total
Gala/Banquet Events	27	23	15	11	4	3	2	3	3	91
Social Event/Wedding	23	16	12	11	0	3	3	0	0	68
Meeting/Training	65	23	18	2	1	0	0	0	0	109
Trade/Consumer Show	26	8	6	3	2	1	2	2	3	53
Convention/Conference	28	13	12	8	1	1	3	1	6	73
Sports Event	30	1	2	2	1	0	1	4	6	47
Other Events	35	9	4	4	0	0	1	2	3	58
Total	234	93	69	41	9	8	12	12	21	499
Percent of Total	47%	19%	14%	8%	2%	2%	2%	2%	4%	100%

Source: McCaslin Hotel Consulting, LLC

The majority of existing events identified, totaling 327 events (63%), attract less than 100 attendees, indicating a need for a variety of smaller sized meeting rooms. Another 69 events (14%) attract 100 to 200 attendees and 41 events (8%) attract 200 to 400 attendees, which indicates a need for a junior ballroom that seats up to 400 people that can be divided into smaller rooms.

Another 21 events (6%) attract between 400 and 1,000 attendees. A ballroom to seat these larger events could range in size from 10,000 to 15,000 square feet, depending on the utilization of the existing ballroom at the Mesquite Convention Center and Exhibit Hall. Yet another 33 events (6%) are larger than 1,000 attendees. While these events could be accommodated in a new larger ballroom, they can also be held in the Mesquite Convention Center ballroom or exhibit hall to avoid the duplication of existing facilities.

New Events

The following table shows the number of new events by the number of attendees that could be attracted to Mesquite if the proposed Mesquite Full-Service Hotel with Conference Meeting Space was available. These events cannot currently be attracted to Mesquite due to the lack of adequate meeting facilities.

Mesquite Full-Service Hotel With Conference Meeting Space										
Survey Results										
New Events by Number of Attendees										
Type of Event	Less Than 50	50 to 100	100 to 200	200 to 400	400 to 600	600 to 800	800 to 1,000	1,000 to 1,500	More Than 1,500	Total
Gala/Banquet Events	20	10	14	4	3	3	4	2	0	60
Social Event/Wedding	17	8	14	4	1	1	1	2	1	49
Meeting/Training	39	16	14	4	0	3	0	0	0	76
Trade/Consumer Show	21	3	3	7	1	0	2	1	3	41
Convention/Conference	23	9	9	8	2	0	1	0	3	55
Sports Event	18	3	2	1	0	1	3	0	2	30
Other Events	28	5	2	3	2	0	1	0	0	41
Total	166	54	58	31	9	8	12	5	9	352
Percent of Total	47%	15%	16%	9%	3%	2%	3%	1%	3%	100%

Source: McCaslin Hotel Consulting, LLC

The Economic Development Department business list survey identified a total of 352 new events with 220 events (62%) with less than 100 attendees, 58 events (16%) with 100 to 200 attendees, and 31 events (9%) between 200 and 400 attendees, 29 events (8%) between 400 and 1,000 attendees, and 14 events (4%) between 1,000 and 1,500 or more attendees. The new events are consistent with the existing events and support the need for the same type of meeting facilities.

Frequency of Events

The table below shows the frequency of existing events that could be located at the proposed Mesquite Full-Service Hotel with Conference Meeting Space.

Mesquite Full-Service Hotel With Conference Meeting Space					
Survey Results					
Frequency of Events					
Type of Event	Periodic				Total
	Weekly	Monthly	2 to 6/Year	Annually	
Gala/Banquet Events	1	4	23	46	74
Social Event/Wedding	0	8	20	22	50
Meeting/Training	6	19	42	25	92
Trade/Consumer Show	1	6	9	14	30
Convention/Conference	0	1	21	31	53
Sports Event	3	3	9	5	20
Other Events	2	10	15	16	43
Total	13	51	139	159	362
Percent of Total	4%	14%	38%	44%	100%

Source: McCaslin Hotel Consulting, LLC

About 4% are weekly, 14% are monthly, 38% occur two to six times per year and 44% are annual events. Meetings and Trainings occur more frequently, while Gala/Banquet Events, Social Events and Convention/Conferences are more periodic.

Break Out Rooms

The following table shows the number of break out rooms required for the identified events.

Mesquite Full-Service Hotel With Conference Meeting Space							
Survey Results							
Events by Number of Break Out Rooms							
Type of Event	None	1 to 2	3 to 5	6 to 10	11 to 15	> 15	Total
Gala/Banquet Events	76	15	9	3	0	0	103
Social Event/Wedding	59	12	7	2	1	2	83
Meeting/Training	58	31	15	7	0	1	112
Trade/Consumer Show	50	12	3	3	1	2	71
Convention/Conference	41	21	5	13	1	4	85
Sports Event	55	6	4	1	1	0	67
Other Events	53	9	3	1	0	1	67
Total	392	106	46	30	4	10	588
Percent of Total	67%	18%	8%	5%	1%	2%	100%

Source: McCaslin Hotel Consulting, LLC

Approximately 67% of the events do not require break out rooms, which means that they are likely banquet-type events. About 18% of the events need one to two break out rooms and 8% need three to five break out rooms. Another 5% require six to 10 break out rooms. Only 3% need more than 10 break out rooms. Conventions and Conferences need the highest number of break out rooms.

Hotel Demand

The table below provides a breakdown of the number of events by the number of hotel rooms needed for each event.

Mesquite Full-Service Hotel With Conference Meeting Space									
Survey Results									
Events by Number of Hotel Rooms Needed									
Type of Event	None	Less Than 25	25 to 50	50 to 100	100 to 200	200 to 300	300 to 400	More Than 400	Total
Gala/Banquet Events	45	32	8	6	3	2	0	0	96
Social Event/Wedding	40	26	6	2	2	0	0	0	76
Meeting/Training	57	34	10	4	2	0	0	0	107
Trade/Consumer Show	39	21	1	6	1	0	1	0	69
Convention/Conference	36	22	6	8	5	2	2	2	83
Sports Event	49	10	3	1	1	0	0	0	64
Other Events	49	17	3	0	0	0	0	0	69
Total	315	162	37	27	14	4	3	2	564
Percent of Total	56%	29%	7%	5%	2%	1%	1%	0.4%	100%

Source: McCaslin Hotel Consulting, LLC

A large number of the events (56%) do not need hotel rooms. Many of the events are banquets, galas, meetings, training and other events that are attended by local residents. About 43% of the respondents indicated that their events require up to 200 rooms, which would allow for multiple groups to be accommodated at the same time.

Only 2.4% need more than 200 rooms. Therefore, the proposed Mesquite Full-Service Hotel with Conference Meeting Space would be adequately sized with 200 to 250 rooms to accommodate the majority of the events at one hotel, while allowing overflow to the existing Mesquite hotels for the larger events.

Hotel Rate Preference

The table below presents the hotel rate preference that the respondents indicated their attendees would be willing to pay for an event in Mesquite.

Mesquite Full-Service Hotel With Conference Meeting Space							
Survey Results							
Events by Hotel Room Rate Preference							
Type of Event	Less Than \$125	\$125 to \$150	\$150 to \$175	\$175 to \$200	\$200 to \$250	More Than \$250	Total
Gala/Banquet Events	32	32	14	8	7	5	98
Social Event/Wedding	28	22	8	4	5	1	68
Meeting/Training	43	40	10	5	4	1	103
Trade/Consumer Show	32	20	4	2	2	0	60
Convention/Conference	33	24	10	4	4	0	75
Sports Event	29	17	2	2	1	0	51
Other Events	32	19	2	0	3	0	56
Total	229	174	50	25	26	7	511
Percent of Total	45%	34%	10%	5%	5%	1%	100%

Source: McCaslin Hotel Consulting, LLC

For the events identified by the Economic Development Department business list survey, 45% (229 events) are price-sensitive and would only be willing to pay a hotel rate less than \$125. This provides support for the overflow of hotel rooms to the existing lower-rated hotels in Mesquite from the additional demand being attracted to the area by the proposed Mesquite Full-Service Hotel with Conference Meeting Space.

Another 34% (174 events) are willing to pay between \$125 and \$150 and 10% (50 events) are willing to pay between \$150 and \$175, which is in line with the projected ADR for proposed Mesquite Full-Service Hotel with Conference Meeting Space. In addition, there are 5% (25 events) that would be willing to pay \$175 to \$200, 5% (26 events) \$200 to \$250 and 1% (7 events) more than \$250, providing strong support for a new full-service hotel.

Location of Existing Events

The table below shows the current location of the existing events identified by the survey respondents.

Mesquite Full-Service Hotel With Conference Meeting Space Survey Results Location of Existing Events						
Type of Event	Mesquite Conv Center & Exhibit Hall	Mesquite Arena	Local Hotel/ Meeting Room/ Restaurant / Country Club	Irving, Plano, McKinney Ctrs/ Outside of Mesquite	Other	Total
Gala/Banquet Events	15	5	17	20	27	84
Social Event/Wedding	6	3	20	10	21	60
Meeting/Training	14	2	25	27	34	102
Trade/Consumer Show	11	4	4	15	17	51
Convention/Conference	15	2	7	24	23	71
Sports Event	5	4	3	11	21	44
Other Events	8	3	12	11	23	57
Total Events	74	23	88	118	166	469
Percent of Total	16%	5%	19%	25%	35%	79%

Source: McCaslin Hotel Consulting, LLC

About 16% of the existing events are being held at the existing Mesquite Convention Center and Exhibit Hall with another 5% being held at the adjacent Mesquite Arena. However, 25% of the existing events are leaving Mesquite, which is unusually high. This indicates a very strong demand for a new Full-Service Hotel with Conference Meeting Space in Mesquite. Both the survey comments and the interviews indicated a strong desire to hold these events in Mesquite.

MESQUITE HOTEL MARKET

The majority of the hotels located within the Mesquite market are economy type of hotels. Out of the total 21 hotels located in Mesquite, 16 of the hotels are economy hotels. The following table shows the operating performance of the whole Mesquite hotel market for the period 2018 through 2021.

Operating Performance of All Hotels City of Mesquite			
Year	Occupancy	ADR	RevPAR
2018	65.7%	\$74.06	\$48.63
2019	64.4%	\$71.95	\$46.34
2020	55.2%	\$65.57	\$36.34
2021	65.5%	\$77.84	\$50.97

Source: Source Strategies

The occupancies and ADRs for the overall hotel market have been consistently in the mid-60% and \$70s, respectively, except for 2020 during the Covid-19 pandemic. It is surprising that the hotel market exceeded 2019 levels in 2021, despite the surge in the Omicron variant, indicating a strong economy.

COMPETITIVE HOTELS

The competitive hotels for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are presented in the following table.

Competitive Hotels Mesquite Full-Service Hotel with Conference Meeting Space					
Name of Hotel	Number of Rooms	Year Opened	Meeting Space Ballroom	Meeting Space Total	Amount of Meeting Space/Room
Fairfield Inn & Suites Mesquite	80	1997	--	--	0
Courtyard Mesquite	101	1998	624	624	6
Hampton Inn & Suites Mesquite*	160	1999	35,250	65,664	410
Holiday Inn Express & Suites Mesquite	73	2002	900	900	12
TownePlace Suites Mesquite	96	2018	300	300	3
Total / Average	510	--	9,269	16,872	86
* The Hampton Inn is attached to and operates the Mesquite Convention Center & Exhibit Hall.					
Source: McCaslin Hotel Consulting, LLC					

The competitive hotels are made up of the limited-service, extended-stay and select-service hotels affiliated with a major brand that are located in Mesquite. While these existing hotels support the price-sensitive traveler, there are currently no full-service hotels in Mesquite that meet the higher quality needs of the visitors to the area.

HISTORICAL PERFORMANCE OF COMPETITIVE HOTELS

The table below indicates the historical performance of the competitive hotels.

Historical Market Performance of the Competitive Hotels									
Year	Total Supply	Percent Change	Market Occupancy	Occupied Rooms	Percent Change	Average Daily Rate	Percent Change	RevPAR	Percent Change
2017	151,110	--	74.0%	111,821	--	\$103.10	--	\$76.29	--
2018	168,774	11.7%	67.6%	114,091	2.0%	\$100.69	-2.3%	\$68.07	-10.8%
2019	186,150	10.3%	72.9%	135,703	18.9%	\$104.04	3.3%	\$75.85	11.4%
2020	186,150	0.0%	54.7%	101,824	-25.0%	\$94.61	-9.1%	\$51.75	-31.8%
2021	186,150	0.0%	78.6%	146,314	43.7%	\$102.10	7.9%	\$80.25	55.1%
CAAG	5.4%			7.0%		-0.2%		1.3%	
YTD 1/2021	15,810	--	53.9%	8,522	--	\$88.61	--	\$47.76	--
YTD 1/2022	15,810	0.0%	63.9%	10,103	18.6%	\$95.22	7.5%	\$60.85	27.4%
Source: STR and McCaslin Hotel Consulting, LLC									

Overall, the existing competitive Mesquite hotel market is very strong. The TownePlace Suites is the only hotel added to the competitive market over the past five years. Despite the Covid-19 pandemic, occupied rooms have experienced strong growth over the past five years with a 7% compound annual growth rate. Occupancies were 74% in 2017 and then dropped to 67.6% in 2018 with the addition of the TownePlace Suites. Occupancies rebounded in 2019 to 72.9% and then declined to 54.7% in 2020 due to the effects of the pandemic. Surprisingly, occupancies rebounded to 78.6% in 2021 even with the Omicron surge of Covid-19, while other markets remained down.

There is already considerable turn away demand being generated by the competitive hotels. According to STR, the competitive hotels exceeded 80% occupancy approximately 200 days over the past 12 months. Typically, turn away demand occurs when a market reaches 80% occupancy.

With this much turn away demand, the Mesquite hotel market will experience limited growth until additional hotel rooms are added to the market. This also partially explains why the survey indicated that so many existing events (25%) are leaving the Mesquite market and why the Mesquite Convention Center and Exhibit Hall has lost so many events; there is a lack of hotel room availability.

ADR decreased by -0.2% annually over the past five years from \$103 in 2017 to \$102 in 2021, largely due to the -9% decline that occurred in 2020 due to Covid-19. However, rates have begun to rebound with a 7.9% increase in 2021. For January 2022 year-to-date, ADR has increased by 7.5% compared to the same period in 2021. RevPAR increased by 1.3% annually over the past five years.

COMPETITIVE HOTELS MIX OF DEMAND

The demand captured by the competitive hotels in 2022 is shown in the following table.

Competitive Hotels 2022 Mix of Demand		
Demand Segment	Total Demand	
	Percent of Demand	Room Nights
Corporate Travelers	35%	51,210
Groups / Meetings	35%	51,210
Leisure Visitors	30%	43,894
Total	100%	146,314
Source: McCaslin Hotel Consulting, LLC		

The competitive hotels capture lodging demand from a variety of sources. Corporate Demand originates from business travelers visiting the local corporations, distribution centers, Dallas College, the medical center and other businesses in the area. Groups/Meetings Demand includes conventions/conferences, weddings, tour groups and sports tournaments. Leisure demand includes visitors to the area lakes, trails and other outdoor activities, arts events, tourist attractions, festivals, Town East Mall, and Dallas College and Mesquite ISD events.

FUTURE ADDITIONS TO SUPPLY

The proposed 225-room Mesquite Full-Service Hotel with Conference Meeting Space is estimated to open in January 2026. There are no other additions to supply at the current time.

MARKET OCCUPANCY FORECAST

The forecast of future market occupancies for the competitive hotels is based on a supply and demand analysis which incorporates new supply, mix of demand, demand growth and induced demand. All of these factors have been discussed in the previous sections of this report. The resulting market occupancies are dependent upon the following key assumptions.

- The Covid-19 pandemic will be contained by the end of 2022 and lodging demand will continue to return to normal levels during 2023 and beyond.
- The Mesquite economy will remain stable over the next several years.
- The proposed Mesquite Full-Service Hotel and the existing Mesquite Convention Center and Exhibit Hall will be operated by the same management company.
- There are no future hotel additions in the competitive market other than noted above.
- No other natural disasters or pandemics will disrupt the local economy during the projection period.
- No major terrorist events or military activity occur that would have a material adverse impact on local lodging demand.

The following table presents the supply and demand analysis for the competitive hotel market for the period 2021 through 2028.

Mesquite Full-Service Hotel with Conference Meeting Space								
Competitive Hotels Estimated Market Performance								
Supply and Demand Analysis								
	2021	2022	2023	2024	2025	2026	2027	2028
SUPPLY ANALYSIS								
Available Rooms in Base Year	510							
Additions to Supply								
Mesquite Full-Service Hotel with Conference Meeting Space						225		
Market Supply - Daily	510	510	510	510	510	735	735	735
Market Supply - Annual	186,150	186,150	186,150	186,150	186,150	268,275	268,275	268,275
Supply Growth	--	0.0%	0.0%	0.0%	0.0%	44.1%	0.0%	0.0%
DEMAND ANALYSIS								
Estimated Growth Rates								
Corporate Travelers		1%	1%	1%	1%	3%	3%	3%
Groups / Meetings		1%	1%	1%	1%	5%	4%	3%
Leisure Visitors		2%	1%	1%	1%	3%	3%	3%
Estimated Induced Demand								
Corporate Travelers						6,000		
Groups / Meetings						12,000		
Leisure Visitors						6,000		
Total Induced Demand		0	0	0	0	24,000	0	0
Demand Forecast								
Corporate Travelers								
Total Demand	51,200	51,700	52,200	52,700	53,200	60,800	62,600	64,500
Demand Growth	--	1.0%	1.0%	1.0%	0.9%	14.3%	3.0%	3.0%
Groups / Meetings								
Total Demand	51,200	51,700	52,200	52,700	53,200	67,900	70,600	72,700
Demand Growth	--	1.0%	1.0%	1.0%	0.9%	27.6%	4.0%	3.0%
Leisure Visitors								
Total Demand	43,900	44,800	45,200	45,700	46,200	53,600	55,200	56,900
Demand Growth	--	2.1%	0.9%	1.1%	1.1%	16.0%	3.0%	3.1%
Total Market Demand	146,300	148,200	149,600	151,100	152,600	182,300	188,400	194,100
Demand Growth	--	1.3%	0.9%	1.0%	1.0%	19.5%	3.3%	3.0%
MARKET OCCUPANCY	79%	80%	80%	81%	82%	68%	70%	72%

Source: McCaslin Hotel Consulting, LLC

As indicated in a previous section above, the occupancy percentage for the competitive hotels surprisingly reached 79% in 2021, despite the Covid-19 pandemic, and turn away demand occurred on 200 days over the past 12 months. Due to the timing of demand, when occupancies reach 80%, the hotel market growth will be constrained until new hotel rooms are added to the market.

As a result, growth rates will remain flat at 1% from 2022 through 2025. Then with the addition of the proposed 225-room Mesquite Full-Service Hotel, the competitive hotels will return to normal growth rates and occupancy levels. This will result in occupancies remaining in the low 80% from 2022 through 2025. Then, occupancies will fall back to 68% in 2026, increase to 70% in 2027 and stabilize at 72% in 2028.

The 2026 induced demand shown above, when the proposed Mesquite Full-Service Hotel with Conference Meeting Space is added to the market, is a result of the large amount of turn away demand identified by the STR report and the amount of lost business at the existing Center, as well as the events identified in the interview and survey results that are leaving the Mesquite market. The new hotel is expected to induce the turn away demand back into the market and to generate a good amount of new group demand that has been lost due to the lack of adequate lodging and meeting facilities.

DEMAND GENERATORS

The proposed Mesquite Full-Service Hotel will capture lodging and meeting demand from a variety of sources.

The proposed Mesquite Full-Service Hotel will be well located to capture business traveler demand in Mesquite and the surrounding area, especially from the large number of manufacturing/distribution companies.

The meeting space at the proposed Mesquite Full-Service Hotel will be a draw for regional conventions, corporate events, consumer trade shows and social events.

Leisure demand will come from visitors to attractions in the area.

OPERATING PERFORMANCE

FAIR SHARE ANALYSIS

The forecast of future market occupancies for the proposed Mesquite Full-Service Hotel with Conference Meeting Space is based on a fair share analysis. Fair share is defined as the percentage of total market demand allocated to a hotel based on its ratio of available guestrooms to the total number of rooms in the competitive market. For example, the proposed Mesquite Full-Service Hotel with Conference Meeting Space will have 225 guest rooms. The competitive market will have 735 guest rooms (including the subject hotel). Therefore, the proposed Mesquite Full-Service Hotel with Conference Meeting Space's fair share would be 30.6% (225 divided by 735).

All things being equal, a hotel should capture 100% of its fair share of market demand. However, each hotel has certain strengths and weaknesses which enable it to capture more or less of its fair share of a specific type of demand based on its location, brand, size and quality of facilities, rate structure, management, marketing and other factors. Strengths that provide a competitive advantage would enable a hotel to capture more than 100% of its fair share. Weaknesses that create a competitive disadvantage would result in a hotel capturing less than 100% of its fair share.

Estimated occupancies for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are based on an evaluation of its competitive advantages and disadvantages when compared to the competitive hotels for each demand segment, as follows:

- Corporate Travelers: Less than its fair share due to its higher rates and its emphasis on Group/Meetings demand.
- Groups/Meetings: More than its fair share due to its large amount of high-quality meeting space and its location near the Mesquite Convention Center and Exhibit Hall. The combined meeting facilities will attract conferences that currently do not come to Mesquite as well as social events, weddings and corporate retreats and meetings.
- Leisure Visitors: Less than its fair share due its higher rate structure.

The fair share analysis and estimated occupancies for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are presented in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space Fair Share Analysis & Estimated Occupancy			
	2026	2027	2028
Supply Fair Share Analysis			
Mesquite Full-Service Hotel with Conference Meeting Space	225	225	225
Market Supply - Daily	735	735	735
Fair Share of Market Supply	30.6%	30.6%	30.6%
Demand Fair Share Analysis			
Corporate Travelers	18,600	19,200	19,700
Groups / Meetings	20,800	21,600	22,300
Leisure Visitors	16,400	16,900	17,400
Total Fair Share of Demand	55,800	57,700	59,400
Percent Capture			
Corporate Travelers	90%	92%	95%
Groups / Meetings	110%	115%	118%
Leisure Visitors	78%	80%	82%
Room Night Capture			
Corporate Travelers	16,700	17,700	18,700
Groups / Meetings	22,900	24,800	26,300
Leisure Visitors	12,800	13,500	14,300
Total Room Night Capture	52,400	56,000	59,300
Annual Rooms Available	82,100	82,100	82,100
TOTAL PERCENT CAPTURE	94%	97%	100%
ESTIMATED OCCUPANCY	64%	68%	72%
Source: McCaslin Hotel Consulting, LLC			

The proposed Mesquite Full-Service Hotel with Conference Meeting Space is estimated to achieve an occupancy of 64% in 2026, its first year of operations. Then, it will ramp up to 68% in 2024 and stabilize at 72% in 2025. Upon stabilization, the proposed Mesquite Full-Service Hotel with Conference Meeting Space is estimated to capture 100% of its fair share.

This forecast assumes that the proposed Mesquite Full-Service Hotel with Conference Meeting Space and the existing Mesquite Convention Center and Exhibit Hall will be operated by the same management company. If not, these numbers could vary significantly, and an updated analysis would need to be conducted.

The mix of demand captured by the proposed Mesquite Full-Service Hotel with Conference Meeting Space in 2028, its stabilized year, is shown in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space 2028 Mix of Demand			
Demand Segment	Percent of Demand	Room Nights	Percent Capture
Corporate Travelers	32%	18,700	95%
Groups / Meetings	44%	26,300	118%
Leisure Visitors	24%	14,300	82%
Total	100%	59,300	100%
Source: McCaslin Hotel Consulting, LLC			

The majority of demand captured by the proposed Mesquite Full-Service Hotel with Conference Meeting Space will be Groups/Meetings at 44%, followed by Corporate travelers at 32% and Leisure visitors at 24%.

ESTIMATED AVERAGE DAILY RATE

The estimated ADR for the proposed Mesquite Full-Service Hotel with Conference Meeting Space is based on the historical rate structure of the competitive hotels and the responses to the survey and interviews, and the anticipated rate positioning of the proposed hotel within the Mesquite market.

We estimate that the proposed Mesquite Full-Service Hotel with Conference Meeting Space will achieve an ADR of \$135 in 2022 dollars. Being a full-service hotel, the proposed Mesquite Hotel will be considerably higher than the competitive hotels, which are limited service, extended stay and select service. The estimated ADR is approximately \$30 higher than the ADR for the competitive hotels.

The first five years of estimated occupancy, ADR and revenue per available room (RevPAR) for the proposed Mesquite Full-Service Hotel with Conference Meeting Space are presented in the following table.

Mesquite Full-Service Hotel with Conference Meeting Space Estimated Occupancy, ADR & RevPAR			
Year	Annual Occupancy	Average Daily Rate	Revenue Per Available Room
2026	64%	\$152	\$97
2027	68%	\$157	\$106
2028	72%	\$161	\$116
2029	72%	\$166	\$120
2030	72%	\$171	\$123
Based on an ADR of \$135 in 2022 dollars.			
Source: McCaslin Hotel Consulting, LLC			

Based on an inflation rate of 3%, ADR is estimated to reach \$152 in 2026, its opening year, \$161 by 2027, its stabilized year, and \$171 in 2028, its fifth year of operations. These ADRs are comparable to similar full-service hotels in the surrounding area.

These rates are also supported by interviewees who indicated that a rate of \$150 to \$160 would be reasonable. In addition, the survey indicated that 34% of the respondents are willing to pay between \$125 and \$150 and 10% are willing to pay between \$150 and \$175, which is in line with the projected ADRs. In addition, there are 5% that would be willing to pay \$175 to \$200, 5% that would be willing to pay \$200 to \$250 and 1% would pay more than \$250, providing strong support for a new full-service hotel.

FINANCIAL FORECAST

The forecast of future financial performance for the proposed Mesquite Full-Service Hotel is based on the market analysis described in this report, financial performance of comparable hotels and standard hotel industry ratios. The following statements present a 10-year financial forecast for the proposed Mesquite Full-Service Hotel to the point of net operating income after reserve for replacement utilizing the *Uniform System of Accounting for the Lodging Industry*. The financial forecast is stated in inflated dollars assuming an overall 3% inflation rate.

Mesquite Full-Service Hotel with Conference Meeting Space										
Financial Forecast										
Year	2026		2027		2028		2029		2030	
Number of Available Rooms	225		225		225		225		225	
Annual Occupancy	64%		68%		72%		72%		72%	
Average Daily Rate	\$152		\$157		\$161		\$166		\$171	
Revenue Per Available Room	\$97		\$106		\$116		\$120		\$123	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$7,986,000	62.1%	\$8,740,000	62.1%	\$9,532,000	62.1%	\$9,818,000	62.1%	\$10,112,000	62.1%
Food & Beverage	\$4,437,000	34.5%	\$4,855,000	34.5%	\$5,295,000	34.5%	\$5,454,000	34.5%	\$5,618,000	34.5%
Other Operated Departments	\$296,000	2.3%	\$324,000	2.3%	\$353,000	2.3%	\$364,000	2.3%	\$375,000	2.3%
Rentals and Other Income	<u>\$148,000</u>	<u>1.2%</u>	<u>\$162,000</u>	<u>1.2%</u>	<u>\$177,000</u>	<u>1.2%</u>	<u>\$182,000</u>	<u>1.2%</u>	<u>\$187,000</u>	<u>1.1%</u>
Total Revenues	\$12,867,000	100.0%	\$14,081,000	100.0%	\$15,357,000	100.0%	\$15,818,000	100.0%	\$16,292,000	100.0%
Departmental Expenses										
Rooms	\$1,917,000	24.0%	\$2,010,000	23.0%	\$2,097,000	22.0%	\$2,160,000	22.0%	\$2,225,000	22.0%
Food & Beverage	\$2,928,000	66.0%	\$3,156,000	65.0%	\$3,389,000	64.0%	\$3,491,000	64.0%	\$3,596,000	64.0%
Other Operated Departments	<u>\$178,000</u>	<u>60.1%</u>	<u>\$194,000</u>	<u>59.9%</u>	<u>\$212,000</u>	<u>60.1%</u>	<u>\$218,000</u>	<u>59.9%</u>	<u>\$225,000</u>	<u>60.0%</u>
Total Departmental Expenses	\$5,023,000	39.0%	\$5,360,000	38.1%	\$5,698,000	37.1%	\$5,869,000	37.1%	\$6,046,000	37.1%
Departmental Profit	\$7,844,000	61.0%	\$8,721,000	61.9%	\$9,659,000	62.9%	\$9,949,000	62.9%	\$10,246,000	62.9%
Undistributed Expenses										
Administrative & General	\$1,287,000	10.0%	\$1,338,000	9.5%	\$1,382,000	9.0%	\$1,424,000	9.0%	\$1,466,000	9.0%
Sales & Marketing (includes Franchise Fees)	\$1,673,000	13.0%	\$1,760,000	12.5%	\$1,843,000	12.0%	\$1,898,000	12.0%	\$1,955,000	12.0%
Property Operation and Maintenance	\$515,000	4.0%	\$528,000	3.7%	\$537,000	3.5%	\$554,000	3.5%	\$570,000	3.5%
Utility Costs	\$450,000	3.5%	\$458,000	3.3%	\$461,000	3.0%	\$475,000	3.0%	\$489,000	3.0%
Information & Telecommunications Systems	<u>\$193,000</u>	<u>1.5%</u>	<u>\$176,000</u>	<u>1.2%</u>	<u>\$154,000</u>	<u>1.0%</u>	<u>\$158,000</u>	<u>1.0%</u>	<u>\$163,000</u>	<u>1.0%</u>
Total Undistributed Operating Expenses	\$4,118,000	32.0%	\$4,260,000	30.3%	\$4,377,000	28.5%	\$4,509,000	28.5%	\$4,643,000	28.5%
Gross Operating Profit	\$3,726,000	29.0%	\$4,461,000	31.7%	\$5,282,000	34.4%	\$5,440,000	34.4%	\$5,603,000	34.4%
Base Management Fee	\$386,000	3.0%	\$422,000	3.0%	\$461,000	3.0%	\$475,000	3.0%	\$489,000	3.0%
Fixed Expenses										
Property Taxes	\$506,000	3.9%	\$522,000	3.7%	\$537,000	3.5%	\$553,000	3.5%	\$570,000	3.5%
Insurance	<u>\$127,000</u>	<u>1.0%</u>	<u>\$130,000</u>	<u>0.9%</u>	<u>\$134,000</u>	<u>0.9%</u>	<u>\$138,000</u>	<u>0.9%</u>	<u>\$143,000</u>	<u>0.9%</u>
Total Fixed Expenses	\$633,000	4.9%	\$652,000	4.6%	\$671,000	4.4%	\$691,000	4.4%	\$713,000	4.4%
Net Operating Income Before Reserve	\$2,707,000	21.0%	\$3,387,000	24.1%	\$4,150,000	27.0%	\$4,274,000	27.0%	\$4,401,000	27.0%
FF&E Reserve	\$257,000	2.0%	\$422,000	3.0%	\$614,000	4.0%	\$633,000	4.0%	\$652,000	4.0%
Net Operating Income After Reserve	\$2,450,000	19.0%	\$2,965,000	21.1%	\$3,536,000	23.0%	\$3,641,000	23.0%	\$3,749,000	23.0%

Source: McCaslin Hotel Consulting, LLC

Mesquite Full-Service Hotel with Conference Meeting Space										
Financial Forecast										
Year	2031		2032		2033		2034		2035	
Number of Available Rooms	225		225		225		225		225	
Annual Occupancy	72%		72%		72%		72%		72%	
Average Daily Rate	\$176		\$181		\$187		\$192		\$198	
Revenue Per Available Room	\$127		\$131		\$135		\$139		\$143	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	\$10,415,000	62.1%	\$10,728,000	62.1%	\$11,050,000	62.1%	\$11,381,000	62.1%	\$11,723,000	62.1%
Food & Beverage	\$5,786,000	34.5%	\$5,960,000	34.5%	\$6,139,000	34.5%	\$6,323,000	34.5%	\$6,513,000	34.5%
Other Operated Departments	\$386,000	2.3%	\$397,000	2.3%	\$409,000	2.3%	\$422,000	2.3%	\$434,000	2.3%
Rentals and Other Income	\$193,000	1.2%	\$199,000	1.2%	\$205,000	1.2%	\$211,000	1.2%	\$217,000	1.1%
Total Revenues	\$16,780,000	100.0%	\$17,284,000	100.0%	\$17,803,000	100.0%	\$18,337,000	100.0%	\$18,887,000	100.0%
Departmental Expenses										
Rooms	\$2,291,000	22.0%	\$2,360,000	22.0%	\$2,431,000	22.0%	\$2,504,000	22.0%	\$2,579,000	22.0%
Food & Beverage	\$3,703,000	64.0%	\$3,814,000	64.0%	\$3,929,000	64.0%	\$4,047,000	64.0%	\$4,168,000	64.0%
Other Operated Departments	\$232,000	60.1%	\$238,000	59.9%	\$245,000	59.9%	\$253,000	60.0%	\$260,000	59.9%
Total Departmental Expenses	\$6,226,000	37.1%	\$6,412,000	37.1%	\$6,605,000	37.1%	\$6,804,000	37.1%	\$7,007,000	37.1%
Departmental Profit	\$10,554,000	62.9%	\$10,872,000	62.9%	\$11,198,000	62.9%	\$11,533,000	62.9%	\$11,880,000	62.9%
Undistributed Expenses										
Administrative & General	\$1,510,000	9.0%	\$1,556,000	9.0%	\$1,602,000	9.0%	\$1,650,000	9.0%	\$1,700,000	9.0%
Sales & Marketing (includes Franchise Fees)	\$2,014,000	12.0%	\$2,074,000	12.0%	\$2,136,000	12.0%	\$2,200,000	12.0%	\$2,266,000	12.0%
Property Operation and Maintenance	\$587,000	3.5%	\$605,000	3.5%	\$623,000	3.5%	\$642,000	3.5%	\$661,000	3.5%
Utility Costs	\$503,000	3.0%	\$519,000	3.0%	\$534,000	3.0%	\$550,000	3.0%	\$567,000	3.0%
Information & Telecommunications Systems	\$168,000	1.0%	\$173,000	1.0%	\$178,000	1.0%	\$183,000	1.0%	\$189,000	1.0%
Total Undistributed Operating Expenses	\$4,782,000	28.5%	\$4,927,000	28.5%	\$5,073,000	28.5%	\$5,225,000	28.5%	\$5,383,000	28.5%
Gross Operating Profit	\$5,772,000	34.4%	\$5,945,000	34.4%	\$6,125,000	34.4%	\$6,308,000	34.4%	\$6,497,000	34.4%
Base Management Fee	\$503,000	3.0%	\$519,000	3.0%	\$534,000	3.0%	\$550,000	3.0%	\$567,000	3.0%
Fixed Expenses										
Property Taxes	\$587,000	3.5%	\$605,000	3.5%	\$623,000	3.5%	\$642,000	3.5%	\$661,000	3.5%
Insurance	\$147,000	0.9%	\$151,000	0.9%	\$156,000	0.9%	\$160,000	0.9%	\$165,000	0.9%
Total Fixed Expenses	\$734,000	4.4%	\$756,000	4.4%	\$779,000	4.4%	\$802,000	4.4%	\$826,000	4.4%
Net Operating Income Before Reserve	\$4,535,000	27.0%	\$4,670,000	27.0%	\$4,812,000	27.0%	\$4,956,000	27.0%	\$5,104,000	27.0%
FF&E Reserve	\$671,000	4.0%	\$691,000	4.0%	\$712,000	4.0%	\$733,000	4.0%	\$755,000	4.0%
Net Operating Income After Reserve	\$3,864,000	23.0%	\$3,979,000	23.0%	\$4,100,000	23.0%	\$4,223,000	23.0%	\$4,349,000	23.0%

Source: McCaslin Hotel Consulting, LLC

ASSUMPTIONS AND LIMITING CONDITIONS

The following Assumptions and Limiting Conditions apply to hotel consulting assignments completed by McCaslin Hotel Consulting, LLC.

Achievability of Projections

Projections of hotel performance are based on estimates and assumptions that are subject to uncertainty and variation. Therefore, actual results achieved may reasonably vary from the estimates.

Distribution to Third Parties

If feasible, the client that engaged McCaslin Hotel Consulting, LLC will distribute the report only in its entirety to the third parties for whom the report was prepared (e.g., lenders, investors, brands, management companies, etc.), notwithstanding any legal requirements, including the Texas Open Records Act.

Obligation to Revise the Report

The report results are based on the market conditions as of the date of the completion of service under this Contract, as identified in the transmittal letter of the report. McCaslin Hotel Consulting, LLC is available to discuss the need to revise the report in light of the changes in the economic and market factors affecting the proposed hotel. Should revisions be needed, a separate engagement and additional compensation will be required.

Information Provided by Outside Sources

In preparing the report, the consultant shall reasonably rely on information provided by outside sources. Unless otherwise indicated, this information is assumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of the information. We reserve the right to make adjustments to the analyses set forth in the report, if more reliable data becomes available.

Legal Limitations

The report is not intended to express legal expertise opinions. Testimony or attendance in court or at any other hearing will require a separate engagement and additional compensation for the consultant's time to prepare for and attend any such hearing.

CERTIFICATION

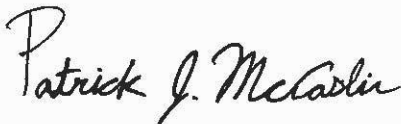
We certify the following items to the best of our knowledge and belief.

- The report is based on our unbiased professional analyses, opinions and conclusions which are limited by the attached assumptions and limited conditions.
- We have no present or future interest in the proposed project and we have no personal interest or bias with respect to the parties involved.
- Our engagement in this assignment was not contingent on the development or reporting of predetermined results.
- Our compensation is not contingent on the development or reporting of predetermined results, the attainment of stipulated results or the occurrence of a subsequent event directly related to the intended use of the report.
- We have made a personal inspection of the proposed site and conducted market research in the preparation of this report.
- No one provided significant professional assistance to the undersigned in the preparation of this report.

McCaslin Hotel Consulting, LLC



By: G. Randle McCaslin, CRE
Founder & CEO



By: Patrick McCaslin
Founder & COO