



HOTEL & LEISURE ADVISORS

**MARKET ANALYSIS LETTER
FOR THE
FORMER SHERATON HOTEL SITE
11911 SHERATON LANE
SPRINGDALE, HAMILTON COUNTY, OHIO**

Date of Letter:
July 21, 2015

FOR

Mr. Dan Lincoln
President
Cincinnati USA Convention and Visitors Bureau
525 Vine Street
Cincinnati, OH 45202



HOTEL & LEISURE ADVISORS

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President
Cincinnati USA Convention and Visitors Bureau
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Cincinnati, OH 45202

**RE: Former Sheraton Hotel Site
Springdale, Hamilton County, Ohio**

Dear Mr. Lincoln:

In fulfillment of our engagement letter, we completed our preliminary market analysis of the Cincinnati North hotel market regarding the viability to develop a hotel on the site of the former Sheraton Hotel in Springdale, Ohio. This letter assumes the former Sheraton Hotel is razed and the site is made pad-ready for a future hotel development. This analysis is communicated in letter format and is based on research completed in our office in July, 2015. Our analysis focused on several areas to determine if hotel development at the site merits further analysis. These areas include:

- I. Site Analysis**
- II. Demographic and Income Information**
- III. Existing and Proposed Hotels**
- IV. New Development**

It is expressly understood that the scope of this study and the report thereon do not include the possible impact of zoning regulations, licensing requirements, or other restrictions concerning the project, except where such matters have been brought to our attention and which are set forth in this letter.

This letter and its contents are intended solely for the information of our client and the city of Springdale for use in informing potential developers and conducting further research. The letter should not be relied upon for any other purpose. Otherwise, neither our letter nor any of its contents nor any reference to Hotel & Leisure Advisors, LLC (H&LA) may be included or quoted in any document, offering circular, registration statement, prospectus, sales brochure, other appraisal, or other agreement without our prior written approval. Such permission will not be unreasonably withheld.

I. Site Analysis

The property is located at 11911 Sheraton Lane, just north of Interstate 275 and immediately west of Highway 4. The subject has good visibility from the Interstate and the Highway. Primary regional access to the site is via Interstate 275, and local access is obtained from State Highway 4. From Interstate 275, a traveler would access the subject by traveling north on State Highway 4 to Ray Norrish Drive (left), and then an immediate left on to Sheraton Drive.

The traffic count at this intersection is as follows:

Annual Average Daily Traffic Volume Springdale, Ohio		
	State Route 4 (Springfield Pike) at Interstate 275	Interstate 275 at State Route 4 (Springfield Pike)
2013	45,830	115,390
2009	51,320	109,850
2005	48,190	128,590
2002	48,260	122,350
1994	38,810	106,160

Source: Ohio Department of Transportation



To the immediate west of the subject is a residential housing development, to the immediate east is State Highway 4, to the immediate south is Interstate 275, and to the immediate north is office buildings and parking. Notable attractions in the immediate area are a number of restaurants, a movie theater, corporate office buildings, and an urgent

care facility. The subject is located within reasonable driving distance to many major tourist destinations in the area.

Driving Distance from Subject Site to Selected Destinations	
	Miles
Springdale 18: Cinema de Lux	0.5
Tri-County Mall	2.2
Newport Aquarium	2.3
Sky Zone Indoor Trampoline Park	3.3
Glenview Golf Course	3.6
Winton Woods Park	3.8
Sharonville Convention Center	4.2
Liberty Center	10.7
Cincinnati Zoo & Botanical Garden	11.9
Xavier University	15.0
Kings Island	16.4
University of Cincinnati	17.9
Duke Energy Convention Center	19.7
Paul Brown Stadium	19.9
National Underground Railroad Freedom Center	20.3
Horseshoe Casino Cincinnati	20.4
Great American Ball Park	20.6
Cincinnati Art Museum	21.4
Cincinnati/Northern Kentucky International Airport	32.3
Source: DeLorme Street Atlas USA	

Major Employers: The demand for hotels is closely tied to the types of businesses in an area, their economic strengths, and their growth potential. The largest employers in the area are listed in the following table.

Major Employers in the 45246 ZIP Code			
Firm/Organization	Location	#Employees	Description
NETRADA North America	West Chester	1,000	Distribution Services
Totes ISOTONER Corp	West Chester	1,000	Accessories-Fashion
Cincom Systems Inc	Cincinnati	751	Computer Software
Healing Center Inc	Cincinnati	615	Government-Individual/Family Social Svcs
Maple Knoll Village	Cincinnati	600	Retirement Communities & Homes
YRC Freight	West Chester	550	Trucking-Motor Freight
Sweeney Jake Auto Dealerships	Cincinnati	450	Automobile Dealers-New Cars
Intelligrated	West Chester	409	Material Handling Equipment (Whls)
Con-Way Freight	West Chester	400	Trucking-Motor Freight
Dillard's	Cincinnati	400	Department Stores
Jake Sweeney Smart Credit	Cincinnati	400	Automobile Dealers-Used Cars
Sheakley Group Of Co	Cincinnati	400	Human Resource Consultants
Sears	Cincinnati	375	Department Stores
Dave & Buster's	Cincinnati	300	Restaurants
Xetron	West Chester	300	Electronic Equipment & Supplies-Mfrs
US Foods	West Chester	270	Food Service-Distributors (Whls)
Ampac Holdings LLC	Cincinnati	250	Packaging Materials-Manufacturers
CTL Aerospace Inc	West Chester	250	Aircraft Components-Manufacturers
Kroger Corp Office	Springdale	250	Business Management Consultants
Tradewinds Restaurant	Cincinnati	250	Restaurants
Gsf N American Janitorial Svc	West Chester	200	Janitor Service
Holland	West Chester	200	Trucking-Motor Freight
Luxottica Retail	West Chester	200	Optical Goods-Retail
Mitchell's Salon & Day Spa	Cincinnati	200	Beauty Salons
Omnicare Inc	West Chester	200	Pharmacies
Staples Technology Solutions	West Chester	200	Office Supplies
Sub Acute Rehabilitation Ctr	Cincinnati	200	Nursing & Convalescent Homes
United Industrial Piping	West Chester	200	Piping Contractors
Valco Melton	West Chester	200	Adhesives & Gluing Equipment-Mfrs
Sam's Club	Cincinnati	180	Wholesale Clubs
Springdale Ice Cream & Bev	Cincinnati	180	Ice Cream & Frozen Desserts (Mfrs)
Pappadeaux Seafood Kitchen	Cincinnati	170	Restaurants
ESI Electrical	West Chester	150	Electric Contractors
Fluid Kinetics Inc	West Chester	150	Automatic Contrls-Residential/Coml (Mfrs)
Indiana & Ohio Railway	West Chester	150	Railroads
John Morrell Food Group	Cincinnati	150	Meat Products (Mfrs)
Reading Rock Inc	West Chester	150	Concrete-Block & Brick (Mfrs)
Shure Glue Inc	West Chester	150	Business Services NEC
Superior Environmental	West Chester	150	Industrial Consultants
Lowe's Home Improvement	Cincinnati	145	Home Centers
Costco	Cincinnati	140	Wholesale Clubs
Target	Cincinnati	135	Department Stores
Amen Med Care LLC	Cincinnati	130	Nursing & Convalescent Homes
Chase Doors	West Chester	125	Doors-Manufacturers
Pitney Bowes Presort Svc	West Chester	125	Advertising-Direct Mail
Pactiv	West Chester	120	Packaging Materials-Manufacturers
PCMS Datafit Inc	Cincinnati	120	Computer Consultants
Jenpact Solutions	Cincinnati	110	Consulting Services
Pitt Ohio	West Chester	105	Trucking
U S Security Assoc Inc	Cincinnati	101	Security Guard & Patrol Service

Source: ReferenceUSA, July 2015

Air Transportation: Cincinnati/Northern Kentucky International Airport, the area's primary commercial service airport, is located approximately 31 miles southwest of the subject site in Boone County, Kentucky.

The following table presents historical passenger activity at Cincinnati/Northern Kentucky International Airport. As shown, the airport has seen a significant drop in passenger

volume over the past few years, although preliminary 2014 figures indicate positive growth for the first time since 2010.

Airport Activities		
Cincinnati/Northern Kentucky International Airport		
Year	Passenger Enplanements	%Change
2014 Preliminary	2,874,684	3.5%
2013	2,776,377	-5.5%
2012	2,937,850	-14.2%
2011	3,422,466	-12.4%
2010	3,906,826	—

Source: Federal Aviation Administration

II. Demographic, Income, and Employment Information

We identified relevant social characteristics and influences of the market area. Relevant demographic characteristics include population density, employment categories, age levels, household size, and employment status. The population, income, and employment figures presented in this section were taken from the Site To Do Business (STDB) database and are based on official Census findings and estimates and projections from the Environmental Systems Research Institute (ESRI).

Population Growth Trends							
Springdale, Ohio							
Area	2000 Census	2010 Census	2015 Est.	2020 Proj.	%Change 2000-10	%Change 2010-15	%Change 2015-20
Springdale	10,549	11,223	11,172	11,143	6.4%	-0.5%	-0.3%
Hamilton County	845,303	802,374	806,883	813,281	-5.1%	0.6%	0.8%
Cincinnati MSA	1,994,830	2,114,580	2,151,807	2,195,630	6.0%	1.8%	2.0%
Ohio	11,353,140	11,536,504	11,610,194	11,732,436	1.6%	0.6%	1.1%

Sources: U.S. Census Bureau, ESRI

After significant growth between 2000 and 2010, population in Springdale is estimated to remain relatively flat or down slightly through 2020. In a similar manner, household growth in Springdale between 2015 and 2020 is also estimated to be flat, or slightly declining.

Household Growth Trends							
Springdale, Ohio							
Area	2000 Census	2010 Census	2015 Est.	2020 Proj.	%Change 2000-10	%Change 2010-15	%Change 2015-20
Springdale	4,412	4,631	4,603	4,584	5.0%	-0.6%	-0.4%
Hamilton County	346,790	333,945	337,997	341,291	-3.7%	1.2%	1.0%
Cincinnati MSA	774,151	824,967	843,257	861,053	6.6%	2.2%	2.1%
Ohio	4,445,773	4,603,435	4,665,872	4,724,599	3.5%	1.4%	1.3%

Sources: U.S. Census Bureau, ESRI

Median household income and nonfarm employment statistics are shown below.

Median Household Income Estimates Springdale, Ohio			
Area	2015 Est.	2020 Proj.	%Change 2015-20
Springdale	\$50,141	\$56,549	12.8%
Hamilton County	\$49,059	\$56,833	15.8%
Cincinnati MSA	\$55,300	\$64,648	16.9%
Ohio	\$49,011	\$56,419	15.1%

Sources: U.S. Census Bureau, ESRI

Between 2015 and 2020 projected income in 2020 is estimated at 12.8% over 2015 estimates. Since 2010, total nonfarm employment in the Cincinnati MSA has grown 10%.

Total Nonfarm Employment, 2010-2014				
	Cincinnati MSA	% Change	Ohio	% Change
2010	981,600	—	5,036,000	—
2011	992,300	1.1%	5,105,200	1.4%
2012	1,008,700	1.7%	5,198,300	1.8%
2013	1,024,800	1.6%	5,263,100	1.2%
2014	1,042,500	1.7%	5,330,700	1.3%
May 2014	1,053,800		5,390,700	
May 2015, Preliminary	1,076,900	2.2%	5,454,500	1.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Cincinnati's cost of living index is 87.7, which is lower than the national average of 100.

Cost of Living Comparison	
Metro Area	Cost of Living Index
San Antonio-New Braunfels TX	87.5
Cincinnati OH-KY-IN	87.7
St. Louis MO-IL	91.8
Tampa-St. Petersburg-Clearwater FL	92.6
Phoenix-Mesa-Scottsdale AZ	93.6
Detroit-Dearborn-Livonia MI	94.7
Dallas-Plano-Irving TX	97.1
Houston-The Woodlands-Sugar Land TX	98.0
Pittsburgh PA	100.8
Atlanta-Sandy Springs-Roswell GA	101.6
Minneapolis-St. Paul-Bloomington MN-WI	107.1
Denver-Aurora-Lakewood CO	107.7
Baltimore-Columbia-Towson MD	111.4
Miami-Miami Beach-Kendall FL	112.6
Chicago-Naperville-Arlington Heights IL	114.6

Source: C2ER, Cost of Living Index 1st Quarter 2015

III. Existing and Proposed Hotels

As of the date of our research there are a number of existing hotels within a six-mile driving distance of the subject property as indicated in the following table.

Hotels near subject site					
Name	Location	Number of Rooms	Driving Distance in Miles From Subject	Chain Scale	Year Opened
La Quinta Inn Cincinnati North	Springdale, OH	98	0.4	Midscale	1985
Howard Johnson Express Cincinnati	Cincinnati, OH	118	1.2	Economy	1979
Super 8 Springdale	Springdale, OH	120	1.2	Economy	1988
Extended Stay America Cincinnati -Springdale 1-275	Springdale, OH	126	1.3	Economy	1996
Value Place Cincinnati Fairfield	Fairfield, OH	119	1.3	Economy	2008
InTown Suites	Fairfield, OH	131	1.6	Economy	1998
Holiday Inn Express Fairfield	Fairfield, OH	80	1.7	Upper Midscale	2002
Extended Stay America Fairfield	Fairfield, OH	71	1.8	Economy	1989
Atrium Hotel and Conference Center	Cincinnati, OH	150	2.5	Independent	1980
Comfort Suites Forest Park Cincinnati	Forest Park	84	3.2	Upper Midscale	2008
Hampton Inn Cincinnati Northwest Fairfield	Fairfield, OH	100	3.3	Upper Midscale	1999
Quality Inn & Suites	Forest Park	85	3.5	Midscale	1998
Springhill Suites Cincinnati North	Forest Park	124	3.5	Upscale	1992
Extended Stay Crossland Springdale	Springdale, OH	72	3.6	Economy	1988
Residence Inn Sharonville	Sharonville, OH	144	3.9	Upscale	1985
La Quinta Inn & Suites Sharonville	Sharonville	151	5.2	Midscale	1997
Drury Inn & Suites Cincinnati North	Sharonville	180	5.2	Upper Midscale	2006
Baymont Inn	Cincinnati	130	5.2	Midscale	1987
Econo Lodge Sharonville	Sharonville, OH	88	5.3	Economy	1982
Travelodge Cincinnati Sharonville	Sharonville	129	5.3	Economy	1990
Hilton Garden Inn Sharonville	Sharonville	90	5.3	Upscale	2001
Hawthorne Suites by Wyndham Cincinnati	Cincinnati	73	5.3	Midscale	2003
Holiday Inn Express & Suites Sharonville	Sharonville	73	5.3	Upper Midscale	1999
LivInn Suites	Sharonville, OH	130	5.5	Independent	1987
Red Lion Sharonville	Sharonville	257	5.6	Midscale	1980
Extended Stay America Sharonville	Sharonville, OH	130	5.7	Economy	1996
Fairfield Inn & Suites Cincinnati North	Sharonville, OH	95	5.7	Upper Midscale	1963
Red Roof Inn Cincinnati Sharonville	Sharonville	108	6.3	Economy	1987

Source: Hotel & Leisure Advisors

Of the 28 hotels listed, eleven hotels are Economy, five are Midscale, six are Upper Midscale, two are Independent, and two are upscale properties. Almost half of the hotels are considered Extended-Stay properties. The area does not have any Luxury or Upper Upscale hotels. The upper midscale properties are heavily concentrated in Sharonville, along the I-75 corridor, as well as in Fairfield and Forest Park, near the Forest Fair Village at I-275 exit 39. The most recent hotel to open in a six mile driving distance of the subject is the Comfort Suites in Forest Park, which opened in 2008. The subject site is at I-275 Exit 41 west of Sharonville and east of Fairfield and Forest Park.

There are several hotels proposed in the greater Cincinnati market.

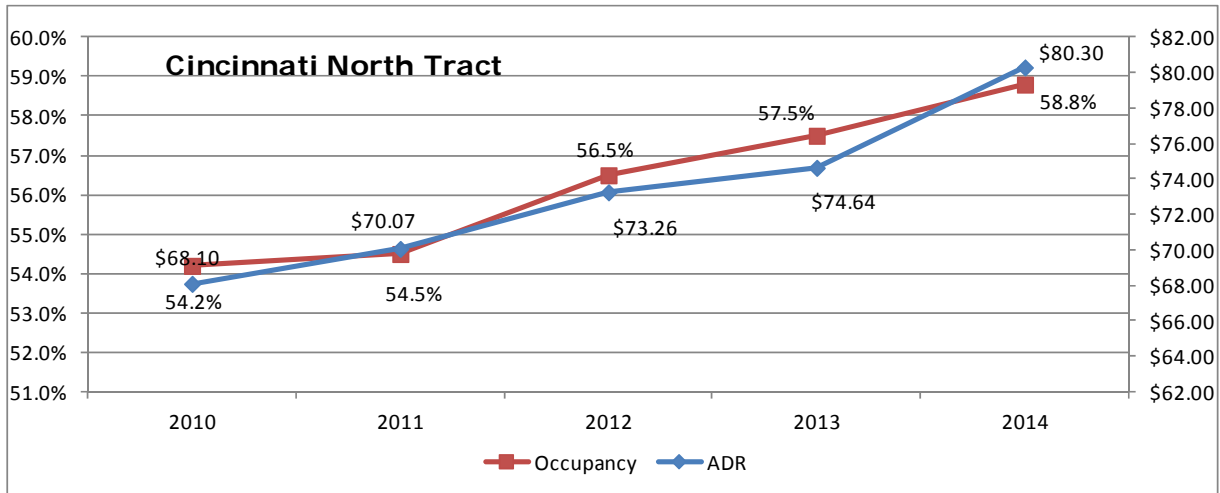
- Two new hotels are coming to West Chester Township at the Interstate 175 and Union Center Boulevard Interchange. The 130-room Centre Park Holiday Inn Event

and Conference Center is under-construction and will open in the fall of 2015. This property will include 37,000 square feet of event space. The 112-room Homewood Suites is under-construction and is slated to open in the summer of 2015. This hotel will include modest conference space.

- Construction is expected to begin this fall on a new \$14 million Hyatt Place hotel that will be connected to the Sharonville Convention Center in Sharonville. Rolling Hills Hospitality has reached a franchise agreement with Hyatt Hotels, paving way for the 120-room hotel to be developed. The new hotel will feature more than 2,000 square feet of meeting and multipurpose space, complimentary breakfast, indoor pool, and fitness area.
- A \$350 million mixed-use development in Liberty Township, Liberty Center, is set to open in October, 2015. The development will include 125 room AC Hotel by Marriott, 3,000-square-foot of meeting space, a second-floor pool, and a library that serves as a business center. It will include a number of patio and balcony spaces overlooking the town square.
- The new owners of the Tri-County mall are considering a hotel as part of the redevelopment of the mall. While there are no details on what type of hotel or the size, the owners indicated that all options are on the table and that any hotel would serve business clients like hotels in nearby Sharonville and West Chester.
- An \$18 million hotel is planned for development about a mile from Xavier University's campus in Cincinnati. The developers, Keystone Hotel Partners LLC and Neyer Properties, have asked for an amendment of the 7.5 acre planned development to switch out the planned office building for a six-story hotel. A hotel brand has not officially been selected but a major brand is planned with an upscale, mid-priced brand suitable for business. As of the date of our research, the amendment for changes had not yet been approved by the Cincinnati Planning Commission. If the amendment is approved, the developers hope to start construction in October, 2015.
- A new hotel and restaurant are planned at the former Anna Louise Inn in Cincinnati by Eagle Realty Group and Winegardner & Hammons, Inc. The project would combine two downtown buildings with a glass atrium. As a historic building, the project needs approval from the Historic Conservation Board. The 106-room hotel will have a rooftop terrace, flexible meeting space, fitness center, and fire-pit patio overlooking the park. A date has not been given for start of construction, but the hotel is aiming to open the first quarter of 2017.

It is important to note that no plans for additional hotel construction are taking place in the immediate area of the subject in Springdale.

The Springdale market is within the larger Cincinnati North Market tract. The following graph depicts the historical market performance for the Cincinnati North Tract for the past five years, according to Smith Travel Research. This tract contains 85 hotel properties with 8,393 rooms.



Source: Smith Travel Research

Occupancy and ADR are trending similarly in terms of year-over-year growth. An inferred market analysis of occupancy based on the calculated trendline produces the following estimated market performance for the Cincinnati North Tract.

Year	Occupancy
2015 est	60.0%
2016 est	61.2%
2017 est	62.4%
2018 est	63.6%

Source: Hotel & Leisure Advisors

IV. New Developments

Many new developments, expansions, and renovations are underway in the Springdale and surrounding markets that will have material impact on hotels in the area. These include the following:

- Tri-County Mall is an enclosed mall with over 1 million square feet of gross leasable space located less than a 10 minute drive from the subject. It is the regions second largest mall. Constructed in 1960, the mall has been an important regional shopping destination in Greater Cincinnati. With a vacancy rate of 22%, management of the mall has announced a \$35 million improvement project for the mall that will revitalize the interior and exterior improvements. The property was purchased for \$45 million at a Sheriff's sale in July 2014 after being placed in receivership in 2012.
- The \$350 million Liberty Center mixed-use development is set to open in October of 2015. The first phase of the project will include approximately 1.2 million square feet of diverse and dynamic retail, dining and entertainment options, including 75,000 square feet of Class A Office, 98,000 square feet of restaurant

and dining, 250,000 square feet of upscale residential, a 67,000 square-foot cinema and a 125-key AC by Marriott hotel. In July, the developers announced more than 60 retailers and restaurants are joining its first round of tenants.

- Two new community entertainment districts in Liberty Township are being created to support the Liberty Center development. These districts would allow up to 15 liquor permits – one for every five acres – in each of the two districts. The first district would contain 75 acres on the east half of the project and 76.5 acres on the west side. Among the announced tenants are The Funny Bone Comedy Club and Restaurant, Brio Tuscan Grille, Flip Side, Kona Grill, Pies and Pints, and the Cheesecake Factory.
- More development in Liberty Township is expected for an 88-acre parcel of land along Cox Road. Dayton-based commercial real estate developer Miller-Valentine Group has the land under contract and plans to build a massive mixed-use project expected to include a mix of office space, medical office space, hotels, retail, and possibly residential housing. Miller-Valentine are still in the process of putting together a site concept and have not given a total investment. The sale is expected to close next year, with infrastructure work to begin shortly after.
- Hidden Creek at GE Park in Springdale, an 18-hole executive golf course, will be transformed into a business park with roughly 1.4 million square feet of industrial and office space. Developer Vandercar Holdings, Inc has a contract to purchase the land, a deal that is expected to close in the summer of 2015, which is contingent on the outcome of a zoning change. Construction is expected to start in the fall.
- In April 2015, Dallas-based TopGolf, a golf entertainment company specializing in competitive, point-scoring golf games, submitted plans to the city of West Chester to build a three-level, 64,000 square foot recreational entertainment facility that has 102 hitting bays at the second phase of Streets of West Chester. Top-golf received the zoning approval it needed but could not confirm that it would open a location in West Chester, but that it was very interested in the market.
- MediSync Midwest, LLC, a medical management firm, moved its headquarters to Springdale from Norwood in February of 2015. The 100-employee firm signed a seven-year lease for 18,000 square feet of space at Executive Centre 3.
- In 2014, Evendale-based GE Aviations received a state award expected to create more than 50 jobs at the \$11 million research and development center in West Chester. The \$2.5 million award will assist in seeing jobs added over the next five years as GE consolidated its operations to the 100,000 square foot facility near the interchange of Interstate 75 and Union Centre Boulevard.
- In March of 2015, Gorilla Glue Co. announced it is moving it's operations and company headquarters to Sharonville from the Cincinnati neighborhood of Madisonville. The company closed on the purchase of the 1 million square foot Gateway 75 building. The company received a 55%, seven-year tax credit for the creation of 110 full-time equivalent jobs. As part of the tax agreement, Gorilla Glue is required to maintain operations at the new location for at least 10 years.

- In August 2015, Cabela's will open the store's second Ohio location in West Chester, near Liberty Center. Cabela's will employ more than 200 new employees.

Conclusion

Our review of the above data indicates that the Cincinnati MSA has a strong, diverse, and resilient economy evidenced by recent increases in population, households, and employment. The area benefits from the presence of several well-established corporate employers. The amount of new development taking place in the Cincinnati north area should benefit the local hotel market by ensuring high levels of demand heading into the future. The market surrounding Springdale offers lower chain scale and economy properties, leaving the upscale and higher chain scale hotel market available for potential development.

We note this letter is only a review of the market based on inferred demand (historical) from the Cincinnati North market tract. Our analysis of the Springdale market reveals potential for a national franchise affiliate of an upscale or higher chain scale hotel property. We base our conclusion on the Springdale and larger Cincinnati markets' income and employment growth, as well as its central location, positioned along Interstate 275 with easy access to the entire Cincinnati region. Current trends in hotel occupancy and ADR are positive. We believe this review of the market merits further analysis specific to an upscale or higher chain scale hotel located at the subject site. We highly recommend that interested hotel developers conduct an in-depth, fundamental market demand analysis for the subject site that includes a feasibility rent analysis based on a forecasted financial pro-forma.

We appreciate the opportunity to be of service to the Cincinnati USA Convention and Visitors Bureau and look forward to working with you again.

Respectfully submitted,

Hotel & Leisure Advisors, LLC



Eric B. Hansen, AIA, ISHC
Director of Development Services