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Bruce Baltin
Managing Director

CBRE, Inc.
Valuation & Advisory Services
400 South Hope Street, 25th Floor
Los Angeles, CA 90071

+1 213 613 3370 Office

Bruce.Baltin@cbre.com
www.cbrehotels.com

July 25, 2016

Ms. Joan Black
Development Coordinator
Metropolitan Redevelopment Agency
City of Albuquerque Planning Department

Dear Ms. Black:

Pursuant to our engagement, we have conducted a study of the potential market demand for a proposed convention center hotel to be located at 400 4th Street NW in the City of Albuquerque, New Mexico. The conclusions set forth in this report are based on an analysis of the existing and potential future supply and demand for the competitive lodging market, as well as an understanding of the local community, and existing and planned future developments potentially impacting hotel room night demand. Examination and analysis in our conclusions was based on the completion of our fieldwork and research in June 2016. This report has been prepared for your internal use for project evaluation purposes.

As in all studies of this type, the estimated results are based on competent and efficient management and presume no significant change in the status of the competitive lodging industry from that set forth in this report. The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions, which occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revision in view of changes in the economy or market factors affecting the hotel industry. This report is presented subject to the attached statement of terms and conditions.

METHODOLOGY

The methodology used in conducting our study included an analysis of the site location with regards to access, visibility, surrounding land uses, area amenities, and potential demand generators. We also conducted interviews with City of Albuquerque planning personnel, hoteliers, convention bureau and convention center representatives, and members of the business community in Albuquerque to determine if appropriate levels of

demand generators currently exist or will exist for the proposed development of the property. Data provided by the convention bureau was collected and analyzed to better understand booking patterns and the strengths and weaknesses of the destination. In addition, we gathered information relative to historical performance of hotels in the local area, as well as any hotels that may be in the planning or development stage at this point in time which may be competitive to the subject.

We coupled this information with site visits to, and conversations with, operators of potentially competitive lodging facilities and persons familiar with development patterns in the City of Albuquerque. This immersion has better allowed us to understand the relevant dynamics and provide a more complete picture of the market area in order to ascertain whether the overall economic environment appears to be suitable for additional hotel development. This above-mentioned research process has allowed us to ascertain future growth in demand for, and the supply of lodging facilities in the proposed market.

We are of the understanding that you are considering the development of a hotel on the subject site. Based on our analysis of the site and the downtown Albuquerque hotel market, we do not recommend that you proceed with the development of a hotel at this time. Our hesitation to commence with the development stems from the lack of demand generators within the downtown Albuquerque submarket. Furthermore, the downtown Albuquerque hotel market would be unable to support and absorb the introduction of a 400-room hotel without cannibalizing existing hotel properties in the submarket. We are of the opinion that a hotel at the subject site would have a negative impact on the overall downtown Albuquerque hotel market and the anticipated room rates and occupancy levels the subject would achieve would ultimately lead to the economic infeasibility of the project.

For this study we have assumed the subject hotel to be a 400-room convention center hotel with facilities and amenities comparable to a full-service convention hotel including; three-meal restaurant and lounge, meeting space with catering service, concierge, fitness center, guest laundry service, in-room dining, and business center; and is affiliated with a national hotel brand. In our analysis presented later in this report we have assumed a January 1, 2019 opening date for the proposed subject hotel.

The results of our research and analyses are summarized in the following pages.

SITE DESCRIPTION

The subject property is located at the northwest corner of Marquette Avenue NW and 3rd Street NW with a street address of 400 4th Street NW in the City of Albuquerque, New Mexico. Travelers on Interstate 25 can take Exit 224B, turn left on Dr Martin Luther King Jr Avenue NE, which continues into Marquette Avenue NW. The subject site is on the right hand side. Visibility of the subject site is good as it is located on a major roadway into downtown Albuquerque from Interstate 25 and fronts the north side of Albuquerque Civic Plaza. The site is currently improved as a surface parking lot.

Site Environs

The immediate surroundings of the property include:

- North:** Commercial office building
- South:** Albuquerque Civic Plaza
- East:** DoubleTree Hilton Hotel Albuquerque
- West:** Albuquerque Police Department

Relationship to Demand Generators

Although the subject site is well situated in downtown Albuquerque, enjoying good proximity to the Albuquerque Convention Center, we are of the opinion that the downtown Albuquerque market lacks the area amenities that are desired by the typified commercial, leisure, or group traveler to the area. While the greater Albuquerque hotel market has strengthened, the downtown Albuquerque submarket has lapsed and has not returned to pre-recession levels in terms of its performance.

Downtown Albuquerque Office Market

According to CBRE, the downtown Albuquerque office market is comprised of 3,056,316 square feet of rentable area, with a vacancy rate of 34.8 percent for Q1 2016. With no new office space entering the market or under construction, net absorption for the quarter was negative 38,922 square feet. Average asking rent for the downtown office submarket was \$15.75 per square foot per year. As a point of comparison, the overall Albuquerque office market has a vacancy rate of 22.5 percent and average asking rent of \$15.00 per square foot per year. As the county seat of Bernalillo County, many government related entities and organizations occupy the office space in the downtown, placing downward pressure on area office rents.

The overall Albuquerque office market lags behind most markets across the nation. According to CBRE, the outlook for 2016 remains challenging. While office-using employment has shown steady growth in the past three years, the market will likely continue to see occupiers looking to reduce the amount of space occupied per employee as well as the filling out of shadow space that occupiers have leased but not occupied. The growth in employment is not expected to translate into positive absorption in the near future.

Downtown Albuquerque Retail Market

According to CBRE, the downtown Albuquerque retail market is comprised of 483,317 square feet of rentable area, with a vacancy rate of 24.8 percent for Q1 2016. Net absorption for the quarter was 8,272 square feet with 21,840 square feet under construction (Imperial Building). Average asking rent for the downtown retail submarket was \$14.92 per square foot per year. As a point of comparison, the overall Albuquerque retail market has a vacancy rate of 10.4 percent and average asking rent of \$14.00 per square foot per year.

The overall Albuquerque retail market is forecasted to see steady demand and growth in the coming quarters. However much of this growth has occurred outside the downtown submarket, particularly in the Uptown area.

Office and retail activity remains low in downtown Albuquerque. This remains a challenge for the area in attracting business, leisure, and convention travelers. Downtown Albuquerque has limited area amenities, inadequate curb appeal, and perceived issues of safety, all of which negatively impact the marketability of downtown Albuquerque.

Upcoming Developments

The City of Albuquerque has planned several developments to revitalize the downtown corridor. These developments include a renovation of the Convention Center east exhibit hall, and upgrade of Civic Plaza to increase accessibility and attractiveness. The budget for renovations of the East Convention Center and Civic Plaza is estimated to be between six and seven million dollars and, according to discussions with officials, will take place within 12 to 18 months as of the date of this report.

In May 2016, the City entered into agreement with developers One Central Operating Associates LLC to develop a \$40 million mixed-use project at the corner of First Street and Central Avenue. Plans call for more than 39,000 square feet of commercial space, 10-lane upscale bowling lounge, several food and beverage outlets, retail, 60 residential units, and a 429-space parking garage. Groundbreaking is expected to take place in the fall of 2016.

Albuquerque Rapid Transit (ART)

The City of Albuquerque is considering developing a rapid transit corridor along Central Avenue with a nine-mile network of bus-only lanes and bus stations. Beginning at Coors Boulevard NW, the planned route runs through Old Town, continuing through downtown Albuquerque, University of New Mexico Campus, Nob Hill, and terminate at Louisiana Boulevard SE. The project initially was budgeted at \$119 million, with 80 percent being federally funded and the remainder coming from the city. Supporters of the ART believe that the project will create a pedestrian friendly experience along the route, encourage commerce along the route, and reduce traffic. In July 2016 the ART project was delayed by court order due to a portion of the route running through an area designated a historic area and needs to be signed off by the city's Landmarks and Urban Conservation Commission.

Innovate ABQ

Located northwest of the intersection of Broadway Boulevard and Central Avenue, Innovate ABQ is a planned seven-acre multipurpose innovation project designed to serve as an incubator of technology and entrepreneurship for downtown Albuquerque and the overall City of Albuquerque and State of New Mexico. A partnership between the city, the country, the university of New Mexico, and other private participants, Innovate ABQ's

goal is to foster growth of Albuquerque's entrepreneurial sector and create jobs. The project broke ground in July 2016 and is expected to open in August 2017. According to discussions with city officials, the City is also considering development of amenities to support the growth of Innovate ABQ such as residential housing, restaurants and bars, and entertainment options to encourage entrepreneurs to live and work in the area.

Albuquerque International Sunport

Albuquerque International Sunport (ABQ) provides air access to the City of Albuquerque and its surrounding areas. ABQ's terminal, which was expanded to its present size in the late 1980s and again in 1996, encompasses 574,000 square feet of space and has 23 gates in two concourses. There were 124,174 takeoffs and landings, or an average of 340 per day, in 2015 at ABQ: 49,600 by major airlines; 25,089 by commuter airlines, 18,971 by military aircraft; and 30,514 by general aviation aircraft.

ABQ offers nonstop service to 24 cities including, Atlanta, Baltimore, Charlotte, Chicago, Dallas, Denver, Houston, Kansas City, Las Vegas, Los Angeles, Minneapolis/St. Paul, New York, Oakland, Orlando, Phoenix, Portland, Salt lake City, San Diego, San Francisco, and Seattle/Tacoma. Service to Austin is scheduled to begin in June 2016. Nonstop in-state service is offered to Carlsbad, Los Alamos, and Silver City.

Total passenger traffic was 4,745,256 in 2015, down from a peak of approximately 6.7 million in 2007. For the month of May 2016, Southwest was the largest carrier to service the airport with market share of 53.9 percent. Other large carriers by market share include American Airlines (20.3 percent), United Airlines (11.1 percent), and Delta Airlines (10.0 percent). The following chart details the number of passengers at the Albuquerque International Sunport from 2006 to 2015, as well as year to date figures through May 2016 as compared to the same period last year.

Volume of Air Traffic Albuquerque International Sunport	
Year	Passengers
2006	6,487,276
2007	6,668,706
2008	6,489,323
2009	5,888,811
2010	5,796,373
2011	5,697,625
2012	5,382,223
2013	5,065,179
2014	4,871,901
2015	4,745,256
*CAAC	-3.4%
YTD 5/15	1,759,851
YTD 5/16	1,776,882

Source: Albuquerque International Sunport

The Albuquerque International Sunport is served by six major commercial carriers: Alaska, American, Delta, JetBlue, Southwest, and United. It also receives regular service from commuter airline Boutique Air.

As of April 2016, renovations plans for the Albuquerque Sunport have been delayed for planning reasons. The \$17 million renovation is estimated to take 18 months to complete and will renovate all areas of the airport from baggage claim to ticket counters. The renovation will be completed funded by airport revenue.

Albuquerque Convention Center

The Albuquerque Convention Center (ACC) features over 167,000 square feet of exhibit space, with 106,200 being contiguous, column free space. The 2,300-seat Kiva Auditorium, in addition to 27 flexible meeting rooms, combined with the aforementioned event space make for a versatile facility capable of handling more than 4,000 attendees comfortably. The ACC also has a 31,000-square foot ballroom. Up until February 2004, the Convention Center was managed by the City of Albuquerque. At that time management of the Center was transferred to Philadelphia based SMG, which completed a \$5 million renovation of the West Complex soon after assuming management of the Center. In October 2014, the ACC completed Phase II renovation in October 2014. Phase I and II renovations totaled to \$23 million and included a new exterior façade, complete remodeling of the ballroom, a new entertainment deck in the ballroom, complete remodeling of the west building lower level atrium, new service corridor and freight elevator for the ballrooms, designed loading dock, and complete renovation of the kitchen. The ballroom renovation included new carpet, wall and ceiling finishes, and lighting that includes color changing LED's. The facility now boasts complimentary wireless internet access.

As illustrated in the following table, the number of room nights generated through convention activity at the Albuquerque Convention Center has fluctuated in recent years, with room nights less today than ten years ago.

Albuquerque Convention Center Room Nights Generated	
Fiscal Year	Room Nights
2006	60,598
2007	51,598
2008	57,837
2009	34,174
2010	29,505
2011	22,942
2012	62,180
2013	36,219
2014	57,702
2015	56,736
*CAAC	-0.66%
YTD 4/15	34,760
YTD 4/16	34,053
Source: Albuquerque CVB	

The following table illustrates room nights booked fiscal year to date as of April 2016 year to date.

Fiscal Year Room Nights Booked As of April 30, 2016					
	Total Goal	FYTD16	% of Goal	FYTD15	% Change
Center Mtgs/Conv	45,175	25,188	55.8%	22,700	11.0%
Center Sports	24,325	8,865	36.4	12,060	-26.5
Non-Center Mtgs/Conv	60,500	35,130	58.1	44,223	-20.6
Non-Center Sports	70,500	69,640	98.8	79,012	-11.9
Total	200,500	138,823	69.2%	157,995	-12.1%

Source: Albuquerque CVB

It should be noted that the majority of room nights booked are non-convention center related. Non-convention center rooms are less likely to stay at hotels within the downtown core.

The following table represents the top five cities that Albuquerque has lost convention center business to based on room nights lost, as of April 2016 fiscal year to date.

Lost Business by City April FYTD16		
City	# of Groups	Total Room Nights
Las Vegas	5	10,421
Phoenix	5	8,840
San Diego	4	7,948
New Orleans	4	7,772
Denver	1	4,967

Source: Albuquerque CVB

It should be noted that this table is comprised of top-tier and second-tier convention cities. Top-tier cities usually have the following attributes:

- Airport with nonstop national and international access.
- Hotel inventory that includes major hotel brands and have 10,000 minimum committable sleeping rooms.
- First class convention center with at least 500,000 square feet of exhibit space.
- Distinctive leisure-travel appeal and reputation.
- Strong destination travel infrastructure in place that allow conventioners to navigate about the city easily.

Las Vegas, San Diego, and New Orleans are considered top-tier cities and consistently host major conventions and large groups each year. Phoenix and Denver have experienced steady growth in recent years and have begun to develop their reputation as desirable convention destinations.

Albuquerque lacks many of the amenities and attributes that describe a top-tier convention city and we are of the opinion that developing a 400-room convention center hotel alone would not generate sufficient demand to the downtown hotel market to make the development of the subject feasible.

DOWNTOWN ALBUQUERQUE AREA CONCLUSIONS

Although the City of Albuquerque has plans for improving its travel appeal our fieldwork and research has led us to the conclusion that the downtown Albuquerque area is not a suitable location for development of 400-room convention center hotel. Convention travelers in today's market are also leisure travelers and seek destinations that offer attractions outside of the convention itself. In addition convention organizers typically seek out popular amenity rich destinations in order to generate a higher degree of interest and convention attendance. Downtown Albuquerque's reduced commerce activity, poor area travel infrastructure, lack of area amenities such as restaurants and entertainment, poor curb appeal, and perceived safety issues prevents the city from establishing itself as a convention destination. We are of the opinion that the development of a 400-room convention center hotel alone would not induce sufficient demand into the area market as the aforementioned reasons would still be a factor.

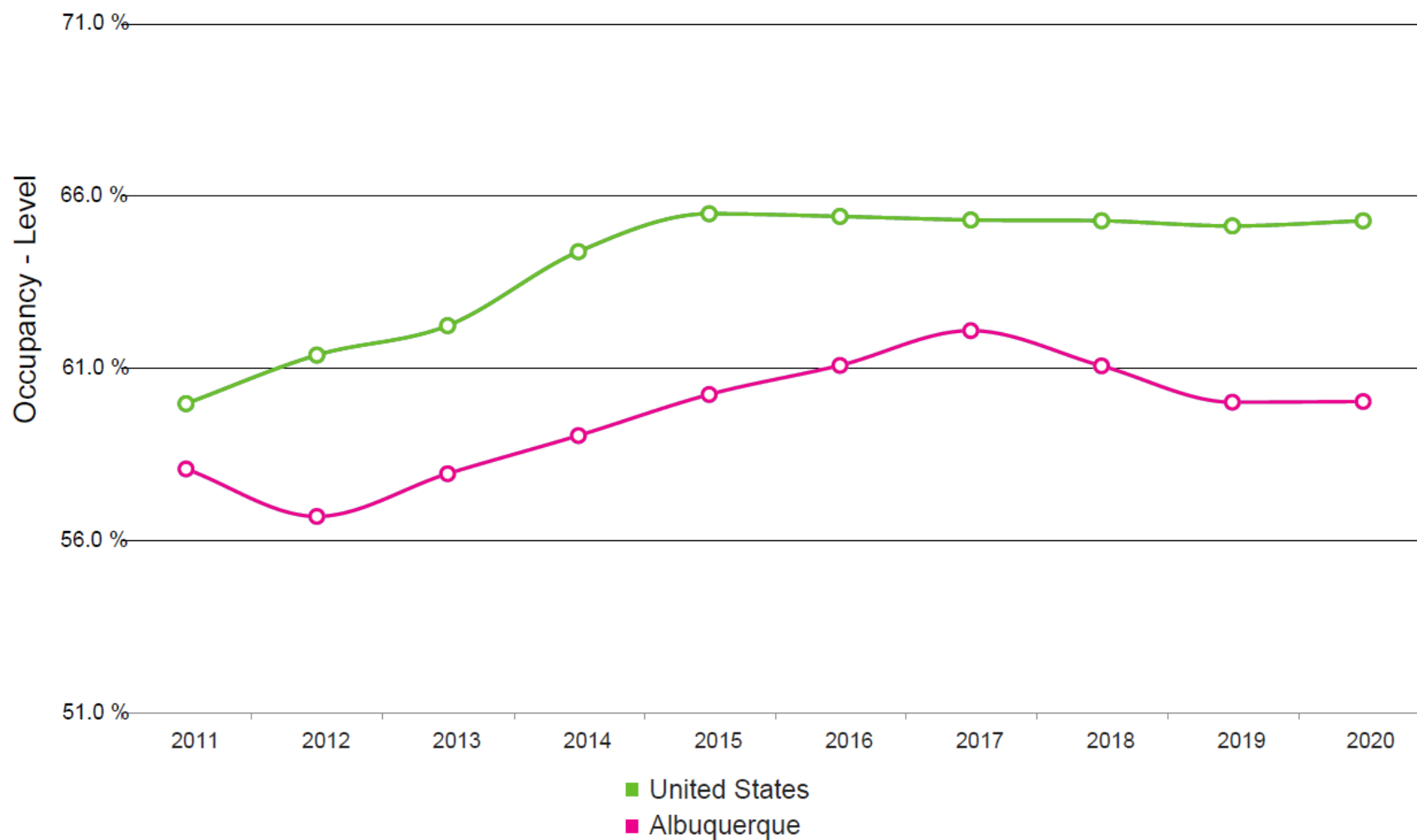
CBRE HOTELS HOTEL HORIZONS

The following chart information is taken from CBRE Hotels *Hotel Horizons*[®] for all hotels in the United States and Albuquerque market. The historical data (2011 through present) is provided by Smith Travel Research, while the projections (2016 through 2020) were developed by CBRE Hotels Research.

The first chart displays the historical and projected performance of hotel occupancy across the United States and in the local Albuquerque market. The second chart displays historical and projected average daily rate (ADR) for the same hotel markets, United States and Albuquerque. The third chart displays historical and projected revenue per available room (RevPAR) for the same market hotel markets, United States and Albuquerque. RevPAR factors in occupancy and ADR, and is one of the main industry metrics used to evaluate the top-line performance of hotels.

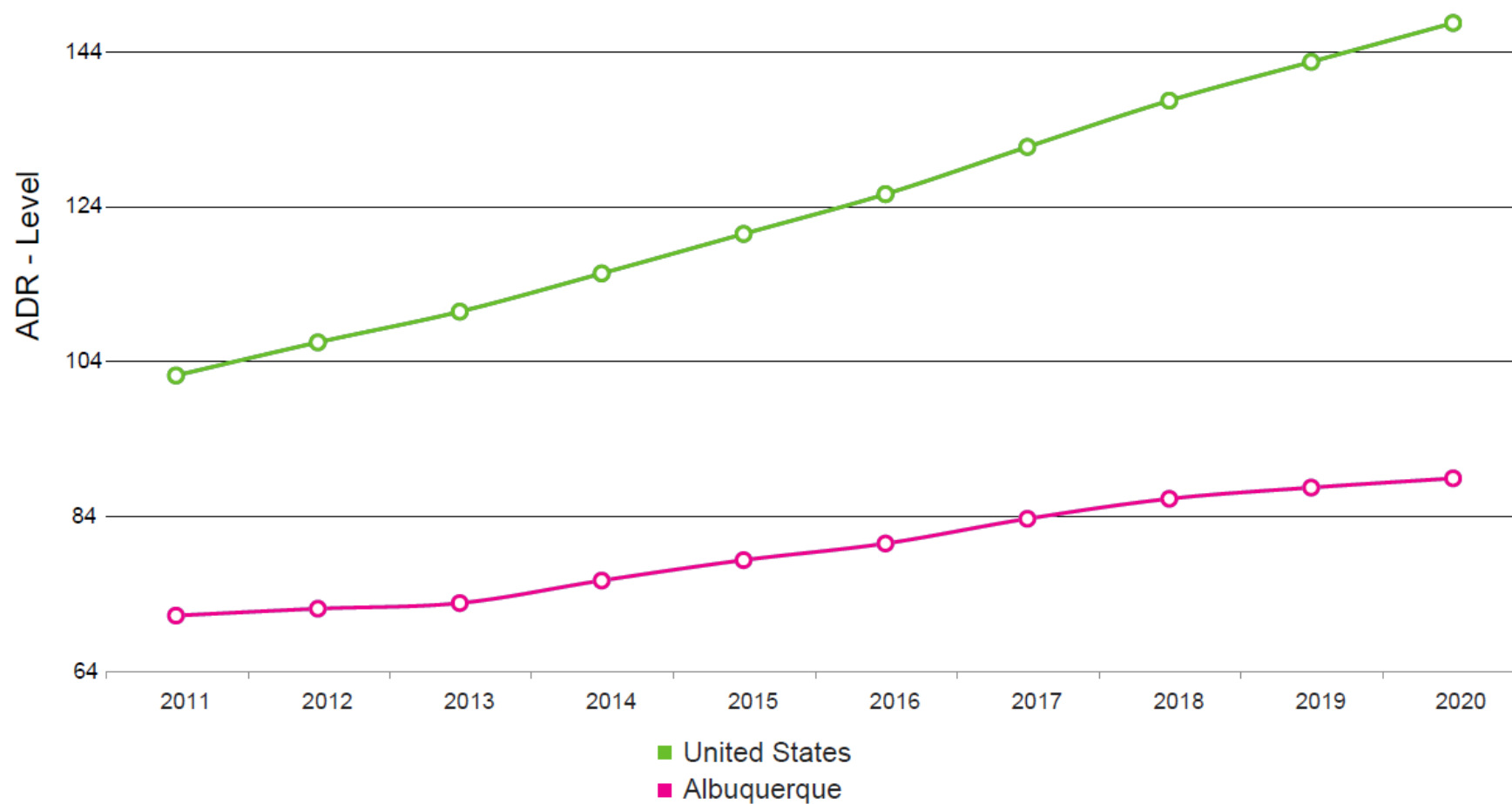
Hotel Occupancy – United States and Albuquerque

Hotel Horizons Chart / 2011 - 2020



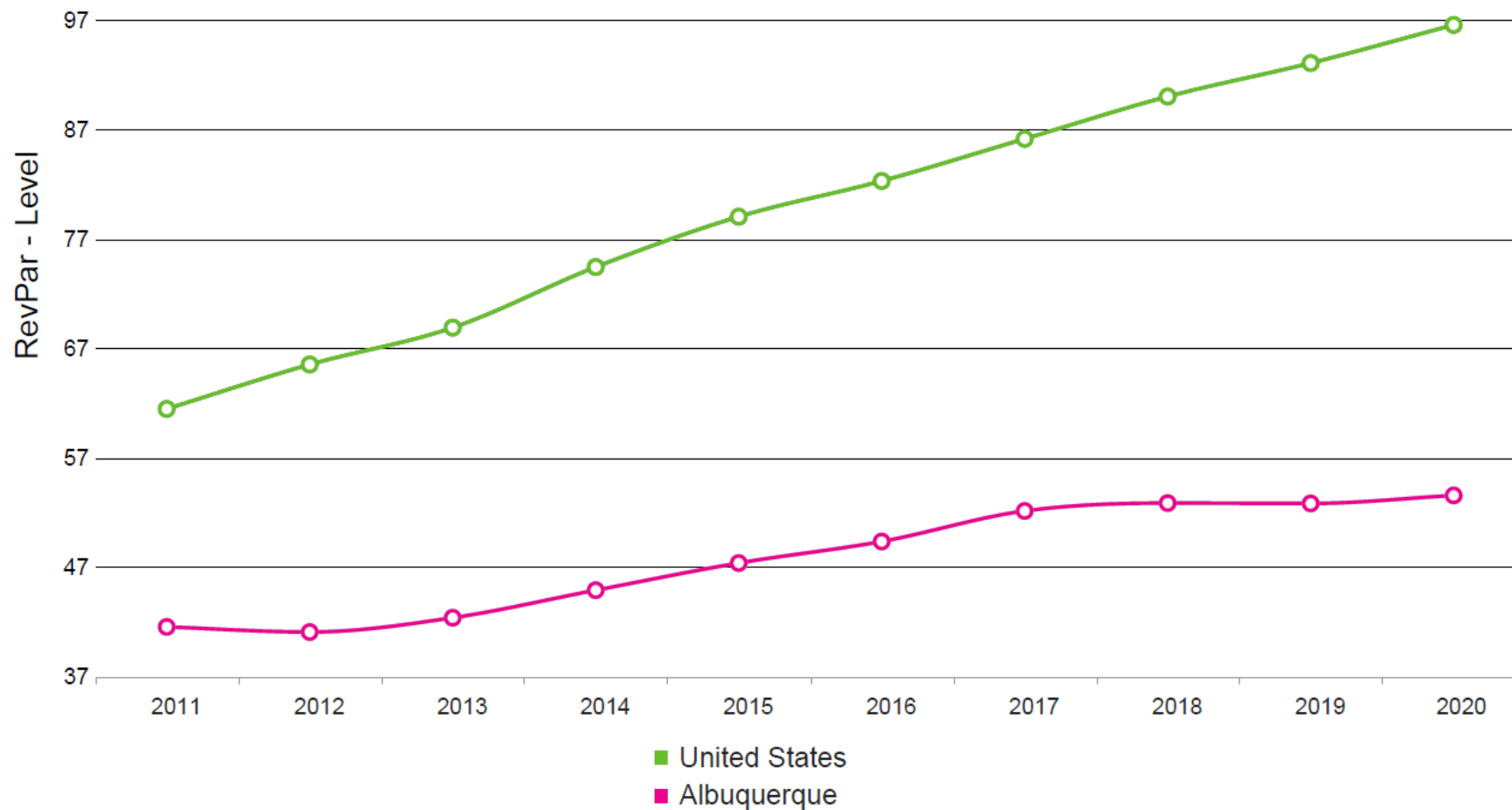
Hotel Average Daily Rate (ADR) – United States and Albuquerque

Hotel Horizons Chart / 2011 - 2020



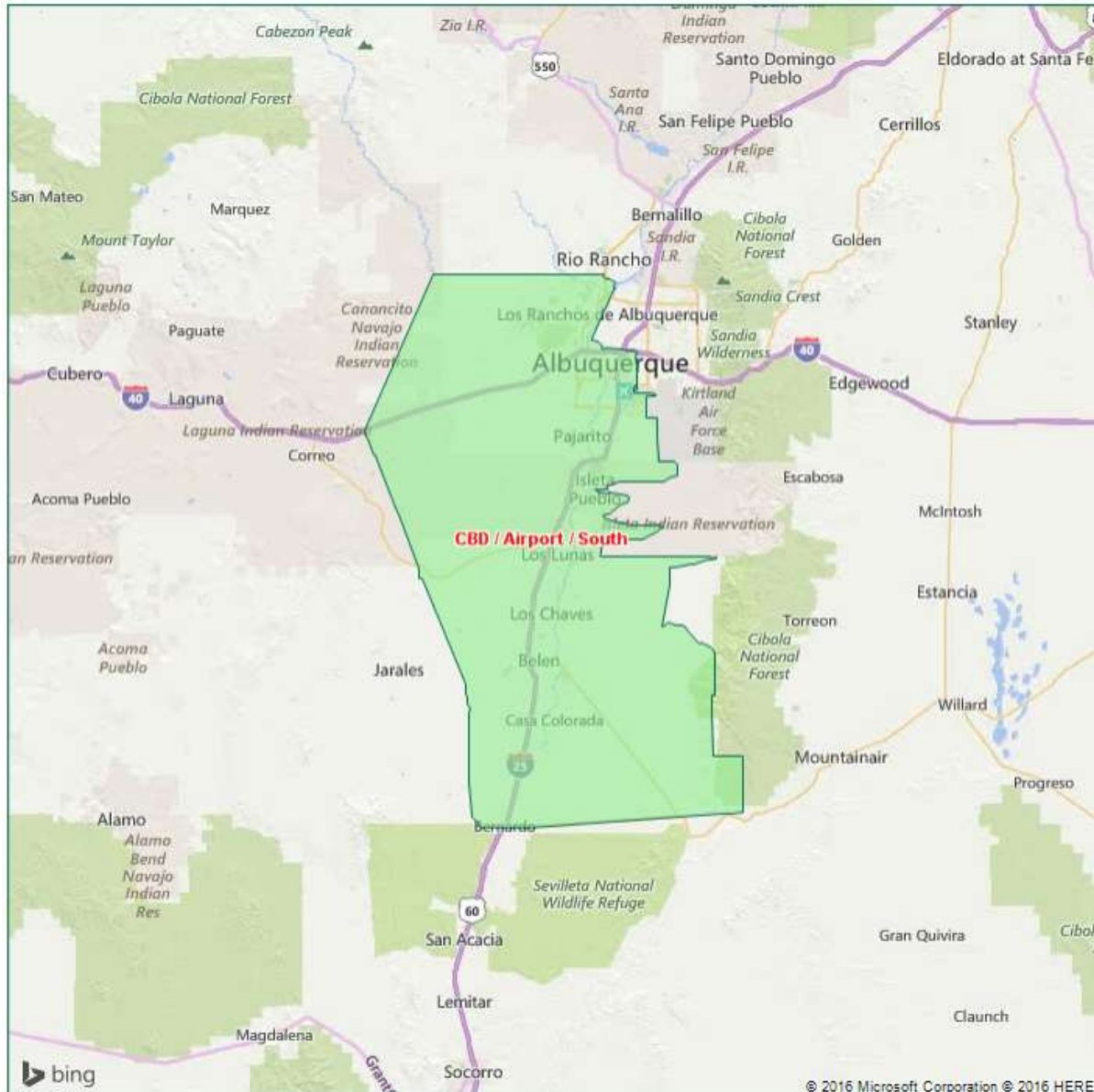
Hotel Revenue Per Available Room (RevPAR) – United States and Albuquerque

Hotel Horizons Chart / 2011 - 2020

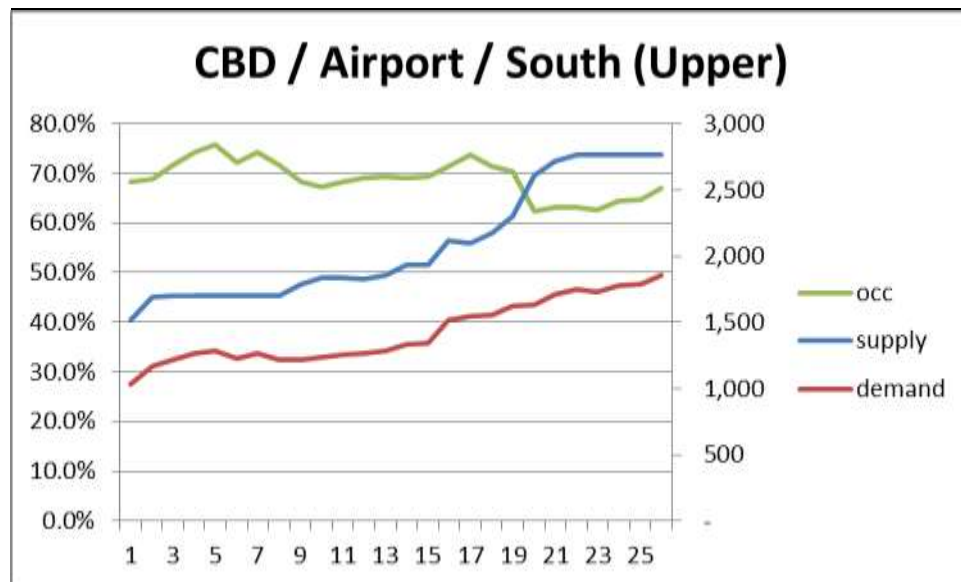


As can be seen from the preceding charts, the overall Albuquerque hotel market has historically underperformed the U.S. national hotel market on an occupancy and average daily rate (ADR) basis. Projections by CBRE Hotels indicate Albuquerque to continue underperforming on both measures through 2020, and in many cases, the gap widening over time.

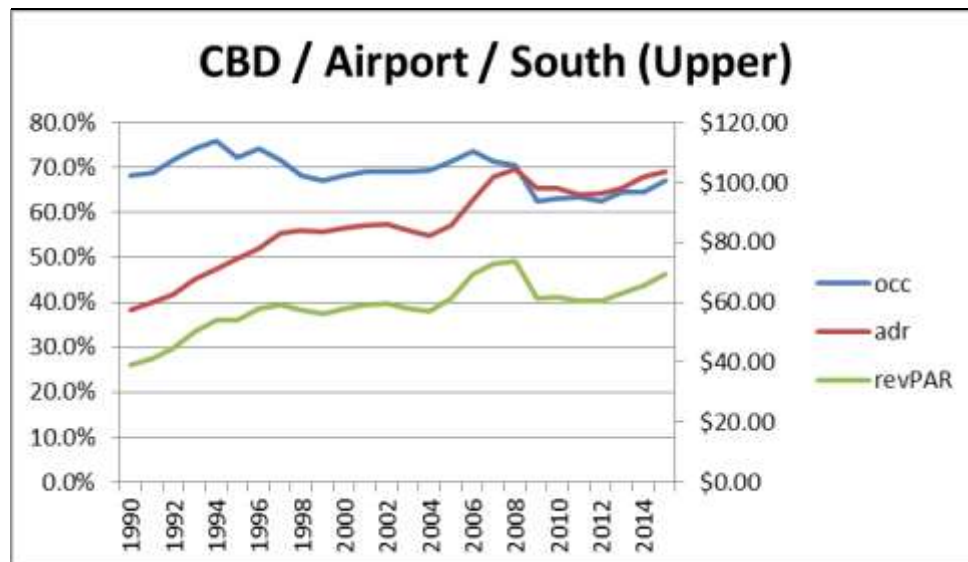
CBRE Hotel Horizons designates the Albuquerque CBD/Airport/South submarket per the map below.



Presented in the following charts is the performance of the Albuquerque/Airport/South submarket, upper priced segment from 1990 through 2015.



The CBD/Airport/South upper-priced submarket has historically shown to be unable to absorb new supply. Supply increases in 2007, 2008, and 2009 of 3.6 percent, 5.9 percent, and 13.5 percent resulted in occupancy declines of 3.0 percent, 1.4 percent, and 11.3 percent respectively. As a point of comparison, a 400-room hotel entering the CBD/Airport/South upper-priced submarket would represent a 14.5 percent increase in supply.



As the above chart indicates, the submarket has not returned back to pre-recession occupancy and RevPAR (revenue per available room) levels.

HISTORICAL MARKET PERFORMANCE OF THE COMPETITIVE SUPPLY

Our analysis continued with a review of the historical performance of hotels in the core Downtown Albuquerque area. We selected three properties in the downtown/conference lodging market containing 951 rooms that represent the local market in which the proposed subject would compete. The selection of the competitive supply was based on each property's location, number of guestrooms, size of meeting space, support facilities and amenities, room rate structure, brand affiliation, and market orientation relative to the subject property. While we are aware of other hotel properties present in the downtown area, we have excluded them from the competitive set based upon several factors including brand affiliation, and amenities and facilities offered. The following chart presents the competitive set for the subject property.

Competitive Supply		
No.	Property	Number of Rooms
1	Hyatt Regency Albuquerque	395
2	DoubleTree Albuquerque	295
3	Embassy Suites Albuquerque	261
Total Competitive Supply		951

Source: CBRE Hotels

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2011 and 2015, as well as year-to-date performance through May 2015 and 2016, are presented in the following table.

Historical Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2011	347,115	N/A	257,242	N/A	74.1%	\$103.30	N/A	\$76.56	N/A
2012	347,115	0.0%	250,482	-2.6%	72.2	103.88	0.6%	74.96	-2.1%
2013	347,115	0.0	253,035	1.0	72.9	106.98	3.0	77.98	4.0
2014	347,115	0.0	226,101	-10.6	65.1	107.41	0.4	69.96	-10.3
2015	347,115	0.0	229,422	1.5	66.1	112.60	4.8	74.42	6.4
CAAG	0.0%		-2.8%			2.2%		-0.7%	
5/15 ytd	144,540	N/A	89,451	N/A	61.9%	\$110.71	N/A	\$68.52	N/A
5/16 ytd	144,540	0.0%	95,193	6.4%	65.9%	113.76	2.8%	74.92	9.3%

Source: CBRE Hotels

From 2011 to 2015, rooms supply in the competitive market remained unchanged. Demand for rooms, as demonstrated by occupied room nights, decreased at a compound average annual growth (CAAG) rate of 2.8 percent. Demand for occupied rooms has declined since 2011, as hotels outside of the downtown area that have either newly opened or been renovated have positioned themselves as more attractive accommodations within the city. The competitive set experienced a small uptick in occupied rooms in 2015, but remains well below peak levels. May 2016 year to date occupied room nights grew by 6.4 percent as compared to one year prior, bringing market occupancy to 65.9 percent.

The average daily room rate (ADR) of the competitive set increased by 2.2 percent on an annual basis over the last five years. 2015 finished the year with a 4.8 percent increase over 2014, which equates to an ADR of \$112.60. Year-to-date through May, the competitive market average daily rate is \$113.76, a 2.8 percent increase over the same period one year prior.

Revenue per available room (RevPAR) has declined at an annual average rate of 0.7 percent from 2011 to 2015, due to declining demand despite rising ADR. Year-to-date through May, revenue per available room (RevPAR) is \$74.92, an increase of 9.3 percent as compared to the prior period last year.

Additions to Supply

In conducting our investigations regarding the potential for additions to supply in the subject's competitive market, we interviewed City of Albuquerque planning officials, as well as general managers from other properties in the area. In our research, we identified no upcoming hotel developments that would directly compete with the proposed subject hotel. We note that there are other hotel developments currently underway in the City of Albuquerque.

- Hotel Chaco – The 118-room Hotel Chaco is currently under construction in Old Town Albuquerque, directly adjacent to the Hotel Albuquerque. When completed, Hotel Chaco will have a 6,000-square foot spa, rooftop restaurant and lounge with capacity for 250 people, a second 150-seat indoor restaurant, and 3,000-square feet of retail space. The hotel will be designed by architecture firm Gensler and is inspired by historic Native American Chaco Canyon in New Mexico. The hotel will be owned by Heritage Hotels & Resorts, the same owners of several properties in Albuquerque including Hotel Albuquerque. The project received a 20-year, \$40 million industrial revenue bond approved by Bernalillo County Board of Commissioners to enable the project to move forward. The county will hold title to the property until the developer repays the bond holders. The project broke ground in Dec 2014, is currently under construction, and is anticipated to open in 2017.

Although Hotel Chaco represents a top-quality hotel development in the Albuquerque market it should be noted that the Hotel Chaco development is in Old Town Albuquerque. The most recent newly constructed hotel development in the downtown core was the Hyatt Regency which opened in 1990. We also note there has been development of several hotels in other submarkets of Albuquerque. While these hotel developments have benefited from a strengthening hotel market, they are typically of the select-service hotel type, reflecting changing consumer preferences in type of facilities desired and desired locations to lodge.

HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- **Demonstrated Demand**: the demand already captured at competitive hotels.
- **Induced Demand**: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- **Unsatisfied Demand**: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Mix of Demand

The demand captured by the market is derived primarily from the transient segment followed by group and convention segments. The 2015 market segmentation is displayed in the following table.

Competitive Market 2015 Mix of Demand		
Market Segment	Room Nights	Ratio
Transient	141,600	62%
Group	64,500	28
Convention	23,300	10
Total	229,000	100%
Source: CBRE Hotels		

Using the historical growth in the market as a base and taking into account the current demonstrated and future projected economic conditions, we have estimated future growth in overall market demand. Each market segment is discussed in the following paragraphs, followed by a discussion and summary table setting forth our estimated growth in supply and demand.

Transient Segment

The transient market segment represents the subject market's largest source of demand, having generated approximately 141,600 room nights in 2015, or 62 percent of total demand. This segment consists of leisure travelers visiting Albuquerque and nearby areas. This segment also includes commercial demand. This demand emanates from business travelers as well as government-related demand generated in addition to other growing industries such as the film industry. We have induced 5,000 room nights in the subject's assumed year of opening. We estimate that this segment will grow at 3.0 percent in 2016, and for the remainder of our projections.

Group Segment

The group meeting segment generated 64,500 room nights in 2015, or 28.0 percent of captured room nights. Group demand consists of travelers who book block of rooms exceeding ten rooms per night. The purpose of the group traveler's visit is to meet with other members of a corporate, leisure, or association group to further group's goals. These travelers often require meeting space at the hotel in which they are staying. We have induced 5,000 room nights in the subject's assumed year of opening. We anticipate the group segment to increase by 3.0 percent in 2016, and each year thereafter.

Convention Segment

Convention demand in the competitive market includes association and corporate groups that hold meetings at the Albuquerque Convention Center, usually for the purposes of educating their members, promoting their products, or discussing legislation that may affect their organization. This segment accounted for approximately 23,300 room nights in 2015, or 10 percent of the competitive market. We have induced 10,000 room nights in 2019, the subject's assumed year of opening, due to its presumed convention-focused programming and facilities. We anticipate the group segment to increase by 3.0 percent in 2016, and each year thereafter.

Supply and Demand Growth

Based on our analysis of the economic conditions, we have estimated growth in market supply and rooms demand. Using the historical growth in the market as a base, we have estimated future growth in overall market demand.

We have estimated that the market will achieve an occupancy rate of 68.0 percent in 2016. We estimate that the market will increase to 70.0 percent in 2017 and remain at that level in 2018. Upon the presumed opening of the proposed subject, market occupancy decreases to 56.0 percent. Market occupancy is then projected to increase gradually, reaching its long term stabilized rate of 68.0 percent in 2026. Though it is likely that the market will fluctuate above and below this level, we find 68.0 percent a reasonable level of stabilization given the products in the competitive market, their locations, and the projected performance of the transient and group markets.

The following table details the projected supply and demand for the competitive set.

Proposed Convention Center Hotel Competitive Market Estimated Future Growth in Lodging Supply and Demand 2015 - 2026												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ROOMS SUPPLY	951											
Additions/(Deletions) to Supply												
Proposed Convention Center Hotel					400							
Hyatt Regency												
DoubleTree												
Embassy Suites												
Cumulative Rooms Supply	951	951	951	951	1,351	1,351	1,351	1,351	1,351	1,351	1,351	1,351
Total Annual Rooms Supply	347,115	347,115	347,115	347,115	493,115	493,115	493,115	493,115	493,115	493,115	493,115	493,115
Growth Over the Prior Year	0.0%	0.0%	0.0%	0.0%	42.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR												
Transient	141,602	62%										
Group	64,514	28%										
Convention	23,306	10%										
TOTAL DEMONSTRATED DEMAND	229,422	100%										
INDUCED/(UNSATISFIED) DEMAND												
Transient		0	0	0	5,000	0	0	0	0	0	0	0
Group		0	0	0	5,000	0	0	0	0	0	0	0
Convention		0	0	0	10,000	0	0	0	0	0	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	0	0	20,000	0	0	0	0	0	0	0
GROWTH RATES												
Transient		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Group		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Convention		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
PROJECTED DEMAND												
Transient												
Demonstrated	141,602	145,850	150,226	154,732	159,374	169,306	174,385	179,616	185,005	190,555	196,272	202,160
Induced/(Unsatisfied)	0	0	(255)	(4,762)	5,000	0	0	0	0	0	0	(4,049)
Total	141,600	145,900	150,000	150,000	164,400	169,300	174,400	179,600	185,000	190,600	196,300	198,100
Growth Over Prior Year	N/A	3.0%	2.8%	0.0%	9.6%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.9%
Group												
Demonstrated	64,514	66,450	68,443	70,496	72,611	79,940	82,338	84,808	87,352	89,973	92,672	95,452
Induced/(Unsatisfied)	0	0	(116)	(2,170)	5,000	0	0	0	0	0	0	(1,912)
Total	64,500	66,400	68,300	68,300	77,600	79,900	82,300	84,800	87,400	90,000	92,700	93,500
Growth Over Prior Year	N/A	2.9%	2.9%	0.0%	13.6%	3.0%	3.0%	3.0%	3.1%	3.0%	3.0%	0.9%
Convention												
Demonstrated	23,306	24,005	24,725	25,467	26,231	37,318	38,438	39,591	40,778	42,002	43,262	44,560
Induced/(Unsatisfied)	0	0	(42)	(784)	10,000	0	0	0	0	0	0	(892)
Total	23,300	24,000	24,700	24,700	36,200	37,300	38,400	39,600	40,800	42,000	43,300	43,700
Growth Over Prior Year	N/A	3.0%	2.9%	0.0%	46.6%	3.0%	2.9%	3.1%	3.0%	2.9%	3.1%	0.9%
Total Market Demand	229,400	236,300	243,000	243,000	278,200	286,500	295,100	304,000	313,200	322,600	332,300	335,300
Growth Over Prior Year	N/A	3.0%	2.8%	0.0%	14.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.9%
Market Occupancy	66%	68%	70%	70%	56%	58%	60%	62%	64%	65%	67%	68%
Source: CBRE Hotels												

AVERAGE DAILY RATE

Competitive Supply

Presented in the following table is the growth in the competitive market's average daily room rates for the period from 2011 through 2015, which increased at a compound rate of 2.2 percent on an annual basis.

Historical Change in Average Daily Rate		
Year	Market	
	ADR	Change
2011	\$103.30	N/A
2012	103.88	0.6%
2013	106.98	3.0
2014	107.41	0.4
2015	112.60	4.8
CAAG	2.2%	
5/15 ytd	\$110.71	N/A
5/16 ytd	113.76	2.8%

Source: CBRE Hotels

The following table summarizes the projected competitive market performance of the competitive supply reflecting the additions of the various proposed hotels. The projections include the annual available rooms, occupied rooms, competitive market occupancy, average daily rate, and RevPAR.

Projected Market Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2016	347,115	0.0%	236,300	3.0%	68%	\$116.00	3.0%	\$ 78.97	6.1%
2017	347,115	0.0	243,000	2.8	70	119.00	2.6	83.31	5.5
2018	347,115	0.0	243,000	0.0	70	123.00	3.4	86.11	3.4
2019	493,115	42.1	278,200	14.5	56	130.00	5.7	73.34	-14.8
2020	493,115	0.0	286,500	3.0	58	134.00	3.1	77.85	6.2
2021	493,115	0.0	295,100	3.0	60	137.00	2.2	81.99	5.3
2022	493,115	0.0	304,000	3.0	62	142.00	3.6	87.54	6.8
2023	493,115	0.0	313,200	3.0	64	146.00	2.8	92.73	5.9
2024	493,115	0.0	322,600	3.0	65	150.00	2.7	98.13	5.8
2025	493,115	0.0	332,300	3.0	67	154.00	2.7	103.78	5.8
2026	493,115	0.0	335,300	0.9	68	159.00	3.2	108.11	4.2
CAAG	3.6%		3.6%			3.2%		3.2%	

Source: CBRE Hotels

As can be seen in the table above, supply is expected to grow at a compound average annual rate of 3.6 percent from 2016 to 2026, the estimated year of the market reaching stabilized occupancy. Growth in supply is expected to ramp up quickly by 42.1 percent in 2019 due to the opening of the proposed subject hotel. Occupied rooms demand is expected to grow at 3.6 percent annually over the same period.

Based on the average rates achieved historically, our interviews with hoteliers involved in the downtown Albuquerque hotel market, and our research, we have estimated future growth in average daily rate. The average daily rate of the competitive market is

expected to increase at rates close to the inflation rate of 3.0 percent, with an increase of 5.7 percent in 2019 as the higher rated proposed subject enters the market. Overall, this equates to an average annual increase of 3.2 percent over the projection period.

With the opening of the proposed subject hotel in 2019, competitive market occupancy decreases to 56.0 percent. While competitive market ADR increases by 5.7 percent to \$130.00, the sharp decrease in competitive market occupancy causes competitive market RevPAR to drop to \$73.34, a 14.8 percent decrease from the prior year.

PROJECTED PERFORMANCE OF THE PROPOSED HOTEL

Penetration Analysis

Our estimates of occupancy are based on our survey of competitive hotels, an analysis of the segmentation of demand in the market area and our assessment of the subject property's market position. The "penetration rate" of a hotel is the percentage of room nights captured relative to the property's "fair share." The hotel's "fair share" is determined by dividing the subject property's number of guest rooms by the total number of guest rooms in the competitive market (including the subject property). Factors indicating a hotel would possess competitive advantages suggest a market penetration in excess of 100 percent of fair market share, while competitive weaknesses are reflected in penetration rates of less than 100 percent. However, other factors besides competitive weaknesses could result in penetrations of less than 100 percent. The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject hotel versus the competition taking into consideration such factors as location, room rate structure, quality and extent of amenities offered, chain affiliation, quality of management, marketing efforts and image;
- The characteristics, composition and needs of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation of certain market segments; and,
- Management decisions concerning target markets.

As previously mentioned, we have determined that the competitive properties cater to three market segments: transient, group, and convention.

Transient

Transient travelers in this market select hotel accommodations based on room and overall hotel amenities, location relative to their destination, and area amenities. Upon opening in 2019, we have estimated that the hotel will have a transient penetration of 90

percent, and that the subject will maintain this level of penetration as it moves toward stabilization in the competitive market. The subject's transient demand is anticipated to be comprised of primarily individual business travelers Monday through Thursday, and leisure travelers during weekends, holidays and special events.

Group

Group travelers usually consist of travelers who book blocks of rooms exceeding ten rooms per night. The purpose of the group traveler's visit is to meet with other members of a corporate, leisure, or association group to further the group's goals. These travelers often require meeting space at the hotels in which they are staying. Additionally, there is sports team demand that is also categorized in the group segment, which does not require meeting space, although this segment is price sensitive. Therefore, we have estimated that the proposed hotel will penetrate the group market at 95 percent upon opening in 2019, increase to 100 percent the following year and stabilize at 105 percent in 2021 and effectively remain at this level throughout the duration of our projections.

Convention Market Penetration

We have estimated that the opening convention market penetration for the proposed hotel will be at its fair share, or 100 percent. We estimate the convention market penetration to increase to 110 percent in 2020, and further to 120 percent in 2014 where it is expected to stabilize for the remainder of our projections. The proposed convention hotel will have 400 rooms and will be located within close walking distance of the convention center.

Projected Occupancy of the Proposed Hotel

Based on the foregoing analysis by segment, we have estimated an overall occupancy upon opening for the proposed hotel to be 52 percent in 2016, commensurate with an overall penetration of 93 percent. The level of penetration is commensurate with the opening penetration of other similarly sized, branded, Convention Center Headquarter Hotels, however in more established convention destinations we usually find that market occupancy levels are much greater. This penetration level is expected to grow to 95 percent in 2020 and occupancy is expected to increase to 55 percent as the subject slowly moves towards stabilization in the market as it absorbs a more than 40 percent increase in available rooms. In 2021, the subject is expected to increase its penetration to a stabilized level of 98 percent which equates to an occupancy of 59 percent. While the subject is anticipated to continue to penetrate the market at this level, its occupancy is projected to grow along with the market, eventually reaching 66 percent in 2025.

The following table depicts a summary of our estimated performance of the proposed hotel.

Proposed Convention Center Hotel Market Penetration and Projected Occupancy								
	2019	2020	2021	2022	2023	2024	2025	2026
TOTAL ROOMS AVAILABLE								
Proposed Convention Center Hotel	146,000	146,000	146,000	146,000	146,000	146,000	146,000	146,000
Competitive Market	493,115	493,115	493,115	493,115	493,115	493,115	493,115	493,115
	=====	=====	=====	=====	=====	=====	=====	=====
Fair Share of Supply	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%	29.6%
	=====	=====	=====	=====	=====	=====	=====	=====
ESTIMATED TOTAL MARKET DEMAND								
Transient	164,400	169,300	174,400	179,600	185,000	190,600	196,300	198,100
Group	77,600	79,900	82,300	84,800	87,400	90,000	92,700	93,500
Convention	36,200	37,300	38,400	39,600	40,800	42,000	43,300	43,700
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	278,200	286,500	295,100	304,000	313,200	322,600	332,300	335,300
	-----	-----	-----	-----	-----	-----	-----	-----
FAIR SHARE OF DEMAND								
Transient	48,700	50,100	51,600	53,200	54,800	56,400	58,100	58,700
Group	23,000	23,700	24,400	25,100	25,900	26,600	27,400	27,700
Convention	10,700	11,000	11,400	11,700	12,100	12,400	12,800	12,900
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	82,400	84,800	87,400	90,000	92,800	95,400	98,300	99,300
	-----	-----	-----	-----	-----	-----	-----	-----
SUBJECT PENETRATION								
Transient	90%	90%	90%	90%	90%	90%	90%	90%
Group	95%	100%	105%	105%	105%	105%	105%	103%
Convention	100%	110%	120%	120%	120%	120%	120%	120%
	-----	-----	-----	-----	-----	-----	-----	-----
ROOM NIGHTS CAPTURED								
Transient	43,800	45,100	46,500	47,900	49,300	50,800	52,300	52,800
Group	21,800	23,700	25,600	26,400	27,200	28,000	28,800	28,500
Convention	10,700	12,100	13,600	14,100	14,500	14,900	15,400	15,500
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL CAPTURED DEMAND	76,300	80,900	85,700	88,400	91,000	93,700	96,500	96,800
	=====	=====	=====	=====	=====	=====	=====	=====
MARKET SHARE CAPTURED	27.4%	28.2%	29.0%	29.1%	29.1%	29.0%	29.0%	28.9%
OVERALL MARKET PENETRATION	93%	95%	98%	98%	98%	98%	98%	98%
	-----	-----	-----	-----	-----	-----	-----	-----
SUBJECT OCCUPANCY	52%	55%	59%	61%	62%	64%	66%	66%
	-----	-----	-----	-----	-----	-----	-----	-----
MARKET MIX								
Transient	57%	56%	54%	54%	54%	54%	54%	55%
Group	29%	29%	30%	30%	30%	30%	30%	29%
Convention	14%	15%	16%	16%	16%	16%	16%	16%
	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%
	=====	=====	=====	=====	=====	=====	=====	=====

Source: CBRE Hotels

Average Daily Rate and Yield for the Subject

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based primarily on the historical average daily rates achieved by comparable hotels in secondary urban markets throughout the U.S. and information concerning the other hotel properties in the competitive supply.

In the subject's first year of operation, we estimate that the hotel's average daily rate will be \$137.00. We estimate that the subject will be able to increase its average daily rate by 3.0 percent on an annual basis. At this rate of growth, the subject's rate in a representative year ADR translates to \$125.00 in 2016 dollars. In consideration of its facilities and amenities, as well its positioning in the competitive market, we find this rate reasonable, placing the subject approximately \$10.00 above the competitive market average (on a stabilized basis) but within the range of other comparable good quality, full-service properties located in secondary locations throughout the nation.

The following table outlines our estimates of average daily rate and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel												
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield	
2019	146,000	N/A	76,300	N/A	52%	\$137.00	N/A	\$ 71.60	N/A	93%	98%	
2020	146,000	0.0%	80,900	6.0%	55	141.00	3.0%	78.13	9.1%	95	100	
2021	146,000	0.0	85,700	5.9	59	145.00	3.0	85.11	8.9	98	104	
2022	146,000	0.0	88,400	3.2	61	149.00	3.0	90.22	6.0	98	103	
2023	146,000	0.0	91,000	2.9	62	154.00	3.0	95.99	6.4	98	104	
2024	146,000	0.0	93,700	3.0	64	158.00	3.0	101.40	5.6	98	103	
2025	146,000	0.0	96,500	3.0	66	163.00	3.0	107.74	6.2	98	104	
2026	146,000	0.0	96,800	0.3	66	168.00	3.0	111.39	3.4	98	103	
CAAG	0.0%		3.5%			3.0%		6.5%				

Source: CBRE Hotels

OTHER MUNICIPAL EXAMPLES

Our research also draws upon historical examples of other cities in the United States that have constructed convention center hotels that have failed to meet expected projections.

In 2008, Phoenix, Arizona, expanded the Phoenix Convention Center for \$600 million and developed a 1,000-room convention hotel. Approximately \$350 million was issued in bonds to build the hotel. Projections at the time of construction predicted convention business for Phoenix would triple to 375,000 attendees per year. In fiscal year 2013, there were only 188,669 attendees, and according to public records, the new Sheraton hotel did 51.0 percent and 57.5 percent occupancy in 2013 and 2014 respectively. The City of Phoenix has had to use tax dollars to pay the hotel's debt and cover operating losses of more than \$28 million since its opening in 2008. Earlier this year the city accepted a \$300 million offer to sell the hotel to a private owner.

Opening in 2003, the 1,081-room Renaissance Grand Hotel in St. Louis was expected to house convention attendees of the expanded convention center. Projections stated the number of major conventions would grow from 33 to 56. But by 2008, only 24 major conventions were held in St. Louis, and fewer room nights actualized than in 1999 and 2000. Failing to meet revenue projections, the hotel foreclosed in 2009 and was sold at

a significant loss in 2014. More than \$120 million in public money went into the development of the Renaissance Grand, with 10 percent contributed by private investors.

In August 2008, the Hyatt Baltimore opened. The 757-room convention center hotel received more than \$300 million in tax-exempt bonds for its construction. In 2014, the hotel lost \$5.6 million. Initial projections called for the hotel to be making \$7 million in profit. In 2013 the hotel lost \$2.9 million, its best performance in history. Since opening the hotel has lost more than \$70 million.

In Overland Park, Kansas, the Overland Park Convention Center was developed along with the 412-room Sheraton Hotel, opening in December 2002. The convention center was expected to host fourteen conventions a year but instead only hosted five. The city has had to use tax dollars to pay the hotel's debt service.

While the previous examples tell of failed convention center hotels, we also note successful cities that have managed to revitalize their city's convention center and surrounding area.

Downtown Los Angeles Convention Center area has experienced steady growth over the last decade. Much of this growth can be attributed to the L.A. Live/Staples Center development. Following a September 15, 2005 groundbreaking, the first phase of L.A. LIVE opened in the fall of 2007. The multi-use development consists of approximately 4.0 million square feet of building area covering 27.3 acres on six city blocks. In addition to the successful JW Marriott and Ritz-Carlton hotels that together contain approximately 1,001 rooms and 224 luxury Ritz-Carlton Residences, the District also includes more than a dozen restaurants and cafes, the 7,100-seat state of the art Microsoft theater, Grammy Museum, nightclub venues, sports bars, high-density housing, broadcast facilities, offices, cinemas, and a one-acre plaza. Immediately adjacent to L.A. Live is the 20,000-seat, \$400-million arena that the Los Angeles Lakers, Clippers, Kings, and Sparks, and hosts over 250 entertainment and sports events annually such as the Grammy's and MTV Music Awards. L.A. LIVE/Staples Center has been extremely well received by both visitors and residents alike and has had a positive impact on Downtown Los Angeles overall, and continues to spur further development in the area. The overall downtown Los Angeles area continues to undergo development and investment with several residential, retail, and hotel projects currently under construction or in planning. Furthermore the area has had a rapidly growing residential population and declining office vacancy in recent years.

While certainly not the only reason for downtown Los Angeles' Convention Center's success, we believe that the area's preceding investment and development, particularly L.A. Live and Staples Center, contributed significantly to the success of the convention center and the downtown area.

CONCLUSION

Upon completion of our analysis, we do not recommend the development of a convention hotel facility on the subject site. This determination is based upon a host of factors, primarily due to our conclusions regarding the site's location in downtown Albuquerque, the area's poor amenity base, and the historical and projected performance of the downtown Albuquerque hotel market. Given the uncertainty of the downtown Albuquerque hotel market in the upcoming years, our opinion of the highest and best of the subject site would be the development of an entertainment/dining venue. We believe that the area is in need of amenities that would draw visitors to downtown Albuquerque in order to foster economic activity. Albuquerque has a strong food culture and a dining destination would leverage this and other authentic characteristics of the destination.

We thank you for the opportunity to work on this project. We look forward to talking with you about our findings and conclusions. Should you have any questions, please feel free to contact me.

Sincerely,

CBRE Hotels



By Bruce Baltin
Managing Director

Addendum
Terms and Limiting Conditions

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of an consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, CONSULTANT DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR

TERMS AND CONDITIONS (continued)

ANY PARTICULAR PURPOSE EVEN IF KNOWN TO CONSULTANT. The conclusions and any permitted reliance on and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.
13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.

LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

15. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering

TERMS AND CONDITIONS (continued)

or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of a Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

16. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
17. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or studies under this Agreement or (c) any acts or conduct relating to such services or studies, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.