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**PHASE I
COMMUNITY OVERVIEW
MARKET STUDY REPORT**

**MUSKEGO, WISCONSIN
FEBRUARY, 2010**

Prepared Exclusively For:

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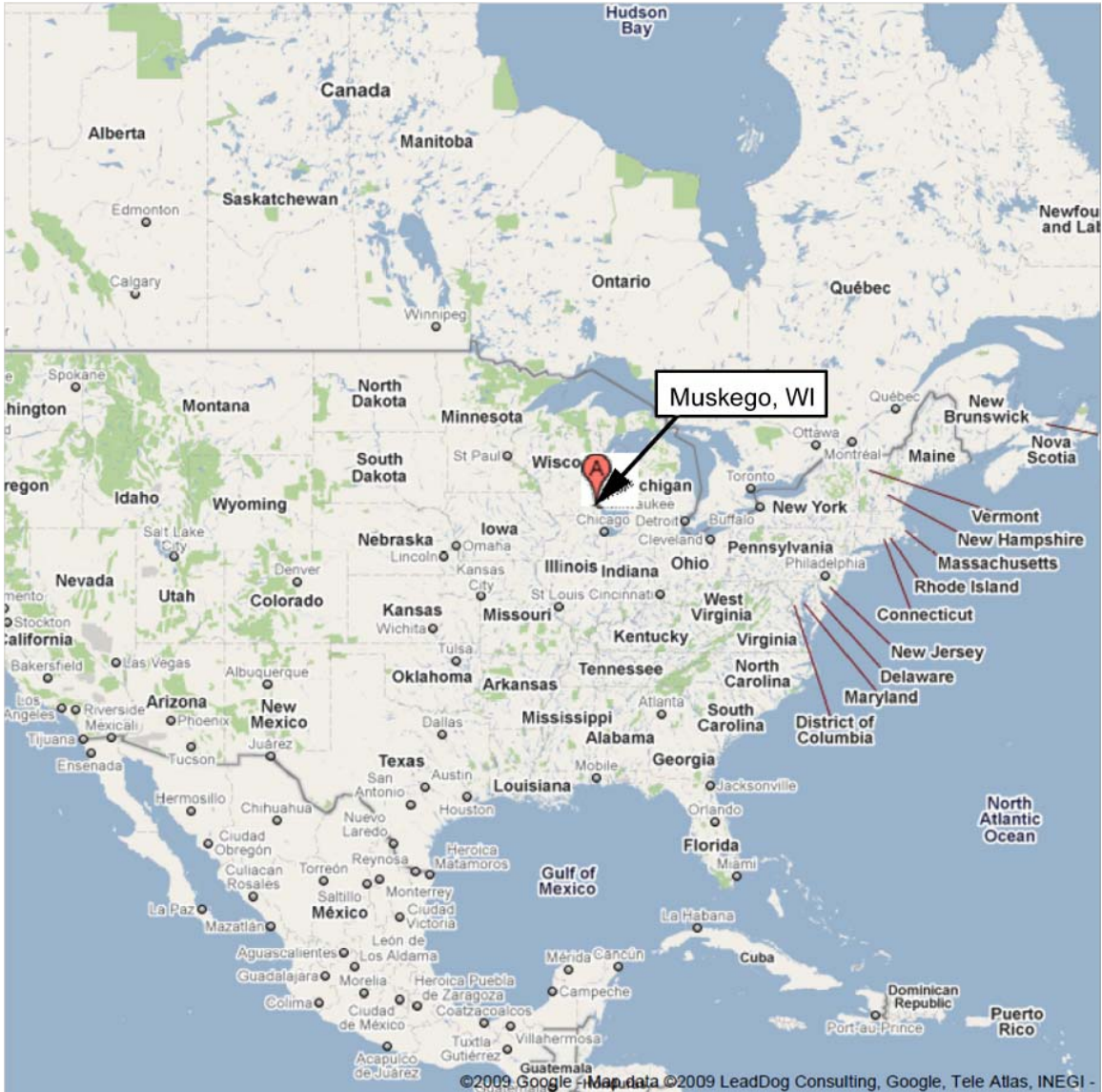


Exhibit 1: The Geographic Relationship of the Muskego Area to the United States

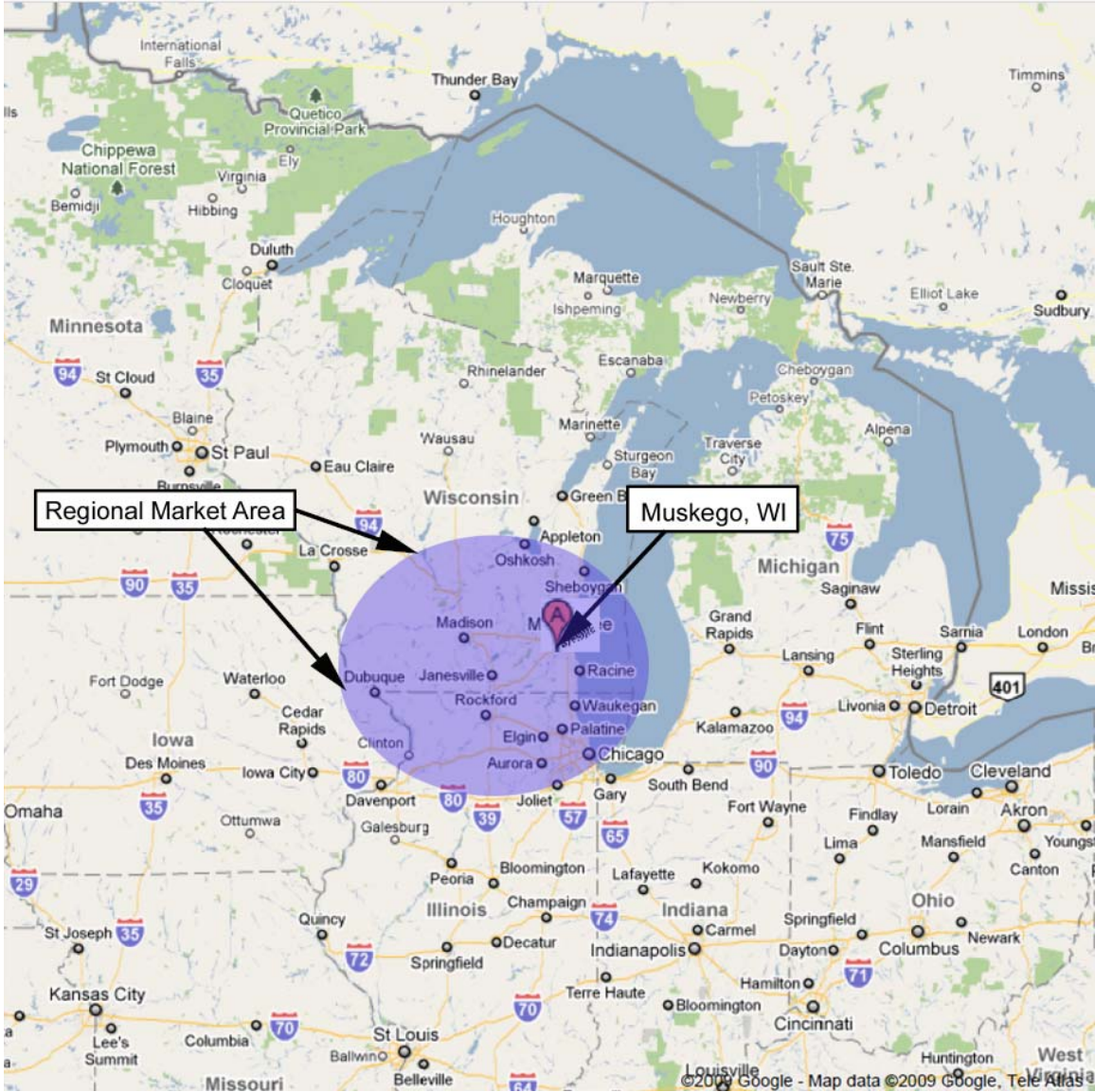


Exhibit 2: The Geographic Relationship of the Muskego Area to the State of Wisconsin. Also Highlighted is the Primary Regional Market Area Served by the Muskego Area

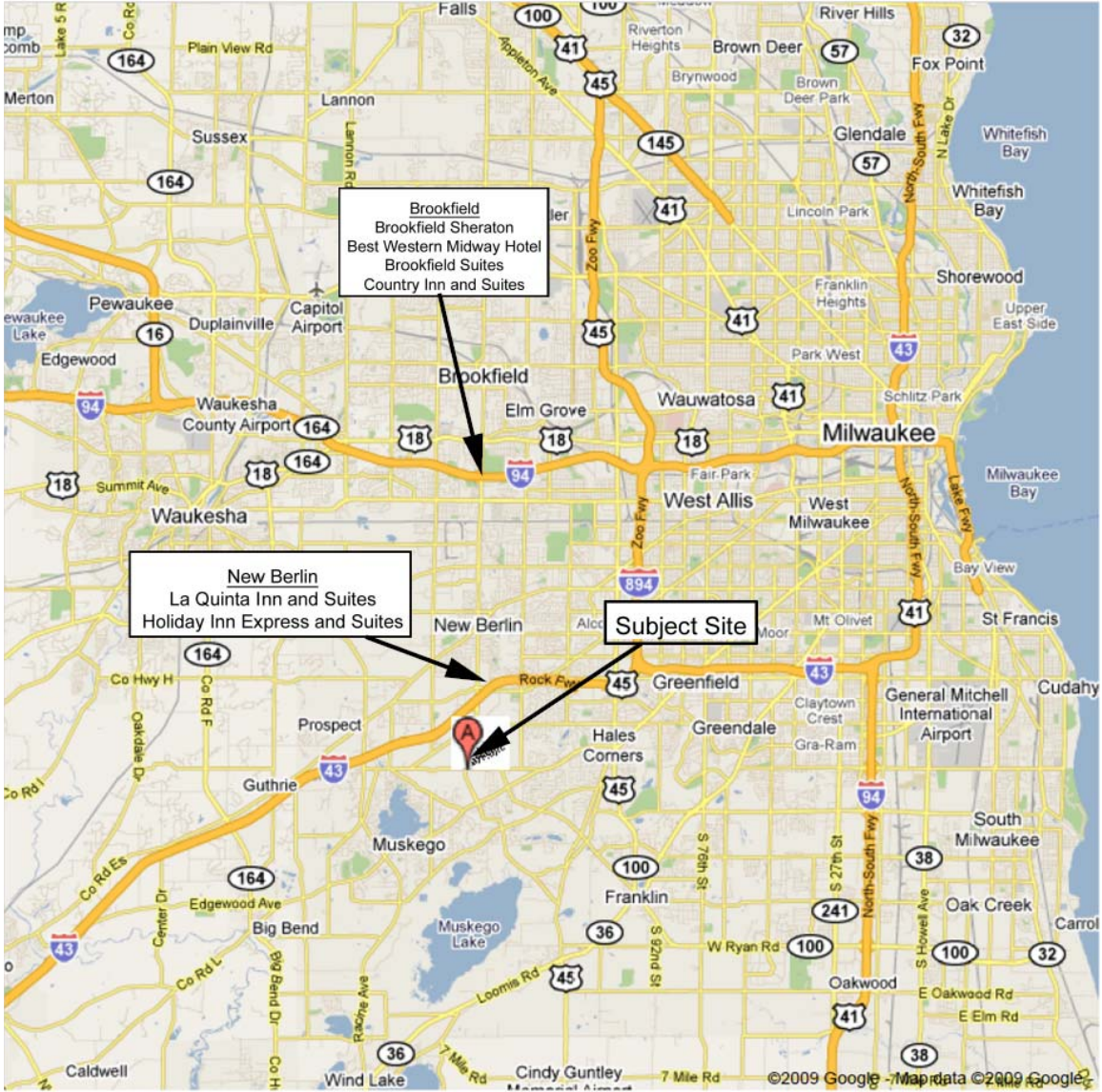


Exhibit 3: The Market Area of Muskego, Including the Locations of the Primary Competitive Set of Hotel Properties Serving the Area

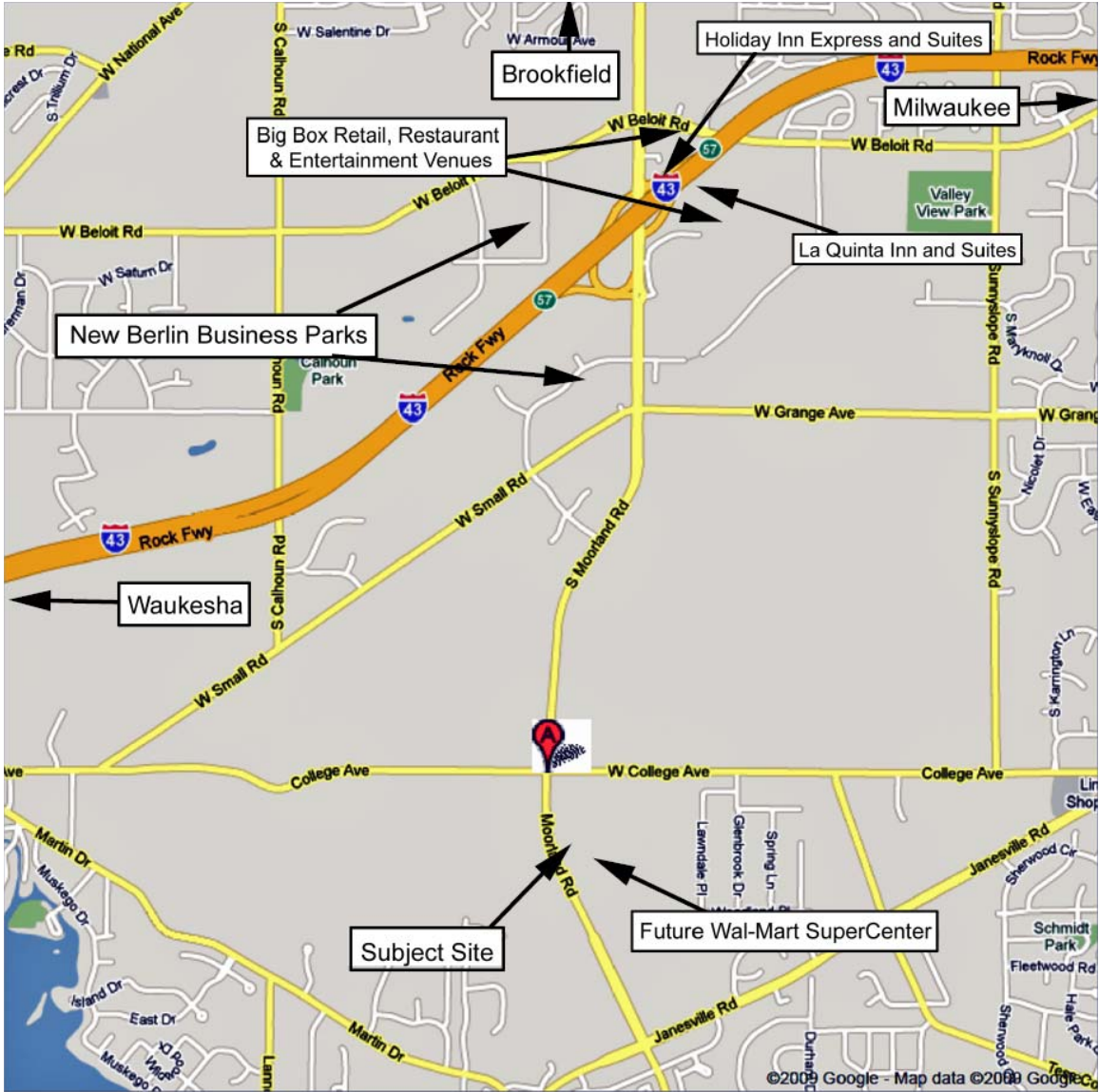


Exhibit 4: The Exact Location of the Subject Site as well as the Support Services, Competitive Properties, and Major Demand Generators in the Immediate Area

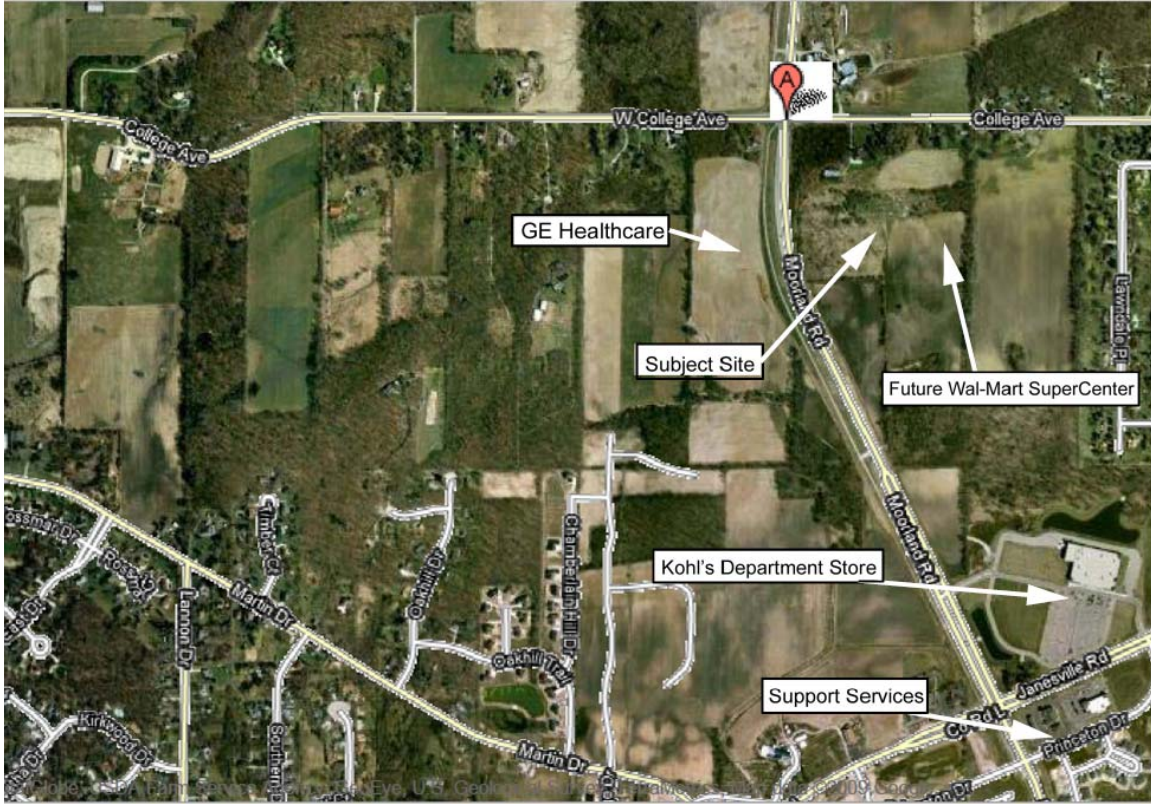


Exhibit 5: A Close Up View of the Subject Site and Surrounding Area

INTRODUCTION

The following Phase I Community Overview Market Study Report will review the proposed development of an 80-room, mid-priced, limited-service hotel in the City of Muskego, Wisconsin. The style and type of this hotel are supported by the preliminary operational projections presented in this report. The hotel would be located approximately one mile south of Interstate 43 on the east side of Moorland Road between College Avenue and Janesville Road. The site for this property would be in a new commercial area in the City of Muskego. Further site information will be highlighted in this report. This report will provide information concerning the market in which the proposed hotel would operate.

Hospitality Marketers International, Inc., (HMI) has been engaged to provide this Phase I Community Overview Market Study Report analysis of the Muskego, Wisconsin, market area. This Market Study will provide an initial overview of market information concerning the market area and the market factors that would affect the possible development of a hotel facility in this community. It is written in an overview format that will highlight key information to provide a preliminary indication of this market's ability to support the proposed hotel development.

This report could be expanded, at a later date by the community or a potential developer, to a Phase II Comprehensive Market Study of the subject market area. The Phase II Comprehensive Market Study would expand the Phase I Community Overview Market Study to provide more specific and comprehensive supportive information, statistical data, observations, and research on the market. Also, more detailed property recommendations and projections of property performance would be presented.

A representative from Hospitality Marketers International, Inc., met with representatives of the community and the surrounding area to gather information pertinent to the proposed hotel development and operation in the community. Comprehensive research was performed and reviewed regarding the community's economic indicators, competitive Lodging Supply, and Lodging Demand generators. HMI performed field research to determine the relationship between the community and the proposed facility's Lodging Supply competitors and Lodging Demand generators. Economic indicators were studied to determine the stability and future growth potential of the general market area. The research that was conducted focused on macro- and micro-market analysis of the Muskego area and the immediate market areas surrounding the proposed hotel, to determine the viability of this market to support the proposed hotel.

This report will highlight and present preliminary projections for stabilized hotel operation based upon current operating performance in the market area. Preliminary Occupancy, Average Daily Room Rate, and Sales Revenue projections for the hotel

were based upon a detailed review of the field research data and preliminary estimates of Average Daily Room Rate, Lodging Demand, and Lodging Supply Growth. Also, preliminary recommendations as to the property type, suggested property size, brand affiliation, and services and amenities to offer are included. These projections and recommendations were based upon the market demand research for the proposed facility. In addition, preliminary recommendations are provided as to the preferred site for development of this hotel project.

This report may or may not be acceptable for external investing and/or lending purposes and would depend upon financial requirements and the desire for more specific information concerning the market's ability to support this hotel. Also, more specific operational performance projections may be required. Additional specific community research may need to be completed for a defined hotel development. A Phase II Comprehensive Market Study may be required by investors and lenders for the specific hotel to be developed. Hospitality Marketers International, Inc., could assist the community or a proposed hotel developer in expanding this report into the required Phase II Comprehensive Market Study Report.

GENERAL MARKET OVERVIEW

- The site of the proposed hotel is on the northern side of the City of Muskego, Wisconsin, just south of the border between Muskego and New Berlin. Muskego is located on the southeast side of Waukesha County. This site is located approximately one mile south of Interstate 43 on the east side of Moorland Road in a newly developing commercial area of the city. This commercial area is situated between College Avenue and Janesville Road. The subject site is located on the north side of this commercial area, along Commerce Center Parkway, next to the Wal-Mart SuperCenter currently being constructed. I-43 is a major route through the region traveling north to Green Bay, Wisconsin and south to Beloit, Wisconsin. I-43 also passes through the metropolitan area of Milwaukee and provides easy access to I-94 which travels into northern Illinois and Chicago.
- The City of Muskego has a strong residential base with many long term residents. For this reason the city has a steady wedding and reunion market. The area also offers popular recreational activities due to Little Muskego Lake and Big Muskego Lake. There are also numerous recreational trails and numerous sports facilities in the area.
- Muskego is home to a variety of corporate and light manufacturing companies. Two very large industrial/business parks are found along Moorland Road in New Berlin to the north of the subject site, which include numerous large national and international companies. There is also the potential for a small business park to develop in the area immediately east of the subject site. Currently the large employer, GE Healthcare, is also located along Moorland Road. There are additional vacant lots in this new commercial area that are zoned for commercial development.
- The area's Corporate/Commercial market and social/Leisure market were reported to have experienced a slow down due to the recession in the United States economy. However, because of its location near I-43 and the mix of the tourism and industrial markets present in the overall market area, this market area is projected to regain strength in the near future and continue to grow and expand. At this time the government in Muskego and the county is pro-growth.
- As mentioned, the lakes in Muskego are a major recreational draw in the city providing an excellent location for boating, swimming, fishing, water sports, ice fishing, and snowmobiling. Little Muskego Lake caters more to boating and water sports, while Big Muskego Lake is a shallow lake known for excellent fishing and hunting. There are also other recreational resources in Muskego and the county including numerous golf courses, shopping, biking

and hiking trails, and various festivals.

- As mentioned earlier in this report, the proposed subject site for this property is located south of the intersection of I-43 and Moorland Road. I-43 provides a major link for the community to other transcontinental, interstate highways in the Midwest area. I-43 connects with I-894 in Milwaukee, Wisconsin, about five miles to the east and with I-39 and I-90 in Beloit, Wisconsin approximately sixty miles to the southwest. This well connected traffic route benefits the Corporate/Commercial and Social/Leisure markets as the City of Muskego is able to serve a wide regional market area. Moorland Road is a major route through the area, providing connection to New Berlin and Brookfield to the north of the site.
- While Muskego itself has a strong economy it is also well connected with the other cities in Waukesha County and provides a good central location from which to access these other areas. Access to downtown Milwaukee to the east, New Berlin and Brookfield to the north and Waukesha to the west are all possible due to the city's proximity to I-43. This allows the Muskego market area to provide service to visitors of Milwaukee and Waukesha County in times of high demand.

EXHIBITS

- Exhibit 1 of this report shows the geographic location of the Muskego area within the United States.
- Exhibit 2 of this report shows the geographic location of the Muskego market within the State of Wisconsin. Also highlighted is the primary regional market area served by Muskego.
- Exhibit 3 shows the market area of Muskego, including the locations of the primary competitive set of hotel properties serving the area.
- Exhibit 4 shows the exact location of the subject site as well as the support services, competitive properties, and major demand generators in the immediate area.
- Exhibit 5 shows a close up view of the subject site and surrounding area.

SITE ANALYSIS

This section of the report will highlight the proposed geographic subject site area identified for the proposed hotel facility. The specific subject site area will be located along the east and west sides of Moorland Road near Commerce Center Parkway. While there is available commercial land on both sides of Moorland Road it was felt that the land in the northeast quadrant of the intersection of Commerce Center Parkway and Moorland Road in Muskego was the strongest location for a hotel property. Key elements of the site analysis will be discussed including Visibility, Accessibility, Support Services, and Competitive Position. The following will highlight preliminary key factors for the subject site. Additional information related to a specific hotel development would be provided in a Phase II Comprehensive Market Study.

- The proposed hotel site is a vacant parcel of land on the east side of Moorland Road in a newly developing commercial corridor of the city. Moorland Road is the major access route into the city and is also the city's connection to I-43 to the north, approximately one mile. This site is located less than a half-mile south of College Avenue and a half-mile north of Janesville Road on Commerce Center Parkway. Janesville Road is the main east and west route through the city and contains the majority of Muskego's commercial and retail activity.
- This newly developing commercial area is currently home to a large GE Healthcare corporate complex to the west of the site, across Moorland Road. There is an existing Kohl's department store south of the site and a new Wal-Mart SuperCenter is currently under construction adjacent to the subject site. A small business park will be developed to the east of the Wal-Mart to provide some separation between the current residential area and the new commercial area. Positioning the hotel on the available land closest to the new Wal-Mart and the proposed business park will give this property a competitive advantage by being immediately surrounded by support services and potential demand generators.
- The main entrance to the subject site will be from Commerce Center Parkway.
- There are currently no other hotels in the City of Muskego. The nearest hotels to this market are found in New Berlin at the I-43 and Moorland Road interchange. This interchange is located approximately one mile north of the subject site and offers a La Quinta Inn and a Holiday Inn Express.
- As mentioned previously, the land is currently vacant and it was reported that there was no previous use of the site.

- Overall, *Accessibility* to the site will be good. The area surrounding the main entrance is controlled by stop lights and at this time it appears that traffic congestion is not a problem and will not hinder access to the site. This site is not situated immediately along the interstate so additional hotel signage along Moorland and at the I-43 will be required to raise awareness of the property and guide guests to the property.
- *Visibility* of the site will be very good when approaching from the north or south on Moorland Road. Its multi-story construction will also allow this property to stand out. There is a slight incline on the north side of the site and this will limit some visibility to southbound traffic on Moorland Road. Still, appropriate signage should lessen the impact of this incline. As mentioned, there will be no interstate visibility of this site as it is located approximately one mile south of I-43. For this reason, signage along Moorland Road as well as on the Interstate will be very important.
- *Support services* in the area immediately surrounding this site are currently limited. As mentioned, a Wal-Mart SuperCenter is currently being developed and should be completed prior to the opening of the proposed hotel. There is also the potential for dining, retail and other commercial venues to open in this area as all of the land in this corridor is zoned for commercial development. Currently, there is a Kohl's Department Store to the south of the site at the intersection of Moorland Road and Janesville Road as well as a variety of other support services. A walking path along Moorland Road allows pedestrians to walk to these support services in the warmer weather months. Big box retail and entertainment options are available north of the site at the intersection of I-43 and Moorland Road in New Berlin. Support services in this area include the Marcus Ridge Movie Theater, Stonefire Pizza, Texas Roadhouse, Applebee's, Michael's, Target, and Sportsman's Warehouse. A gas station and convenience store are also found at the intersection of Moorland Road and Grange Avenue to the north of the site.
- There are some additional support services located along Janesville Road including grocery stores, locally owned and fast food restaurants, and residential support services. At this time Muskego does not have a specific downtown area.
- This property will have a strong competitive position since it will be located along the major traffic route into the city and will have fairly easy access to I-43. Additionally, this site is centrally located to provide services to both Milwaukee and Waukesha County. This location will allow this hotel to draw demand from a wide regional area during times of high demand. This subject site will be located in the newest commercial area in the city and will

be able to capitalize on not only the corporate activity in Muskego but the large amount of corporate and commercial activity in New Berlin as well. Lastly, this property will be developed in a city with a well established residential population and a strong wedding and reunion market. This will be a large portion of the Social/Leisure demand at this property. The recreational amenities in Muskego will also strengthen the Social/Leisure demand markets.

ECONOMIC OVERVIEW

This section of the report will highlight the preliminary key factors of the general economic conditions observed for this area by reviewing various research sources.

- The Muskego market area is driven by manufacturing, business professional, and education, healthcare and social services industries. These three industries are also the top industries in Muskego. It should also be noted that in the city the fourth leading industry is Retail Trade. This industry plays a strong economic role in the market currently despite the lack of large commercial and retail areas within the city. This sector has the potential to grow as the commercial area surrounding the subject site develops.
- The City of Muskego had 21,397 residents in 2000 and Waukesha County had a population of 360,767. The City of Muskego represented 5.9% of Waukesha County's population. This percentage increased slightly to 6.0% in 2008 when the county had a population of 378,372 and the city had a population of 22,551. This indicates an annual population growth rate of 0.9% per year in Muskego during these eight years. This is a slightly higher rate than that of the county where a 0.6% annual population growth rate was seen over these eight years.
- When looking at the growth seen over the ten years between 1998 and 2008 the county's population shows an annual rate of growth of 0.9%. from 1998 to 2008. This rate of growth is higher than the annual rate of growth seen in the State, 0.7%, and in the region, 0.5%. This pattern was also seen in household growth during these ten years as the county had a higher annual rate of growth than the state and the region during this ten year period.
- The per capita Effective Buying Income in the county is growing at a rate of 2.7% per year. This is higher than the growth seen in the state and the region. The state is growing at an annual rate of 2.3%, while the region is growing at a rate of 1.7% per year.
- Specific Effective Buying Income was not available for the City of Muskego, however the per capita income in 2000 was estimated to be \$26,199 which yielded 89.8% of the per capita income in the county in 2000 of \$29,164. The per capita income in the county was estimated to improve to \$36,949 in 2008. The per capita income in the city increased to \$35,208, increasing the yield of the county to 95.3%.
- Per capita Retail Sales in the county are growing at a rate of 3.9% per year. This correlates with an annual growth rate of 3.2% in the State of Wisconsin and an annual growth rate of 3.5% in the region.

- The yield of Retail Sales to Effective Buying Income is improving in the county. The yield in 1998 was 68.4% and it increased to 74.5% in 2008. This reflects the large amount of commercial and retail growth that occurred in the county during the past ten years. It also indicates that more economic dollars are staying within the county and that there has been growth in the external factors entering the county.
- Per capita Eating and Drinking Place Sales in the county have increased considerably at an annual rate of 7.5% compared to the state with an increased annual rate of 3.1%.
- The yield of per capita Eating and Drinking Place Sales as a percentage of Effective Buying Income is also increasing in the county. Over the last ten years, the county's rate rose from 4.5% in 1998 to 6.2% in 2008. This again shows the increased commercial development in the market as well as the presence of external factors entering to the area. This is encouraging as it indicates that more dollars are remaining in the county.
- In analyzing these statistics, it appears that overall the market area is healthy and growing on a consistent basis. While specific data was unavailable for the City of Muskego in regards to Retail Sales and Eating and Drinking Place Sales, it can be assumed that the trends of the past ten years in the city are likely slightly lower than those seen in the county due to the more rural nature of Muskego. However, there is a strong potential for this to change as the city develops more commercial areas and expands its residential areas. It is likely that with these additional developments the city will perform very similarly to the county in the next five to ten years.
- Employment data for the City of Muskego indicates that Education, Health & Social Services, Manufacturing, and Business/Professional are the top three industries with 6,401 employees. These three industries represent 50.2% of the workforce. This percentage is slightly below average and demonstrates the strong role that these industries play in the city's economy.
- The Education, Health and Social Services sector is the largest employer and represents 24.3% of the workforce. The public school system, local medical clinics, nursing homes, and other medical housing assist in this employment area.
- The Manufacturing sector generates 15.6% of the employment base in the area. The two largest manufacturing companies in the city are InPro Corporation and Wiza Industries, Inc. There are also other smaller manufacturing companies in the city which contribute to the strength of this sector.

- The Business/Professional industry represents 10.3% of the employment base. This sector consists of the numerous small businesses located throughout the city. This industry sector and the Manufacturing sector have the potential to increase if the proposed business park is developed behind the new Wal-Mart.
- As mentioned earlier in this report, the fourth leading industry is Retail. While there is no one area of large retail development, there are local retailers located throughout the city with the Kohl's Department Store being the largest retail employer. This segment represents 9.0% of the employment in the city. If this segment was added to the data for the top three industries listed above the top four industries would represent 7,543 employees and 56.4% of the workforce.
- The top four industries in the county are the same as the top industries in the county. These top four industries in the county represent 128,497 employees and 59.2% of the workforce.
- Unemployment Rates for Waukesha County are traditionally lower rates than the state. On average the Unemployment Rates in the county are lower than those in the state by 0.8%. The lowest rate in the county was seen in 1999 when the Unemployment Rate in the county was 2.1%. The rate in the state at that time was 3.1%. The highest rate in the county was seen in 2003 with a rate of 4.8%. The highest rate in the state was also seen in 2003 with a rate of 5.6%. The Unemployment Rate in 2008 was 3.9% in the county and 4.7% in the state and the rate in the county has remained the same from 2007 and increased slightly since 2006. The recent hardships of the United States economy are somewhat responsible for these rises in rates. Overall, the average rate in the county is 3.7% while the average in the state is 4.6%.
- The year-to-date Unemployment Rate in the county through November, 2009 is 7.5% while the state's rate is 8.5%. These rates are showing higher percentages of unemployment and this is still the result of the United States economy as well as the household residential growth in the Waukesha County area.
- This Unemployment Rate should help to avoid any significant labor pressures in Service sector employment despite the developing retail in the city. Hotels will compete with other retail, restaurant and service related establishments for staffing. Also, competing with higher paying Manufacturing jobs will also potentially impact wages. However, this was not reported to be a major issue in the city or the county.

- At the time of this report, no unusual labor supply or wage pressures were uncovered or mentioned.
- Transportation to the area is via the interstate, highways, and via commercial air service. I-43 provides the most active access to the community. This interstate is north of the site and can be easily accessed via Moorland Road. I-43 connects the Muskego area with I-894 in Milwaukee, Wisconsin, about five miles to the east and with I-39 and I-90 in Beloit about sixty miles southwest of Muskego. I-43 also connects Muskego to the City of Waukesha located to the west of the city. Moorland Road is also a major route through the county, serving as a connection between Muskego and New Berlin and Brookfield.
- Traffic Counts in the area surrounding the subject site are slightly skewed based on the fact that Moorland Road only recently became a connection from Janesville Road to I-43. There has been extensive construction on Moorland Road as well as on the I-43 exit and entrance ramps. Traffic counts show negative growth in recent years because of the road closures and detours during this time. Still, rates on I-43 appear strong with positive growth rates in all areas in 2007. Traffic on Janesville Road at Moorland road has grown considerably from 2003 to 2006 with a rate of growth of 35.9%. Counts on Moorland Road are showing negative growth in all areas, however this is due to the large amount of construction and road closures. It was reported that since the completion of the connection between I-43 and Janesville Road, Moorland Road has become very well traveled. Preliminary research by the city has shown that this has become the main route in and out of the city and this is the reasoning behind the development of the commercial corridor along Moorland Road. It was also reported that the area south of Janesville Road will be the area for future residential development and Moorland Road would be the main access point for these residential developments. Overall, traffic counts are positive in this area and encouraging for new developments along Moorland Road.
- The closest commercial air service is provided by General Mitchell Airport in Milwaukee, Wisconsin. This airport is approximately 15 miles east of Muskego. General Mitchell Airport has well developed domestic air service via most major United States carriers. It is a hub airport for Midwest Airlines and AirTran Airlines which provides a developing domestic air route system. The other airlines support Milwaukee with air service which links with their hub cities. Northwest Airlines has developed a combination of selective, direct city and hub city service from Milwaukee. There is also some scheduled international service to Canada.

LODGING DEMAND

This section of this report will focus on the highlights of the preliminary *Lodging Demand* characteristics discovered for this market, and will be a brief overview of the Lodging Demand identified in this market. A more comprehensive Phase II Market Study would enhance this information.

- The preliminary *Market Segmentation* identified for this proposed hotel indicates that the following are the areas where Lodging Demand is developed.

MARKET SEGMENTATION					
	SUBJECT MARKET PROBABLE PERCENT OF MARKET	RANGE	PROPOSED PROPERTY PROBABLE MARKET	MARKET PENET.	RANGE
Individual Travel Markets	75.0%	72.5%-77.5%	75.0%	100.0%	72.5%-77.5%
Corporate/Commercial	35.0%	32.5%-37.5%	35.0%	100.0%	32.5%-37.5%
Social/Leisure	40.0%	37.5%-42.5%	40.0%	100.0%	37.5%-42.5%
Group Markets	25.0%	22.5%-27.5%	25.0%	100.0%	22.5%-27.5%
Business Related	10.0%	7.5%-12.5%	10.0%	100.0%	7.5%-12.5%
Social/Leisure Related	15.0%	12.5%-17.5%	15.0%	100.0%	12.5%-17.5%
TOTAL	100.0%		100.0%		

Source: HMI

- As indicated, this market draws most of its Lodging Demand from the Individual Travel Markets. The overall market also draws more Corporate/Commercial demand than Social/Leisure demand. The proposed property will draw a slightly different segmentation as it will focus slightly more on the Social/Leisure demand than the overall market. Demand from the Group Market Segments would be more limited, but still present due to the companies currently located in Muskego and the potential commercial development planned for the area. The companies in New Berlin could also generate demand for this property. The Group Social/Leisure market would perform slightly better than the Group Corporate/Commercial market at the proposed property due to the well established residential and recreational market in the city and the smaller amount of large businesses located in the city. A meeting room or banquet space could increase the performance of the Group demand segments.

- The proposed hotel, being a mid-priced, limited-service style hotel, located in the newest commercial corridor of Muskego with easy access to the New Berlin business parks and I-43 will be well positioned to serve the Lodging Demand within the overall market area. The convenient location of this site to I-43 will allow this property to serve the regional markets during times of high demand.
- Additionally, this property will be the only hotel in Muskego which will position it well to serve the growing Corporate/Commercial markets in the city as well as the strong residential base.
- The following chart will highlight the diversity of Lodging Demand identified in this market.

MARKET SEGMENTATION PROFILES		
	Demand Potential	
	Transient = T Extended= E Group= G	Subject Property Potential
Corporate/Commercial Markets		
Area Companies		
Administration	T, G, E	Average
Sales & Marketing	T, G	Average
Visiting Customers & Clients	T	Average
Human Resources	T, E	Average
Product Transportation	T	Below
Vendors & Suppliers to Local Market	T	Average
Area Medical	T, E	Below
Meetings and Seminars	G	Average
Corporate	G	Average
Association	G	Average
Government	G	Below
Training Groups	G	Average
Convention Overflow	G	Below
Inventory and Auditing Companies	G, E	Average
	Potential	Average
Social/Leisure Markets		
Visiting Friends & Relatives	T	Average
Interstate 43 Travelers	T	Average
Area Sites, Activities & Recreation	T	Average
Area Events & Festivals	T	Average
Relocation-Real Estate	T, E	Average
Distressed Social-Interim Housing	T, E	Average
Social, Military, Educational, Religious, Fraternal (S.M.E.R.F.) Groups		
Weddings	G	Above
Reunions	G	Above
Other	G	Average
Association	G	Average
Area Event and Festival Overflow	G	Average
Convention Overflow	G	Below
Youth Sports		
Visiting Teams	G	Average
	Potential	Average
	Overall Potential	Average

Source: HMI

- This market will derive its Lodging Demand from the Health Care and Education, Manufacturing, and Business Professional sectors. Also, the Retail market will play a role in this market. It was reported that these sectors are expected to diversify and grow in the future as the development of the commercial corridor along Moorland Road adds new companies to the area and retail in the area continues to grow.
- The following is a listing of major companies in the City of Muskego.

MAJOR EMPLOYERS		
Muskego, WI		
COMPANY	SERVICE OR PRODUCT	TOTAL EMPLOYEES
Muskego Norway School District	Schools	600
InPro Corporation	Manufacturing/Processing	286
Wiza Industries LLC.	Manufacturing/Processing	265
GE Healthcare Technologies	Distributor	120
Pick' n Save Muskego	Grocers	114
Aurora St. Lukes Muskego	Physicians	100
Tudor Oaks Retirement Community	Senior Living/Health Care	100
4 Front	Engineers	80
Reynolds Machine Co.	Machine Shop	65
ACE World Wide	Real Estate Developer	59
Muskego Lakes Country Club	Golf Course	50
NABCO Entrances, Inc.	Manufacturing/Processing	50
Wisconsin Coil Spring, Inc.	Manufacturing/Processing	50
Muskego Health Care Center	Senior Living/Health Care	50
Great Lakes Dart Distribution	Manufacturing/Processing	50
Payne & Dolan, Inc.	Asphalt Manufacturing/Processing	50
Veolia ES Solid Waste Midwest, Inc.	Waste Reduction & Services	50
Waukesha State Bank	Banks & Financial Services	50
Piggly Wiggly	Grocers	50
E.J. Salentine Buick-Pontiac	Automotive	49
ProHealth Care Medical Associates	Physicians	49
Precision Screw Thread Corp	Manufacturing/Processing	49
Lakeshore Medical Clinic	Physicians	49
Custom Wire Industries	Manufacturing/Processing	40
City of Muskego	Government	40

Source: Muskego Chamber of Commerce

- The subject site will be located very close to the two major business and industrial parks along Moorland Road in New Berlin. These two parks are separated by I-43 and have been ranked as the third and eleventh largest business parks in the state. Below is a listing of some of the major companies in these parks.

MAJOR EMPLOYERS New Berlin, WI Industrial and Business Parks
Avanti
Buy Seasons
CGS Premiere
Christopher Morgan
Emteq
Fuji Film
GMR Marketing
GS Hydraulics
Home Care Medical
Industrial Electric
Milwaukee Valve
Office Max Distribution
Rexnord
Unisource
<i>Source: HMI, Inc.</i>

- It should be noted that a portion of the companies listed above have regional and national ties and will commonly generate Lodging Demand as clients, suppliers, administration, and board members come to the area. This property could also be well used by the human resource departments of these companies. Being the only hotel in Muskego and being located in the new commercial corridor will assist this property in drawing this demand over the existing properties in the area.
- There are currently no major medical facilities in Muskego or in the area immediately surrounding the site. The nearest hospital would be Waukesha Memorial Hospital located to the west of Muskego. At this time there are numerous clinics and medical offices located in the city as well as senior and assisted living centers. Due to the lack of a major medical facility it is felt that minimal Lodging Demand would be generated by this market segment.

- New retail, commercial and residential development will generate the potential for construction crews, opening crews, and training personnel. The area most likely to see construction activity in the near future is the business park to the east of the site, behind the new Wal-Mart. There is also the potential for additional retail and commercial development surrounding the subject site and these would also have the potential to generate demand from this segment.
- Due to the heavy concentration of corporate and commercial businesses in New Berlin and the companies located in Muskego there is the potential for this property to attract some corporate meeting demand. These groups could be educational seminars, strategic planning sessions, trainings, etc. There is also the potential for associations in the area to hold meetings. The potential to service this type of demand would be greatly improved if meeting space was added to the hotel.
- As mentioned earlier in this report, Muskego has many recreational offerings with the most popular being the two lakes located in the city. Big Muskego Lake is well known for its excellent fishing and hunting. This lake is shallow and does not allow for much recreational boating. Little Muskego Lake is the popular location for boating and water sports as it is deeper than Big Muskego Lake. At this time there are no parks or public gathering areas around the lakes' shorelines. It was reported that the city hopes that in the future a public area could be created for area festivals, events, and concerts. Muskego also has a well maintained series of hiking and biking trails as well as numerous parks. There is currently a plan for the development of a new park in the city which would include a baseball field, soccer fields, football field, hockey rink, sledding hill and nature walk. It was reported by area officials that the city hopes to capitalize on and market the natural amenities of the city more in the future to strengthen the leisure tourism in the market. There is also golf in the market area.
- The city also holds annual festivals and events. The largest festival is Muskego Fest, which is a four day festival held in August. This event was reported to draw approximately 25,000 people over the four days.
- The strong residential market in the city will have the potential to generate demand from visiting friends and family. At this time there are no hotels in the city and it was reported that residents have expressed a need for overnight rooms for their guests.

- Also related to the residential market will be the potential demand from the Distressed Social Interim Housing market. Demand from this market is generated by area residents who need an overnight room due to fire, natural disaster, divorce, home improvements and floods. There is the potential for this type of demand to be extended stay in nature.
- The Group Social/Leisure market will benefit from the residential market. It generates a steady wedding and reunion market in the city. This market segment would also be strengthened by the addition of meeting space at the proposed property for rehearsal dinners, gift openings, wedding and baby showers and other family events.
- There are many large events and festivals held in Milwaukee in the warmer summer months such as Summerfest, Harley Davidson Anniversary Celebrations and ethnic festivals. These events tend to fill hotels in the downtown area as well as the surrounding suburbs. Due to its location near I-43, there is the potential for this property to service attendees, vendors, and performers.
- The Youth and Amateur sport markets were not reported to be very strong in this market area due mainly to the lack of large facilities in the area. For this reason this segment will generate minimal Lodging Demand at the proposed property.
- The preliminary *Seasonality of Lodging Demand* for this market is showing strong Lodging Demand from June through September each year. This is traditional for the Midwest market area. Traditionally, the Midwest shows stronger occupancies from June (possibly late May) through September (possibly into October). In this market, May and October appear to be fairly strong shoulder months. The stronger Social/Leisure markets in Muskego and the warmer weather are the main reasons for the high demand seen in the summer months. The Corporate/Commercial market, which is based on the companies located in Muskego and the surrounding market areas, is the main reason for the consistent base demand throughout the year. It is clear that the strength of this market area is tourism as demand shows a sharp decrease in the cooler months from November through April. It should be noted that the tourism market described above is not restricted to the New Berlin and Muskego area. The summer tourism market in this area is driven by the large festivals held in Milwaukee as well as the numerous events, activities and recreational sites located throughout Waukesha and Milwaukee County.

- The strongest quarter of the year is from June through August with 30.9% of the annual demand generated during this period. May and September are also very strong with each adding 8.9% to the annual demand. Adding the shoulder months of April and October to this mix, an additional 16.3% of the annual demand is generated for a total of 65.0% of demand.
- The slowest period of the year is December through February with 20.1% of the annual demand generated. This seasonality, while below average for the year, it is still higher than the average for this region. The strong residential population as well as the steady Corporate market are likely the reason for this consistent demand.
- Tuesday and Wednesday nights are the highest Occupancy nights averaging 75.3% and 74.0%, respectively. Friday and Saturday nights are averaging 52.7% and 61.3%, respectively.
- ADR averages \$93.94 on Friday and Saturday. During the week, Monday through Thursday, ADR averages \$95.60. This indicates the strength of the Corporate/Commercial market since rates are higher when demand is higher during the week. Typically this type of market will experience negotiated or corporate rates. While these types of rates are likely present in this market, the average weekday rates still remain higher than the weekend rates. The Social/Leisure market is also strong in this market but there is the potential for hotels in this market to offer discounted or packaged rates on weekends.
- This market appears to maximize revenue well four months of the year; June through September. The remaining eight months, it appears that demand decreases due mainly to the decrease in the presence of the summer tourism market in this area. While it may be possible to raise rates to compensate for lower revenues caused by decreased demand, this may prove difficult since it is very likely that negotiated and corporate rates are keeping rates low. Raising rates has the potential to negatively affect the already slower demand during these eight months.
- Preliminary *Lodging Demand Potential* would be rated as slightly below average. The strongest potential for the proposed hotel will be from the Individual and Group Social/Leisure markets. Slightly below average Lodging Demand Potential is expected in the Individual and Group Corporate/Commercial markets due in part to the fact that there are fewer companies located in the City of Muskego at this time. Most of this demand would come from the New Berlin Corporate/Commercial market where two hotels are currently located. There is the potential for this demand to increase as the commercial corridor in Muskego is further developed. The

Social/Leisure market will yield 92.0% to average Lodging Demand and the Corporate/Commercial market will yield 84.0% Lodging Demand potential.

- The preliminary *Rate Resistance* in the market was estimated to be average. This average resistance is due to the below average resistance in the Corporate/Commercial market and the above average resistance in the Social/Leisure markets. The nature of the proposed hotel as a mid-priced hotel should mitigate some rate sensitivity. It is likely that discounted and negotiated rates are being offered in both market segments, however it appears that this market maintains a relatively high rate structure throughout the year.
- The overall Rate Sensitivity in the market should yield 100.0% of average rate sensitivity. The Social/Leisure rate sensitivity will yield 104.0% to the average; and Corporate/Commercial will yield 92.0% of average rate sensitivity.
- The *Feeder Markets* for this hotel will be mainly regional. Many of the companies in the area have regional ties and regional tourism will also be drawn to this area. The regional market served by Muskego is highlighted in Exhibit 2 of this report.
- The Corporate/Commercial market would originate from cities where local companies do business and would be regional and in some cases national. It was reported that there is small potential for international ties with area companies.
- The majority of the Social/Leisure demand would originate from the regional market. Also, friends and relatives from outside the area will generate potential national demand. The recreational tourism market is generated from a regional market, while any overflow demand from Milwaukee events could originate from national and international markets.
- *Unaccommodated Lodging Demand* could potentially occur in this market. Unaccommodated Lodging Demand is described as demand desiring to stay in the market but having to find accommodations in other areas due to high Occupancy or the lack of available Lodging Supply. In this market, this could occur on 76 nights. There are 76 nights during the year when Occupancy rates are over 70%: Friday and Saturday nights and Tuesday and Wednesday nights, mainly during the summer months and shoulder months. With Occupancy levels at 70% and higher it is typical that the newer hotels would be sold out. Large events like the summer festivals in Milwaukee and holiday weekends are examples of when this demand could occur. On these

nights with high rates of Occupancy, there is potential for some of this demand to enter the Muskego market.

- A secondary definition of Unaccommodated Lodging Demand is demand desiring to stay in other markets but having to stay in the Muskego market due to a lack of Lodging Supply in their preferred market. This type of Unaccommodated Lodging Demand does not currently occur in this market since there are currently no hotels located in Muskego.

LODGING SUPPLY

This section of the report describes the primary competitive Lodging Supply that will affect the subject property, particularly for hotel room demand usage. A more comprehensive Phase II Market Study would enhance this information.

- There are six hotels in the areas surrounding Muskego and these properties were used to form a *Statistical Competitive Set*. Currently there are no hotels in the City of Muskego. The six hotels in the surrounding market comprise 1,053 rooms and will provide some competition for the proposed hotel. All of these hotels are chain affiliated, with the exception of the 201-room Brookfield Suites property.
- All of the chain affiliated hotels in the market are Mid-Priced, Limited-Service, or Full-Service hotels. The Brookfield Suites, a former Embassy Suites, property is a Full-Service, All-Suite property that provides a 4,000 square foot ballroom.
- The properties in the Brookfield area, to the north of the subject site, near I-94, include the Brookfield Suites, Country Inn and Suites, Best Western Midway Hotel, and the Sheraton Hotel. In the New Berlin market, near I-43, there is a La Quinta Inn and Suites and a Holiday Inn Express and Suites.
- It should be noted that while the properties in Brookfield are included in the Competitive Set, the demand in Muskego and New Berlin is largely served by the two hotel properties in New Berlin. Still, in times of high demand and during large events in the Milwaukee area all of the properties in this Competitive Set serve this overall regional market. Therefore all of these properties have the potential to generate some competition with the proposed hotel.
- The newest property in the market is the Holiday Inn Express and Suites in New Berlin which opened in 2002 with 101 rooms.
- There has been some very preliminary discussion of a large convention center and waterpark hotel in New Berlin, near the intersection of Greenfield and Moorland Road area. This project is in a very preliminary stage and according to area representatives there is the potential for this property not to come into fruition. For this reason, the development of this property was not factored into the projections presented later in this report.
- There are two price tiers operating in the market. The highest ADR tier is driven by the properties in the Brookfield area. This higher tier consists of the Sheraton, Best Western Midway, the Country Inn and Suites, and the

Brookfield Suites property. These properties offer rates ranging \$100 to \$150 per night. The lower tier consists of the La Quinta Inn and Suites and the Holiday Inn Express in New Berlin. These properties offer rates ranging from \$62 to \$100 per night.

- In order to determine a rate projection for the proposed hotel three properties were removed from the *Statistical Competitive Set* in order to for the *Primary Competitive Set*. The Best Western Midway, Sheraton, and Brookfield Suites were removed from the *Statistical Primary Set* due to their Full-Service style and higher rate structure. The average ADR of the *Primary Competitive Set* is \$79.62 which yields 89.9% to the Overall Competitive Set.
- Rate projection for the proposed hotel would suggest positioning the hotel at 88.0% of the market average. This would position the hotel higher than the La Quinta Inn and Suites, equal to the Holiday Inn Express, and slightly lower than the Country Inn and Suites. This rate positioning is slightly below the average for the *Primary Competitive Set* due to the proposed property's removed location from the interstate and the smaller Corporate/Commercial market present in Muskego. Still, this rate structure will position this property as a strong mid-priced property. The newness of this property in an older hotel market will also assist this property in achieving a higher rate.
- The Holiday Inn Express and Suites and the La Quinta Inn and Suites in New Berlin will be the most competitive hotels with the proposed hotel. Brand Affiliation, Facility Condition, Location, and Market Segmentation are their strengths. Both of these properties will be competitive with this property due to their strong national brands and the fact that they are currently the newest properties in the market. Location will also be a major source of competition as these properties are located immediately off of I-43 with interstate visibility. However, since this property will be the only property located in the City of Muskego and it will be the newest property in the market the competition from these hotels will be slightly less.
- Age will be a competitive factor in this market as the average age of the properties in this market is 29.7 years. The older properties in this market are the Full-Service properties with the oldest being the Sheraton at 38 years. The Mid-Priced, Limited-Service properties are slightly newer with an average age of 9.3 years. The average age of the properties in this market indicates that many of the hotels have already gone through their first major renovation stage and in some cases the older properties may be entering their second major renovation stage. Because of their age, it can be assumed that the Full-Service hotels are well beyond both of these stages and are now in a state of constant maintenance to remain current. The

properties in New Berlin are slightly younger at an average age of 8.5 years, and have likely gone through their first major renovation period. This will allow the proposed property to stand out as the newest property in the market.

- The following data will highlight the competitive performance of the hotels in this market. This will include Occupancy, Average Daily Room Rate, and Sales Revenue.
 - *Lodging Demand Growth* has shown an average -1.8% annual growth from 2004 to 2009. This average growth takes into account periods of negative growth in 2006 and 2007 with rates of (2.6%) and (2.0%), respectively. This was caused mainly by the slow down in the United States economy. As the economy recovers from the recent recession, there is the potential for positive growth to occur in the coming years due to future developments in Muskego. While a negative growth rate for 2009 (approximately (14.9%) was reported, it is felt that this market has the potential to grow due to the commercial land available for development, the strength of the New Berlin industrial parks, the potential growth of the Muskego residential market, and the property's location on Moorland Road. If the (14.9%) growth rate in 2009 was factored out, the historical average would be approximately 0.8%. This is felt to be more representative of the performance in this market. This will indicate a slow, but steady growth in the market. Based on this cumulative average and the potential for growth it is projected that there is the potential for a rate of growth of 0.25% in 2010, 0.50% in 2011, 0.75% in 2012, 1.00% in 2013, and 1.25% in 2014.
 - *Lodging Supply Growth* did not increase from 2004 to 2009. This pattern is expected to continue since no new hotel properties were reported for this area at the time of this report. The fact that there has been no new development in this market over the past five years is encouraging as it allows the proposed property to stand out as the newest hotel in the market.
 - *Occupancy* performance of the market increased from 2003 to 2005 when it reached its highest rate of 66.3%. In the years following 2005, Occupancy decreased annually. The largest decrease occurred between 2008 and 2009 when the rate decreased from 63.3% to 54.0%. The fact that no new hotels were added to the market indicates that this decrease was mainly due to the slow down in both the Corporate and Social/Leisure markets caused by the overall downturn of the United States economy. It is projected that Occupancy rates will increase in the

near future. Increased development in both Muskego and Waukesha County will assist in raising Occupancy rates and will insure the continued strength of the Social/Leisure market. It should also be noted that the ADR in this market grew considerably from 2003 to 2009 and these annual increases may have slightly contributed to the lower Occupancy rates since travelers chose lower priced alternatives.

- The performance of the market shows *Average Daily Room Rates* had a large growth in 2005 and 2006. In 2004 the ADR was \$80.33 and increased to \$84.06 in 2005. This same pattern was seen in 2006 when the rate increased to \$89.99. This annual growth trend continued through 2008 when the highest rate of \$99.65 was seen. In 2009 this market saw its first decrease with a negative growth rate of (11.1%) and an ADR of \$88.57. These ADR increases coincide with the decreases seen in demand and occupancy in this market, and it is possible that this aggressive rate structure may have contributed to some of the decreases in Occupancy and Demand. It is felt that as demand in this market continues to gain strength, ADR will also gain strength due to the strong combination of the Social/Leisure and Corporate/Commercial travel segment coming into this area. Despite this market's aggressive rate increases from 2005 to 2008, the considerable amount of negative growth seen in 2009 brings the historical average to 1.5%. If the negative growth rate in 2009 was removed the historical average would be approximately 4.3%. This average is felt to be more representative of this market's future potential and this market should be able to return to approximately 75% of this average, or 3.17% by 2014. This average would be achieved with a projected rate of growth of 1.00% in 2010, 2.00% in 2011, 3.00% in 2012, 4.00% in 2013, and 5.00% in 2014.
- The recent decreases in Demand and Occupancy, accompanied by the projected decrease in ADR, will assist in projecting a significant decrease in RevPAR in 2009. Due to these decreases, it is projected that the 2009 growth rate will be (24.2%) while the average annual growth rate is 0.0%. Still, based on the potential for Demand, ADR, and Occupancy growth in this market, it is projected that RevPAR will increase in the future. The market RevPAR annual growth rate was forecasted in this report to be 3.4% from 2009 to 2013.

ISSUES, RISKS and OPPORTUNITIES

There are areas that need to be addressed as they may affect the operational performance of the subject hotel. Certain areas will require that additional research be performed to determine how they will affect hotel operation. In this preliminary Phase I Community Overview Market Study, these *Issues, Risks, and Opportunities* are presented as advisory at this time. In a Phase II Comprehensive Market Study, these *Issues, Risks and Opportunities* would be more developed. The following are the highlights of the research performed for an 80 room, mid-priced, Limited-Service hotel property in Muskego, Wisconsin. The type, style and size of this property are supported by the preliminary operational projections presented later in this report.

- The *Growth in Lodging Demand* has the potential to develop with the future development in the Muskego market area. This will be generated by new retail and commercial development along Moorland Road, surrounding the subject site. Continual Lodging Demand will come from the New Berlin industrial parks as well as from the overflow from larger events held in Waukesha, Brookfield, and Milwaukee. While the historic growth in Lodging Demand in this market is not overly strong, it has been steady. It is felt that this average Demand growth has the potential to increase in Muskego as the city continues to develop and strengthen its Corporate/Commercial identity within Waukesha County. The steady Social/Leisure market will also continue to provide demand strength during the warmer months. Overall, it is expected that this market will experience a slow but steady growth trend.
- Modest growth was factored into this preliminary report. The historical average growth in the region has been (1.8%) per year which includes the negative growth rate of (14.7%) in 2009. If this growth rate was factored out the historical average growth rate would be approximately 0.8%, which is felt to be a more accurate representation of this market's potential. Based on this growth rate it is projected that this market could see a growth rate of 0.25% in 2010, 0.50% in 2011, 0.75% in 2012, 1.00% in 2013 and 1.25% in 2014. This relates to a 0.76% average annual increase in demand due to the market's recovery from the recession and future economic growth projected in the area. While this rate of growth is slightly lower than the historical average without the 2009 rate of growth it is still felt that this projection is conservative in order to account for the current United States Economy the future recovery period.
- The *Growth of Lodging Supply* is always a concern. However, this does not appear to be significant at this time. No other new hotels were identified for this area to date. The proposed hotel in New Berlin by Greenfield Avenue and Moorland Road, as mentioned in this report, is not considered likely to occur at this time. Even if it did, it would be a different type of hotel and

would be removed from being a direct competitor to this proposed hotel. Therefore, no new Lodging Supply growth was factored into these preliminary projections. As this market continues to grow, new hotel development may be possible. This should be monitored accordingly.

- *Room rate competition* for a Limited-Service, Mid-Priced hotel product in the market will be present throughout the year. The hotel will need to be aware of other competitors in its competitive set. However, the hotel should perform lower than the average of the Primary Competitive Set and the Overall Competitive Set. This will be due to the upscale or full-service positioning of many of the competitive hotels included in this competitive set. Rate positioning approximately equal to the Holiday Inn Express, higher than the La Quinta Inn and Suites and lower than the Country Inn and Suites will allow this property to offer a mid-priced rate in this market while still benefiting from being the newest property in the market. This positioning will also account for the property's slightly removed location from the interstate and the immediate area surrounding the corporate parks in New Berlin.
- The newness of the hotel product along with the fact that it will be located in the newest commercial area in the city should offer an attractive price/value for travelers to this area. Its convenient location near I-43 will also be a strong factor for this property as it will be well positioned to serve demand from within Muskego as well as demand from the overall regional area. The fact that this property will not be located immediately off the interstate, with no interstate visibility and slightly distanced from the major corporate demand generators will create rate sensitivity and this has the potential to keep rates in Muskego slightly lower. Additionally, it is evident that there are some discounted rates offered on the weekends and there are likely negotiated and corporate rates present in this market. These factors will also keep rates slightly lower. Still, there are higher priced full-service hotels in this market and this property will help to balance some of these higher rates. A mid-priced hotel, as presented in the *Lodging Supply* section of this report, should be able to yield 85.0% when compared to the Overall Competitive Set.
- The *Political Climate* in the City of Muskego seems positive for being pro-growth in general. The City of Muskego is leading the development of the commercial corridor along Moorland Road and making efforts to develop the area surrounding the subject site.
- *Environmental Concerns* would require the necessary research to be performed by the developer. Overall, the site appears to be ready for development. Major environmental concerns do not appear to exist with regard to previous use, toxic waste, floods plain, water drainage, water

seepage, etc. The site has had infra-structure preparations to support the development of the hotel since it appears to be level and cleared for development.

- *Zoning and Architectural Controls* should not be factors for this hotel. The site was reported to be zoned for commercial development. Other commercial development in the area supports this finding. Also, the area does not appear to have any unusual architectural controls in place and standard building code requirements appear to exist.
- *Property Taxes* should be examined by the developer to determine how taxes will affect this project.
- It is recommended that a *national or strong regional brand* be selected for the hotel. This would provide competitive awareness for the hotel. Having a brand associated with the hotel would allow visitors to identify the type of hotel and may also assist in drawing additional support services to the surrounding area.
- Assuming a national or regional brand is selected for this property, an *Area of Franchise Protection* should be addressed by the owner of the subject hotel. This Area of Franchise Protection should be reviewed so that it is deemed compatible with the Muskego market area. It should also be compared with the brand's Incremental Impact Policy. The owner should seek the largest Area of Franchise Protection that can be obtained. At times, using the Incremental Impact Policy may provide the most protection. This market needs to be protected from similar brand development within the regional Muskego market area. It is recommended that the necessary impact research be performed prior to development.

CONCLUSIONS

This section will recap the research performed within this report. These conclusions are based on the research performed for an 80-room, mid-priced, Limited-Service hotel property in Muskego, Wisconsin. The type, style and size of this property are supported by the preliminary operational projections presented in this report.

PROPERTY PERFORMANCE

The following chart shows the preliminary Projected Performance for a mid-priced property. This will indicate preliminary projections for Occupancy, ADR, Room Revenue, and RevPAR at a stabilized year of operation. For these projections, it was estimated to be 2014. The opening date was expected to be late 2010 to early 2011. More detailed projections would be provided in a Phase II Market Study.

PROJECTED PERFORMANCE			
80 ROOM ECONOMY-PRICED, LIMITED-SERVICE PROPERTY			
	PROJECTED MARKET PERFORMANCE <i>PRESENT MARKET</i>	PROJECTED MARKET PENETRATION	PROJECTED HOTEL PERFORMANCE <i>80 ROOMS</i>
OCCUPANCY			
Probable	54.7%	128.0%	70.0%
ADR			
Probable	\$102.63	85.0%	\$87.23
RevPAR			
Probable	\$56.11	108.8%	\$61.05
REVENUE			
Probable	NA	NA	\$1,782,522
<i>*Projected performance is +/- 5 percentage points and will be affected by changes in Lodging Supply and Demand growth levels used to formulate these projections.</i>			
<i>Source: HMI</i>			

As indicated above, the preliminary projections show that the hotel will perform at 128.0% of the market in Occupancy and at 85.0% in ADR. This Occupancy yield is based on the fact that the average sized property in this market is 175.5 rooms. The size adjustment factor used for these projections proved to produce a yield of 219.4%. A yield of 128.0% was used to produce a 70.0% occupancy which was felt to be representative of the potential performance of the proposed hotel. This was felt to be conservative given that the size adjustment factor would allow for a much higher occupancy yield. Its smaller size combined with the newness of the property, its access to the interstate, and the central location to regional demand sources in the market should allow this property to achieve this Occupancy yield. At an Occupancy yield of 128.0% this property should be at a rate of 70.0% Occupancy.

Due to the market and economy recovering from the recent recession, it is anticipated that the subject hotel will have the potential to reach this Occupancy by the third year due to the Corporate/Commercial growth planned for Muskego in the near future and the steadiness of the current Corporate/Commercial. The stronger demand generated in the warmer months from the Social/Leisure markets will also assist in generating this demand. This demand growth takes into account an increasing market demand growth rate projected for each of its first three years operation.

The ADR yield is based on positioning this property with the mid-priced properties in the market. This positioning will allow this property to be a mid-priced property in the market with pricing similar to the Holiday Inn Express in New Berlin. This is felt to be attainable as the subject hotel will be the newest mid-priced property in an older hotel market. It will also have a favorable location with easy access to the interstate as well as being in a city where there are currently no other hotel properties. However, the fact that this subject site does not have interstate visibility and is not located immediately outside of the large New Berlin business parks will make it necessary for this property to be aware of competitor rates to ensure that it is properly positioned to maximize revenue. The higher priced full-service hotels will help to maintain a slightly higher rate as this property will be perceived as a lower priced option for area guests. It is projected that ADR growth will average 3.17% per year. This is approximately 75% of the historical market growth rate, after the removal of the (11.1%) growth rate seen in 2009. This slightly lower average annual growth rate takes into account the market's recovery from the recession seen in the United States economy as well as the slightly remote location of the subject site. Also, ADR typically recovers after demand grows. This could be further researched in a Phase II Comprehensive Market Study. Improved yield in Occupancy and/or ADR would enhance the Revenue potential.

PROPERTY RECOMMENDATIONS

- *The Suggested Property Type* for this proposed hotel is a mid-priced, limited-service hotel. This would be in-line with the research performed in this Phase I Community Overview Market Study and is supported by the preliminary operational projections presented in this report. Further, this type of hotel product would allow the property to be positioned properly at the subject site to best serve the demographics of the competitive set within the current market. It could be expected that a new mid-priced brand hotel would capture displaced Lodging Demand from the older mid-priced properties in the regional market area due to its new facility offerings. Additionally, this property will have the potential to serve as a convenient lower-priced alternative to the full-service properties located in Brookfield during times of high demand in the regional market. The location of this property in the new commercial area of the city with easy access to the

interstate, being the first hotel in Muskego will also assist in drawing demand. Overall, it should offer a solid price/value relationship for travelers to this area.

- The *Property Size* of the mid-priced hotel was researched in this preliminary market study to be an 80-room hotel. The average number of rooms for area properties is currently 175.5 rooms due to the presence of the larger full-service properties in Brookfield. An 80-room property would enable this property to be lower than the average size for this market. The New Berlin properties are slightly smaller than the Brookfield properties and have an average property size of 94.5 rooms. In either case, being smaller than the average property gives this property the potential to improve Occupancy performance. This factor was taken into account when preparing the final projections. This sized property would not overbuild the area and would allow for strong Occupancy and serve the demand very well. The specific number of rooms to be built in this market could be researched in more detail in a Phase II Comprehensive Market Study.

- As previously presented, the preliminary suggested *Rate Positioning* for the proposed hotel would place it approximately equal to the Holiday Inn Express, lower than the Country Inn and Suites and higher than the La Quinta Inn and Suites. This would provide a positioning of 85.0% to the Overall Competitive Set in this market and takes into account the slightly removed location and the mid-priced style of this property compared to the full-service properties in the market.

- The *Product Features* that the hotel will offer are determined mainly by the market it is attempting to attract. Standard features and amenities, as required by the franchise/brand chosen for the proposed hotel, should be followed. There may be some special features required to attract the target markets identified in this report. At this time they may include the following amenities:
 - An indoor pool would be advised due to the number of Social/Leisure travelers to the area.

 - A fitness center should also be considered for this property as it is an amenity used by both market segments.

 - Recreational vehicle parking would be suggested due to the numerous outdoor recreation activities available in the area. Space to park trailers, snowmobiles, boats, and motorcycles would be advised.

- Throughout this report it was mentioned that a meeting room or banquet space could assist in generating Group demand in the Corporate/Commercial and Social/Leisure market segments. It would be suggested that all catering for events held in this space be outsourced to catering companies and restaurants in the area. The exact size and features of this space could be more closely analyzed in a Phase II Comprehensive Market Study Report.
- The recommended *Sleeping Room Configuration* should be compatible with the area's overall Market Segmentation for this property. Given the fact that the property will have a mix of families and corporate guests, the property will need to have a mix of double queen-bedded rooms as well as king-bedded rooms. It would be advisable for more two-bedded rooms to be designed to accommodate families and multiple guests per room.
- *Brand Affiliation* should be considered for this hotel to enhance its marketability. This brand should position the hotel well in this market. It should be competitive with the Market Segments identified for the hotel.
- The *Opening Date* for the hotel should be in line with the seasonality of the market. Ideally, opening the hotel in mid-to-late winter (February) would capture the maximum revenue months prior to the softer seasonal period beginning in late fall (November).

DISCLAIMER

The decisions presented herein were based upon the information available and received at the time this report was compiled. Hospitality Marketers International, Inc., (HMI) has taken every possible precaution to evaluate this information for its completeness, accuracy and reliability. To the best of its knowledge, HMI feels the information and decisions presented herein are sound and reliable.

At the present time of this report, the United States and world economies are in a major recessionary period. The results of this recession have had significant effects on the economy and social attitudes of the United States. This recession has also altered normal travel patterns by various market segments generating potential Lodging Demand. At the time of the writing of this report, the United States travel industry, and specifically the hotel industry, are still adjusting to and potentially recovering from this recession. The actual long-term results of the recession are still uncertain. There are expectations that the United States will ultimately recover from these events and their effects on the economy and society. There are further expectations that some travel patterns could be changed indefinitely. This report will look at historical trends prior to these significant events. Performance since the start of the recession to the time of this report will also be reviewed and will attempt to factor the effects of these events into the future projections and conclusions presented in this report. Given the present state of uncertainty, HMI is not responsible for effects that occur from future political, economic or social events that ultimately alter these projections. These events should be monitored accordingly and potentially the results of this report may require updating to respond to future events.

Management

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Also, it should be understood that normal economic and marketplace conditions change constantly. HMI assumes no responsibility for information that becomes outdated once this report is written; nor is it responsible for keeping this information current after February, 2010.

It should be understood that the results presented in this report are the professional opinion of HMI and are based upon the information available at this time. These opinions infer proper and professional management of the business operation. The opinions also infer that market conditions do not change the information received upon which those opinions have been based. HMI assumes no responsibility for changes in the marketplace.

Furthermore, it is presumed that those reading this report completely understand its contents and recommendations. If the reader is unclear of the understanding of the contents, clarification should be received from its writer, HMI.

Lastly, HMI assumes that those who receive this study act in accordance with its recommendations. Any deviation from these recommendations is solely the responsibility of those receiving this report.

Further questions concerning this report should be directed to HMI.

Sincerely,
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