Proposed Hotel(s) at UCONN

Storrs, CT

Prepared for

Mr. Robert Corbett
University of Connecticut
Director of Regional Projects & Development

Pinnacle
Advisory Group

Hospitality Consulting
Asset Management
Real Estate Appraisal
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June 16, 2016

Mr. Robert Corbett
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Sent via email: robert.corbett@uconn.edu

Dear Mr. Corbett,

We have completed our analysis in connection with the market demand study for the University of Connecticut ("UConn" or "University").

As part of our analysis, we met with several members of the University community to help refine the scope of the project and we completed the following tasks:

- toured campus, including four potential development sites and well as the existing Nathan Hale Inn;

- surveyed a cross-section of the University community to quantify general demand levels for a new facility for both overnight lodging and meeting use;

- interviewed several members of the community following the survey to better understanding the needs of potential key users of the proposed facility;

- evaluated the greater Hartford-area in terms of the economic and demographic profile as well as from a lodging supply and demand perspective; and,

- prepared facility recommendations in accordance with the engagement letter for two types of facilities and developed estimated operating and financial projections for each scenario.

The findings contained herein were prepared to aid in determining the viability of the project and presented potential operating levels in 2015 value dollars.

Our projections are based upon estimates and assumptions, which are subject to uncertainty and variation. Accordingly, we do not represent them as results that will actually be achieved; however, they have been conscientiously prepared on the basis of information furnished to us, and on our extensive experience in the lodging industry. Furthermore, as in all reports of this type, the estimated operating performance is based upon competent and efficient management and presumes no significant changes in the competitive market from those specifically set forth in this report.

Additional assumptions and limiting conditions are included in the report.

Once you have had sufficient time to review the report, we would be happy to answer any questions you may have. Please do not hesitate to contact us if we can be of further assistance. Thank you for the opportunity to be of service to you.

Respectfully submitted,

Pinnacle Advisory Group

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Executive Summary

Pinnacle Advisory Group was retained by the University of Connecticut (UConn) to work collaboratively with the University to analyze the current feasibility of the development of a hotel either on or proximate to the University's campus in Storrs, CT. Per the request of UConn, we specifically contemplated the development potential for:

> 1) a limited/select-service hotel; or,

> 2) a full-service hotel with conference space.

As part of our analysis, we completed a comprehensive supply and demand analysis, conducted extensive surveys with members of the UConn community, and prepared operating and financial projections for a 76-room select-service hotel and for a 125-room full-service hotel.

Four University-owned sites are being considered for development. Two of the four sites are located off-campus and are not ideally suited for hotel development. A third site is located proximate to the Tech Park development and while this site may hold future potential, we do not currently view it as ideal for hotel development. The fourth site, currently home to the Mansfield Apartments, is, of the four sites discussed, the most appropriate for hotel development. Its proximity to campus as well as to retail and restaurant amenities would best address the needs of the UConn community.

The general location for the proposed hotel at UConn, regardless of the specific site, makes it such that it is likely to be supported primarily by demand that is generated directly or indirectly by the University. Visitors that would elect to stay at the proposed hotel would likely do so because of the need to be on or near to the campus. Therefore, focus of our primary market research and analysis was on the identification and quantification of demand that is being generated from the University which was achieved by conducting a survey of the UConn community. As a result of our survey work and follow-up interviews, we identified lodging demand for approximately 22,200 room nights, but of that total demand, between 16,000 and 17,000 room nights represents potential hotel demand. The remainder of the demand not considered to be potential hotel demand because it is much lower-rated and tends to be accommodated in the dormitories or cannot be capture by the proposed hotel because there is overlap with some demand occurring during peak periods, such as graduation.

Utilizing the results from our demand analysis, we developed two different hotel facility profiles per the specific request of UConn. One scenario contemplates the proposed hotel as a limited/select-service hotel while the second scenario contemplated a full-service hotel, and prepared operating and financial projections for both. In both cases, we believe that the majority of the demand will be coming to the area because of its need to be at or near the University and the financial benefits of a franchise affiliation may not outweigh the cost; however, we recognize that both the University and private developer may value some of the other benefits that a franchise affiliation can provide. Our projections herein assume that the two hotels are independent.

Based our full evaluation, we believe that a 76-room select-service hotel would be best suited for development at the Mansfield Apartment site (or another as-of yet-unidentified site in a nearby location). The following table presents our estimates of operating results for the proposed hotel. Keep

in mind that these operating projections assume that the hotel operates as an independent and does not have a franchise affiliation.

Projected Operating Performance - Select Service			
	Year 1	Year 2	Year 3
Room Nights	16,603	17,601	18,308
Occupancy	60%	63%	66%
Average Rate	$186	$191	$197

Introduction

Situation Analysis

The University of Connecticut (UConn) released a Request for Proposal (RFP) for consulting services pertaining to the development of a hotel facility on or near its main campus in Storrs, CT. As we understand it, UConn recently purchased the Nathan Hale Inn, a 98-room independent hotel located in the heart of the campus. The Nathan Hale Inn is used not only as a hotel but also as student housing. At present, 50 of the 98 rooms are contracted as student dormitory rooms during the course of the academic year and are returned for hotel use during the summer months; however, as the need increases for student housing the objective is to transition the Nathan Hale Inn for full student dormitory use. As such, UConn would like to better understand the University's need for lodging accommodations and meeting space to determine if the development of a new hotel on or near campus is warranted.

Project Scope

Pinnacle Advisory Group was retained by UConn to work collaboratively with the University to analyze the current feasibility of the development of a hotel either on or proximate to the University's campus in Storrs, CT and specifically contemplated the development potential for either 1) a limited/select-service hotel or, 2) a full-service hotel with conference space.

The overall project is to be conducted in two primary phases. Phase I, which is the subject of this report, focused on the evaluation of potential development sites, identification and quantification of potential lodging and meeting demand, facility recommendations for a limited-service hotel and a full-service hotel, and performance projections under each facility scenario. Phase II, to be completed at a later date, would focus on the evaluation of proposals submitted by potential developers interested in the project.

The distillation of our findings for Phase I is presented herein and focuses on our major conclusions regarding facility recommendations, operating potential and key issues and considerations for the project.

Methodology

As part of our analysis, we completed a comprehensive supply and demand analysis, conducted extensive surveys with UConn, and prepared financial projections under two scenarios. The scope of our work during this engagement encompassed the following:

- Introductory conversations and meeting with Robert Corbett - Director of Regional Projects & Development to more fully define the project and understand the objectives of the University;

- Toured the University campus in Storrs, CT, including the four potential University-owned development sites;

- Toured the Nathan Hale Inn, interviewed the current General Manager, and reviewed historical operating data for the inn;

- Surveyed a cross-section of the University community through an online survey instrument to gather quantitative data on the current and potential need for lodging and meeting space;

- Interviewed selected members of the University community following the completion of the survey to clarify and add color to the data gathered through the survey;

- Reviewed information provided by the University regarding current spending at the Nathan Hale Inn as well as other establishments;

- An analysis of the survey data to quantify University demand for lodging and meeting space;

- Evaluated the greater Hartford market from an economic and demographic perspective to provide a frame of reference for our study, as well as from a lodging perspective, specifically with respect to lodging supply and demand;

- Development of two sets of facility recommendations based on identified internal demand – one for a limited-service hotel and one for a full-service hotel with meeting space, per the terms of the engagement letter;

- Preparation of estimated operating potential in terms of annual occupancy, average room rate as well as estimates of total revenues and operating expenses for the facilities as recommended; and

- Preparation and presentation of findings.

The remainder of this report details our findings.

Site Analysis

During the course of our work, we toured the UConn campus, including four university-owned sites, three of which are officially under consideration and one additional site that may be considered.

- Two of the sites, Depot and Begin, are located approximately two miles from the edge of campus, with no contiguous connection to any part of the campus. The sites are both located on former state institutional campuses which are now owned by the University. They are more rural in nature and do not feel as though they are a part of the campus. Neither of these sites is considered desirable for the proposed development.

- A third site, located at the developing Tech Park, is located on the northern edge of campus. While much of the land in this area is still undeveloped, the Master Plan calls for up to five research-oriented public-private partnership buildings that would create a mini-cluster in around this site. While this site has some advantages, such as being on the campus grounds and near to a potential future demand generator, it is less desirable for the proposed development due to the fact that it is not considered walking distance to/from the central part of campus.

- A fourth university-owned site, at the Mansfield Apartments, is also a potential location for the proposed hotel development. The site is located at the southeastern edge of the campus and is currently improved with apartments. The site could be redeveloped with mixed residential and hotel use though due to need to master plan the site, it may require a longer lead time for development.

The following table identifies these sites and lists the advantages and disadvantages of each.

Site Identification	Advantages	Disadvantages	Rank
Depot Site	-Abundant land -University controlled	-No connection to campus -No walking distance	3
Bergin Site	-Abundant land -University controlled	-No connection to campus -Not walking distance	3
Tech Park Site	-Potential future demand from Tech Park -University controlled -Abundant land	-Far side of campus and not considered walking distance	2
Mansfield Apartments Site	-Walking distance to campus and to Storrs Center -Bookends one side of campus -University controlled	-Walking distance to campus and Storrs Center -Site large enough for additional uses -Likely a longer lead time for development	1

It is our view that the Mansfield Apartment site is the most desirable of the four sites described above, primarily due to its location which considered to be within walking distance to campus. Furthermore, we believe that neither the Depot site nor the Bergin site are suitable for the proposed hotel development.

The map on the following page depicts the sites being considered for hotel development.

POTENTIAL HOTEL LOCATIONS

DRAFT | November 2015

Note: Sites subject to change.

Area Review

University of Connecticut (Storrs, CT)

The main campus of the UConn is located in Storrs, approximately 25 miles northeast of downtown Hartford, Connecticut. Founded in 1881, the university ranks among the top 25 public institutions in the country. As of 2015, total student enrollment topped 31,600 (graduate and undergraduate) with more than 18,800 undergraduate students at the main campus in Storrs. There are five regional campuses (Avery Point, Hartford, Stamford, Torrington and Waterbury). Additionally, the School of Law and the Graduate Business Learning Center are located in Hartford along with the School of Social Work. UConn Health is located in Farmington and encompasses the Schools of Medicine & Dental Medicine, clinics and the UConn John Dempsey Hospital. The University offers academic programs and degrees from 14 schools and colleges, including seven undergraduate degrees, 17 graduate degrees, and six professional degree programs. As it is a state university, approximately 77% of undergraduate students and 66% of graduate students are in-state residents. The University employs more than 9,800 full and part-time faculty and staff.

UConn is currently in the midst of a major growth and development initiatives. UConn 2000 has, as of October 2015, authorized 112 projects totaling $2.9 billion in spending, with the $2.6 billion in construction-related contracts issued. Over four million square feet of space has been added with additional renovation projects completed or underway. Tech Park, currently under construction with the first of up to five buildings, is a major undertaking by the university and the state that aims to accelerate innovation with industry, from startups to mid-sized and large corporations; provide an active interface linking basic research and industrial applications; and, advance state economic development goals.

Regional Market Overview

As noted, UConn's main campus is located in Storrs, CT, which is a small town located approximately 25 miles northeast of Hartford. UConn is the main economic driver in the town and the immediate market area.

The towns of Vernon and Manchester, Connecticut are the closest towns to Storrs that generate any substantial economic activity; both are located approximately 16 miles to the east and southeast of Storrs. Vernon is located directly off of Interstate 84(I-84), while Manchester is located off of Route 44, between I-84 and Interstate 384 (I-384). These two towns provide the closest lodging options for visitors to UConn, outside of Storrs. Vernon is located in Tolland County while Manchester is located in Hartford County.

Hartford is the fourth largest city in the state of Connecticut, located approximately 75 miles north of New York City and 140 miles southwest of Boston. Nicknamed the "Insurance Capital of the World", Hartford houses many insurance company headquarters, and insurance remains the region's major industry with companies such as Travelers, Aetna, and The Hartford. Hartford is home to the Wadsworth Athenaeum Museum of Art, the oldest public art museum in the country. The XL Center, a 16,000+ seat downtown sports and entertainment arena is home the AHL's Hartford Wolf Pack, the primary developmental team of the New York Rangers.

The following map depicts the location the UConn (Storrs) campus relative to the Greater Hartford area.
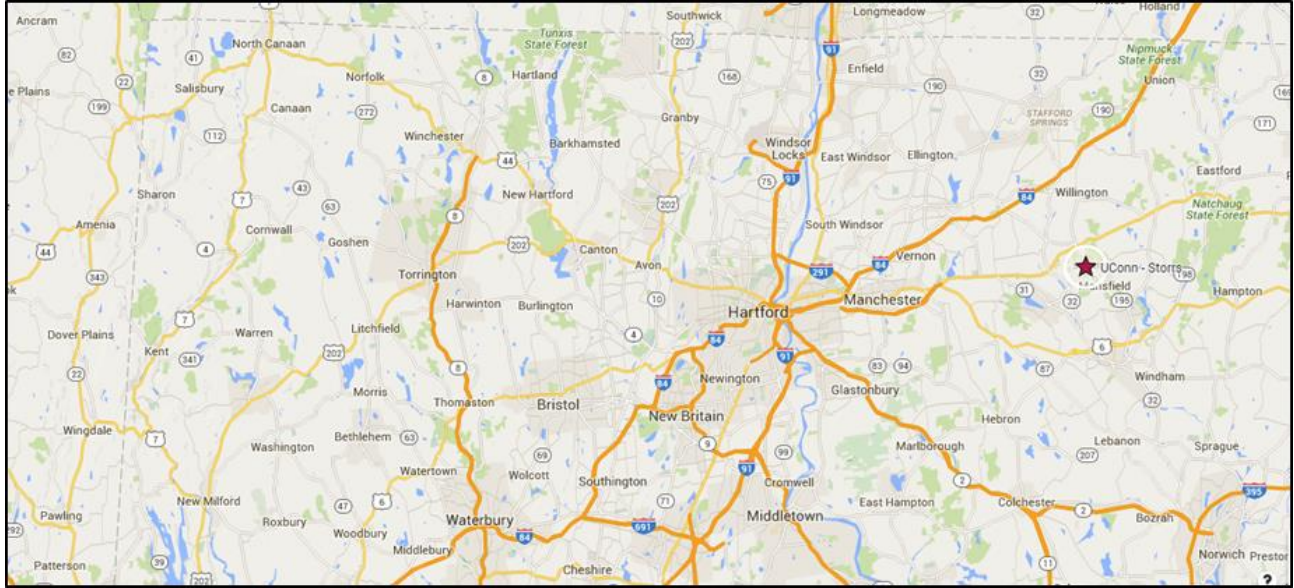
Economic and Demographic Analysis

Based on the fieldwork conducted in the area and a review of a wide variety of economic and demographic data sources, we have evaluated a host of statistics to determine trends that will and do influence lodging demand. A primary source of economic and demographic statistics used in this analysis is the Site to Do Business (STDB) and the Bureau of Labor Statistics (BLS). The following paragraphs discuss the information derived from these and other sources, providing an economic frame of reference for the subject hotel. The data is presented in the following categories; the city of Hartford, Hartford County, the State of Connecticut, and the United States.

Employment

Total employment in the City of Hartford has shown slow growth over the last ten years, growing at a compound average growth rate of 1.0% from 2006 through 2015. Employment has grown nominally in Hartford County as a whole over the same period, with a compound annual growth rate of 0.4%. However, over the last two years total employment has grown at a much faster pace, particularly in the City of Hartford and employment in both the city and county has surpassed pre-recession levels.

The table on the following page depicts total employment statistics for the City of Hartford, Hartford County and the State of Connecticut.

Total Employment			
	City	**County**	**State**
	Hartford	Hartford	Connecticut
2006	44,143	428,842	1,769,225
2007	44,505	432,094	1,778,862
2008	44,042	429,646	1,762,996
2009	43,170	421,523	1,725,098
2010	43,180	427,523	1,740,348
2011	43,171	427,298	1,746,175
2012	42,566	422,063	1,720,371
2013	42,874	425,057	1,732,581
2014	43,995	436,486	1,781,290
2015	48,414	445,108	1,781,517
CAGR: 2006 - 2015	1.0%	0.4%	0.1%

Source: Bureau of Labor Statistics

Unemployment

The following table details unemployment rates for the City of Hartford, Hartford County, the Hartford-West Hartford-East Hartford MSA, the State of Connecticut, and the United States.

Unemployment Rates				
	City	**County**	**State**	**Country**
	Hartford	Hartford	Connecticut	United States
2006	8.2%	4.2%	3.7%	4.6%
2007	9.0%	4.8%	4.4%	4.6%
2008	11.7%	6.5%	6.1%	5.8%
2009	14.7%	8.9%	8.3%	9.3%
2010	16.1%	9.2%	8.7%	9.6%
2011	14.8%	8.1%	7.7%	8.9%
2012	14.8%	7.9%	7.5%	8.1%
2013	12.8%	7.0%	6.7%	7.4%
2014	10.8%	5.9%	5.6%	6.2%
2015	10.4%	5.9%	5.6%	5.3%

Source: Bureau of Labor Statistics

As noted in the table above, the City of Hartford ended 2015 at an unemployment rate of 10.4%, significantly higher than all areas analyzed. While the national unemployment level began to decrease in 2010, unemployment in Hartford did not begin to decrease until 2011 after peaking at 16.1% in 2010. Year-end 2015 unemployment levels are at their lowest point since 2007; however unemployment in the City of Hartford is still well above levels of the county, state and country as a whole.

Population

The following table outlines historical and projected population trends for the City of Hartford, Hartford County, the State of Connecticut, and the United States as a whole.

Population				
	City	**County**	**State**	**Country**
	Hartford	Hartford	Connecticut	United States
2010	124,775	894,014	3,574,097	308,745,538
2015	124,705	895,841	3,590,886	321,418,820
CAGR: 2010 - 2015	-0.01%	0.04%	0.09%	0.81%
Projected				
2019	125,925	906,872	3,648,773	327,981,317
CAGR: 2010 - 2015	0.24%	0.31%	0.40%	0.51%

Source: Bureau of Labor Statistics

Population in the City of Hartford has remained essentially flat from 2010 through 2015, whereas the county and state showed very modest growth, albeit a much lower rate of population growth than for the country as a whole. Hartford's population is projected to grow at a compound annual growth rate of 0.24% between 2015 and 2019, a rate more comparable to the county but still lower than the United States as a whole.

Average Household Income

The following table details historical average household income from 2014 and projections for 2019 for the City of Hartford, Hartford County, the Hartford-West Hartford-East Hartford MSA, the State of Connecticut, and the United States.

Average Household Income					
	City	County	MSA	State	Country
			Hartford-West Hartford-		
	Hartford	Hartford	East Hartford	Connecticut	United States
2014	$43,741	$88,656	$91,604	$97,335	$72,809
Projected					
2019	$51,056	$103,229	$106,446	$114,117	$83,937
CAGR 2014 - 2019	3.14%	3.09%	3.05%	3.23%	2.89%

Source: STDB, U.S. Census Bureau, Census 2010 Summary File 1. Esri forecasts for 2014 and 2019.

As noted in the table above, average household income in the City of Hartford is substantially lower than that of all areas analyzed. Between 2014 and 2019, the projected compound annual growth rate is projected at 3.14%, a growth rate similar to the County and MSA, however average income is still projected to be roughly half of that as the County as a whole.

Commercial Office Market

According to office market reports prepared by CBRE Hartford, there are approximately 6.9 million square feet of office space in downtown Hartford. The following table exhibits historical office statistics.

City of Hartford Office Market Statistics												
	CBD		Overall Hartford		CBD		Overall Hartford		CBD		Overall Hartford	
		%		%		%		%		%		%
Year	Inventory	Change	Inventory	Change	Vacancy	Change	Vacancy	Change	Ave Rent	Change	Ave Rent	Change
2011	7,871,774		25,467,053		30.3%		21.9%		$20.20		$19.19	
2012	8,216,345	4.4%	25,517,237	0.2%	30.3%	0.0%	20.9%	-4.6%	$20.84	3.2%	$19.76	3.0%
2013	7,234,504	-11.9%	24,170,473	-5.3%	18.6%	-38.6%	16.7%	-20.1%	$21.40	2.7%	$19.90	0.7%
2014	7,660,811	5.9%	24,294,658	0.5%	15.3%	-17.7%	15.8%	-5.4%	$21.28	-0.6%	$19.73	-0.9%
2015	6,961,188	-9.1%	25,077,307	3.2%	19.8%	29.4%	19.5%	23.4%	$21.12	-0.8%	$20.57	4.3%
2016	6,961,188	0.0%	24,423,784	-2.6%	21.3%	7.6%	17.9%	-8.2%	$21.35	1.1%	$20.75	0.9%

Over the last two years, office market growth has come from the tech divisions of larger, existing companies such as Travelers Insurance. In 2014, the decline in vacancy rate was a result of the state purchasing existing office space downtown and re-purposing it for state/county uses, including administrative buildings as well as the consolidation of departments into downtown. Vacancy in the Greater Hartford Office market as of Q4 2014 was 15.8%, representing the tightest office market since 2009.

As of Q1 2016, according to Cushman & Wakefield's Hartford office (the most recent data available), the overall office vacancy rate fell to 17.9%, down from 19.5% one year ago, and rental rates have moved up marginally at $20.75 per square foot average asking rent. The decline in vacancy rates is largely due to a 600,000 SF office building in Simsbury being demolished to make way for a new mixed-use development; however, vacancy rates in the CBD have crept up again since 2014 and as of Q1 2016 were at 21.3%.

Convention Center

Opened in 2005, the Connecticut Convention Center has 140,000 square feet of exhibition space, a 40,000 square foot ballroom, and 25,000 square feet of flexible meeting space, making it the largest convention facility between New York and Boston.

As of fiscal year 2014, there were 186 events with an attendance of 372,873. Room night bookings for fiscal year 2014 indicate that lodging room nights generated were ~38,500. City representatives indicate that they do lose convention groups to other cities due to the lack of rooms immediately surrounding the Convention Center, as well as the lack of city-granted subsidies that are available for association businesses in Hartford that these groups can find elsewhere.

While 2014 was viewed as a strong convention year, according to local operators, 2015 through 2017 appear to be softer years in terms of room night bookings associated with the center, and business increases again in 2018. Overall, Convention Center demand is cyclical with increases and decreases in room night demand dependent on group booking patterns.

Transportation

The transportation infrastructure is an integral component to the success of any real estate development. The purpose of a well-organized transportation network is to provide businesses and customers with good locations, easy access, and functionalism.

Highway Transportation

The Hartford area is intersected by Interstate Highways 84 and 91. Interstate 84 connects the region with Waterbury, Danbury, and "upstate" New York to the west, and the Boston region to the northeast. Interstate 91 links Hartford with Meriden, New Haven, Bridgeport, Stamford, and New York City to the south/southwest, and Springfield, Massachusetts and New Hampshire to the north. These major interstate highways provide excellent accessibility to most parts of the region, and combined with a network of auxiliary routes and roadways, serve to minimize driving times for transient and local passengers.

Air Transportation

Bradley International Airport is approximately 15 miles north of the site in Windsor Locks, CT. The airport is Connecticut's busiest commercial airport and the second busiest in New England after Boston's Logan International. In July 2013, the airport transitioned from control of the Connecticut Department

of Transportation to the Connecticut Airport Authority, which has focused on adding new routes. The airport saw an increase of 0.7% in traffic in fiscal year 2013 over 2012, followed by an 8.4% increase in fiscal year 2014 over 2013, in part due to the addition of new non-stop routes to Fort Meyers, Tampa and Atlanta. In October 2014, the airport began daily non-stop flights to Houston. Passenger growth slowed in 2015, increasing just 0.9% over the prior year. Bradley International Airport is served by nine airlines, including Delta, JetBlue, and Southwest as the major carriers.

While likely not to materialize for years, if at all, funds have been committed to attract Ryanair, a low-cost European carrier, to Bradley International. Cheap flights to London, Dublin, and Berlin, among other cities, would be available through the carrier, which is looking for a smaller, cheaper alternative to Boston Logan. The state's plans are to revamp the airport allowing the ability to accommodate more international flights.

The table below presents airport passenger counts over the last four year period.

Bradley International Airport Passenger Statistics		
	Total Enplanements & Deplanements	% Change
2012	5,381,860	
2013	5,420,853	0.7%
2014	5,875,801	8.4%
2015	5,930,761	0.9%

Source: Bradley International Airport

Rail Service

Hartford's Union Station is home to Amtrak which provides service from Hartford to Vermont, via Springfield and southward to New Haven, with connections to New York, Boston, Providence, and Washington DC. The station also serves numerous bus companies.

Currently, work is underway on an infrastructure expansion on the Amtrak-owned New Haven-Hartford-

Springfield line, which will result in construction of over 16 miles of second main track, scheduled to be completed in 2016.

The Intermodal Triangle Project, which is expanding Union Station's rail service, is currently under construction, with the goal of improving connectivity of downtown transit modes. The project is expected to be completed in 2016.

Bus Service

Downtown Hartford offers a free shuttle service, dash, which connects the CT Convention Center, the Riverfront, the CT Science Center, the XL Center, the Arts and Entertainment District, various restaurants, and downtown hotels. Service operates weekdays from 7am-7pm and longer, including on weekends, during major downtown events.

Primary Industries

Hartford is the historic international center of the insurance industry with companies such as Travelers and Aetna having a strong base of operations in the central business district. The city is also home to the corporate headquarters of companies including The Hartford Financial Services Group and The Phoenix Companies.

Currently, a merger is under negation between Aetna and Cigna. The merger announcement forecasts $1.25 billion in operating cost reductions, yet whether Aetna's headquarters will be moved out of Hartford to Indianapolis remains to be seen. Aetna has 6,100 employees in Connecticut, the most of any health insurer in the Insurance Capital. The deal is expected to close in the second quarter of 2016.

Hartford has historically served as the home of the corporate headquarters for United Technologies, which has occupied the Gold building downtown. By the end of 2015, the company will transition out and move into Farmington in an effort to reduce its corporate overhead. The company has more than 211,000 employees worldwide and occupies more than 600,000 square feet of office space in and around the Farm Spring office park in Farmington.

The Hartford area is home to several institutes of higher learning including Trinity College, University of Hartford, and Saint Joseph College. In early 2015, Trinity College purchased the former Travelers Education Center to expand its campus into downtown Hartford. The University of Connecticut is also expanding. Currently, on the back side of the Front Street development area, the former Hartford Times Building is being converted into a downtown campus which will serve approximately 2,300 students that have previously been at the school's west campus. A ground breaking occurred in May of 2015, and the school is anticipated to open in fall of 2017.

The Hartford area also has a significant healthcare presence including Hartford Hospital and St. Francis Hospital and Medical Center. CareCentrix, the nation's leading provider of home health solutions, expanded with 300 employees in June of 2015.

Leisure Attractions

Hartford has two major entertainment venues; the XL Center, a 16,000 downtown arena that hosts concerts, ice skating competition and consumer events as well as serves as the home to the popular UConn basketball teams and the AHL's Wolf Pak, and the Xfininy Theatre, a 30,000 seat indoor/outdoor venue which is one of the largest amphitheaters in the country that hosts year-round events and concerts.

In addition to the entertainment venues, Hartford is home to the Wadsworth Athenaeum Museum, founded in 1842 by one of the country's first major art patrons. The museum is comprised of five buildings and houses a renowned collection of paintings and decorative arts. The Mark Twain House & Museum, a National Historic Landmark which offers tours of the author's house and educational opportunities, is also located in downtown Hartford.

The city's Riverfront has parks with a variety of recreational opportunities including rowing, trails, and athletic fields and also hosts a variety of outdoor summer concerts and events.

Conclusion – Impact on Hotel Demand

The Greater Hartford area is experiencing modest growth in many economic areas. The region has generally recovered from the last recession and is trending in a positive direction. A variety of factors impact the area's lodging demand, from the transient business generated by the area's insurance companies and colleges and universities to the group convention demand generated by the Hartford Convention Center.

Greater Hartford Lodging Market

As part of our analysis in a typical market study, in order to evaluate the current and prospective status of the lodging industry in the surrounding are, we would define a competitive set of hotels for which performance measures and general character of the market can be assessed when examining potential and future demand for lodging in the subject's market area and represent those that we believe would be most competitive with the proposed hotel. In this instance; however, due to the isolated location of the University and the lack of existing hotel supply in the immediate area, there is not an ideal set of hotels that would be appropriate for our comparison purposes. Demand generated by the University is currently accommodated either on campus at the Nathan Hale Inn or at any number of other hotels in the Greater Hartford Area. More specifically, through our research, we learned that existing demand may elect to stay in hotels in downtown Hartford, Windsor Locks by the airport or in Vernon or Manchester, which are two of the closest towns with quality lodging options. As such, no one set of hotels captures the majority of demand from the University. Furthermore, the University demand only represents a small percentage of any one hotel's overall business due to the number of other demand generators in their local market areas. Therefore, as part of our analysis, we evaluated the overall status of the greater Hartford lodging market to simply provide a frame of reference through which to evaluate the proposed hotel.

The data presented in the following table represents all hotel types within the Greater Hartford area, including properties located in Manchester, downtown Hartford, Windsor and Windsor Locks, areas which accommodate lodging demand from the UConn. The table presents the performance of the Greater Hartford lodging market over the last five-year period in terms of available room nights, annual demand, occupancy, average room rate and revenue per available room (RevPAR).

Greater Hartford Market Historical Supply and Demand

Year	Available Room Nights	% Change	Annual Demand	% Change	Occupancy	Pts.	Average Rate	% Change	RevPAR	% Change
	Supply		**Demand**		**Market Performance**					
2011	4,740,933		2,775,696		58.5%		$95.83		$56.11	
2012	4,769,360	0.6%	2,687,027	-3.2%	56.3%	- 2.2%	$98.78	3.1%	$55.65	-0.8%
2013	4,765,330	-0.1%	2,712,471	0.9%	56.9%	0.6%	$101.21	2.5%	$57.61	3.5%
2014	4,779,603	0.3%	2,769,134	2.1%	57.9%	1.0%	$103.94	2.7%	$60.22	4.5%
2015	4,714,930	-1.4%	2,834,055	2.3%	60.1%	2.2%	$107.57	3.5%	$64.66	7.4%
CAGR: 2011-15		-0.1%		0.5%				2.9%		3.6%
YTD Mar 2015	1,165,230		623,914		53.5%		$105.33		$56.40	
YTD Mar 2016	1,164,789	0.0%	597,331	-4.3%	51.3%	-2.3%	$107.96	2.5%	$55.36	-1.8%

* Roomnights rounded to the nearest whole number.

Source: Pinnacle Advisory Group

Over the last five-year period, total supply in the Greater Hartford lodging market has remained relatively consistent, as new hotels enter the market and older supply closes or converts to alternative uses. During the same period, total accommodated demand grew at an average annual rate of 0.5% through 2015. As a result, occupancy for the Greater Hartford lodging market reached 60.1% at year-end 2015. Average rate for the market reached $107.57 in 2015, with average annual growth of 2.9% from 2011 through 2015.

On a year-to-date basis through March 2015, demand declined -4.3% from the same time last year, while average rate grew 2.5%. Many markets in the region experienced a similar decline with much of

the decline occurring in the month of March influenced by the Easter holiday falling in March (as compared to April in the prior year) and a slowdown in group-related business.

While there are pockets that outperform the overall market, there are also pockets that underperform. Variation in performance is influenced by issues such as the quantity and quality of the demand generators in the local market area, the quality of hotel product available and the seasonality and timing of demand. Neighborhoods that have a broader range of demand generators, such as downtown Hartford and the Windsor Locks / Bradley Airport market general outperform the overall market, while rural areas with fewer demand generators may not perform as well as the overall market.

The following table depicts the general seasonality of demand in the Greater Hartford lodging market. Like many New England markets, the first and fourth quarters are slower demand months due to more severe weather, while the second and third quarters, particularly the summer months are considered peak season. Both occupancy and average rate tend to follow the same seasonality patterns.

Five Year Average Market Performance Statistics				
Month	Occupancy	Rate	Demand	Demand
January	45.2%	$98.15	182,054	6.7%
February	51.9%	$99.39	189,233	7.0%
March	53.9%	$100.75	217,656	8.0%
April	55.7%	$98.82	217,959	8.0%
May	60.2%	$102.09	243,434	9.0%
June	64.2%	$102.69	251,094	9.3%
July	61.5%	$100.04	248,899	9.2%
August	61.9%	$101.14	250,052	9.2%
September	61.1%	$101.81	238,529	8.8%
October	66.1%	$104.04	266,710	9.8%
November	58.2%	$100.59	226,924	8.4%
December	44.9%	$95.27	181,525	6.7%
Average / Total	57.1%	$100.32	2,712,670	100.0%

Source: Smith Travel Research

In additional to the general seasonality, demand in the market is stronger during the midweek period. More specifically, Tuesday and Wednesday night represent peak demand days, indicating that the traditional mid-week corporate demand is generally stronger than the weekend leisure demand. The following table presents data for the market on a day of the week basis over last three years.

Occupancy by Day of Week Analysis- Trailing 12 months							
Year	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2013	40.0%	57.6%	66.4%	64.1%	54.4%	54.4%	59.2%
2014	42.3%	60.0%	67.9%	67.4%	56.3%	56.2%	62.1%
2015	42.2%	60.6%	68.9%	67.5%	57.2%	57.5%	62.9%
3- Yr. Average	41.5%	59.4%	67.7%	66.3%	56.0%	56.0%	61.4%
Average Daily Rate by Day of Week Analysis- Trailing 12 months							
Year	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
2013	$94.04	$108.08	$110.64	$109.77	$100.68	$90.88	$91.30
2014	$97.79	$111.85	$114.54	$114.13	$103.95	$93.18	$94.48
2015	$100.10	$115.41	$119.06	$118.08	$106.36	$95.85	$96.68
3- Yr. Average	$97.31	$111.78	$114.74	$114.00	$103.66	$93.30	$94.15

Source: Smith Travel Research

Conclusion

Data for the Greater Hartford lodging market is provided only as a frame of reference for our analysis.

While the Greater Hartford lodging market is showing modestly improving over the last few years, it is still well below the performance levels of the national average. According to Smith Travel Research, as of year-end 2015, the national lodging market reached an occupancy level of 65.5% at an average rate of $120.01. Furthermore, as compared to the entire New England market which finished 2015 at an occupancy level of 64.8% and an average rate of $145.85, the Greater Hartford lodging market lags behind in overall performance.

Identification and Quantification of Demand

The general location for the proposed hotel at UConn, regardless of the specific site, makes it such that it is likely to be supported primarily by demand that is generated directly or indirectly by the University. Visitors that would elect to stay at the proposed hotel would likely do so because of the need to be on or near to the campus. Therefore, focus of our primary market research and analysis was on the identification and quantification of demand that is being generated from the University which was achieved by conducting a survey of the UConn community to better understand the current and future needs for overnight lodging accommodation and meeting space.

Summary of Survey Findings

In conjunction with our primary University contact, we developed a list of University contacts to whom we would administer the survey. The list was developed such that we would reach representatives from as many schools, departments, etc. as possible without the risk of duplication. In total, the list included 32 individuals representing various organizations across the campus and given the relatively small number of participants and the controlled distribution of the process, we received an 81% response rate, with completed surveys from 26 participants.

Upon completion of the data collection, we cleaned and reviewed the data. We estimated that the survey represented approximately 70% of the University community. Total overnight demand specifically identified by the survey totaled 14,400 room nights but when 'grossed up' to include the remaining 30% of the university that the survey did not reach/cover, the total estimate of demand generated by UConn, both directly and affiliated, reached 22,200 room nights.

In order to test the reasonableness of this figure, we utilized our experience with similar college and university projects and compared the total demand figures, which ranged from 20,000 to 30,000 room nights. While demand from UConn is on the lower end of the range, this is not an unreasonable expectation given that the majority of the student population is from within the state as well as the fact that several of the graduate programs are not located on the Storrs campus.

Based on our analysis and our understanding of the local lodging and meetings market, we believe that demand for the proposed hotel would emanate from three primary sources:

1. UConn Direct demand represents business, both transient and group in nature that the university pays for.

2. UConn Affiliated demand represents business that is generated as a result of UConn but is paid for by other sources such as visiting parents, prospective students, visiting sports teams, etc.

3. General market demand represents business in the local market area that is unaffiliated with UConn.

The following bulleted points summarize the key findings from the survey data:

- As noted, we identified lodging demand for approximately 22,200 room nights based upon our survey work and follow-up interviews.

- We estimated that of the total demand, between 16,000 and 17,000 room nights represents potential hotel demand. While there is some additional overnight demand, it is not likely to be potential hotel demand because it is much lower-rated and tends to be accommodated on

campus in the dormitories or because there is overlap with some demand occurring during peak periods, such as graduation.

- Approximately 80% of the University Direct demand occurs during the week while the University Affiliated demand is slightly more balanced between weekday and weekend, with approximately 60% of the demand occurring during the week and 40% occurring on the weekends.

- Key demand drivers for University Direct demand includes academic and/or educational programs, faculty recruiting, executive education and educational or business conferences.

- Key demand drivers for University Affiliated business includes prospective student visits, family visits, sporting events and visiting sports teams.

- While demand occurs throughout the course of the year, a large number of conferences and events occur over the summer months when there is greater availability of classroom and meeting space on campus.

- Many of the survey participants indicated that their guests and groups are staying at the Nathan Hale Inn, citing its central location and walkability to campus as the primary reason for selection. Some participants also indicated using a number of other lodging venues such as those in Manchester and Vernon, downtown Hartford and at Bradley Airport, citing reasons such as lack of availability at Nathan Hale, better quality accommodations elsewhere, or more convenient location for visitors coming in/out of the area.

- On average, survey participants indicated that they are paying (or their guests are paying) approximately $150 per night for lodging at the Nathan Hale, with some willingness to pay for better quality accommodations.

- The average size of groups coming to campus range from 5 to 300 people with the average group size of approximately 50 people.

- While some survey respondents indicated a need for additional meeting space, it was not expressed as a universal sentiment; many of the groups are utilizing meeting venues or classroom space on campus.

- Overwhelmingly, survey respondents indicated that having a location close (within walking distance) to campus was the most important factor when selecting a hotel, though it was followed closely by price. Conversely a brand or franchise affiliation was not at all important to most respondents.

Based upon the results of the survey and our follow-up interviews, along with our understanding of the local market area and the Greater Hartford lodging market, we have prepared a facility profile and performance projections for a proposed hotel under two different scenario. The following two sections present our findings for a 76-room select-service hotel as well as a 125-room full-service hotel with meeting space.

Select-Service Hotel

For the purpose of our analysis, we have assumed that the proposed hotel would be built on either the Mansfield Apartment site or the Courtyard Lane site and would open as of January 1, 2019.

Summary of Supportable Facility (Select-Service Hotel)

The following chart summarizes the demand directly identified through our survey work, and the calculations used to estimate the total university demand that exists, including demand that is paid for by the University as well as affiliated demand that is paid for by other sources.

Quantification of Demand	
University demand identified by survey	**14,400**
Estimate of survey coverage	65%
Estimate of demand not covered by survey	7,800
Estimate of total university demand	**22,200**
Estimate of demand that would use hotel	75%
Estimate of potential hotel demand	**16,650**
Target occupancy from Uconn business	60%
Available Room Nights	27,750
Hotel Size	76
Rounded	**76**

Based on our analysis of the demand potential, it is our opinion that the identified demand could reasonably support the operation of a 76-room select service hotel. Furthermore, it is our view that due to the nature of the demand, a national brand or franchise is not required. The majority of the demand that is coming to the immediate area is expected to be generated by or affiliated with UConn. As such the benefits in the way of additional demand may not outweigh the cost of the franchise affiliation. However, the University or a private developer may find value in other benefits that a franchise affiliation can provide and therefore may elect to consider a flag. We believe that the hotel should offer breakfast and a selection of 'grab and go' items throughout the day but given the proximity to Storrs Center, we do not believe that a full restaurant is warranted. We believe the hotel should offer meeting space of approximately 1,000 square feet to accommodate smaller and mid-sized meetings.

Estimated Operating Performance

Occupancy

The following table illustrates the demand segment and total room nights for the select-service hotel for the first three years of operation, along with the resultant occupancy projections.

Segmented Room Night Analysis - Select Service			
	Year 1	Year 2	Year 3
University Direct	5,536	5,828	5,828
University Affiliated	9,740	10,281	10,823
Market	1,326	1,492	1,658
Total	16,603	17,601	18,308

We believe that the University Direct and University Affiliated business would ramp up within a two year period but the Market demand is likely to take three years to reach a point of stabilization which would require additional marketing and advertising to draw the business. Based upon these assumptions, the hotel would open in Year 1 (2019) with an occupancy level of 60%, increasing to 63% in Year 2 and finally stabilizing in Year 3 at 66%.

Average Rate

In developing the average room rate estimates, we reviewed data provided by the University's procurement department regarding payments made to the Nathan Hale Inn. We also interviewed the current General Manager of the Nathan Hale and reviewed the hotel's historic operating performance. Finally, our survey participants commented on the rates that they (and their guests) are paying at the Nathan Hale and other lodging facilities. As previously noted, we have two distinct segments of University business, that which is paid directly by the university and that which is considered to be affiliated business but not paid for by the University. In our view, the Direct business has a willingness to pay more than the approximately $150, which is what they currently pay to the Nathan Hale Inn now for better quality, convenient accommodations and thus we have estimated a rate of $160 for this segment (in 2015 value dollars). The University Affiliated business is likely to be less rate sensitive as an overall demand segment, particularly for the business that will come in peak demand periods and during special events. As such, we have estimate a rate of $170 for University Direct business. The general Market demand is likely to require an incentive through discounted room rates, furthermore, this demand segment is likely to be accommodated during slower demand periods when rates are offered at a discount already and thus we have estimated a rate of $150 for this segment.

The following table presents our estimates of segment average room rates for the proposed select-service hotel. Base rates are presented in 2015 value dollars and are inflated at 3.0% per year. Keep in mind that the table reflects average (annual) rates and that there will be fluctuation in actual rates based on seasonality and other demand dynamics.

Segmented Rate Analysis - Select Service				
	Base Rate	Year 1	Year 2	Year 3
University Direct	$160	$180	$185	$191
University Affiliated	$170	$191	$197	$203
Market	$150	$169	$174	$179
Total	$165	$186	$191	$197

Summary of Projected Operating Performance

The following table presents our estimates of total room night demand, occupancy and average rate performance for the first three years of operation.

Projected Operating Performance - Select Service			
	Year 1	Year 2	Year 3
Room Nights	16,603	17,601	18,308
Occupancy	60%	63%	66%
Average Rate	$186	$191	$197

Full-Service Hotel

For the purpose of our analysis, we have assumed that the proposed hotel would be built on either the Mansfield Apartment site or the Courtyard Lane site and would open as of January 1, 2019.

Summary of Supportable Facility (Full-Service Hotel)

The following chart summarizes the demand directly identified through our survey work, and the calculations used to estimate the total university demand that exists, including demand that is paid for by the university as well as affiliated demand that is paid for by other sources.

Quantification of Demand	
University Demand Identified by Survey	**14,400**
Estimate of survey coverage	65%
Estimate of demand not covered by survey	7,800
Estimate of total university demand	**22,200**
Estimate of demand that would use hotel	80%
Estimate of potential hotel demand	**17,760**
Target occupancy from Uconn Business	60%
Available Room Nights	29,600
Hotel Size	81
No. rooms for our analysis	**125**

In this scenario, we believe the hotel would be able to capture some additional university demand during certain peak periods and event days (i.e. graduation, etc.) and therefor the estimate of potential hotel demand is slightly higher than in the select-service scenario. However, utilizing the same rational for estimating the ideal count based on the assumption that the UConn would need to generate the majority of the hotel's business, we derive a room count of 81. As a full-service hotel would typically require more rooms to support meeting and other public space, we utilized a room count of 125 for sole the purpose of illustrating our analysis. Based on the identified demand potential, it's our opinion that the previously presented select-service hotel option is best suited for development; however, per the terms of the engagement, we were asked to present an option for a full-service hotel as well. As such, we reviewed the data and present our analysis to reflect the operating potential for a 125-room full-service hotel encompassing approximately 5,000 square feet of meeting space and one restaurant serving breakfast, lunch and dinner. Again, the majority of the demand that is coming to the immediate area is expected to be generated by or affiliated with UConn. As such the benefits in the way of additional demand may not outweigh the cost of the franchise affiliation. However, the University or a private developer may find value in other benefits that a franchise affiliation can provide and therefore may elect to consider a flag.

Estimated Operating Performance

  Occupancy

The following table illustrates the demand segment and total room nights for a 125-room full-service hotel for the first three years of operation, along with the resultant occupancy projections.

Segmented Room Night Analysis - Full Service			
	Year 1	Year 2	Year 3
University Direct	5,594	6,216	6,216
University Affiliated	9,812	10,967	11,544
Market	4,534	5,101	5,668
Total	19,941	22,284	23,428

The ramp up period is likely to take longer for a full-service hotel. Based upon these assumptions, the hotel would open in Year 1 (2019) with an occupancy level of 44%, increasing to 49% in Year 2 and finally stabilizing in Year 3 at 51%.

Average Rate

In developing the average room rate estimates, we reviewed data provided by the university's procurement department regarding payments made to the Nathan Hale Inn. We also interviewed the current General Manager of the Nathan Hale and reviewed the hotel's historic operating performance. Finally, our survey participants commented on the rates that they (and their guests) are paying at the Nathan Hale and other lodging facilities. As previously noted, we have two distinct segments of university business, that which is paid directly by the university and that which is considered to be affiliated business but not paid for by the university. In our view, the Direct business has a willingness to pay more than the approximately $150 that they currently pay to the Nathan Hale Inn now for better quality, convenient accommodations. The University Affiliated business is likely to be less rate sensitive as an overall demand segment, particularly for the business that will come in peak demand periods and during special events. The general Market demand is likely to require an incentive through discounted room rates, furthermore, this demand segment is likely to be accommodated during slower demand periods when rates are offered at a discount already.

The following table presents our estimates of segment average room rates for the proposed select-service hotel. Base rates are presented in 2015 value dollars and are inflated at 3.0%. Keep in mind that the table reflects average (annual) rates and that there will be fluctuation in actual rates based on seasonality and other demand dynamics.

Segmented Rate Analysis - Full Service				
	Base Rates	Year 1	Year 2	Year 3
University Direct	$160	$180	$185	$191
University Affiliated	$180	$203	$209	$215
Market	$160	$180	$185	$191
Total	$170	$191	$197	$203

Summary of Projected Operating Performance

The following table presents our estimates of total room night demand, occupancy and average rate performance for the first three years of operation.

Projected Operating Performance - Full Service			
	Year 1	Year 2	Year 3
Room Nights	19,941	22,284	23,428
Occupancy	44%	49%	51%
Average Rate	$191	$197	$203

Assumptions and Limiting Conditions

This report is subject to the following assumptions and limiting conditions:

1. This document is for internal use only, and it may be used in whole and not in part.

2. As in all studies of this type, the estimated results are based on the assumption of competent and efficient management and presume no significant change in the competitive position of the lodging industry, other than those specifically discussed within this report.

3. Estimated results are based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions that may occur. There usually will be a difference between the estimated results and those actually achieved, as events and circumstances often deviate from expectations. Those differences may be material.

4. It is expressly understood that the scope of our study and resulting report does not include the possible impact of zoning or environmental regulations, licensing requirements or other such restrictions concerning the project except where such matters have been brought to our attention and are disclosed herein.

5. We have no obligation to update our findings regarding changes to the scope of the proposed development or changes in the market conditions subsequent to the completion of our fieldwork.

6. The information gathered during the course of the fieldwork and used in this analysis is assumed to be accurate.

7. No liability is assumed for matters legal in nature. Pinnacle Advisory Group cannot be held liable in any cause of action concerning this assignment for any compensatory dollar amount over and above the total fees collected from this engagement.

8. Any and all legal expenses incurred in the defense or representation of Pinnacle Advisory Group, its principals, and its employees will be the responsibility of the client.

9. We are not required to give testimony or attendance in court by reason of this assignment, with reference to the property in question, unless prior arrangements have been made and agreed to in writing.