

# ***MARKET FEASIBILITY STUDY***

***Hilton XXX  
May, 2007  
Prepared for:  
XXX, LLC***

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## 1. Overview-

### **Note: Pompan Hospitality Global was formally Consulting Solutions**

#### **1.1. Introduction & Scope**

In April, 2007, XXX, LLC ("XXX") engaged XXX Consulting Solutions ("XXX") to complete a market study and prepare estimated projections of occupancy and average daily rate in connection with the planned renovation of the Hilton XXX ("Subject Property" or "Hotel") located at XXX, XXX, XXX, XXX. The primary objective of this study is to answer the Question, *"Given the established historical performance of the subject property, and taking into consideration the planned renovations as described, what will be the financial impact of building, marketing and operating an IACC Quality Executive Conference Center ("EMC") as an addition to the current hotel product?"*

This report presents a narrative of the study's findings and conclusions including:

- An overview of the current economic and demographics of the XXX County and surrounding Metropolitan Statistical Area ("MSA");
- Description of the subject site and an opinion of its suitability for operating a Hotel/Executive Conference Center (as improved);
- Descriptive analyses of the lodging properties that will be competitive with the renovated subject site, including their identities, facilities and approximate level of performance and a projection of future performance of the competitive set and the Hotel;
- A review of the subject property's estimated penetration within the competitive set;
- Estimates of the future performance, utilization level and room revenue potential for the Hotel, expressed in terms of occupancy, average daily rate ("ADR") and revenue per available room ("RevPAR");
- An analysis of current and potential customer demand based on including personal interviews, existing relationships and surveys targeted at understanding their perception of the subject property, their appetite for an EMC product and the perceptions of the current competitive set relative to the subject property; and
- Comparative data of the likelihood of customer usage based on proprietary data developed and owned by XXX on the performance of ECC's introduced in similar markets with similar products over the past eight years.

## 1.2.Methodology

We approached this project under the assumption that adding an IACC quality EMC to the existing hotel asset would have a positive impact on the property's financial performance. We knew, prior to our research, the following:

- ▶ That the market was (and is) well educated on the benefits of a conference center product versus a traditional meeting hotel product;
- ▶ That the market contained well established IACC conference centers, some of which are among the best in the country, and that the subject property would be competing with these assets;
- ▶ That central XXX was among the highest meeting demand regions in the United States.

Our research focused on proving or disproving our initial assumption by understanding the markets demand and identifying demand generators that would consider the subject property for its' future meetings business.

Our conclusions and findings rely upon both primary and secondary research, which included but was not limited to interviews with representatives of management of competitive set hotels in the area, customers, local government officials and others familiar with the lodging environment in the XXX MSA to assist in the determination of potential lodging and meeting demand at the Hotel. Secondary research sources are noted throughout the study where applicable.

We also inspected the site and the surrounding area to determine its' suitability for the operation of the Hotel as improved. We examined such factors as general aesthetics, the supportive nature of nearby current market, and regional access to the area.

We analyzed relevant basic socioeconomic characteristics of the primary and secondary market areas and the growth potential of possible sources of demand for the subject property. We conducted an analysis of relevant data regarding the market area to determine whether the overall economic environment appears suitable for the renovated and repositioned Hotel.

We looked at the historical growth of demand for lodging accommodations within the defined competitive set of hotels. This analysis estimates future growth in demand in the market area. A comparison to the Hotel of the current supply of competitive facilities catering to these demand segments and estimates of their recent performance led to conclusions about the market potential for the renovated Hilton Hotel.

Finally, and perhaps most importantly, we conducted interviews with top local demand generators to assess their potential business levels and their desire, need and potential use of a new Executive Conference Center product in the market.

### 1.3. Major Assumptions

The findings, conclusions and recommendations in this report are based in part on the following major assumptions:

- ▶ The new EMC, located on a floor of the adjacent tower, will be built and operational by January 1, 2008;
- ▶ The new EMC will have 11,794 net SF of meeting space and will be self-contained. It will be ancillary to the Hilton Hotel but utilizing all services and facilities for F&B and concept delivery;
- ▶ The net change in total meeting space will be:

NET CHANGE IN MEETING SPACE ( Sq. Ft.)	
Total Existing	24498
Total After Renovation	36292
Variance	11794

- ▶ Over 30% of customers interviewed reported anticipated growth in the amount of meetings they produce in the coming year. Less than 5% anticipated a decrease and the rest anticipated no change. (See pages 79-81) This leads us to conclude that the XXX, XXX and surrounding market is improving and will continue to be a desirable location in central XXX;
- ▶ The Marketing and Sales Team will be able to articulate the distinct selling advantages of the additional space and be able to effectively overcome the objectives of adjacent meeting space;
- ▶ The Hilton brand and the Hilton XXX will provide strong appeal to attract the corporate and association meetings business and provide essential reservation systems, national sales support and Preferred Guest/Customer Loyalty programs
- ▶ XXX Hotel Group will commit to IACC standards and recommended guidelines for the new conference space designed to accommodate the small-to-medium size meeting from 5 to 125 people;
- ▶ The hotel will hire and provide training to ensure an experienced and strong conference center operations team provides an excellent meeting product and group support service in order to compete in the well-established market;
- ▶ XXX Hotel Group can negotiate a fair long-term lease program for adjacent office space;
- ▶ The Doubletree Hotel and Executive Meeting Center XXX and the Hilton XXX will synergistically sell and support each other in the regional market arena and easily cross sell each other's hotels;

- ▶ The Thursday arrival trend of SMERF and Association will continue in the future and as such we based corporate package volume on a 4 day week and a 44 week year;
- ▶ That packaged business (CMP/MMP/DMP) will utilize the new EMC exclusively and that the existing "hotel" meeting space would remain available to serve the existing clientele;
- ▶ We made no allowance for the conversion of existing meeting business to packaged business, believing that the new EMC should be able to drive all new business;
- ▶ The Hotel will be managed professionally and competently by a fully qualified, reputable management company;
- ▶ There will be no other additions to the competitive supply of hotel accommodations other than as described herein; and
- ▶ There will be no significant geopolitical or other disruptions to the economy of the country during the term of the projections contained herein.

#### 1.4.Executive Summary

XXX proposes to lease space in an adjacent office building to provide 11,794 net incremental square feet of meeting space. This space will be built to EMC/IACC standards, and renovations will be complete by January 1, 2008. Because it will be IACC compliant, it will be clearly recognizable in a market rich with IACC conference centers and that serves an educated market that seeks IACC quality meeting environments. Because the proposed capital project will add space to the existing facility, we conclude that the business generated by the EMC will be incremental, not displacing any other group or transient rooms. The following table illustrates the anticipated revenue impact the new EMC will have on the existing operation.

Incremental Revenue Driven by Proposed EMC				
<b>Corporate Package CMP</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
Room nights	3,487	4,982	5,978	
ADR	187.37	195.98	205.39	
F&B/Other package revenue	123.60	129.70	135.01	
<b>Total Revenue</b>	<b>\$ 1,084,420</b>	<b>\$ 1,622,482</b>	<b>\$ 2,034,969</b>	
<b>Corporate Package MMP</b>				
Room nights	2,325	3,321	3,985	
ADR	200.85	198.72	203.62	
F&B/Other package revenue	86.52	97.27	101.25	
<b>Total Revenue</b>	<b>\$ 668,087</b>	<b>\$ 983,039</b>	<b>\$ 1,215,038</b>	
<b>DMP Packages Sold</b>	<b>2,906</b>	<b>4,151</b>	<b>4,982</b>	
F&B/Other package revenue	112.27	115.64	119.11	
<b>Total Revenue</b>	<b>\$ 326,261</b>	<b>\$ 480,070</b>	<b>\$ 593,367</b>	
<b>CMP Price</b>	<b>\$ 310.97</b>	<b>\$ 325.68</b>	<b>\$ 340.40</b>	
<b>MMP Price</b>	<b>\$ 287.37</b>	<b>\$ 295.99</b>	<b>\$ 304.87</b>	
<b>TOTAL ROOMS SOLD</b>	<b>5,812</b>	<b>8,303</b>	<b>9,964</b>	
<b>TOTAL ROOM REVENUE</b>	<b>\$ 1,120,339</b>	<b>\$ 1,636,331</b>	<b>\$ 2,039,372</b>	
<b>TOTAL REVENUE GENERATED</b>	<b>\$ 2,078,769</b>	<b>\$ 3,085,591</b>	<b>\$ 3,843,373</b>	

The proposed EMC is an excellent fit with demand in this market. The conference center concept is well established, and XXX is centrally located to take advantage of the demand for IACC compliant facilities (See page 103 for a visual depiction of the concentration of some top demand generators in the immediate market). Furthermore, XXX operates another IACC center in XXX XXX, which is approximately 15 miles away from this property. Synergistic opportunities for marketing and operating efficiency should exist.



## 1.5. Summary of Conclusions

### Overview

Based upon information collected during our research and subsequent analysis, it is our opinion that the Hilton XXX is exceptionally well positioned to add an Executive Conference Center component to its' existing hotel product and by doing so, be able to attract new corporate meetings business. Upon renovation, the property will have an additional 11,794 SF of meeting space which will be built to EMC/IACC standards. As an IACC conference center, it will become a recognizable product in a market that seeks IACC quality meeting environments.

Because the EMC is new space, business gained will be incremental rather than through displacement and/or conversion. We estimate that the additional meeting space will be able to support a maximum of 95 guestrooms.

Customer interviews confirmed our original theory that there is both demand and appetite for more conference center product in the central XXX market. Critical to the properties success will be dedication to the conference center concept. Less than 10% of the 62 demand generators interviewed said they would not consider the subject property for future meetings; all citing location as the reason. We found that customers, on average, are willing to travel up to 21 miles for meetings. Having an IACC affiliation will initially be like having a great resume; the door will be open for new business and the property's ability to deliver will keep the door open (See section 3.8 for more details).

The conference center market in central XXX is currently enjoying the benefits of a supplier side market. This statement is borne out of rate rather than occupancy. Occupancy rates in the conference center competitive set hover in the high 50's. (Please note that the XXX was not included in the ADR, RevPAR and Occupancy projections because it opened in March, 2007 and there is no available data at this time. We believe, however, that it will perform as others in the set and therefore did not make adjustments on future set performance to integrate the XXX market effect). CMP rates, however, are at or above pre-9/11 levels. CMP rates at competitors such as The XXX, The Marriott XX, The XXX Inn and XXX are \$350+. We based our financial projections using a more conservative CMP rate of \$299.00. Such a rate should be considered introductory until the new product is established and will add initial appeal to potential new users.

Our conclusions relating to the estimated market performance of the subject hotel and feasibility of the proposed project are based, in part, on the above statements as well as the following factors:

- With a total of just over 128 million square feet and approximately 3,400 class A, B and C office buildings, the central XXX office market offers slightly newer buildings and approximately \$2.00 per square foot lower asking lease rates than its northern competitor. Although the northern XXX market provides an attractive location just outside XXX City, more and more rail lines are being added to the central part of the state to accommodate easier access to the city. The vacancy rate for the central XXX office market is still virtually flat with a rate of 12.1%.
- Penetration in the revised ("New") competitive set is competently performing at 103.4%, with group penetration contributing 84.2% indicating opportunity for growth of the meeting/group segment.
- Over a period of years, XXX has accumulated data on the impact of introducing an EMC product through renovation and repositioning. Our data proves an annualized increase of highly rated group rooms over a three year period of 40.4% per year. Based on the similarity of markets, we believe that these growth figures are transferable to the subject property (Although we used a more conservative package growth of 30% per year through 2010).
- Customers interviewed regarded the planned renovations and repositioning very positively. Only a small percentage was put off with location, and many said the location was perfect.

Our opinions and estimates of performance are based on comparative research using a competitive set that differs significantly from the existing competitive set. We chose a competitive set that is more in line with competition after the addition of an Executive Conference Center. For purposes of comparison, below are two tables listing both competitive sets. We believe that using the existing competitive set will not provide an accurate picture of estimated future performance. (Please refer to location maps on Pages 52 and 53).

EXISTING COMPETITIVE SET		NEW COMPETITIVE SET	
Property	Rooms	Property	Rooms
	405		405
	150		288
	288		302
	439		364
	361		93
	276		219
	144		171
<b>Total</b>	<b>2063</b>	<b>Total</b>	<b>1842</b>

As indicated in the following table, the new comp set (which is comprised completely of IACC conference centers with the exception of the Hyatt XXX), generated and estimated 359,183 group room nights in 2006. These figures include group business in all segments (Corporate, Association, SMERF, Government and Tour and Travel). The subject property total 2010 group rooms projection is 68,374, up from 49,086 in 2006. 9,964 of these rooms are projected to be incrementally generated because of the EMC addition.

	Guest Rooms	NET Meeting Space (SF)	2006 Rooms Available	2006 Occupancy	2006 Rooms Sold	Group Rooms	Group Rooms %	Transient Rooms	Transient Rooms %	2006 AVG Group Room Rate	CMP Rate June 06	MMP Rate June 06	DMP Rate June 06	Distance to Subject Property
	120	19789	43800	59.00%	25842	20674	80%	5168	20%	\$ 174.00	\$ 299.00	\$ 269.00	\$ 99.00	68
	93	8000	33945	67.00%	22743	19332	85%	3411	15%	\$ 174.00	\$ 299.00	\$ 269.00	\$ 99.00	16
	219	26942	79935	65.00%	51958	38449	74%	13509	26%	\$ 240.00	\$ 365.00	\$ 335.00	\$ 150.00	38
	248	22880	90520	35.00%	31682	22177	70%	9505	30%	\$ 250.00	\$ 375.00	\$ 345.00	\$ 125.00	4
	288	23616	105120	66.00%	69379	38852	56%	30527	44%	\$ 230.00	\$ 355.00	\$ 325.00	\$ 135.00	4
	206	41874	75190	63.00%	47370	38369	81%	9000	19%	\$ 225.00	\$ 350.00	\$ 320.00	\$ 150.00	52
	441	45933	160965	44.00%	70825	56660	80%	14165	20%	\$ 210.00	\$ 335.00	\$ 305.00	\$ 140.00	19
	299	30675	109135	64.00%	69846	45400	65%	24446	35%	\$ 224.00	\$ 349.00	\$ 319.00	\$ 130.00	19
	171	17116	62415	62.00%	38697	30184	78%	8513	22%	\$ 240.00	\$ 365.00	\$ 335.00	\$ 150.00	27
<b>SUB TOTAL/AVERAGE</b>			<b>761025</b>	<b>56.28%</b>	<b>428342</b>	<b>310097</b>	<b>72.4%</b>	<b>118245</b>	<b>27.6%</b>	<b>\$ 218.56</b>	<b>\$ 343.56</b>	<b>\$ 313.56</b>	<b>\$ 130.89</b>	
<b>Subject Property (Hilton East Brunswick)</b>	<b>405</b>	<b>36,292</b>	<b>147825</b>	<b>56.97%</b>	<b>84215</b>	<b>49086</b>	<b>58%</b>	<b>35129</b>	<b>42%</b>	<b>\$ 102.07</b>	<b>\$ 299.00</b>	<b>\$ 279.00</b>	<b>\$ 129.00</b>	<b>0</b>
<b>TOTAL</b>			<b>908850</b>	<b>56.40%</b>	<b>512557</b>	<b>359183</b>	<b>70.1%</b>	<b>153374</b>	<b>29.9%</b>					

**NOTES:**

- The [REDACTED] opened in March 2006. Estimated Occupancy reflects 9 months of operation
- MMP rates are estimated to be \$30.00 less than CMP. Conference centers surveyed will modify packages as needed
- CMP/CMP rates quoted for June 2006 (See appendix 7.1 for contracts)
- Group and Transient Room % based on Conversation with property contacts
- Subject property package rates reflects estimated Year 1 Entry Point

**AVERAGE COMP SET RATES**

Upon stabilization in 2010, the subject property is expected to generate 9,964 incremental room nights. This represents an estimated 8% of the area's identified 2006 group room demand. In our estimation, these figures represent less than 25% of total corporate market demand and are reflective of the results of our research within the timeframe of the study.

COMPANY	LOCATION	INDUSTRY	NJ Employees	2006 Estimated TOTAL NJ Group Rooms Volume	Estimated % Conference Center Utilization	2006 Estimated CONFERENCE CENTER Group Rooms Volume
Ernst & Young		Accounting	500	5000	50%	2500
KPMG		Consulting	1,865	7500	20%	1500
Pricewaterhousecoopers		Consulting	2,750	5000	45%	2250
Merrill Lynch		Financial	9,200	3000	75%	2250
JP Morgan Chase		Financial		15000	50%	7500
Prudential Financial		Financial	8,424	5000	50%	2500
Chubb		Finance/Insurance	3,400	4000	25%	1000
Reuters		Financial		500	90%	450
Atlantic Health System		Health Care	10,138	5000	20%	1000
Johnson & Johnson		Health Care	11,500	35000	35%	12250
Robert Wood Johnson Foundation		Health Care	285	2500	35%	875
Rutgers State University		Higher Education	13,101	4800	5%	240
American Standard		Manufacturing		420	80%	336
GlaxoSmithKline		Pharmaceutical	500	4500	50%	2250
Merck		Pharmaceutical	8,000	9600	40%	3840
Novartis Pharmaceuticals		Pharmaceutical	6,661	12000	50%	6000
Novo Nordisk		Pharmaceutical	487	3500	60%	2100
Pfizer		Pharmaceutical	5,000	75000	70%	52500
Sandoz		Pharmaceutical	250	1000	60%	600
Sanofi-Aventis		Pharmaceutical	3,800	8000	60%	4800
Schering Plough		Pharmaceutical	33,500	2500	40%	1000
Wyeth		Pharmaceutical	1,700	800	50%	400
Bristol-Myers Squibb		Pharmaceutical	8,500	25000	40%	10000
BASF		Technology		1000	50%	500
Verizon New Jersey		Telecommunications	15,000	6500	25%	1625
DOW Chemical				120	100%	120
ETS		Educational Research	1800	7500	40%	3000
<b>TOTAL</b>			<b>146,361</b>	<b>249,740</b>	<b>49.4%</b>	<b>123,386</b>

## NOTES:

Stablized Goal 9964

Percentage of Identified Business 8.08%

### Historical Performance of the Competitive Supply and Subject Property

The following table illustrates annual performance for the new competitive set from 2002-2006. As the table indicates, total occupied rooms and RevPAR have increased at an annual average rate of 0% and .5% respectively during this period. Average Daily Rate, has shown little annualized growth over the same period of 1.1%, a modest \$6.33.

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
2002	654,080	0.0%	374,313	N/A	57.23%	\$ 140.09	N/A	\$ 80.17	N/A
2003	658,460	0.0%	354,745	-5.2%	53.87%	\$ 137.31	-2.0%	\$ 73.98	-7.7%
2004	652,493	0.0%	355,558	0.2%	54.49%	\$ 138.48	0.8%	\$ 75.46	2.0%
2005	659,825	0.0%	386,955	8.8%	58.65%	\$ 141.13	1.9%	\$ 82.76	9.7%
2006	671,250	0.0%	371,647	-4.0%	55.37%	\$ 146.42	3.8%	\$ 81.07	-2.0%
Annualized Change	0.5%		0.0%			1.1%		0.5%	

Source: Smith Travel Research

Note: Variances in supply reflect variations in reporting styles of the comp set such as how off line rooms are counted.

A deeper analysis of occupancy, ADR, and RevPAR of the new competitive set provides a very clear picture of the impact of 9/11. Occupancy has not recovered from the events of 2001. RevPar has shown improvement over the past four years but has not regained its pre-9/11 levels. Average Daily rate, however, has made progress and is now at pre-9/11 levels and expected to continue to grow in the short term.

The subject property lags the market in ADR and RevPAR, but has maintained occupancy pace with the market. The rate differential is a reflection of the new competitive set which is comprised of conference center. Conference centers, in general, run higher ADR's then limited and many full service hotels in the same market.

Competitive Set						
Year	Occupancy Rate	Percent Change	Average Daily Rate	Percent Change	REVPAR	Percent Change
2001	62.45%	NA	\$ 146.91	NA	\$ 91.74	NA
2002	57.23%	-8.4%	\$ 140.09	-4.6%	\$ 80.17	-12.6%
2003	53.87%	-5.9%	\$ 137.31	-2.0%	\$ 73.98	-7.7%
2004	54.49%	1.1%	\$ 138.48	0.8%	\$ 75.46	2.0%
2005	58.65%	7.6%	\$ 141.13	1.9%	\$ 82.76	9.7%
2006	55.37%	-5.6%	\$ 146.42	3.8%	\$ 81.07	-2.0%
Average	57.00%		\$ 141.86		\$ 80.86	
Subject Hotel 2006	56.97%		\$ 111.84		\$ 63.71	

Source: Smith Travel Research, Property Management

Historical Market Performance of the Subject Hotel									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2004	147,825	0.0%	74,559	N/A	50.4%	\$ 110.40	N/A	\$ 55.68	N/A
2005	147,825	0.0%	91,812	23.1%	62.1%	\$ 110.67	0.2%	\$ 68.74	23.4%
2006	147,825	0.0%	84,215	-8.3%	57.0%	\$ 111.84	1.1%	\$ 63.71	-7.3%
Annualized Change	0.0%		7.4%			0.7%		8.1%	

Source: Property Management

Subject Property Transient/Group Mix - HISTORICAL							
Segment	2004	%	2005	%	2006	%	Total
Transient	35,091	47.1%	40,229	43.8%	35,129	41.7%	110,449
Group	39,468	52.9%	51,583	56.2%	49,086	58.3%	140,137
Total	74,559		91,812		84,215		250,586

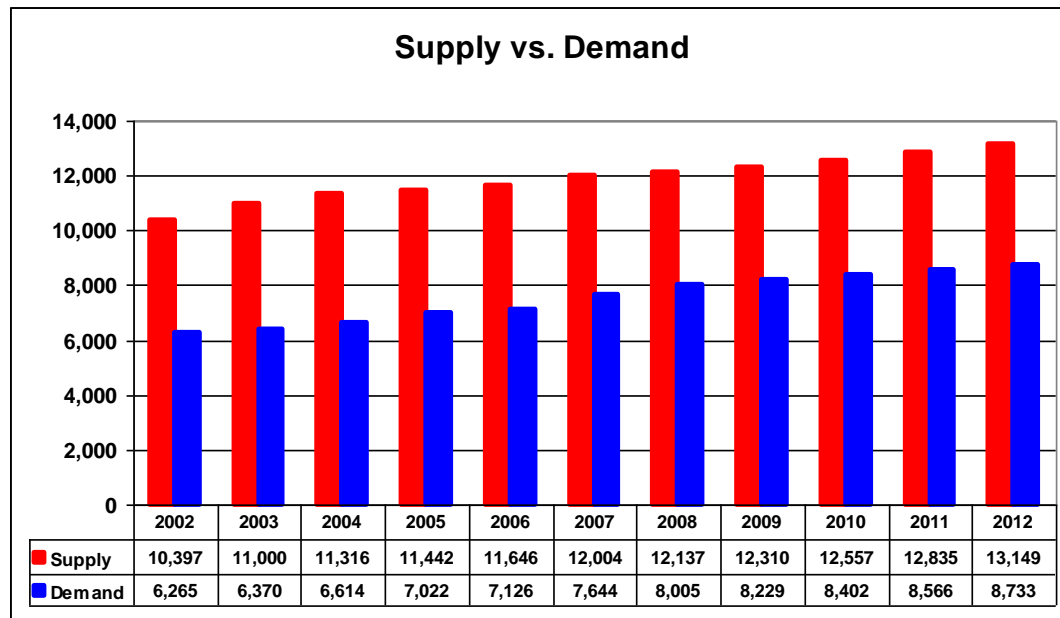
Source: Property Management

Subject Property GROUP Mix - HISTORICAL								
Segment	2004	%	2005	%	2006	%	TOTAL	%
Corporate/Non-Package	21,956	55.6%	14,061	27.3%	21,397	43.6%	57,414	41.0%
Association	12,744	32.3%	25,515	49.5%	10,886	22.2%	49,145	35.1%
SMERF	0	0.0%	0	0.0%	4,160	8.5%	4,160	3.0%
Government	0	0.0%	0	0.0%	0	0.0%	0	0.0%
T&T	4,768	12.1%	12,007	23.3%	12,643	25.8%	29,418	21.0%
Total	39,468	44.4%	51,583	72.7%	49,086	56.4%	140,137	59.0%

Source: Property Management

### Estimated Future Performance of the Competitive Supply

The forecast for the local MSA's full-service segment projects supply to increase by 1,143 rooms from the 2007 level of 12,004 rooms by 2012. Demand is forecasted to reach 8,733 rooms per night by 2013. Market occupancy rates are expected to increase to 60.5% compared to 2005's average occupancy rate of 58.6%. Market ADR is expected to reach \$171.61 by 2010 compared to 2005's annualized ADR figure of \$141.31. RevPAR is expected to reach \$103.90 in 2010 compared to 2005's annualized figure of \$82.76.



Although the region is expected to add approximately 1,143 rooms into the market through Q4 2008, there is no change anticipated in the total competitive set supply (as defined) forecasted through 2010. As a result, Occupancy rates are expected to remain stable in the Subject properties market, based on projections provided by the Hotel Outlook – Torto Wheaton Research at 60-61% through 2010. Competitive set occupancy is projected to perform slightly behind of the subject properties competitive market – forecasted to perform at 64-66% through 2010. ADR and RevPAR, however, are expected to show strong annualized increases of 4.0% and 5.8% respectively.

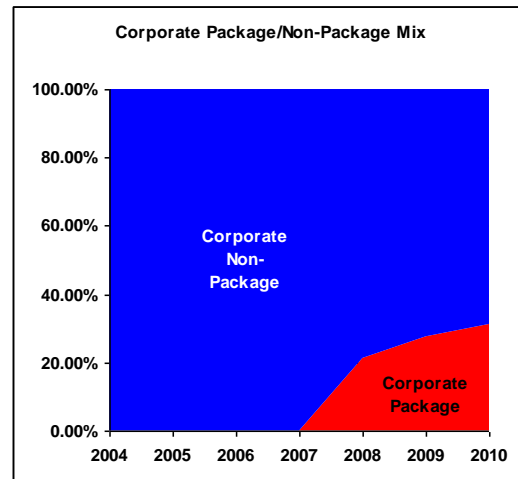
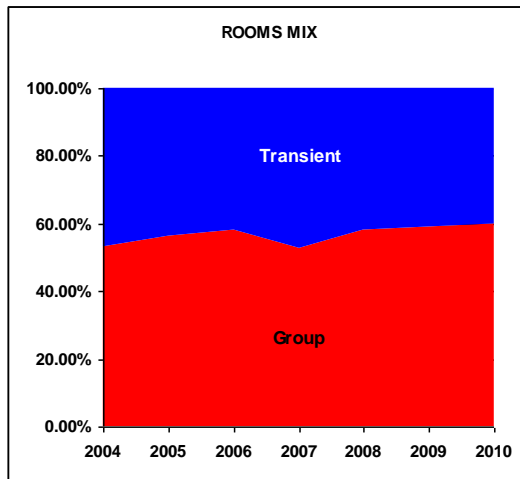
Estimated Future Performance of the Competitive Set Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2007	671,250	0.0%	386,773	4.1%	57.62%	\$ 152.28	4.0%	\$ 87.74	8.2%
2008	671,250	0.0%	400,601	3.6%	59.68%	\$ 158.31	4.0%	\$ 94.48	7.7%
2009	671,250	0.0%	406,023	1.4%	60.49%	\$ 164.86	4.1%	\$ 99.72	5.5%
2010	671,250	0.0%	406,404	0.1%	60.54%	\$ 171.61	4.1%	\$ 103.90	4.2%
Annualized Change	0.0%		2.3%			4.0%		5.8%	

Source: Smith Travel Research, Torto Wheaton Research

### Estimated Future Performance of the Subject Hotel

The renovated meeting space and guestrooms will enable management to add high rated corporate group business to its' current mix. We believe that with the planned improvements, management will be able to capture more corporate groups and conferences, which historically have demonstrated a willingness to pay prices frequently above those paid by price-sensitive non-corporate groups. As a result, we believe that the contribution to group business from lower rated segments will drop

to 42.3% by year 2010 (from its 2006 contribution rate of 59%). Our estimates of the mix of group to transient business and the sub-mix of group business by segment as well as our estimated occupancy and average daily rate for the subject Hotel for the period 2007 through 2010 are summarized in the following tables:



**Subject Property Transient/Group Mix - PROJECTED**

Segment	2007	%	2008	%	2009	%	2010	%
Transient	40,870	43.8%	40,824	39.1%	41,294	38.2%	41,327	37.7%
Group	52,471	56.2%	63,545	60.9%	66,668	61.8%	68,374	62.3%
<b>Total</b>	<b>93,341</b>		<b>104,369</b>		<b>107,962</b>		<b>109,700</b>	

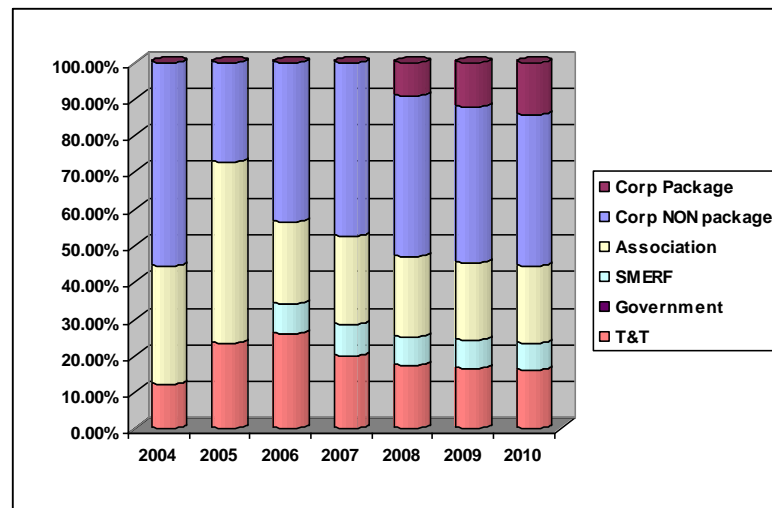
**Subject Property GROUP Mix - PROJECTED**

Segment	2007	%	2008	%	2009	%	2010	%
Corporate/Non-Package	24,518	100.0%	29,195	83.4%	29,590	78.1%	29,618	74.8%
Corporate/Package - CMP	0	0.0%	3,487	10.0%	4,982	13.1%	5,978	15.1%
Corporate/Package - MMP	0	0.0%	2,325	6.6%	3,321	8.8%	3,985	10.1%
<b>Subtotal Corporate</b>	<b>24,518</b>	<b>46.7%</b>	<b>35,007</b>	<b>55.1%</b>	<b>37,893</b>	<b>56.8%</b>	<b>39,581</b>	<b>57.9%</b>
Association	11,826	22.5%	12,249	19.3%	12,415	18.6%	12,426	18.2%
SMERF	5,107	9.7%	5,290	8.3%	5,361	8.0%	5,366	7.8%
Government	0	0.0%	0	0.0%	0	0.0%	0	0.0%
T&T	11,020	21.0%	11,000	17.3%	11,000	16.5%	11,000	16.1%
<b>Total</b>	<b>52,471</b>	<b>53.3%</b>	<b>63,545</b>	<b>44.9%</b>	<b>66,668</b>	<b>43.2%</b>	<b>68,374</b>	<b>42.1%</b>



Estimated Future Performance of the Subject Hotel									
	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2007 Forecast	147,825	N/A	93,341	10.8%	63.1%	\$ 118.51	0.0%	\$ 74.83	N/A
2008	148,230	0.0%	104,369	11.8%	70.4%	\$ 128.31	8.3%	\$ 90.34	20.7%
2009	147,825	0.0%	107,962	3.4%	73.0%	\$ 135.04	5.2%	\$ 98.62	9.2%
2010	147,825	0.0%	109,700	1.6%	74.2%	\$ 141.41	4.7%	\$ 104.94	6.4%

As reflected, we believe that the subject property will see a positive change in the group contribution to total occupancy from its projected 2006 level of 53.8% to 62.3% in 2010. More significant is the projected change in the mix of group business that will be a result of the new Conference Center product. We estimate that the percentage of corporate group business will increase as a percentage of total group rooms from 41% (2006) to 57.9% by 2010. The following table illustrates the change in group contribution by segment.



### Projected Competitive Set and Subject Property Demand by Market Segment

In order to estimate penetration by market segment, one needs to know the percentage mix of business by segment for the competitive set. Based on interviews with property management, correlated with historical data provided by PKF Hospitality research, we flat demand decline in commercial, leisure and contract business and a slight increase in group business over the next four years in the overall market.

The subject property's projected percentage mix of business by segment differs from the market average. Penetration analysis considers both sets of projections.

Full Service Hotels							
	Historical			Projected			
Segment	2004	2005	2006	2007	2008	2009	2010
Commercial	25.0%	24.0%	24.0%	25.0%	26.0%	26.0%	26.0%
Leisure	29.5%	27.3%	27.3%	26.3%	24.3%	25.3%	24.3%
Group	40.0%	41.5%	41.5%	41.5%	43.0%	43.0%	44.0%
Contract	5.9%	6.7%	6.7%	6.7%	6.7%	5.7%	5.7%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PKF Consulting, Competitive Management							

Subject Property							
	Historical			Projected			
Segment	2004	2005	2006	2007	2008	2009	2010
Commercial	18.1%	15.9%	15.7%	15.1%	14.5%	14.2%	14.0%
Leisure	29.0%	26.3%	20.4%	19.8%	18.9%	18.5%	18.3%
Group	52.9%	56.2%	58.3%	59.4%	61.7%	62.6%	63.2%
Contract	0.0%	1.6%	5.6%	5.7%	4.8%	4.7%	4.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: Property Management							

The preceding percentages translate into the following total rooms projected by segment.

Full Service Hotels					
Segment	2006	2007	2008	2009	2010
Commercial	89,195	96,693	104,156	105,566	105,665
Leisure	101,460	101,721	97,346	102,724	98,756
Group	154,234	160,511	172,258	174,590	178,818
Contract	24,900	25,914	26,840	23,143	23,165
<b>Total</b>	<b>369,789</b>	<b>384,839</b>	<b>400,601</b>	<b>406,023</b>	<b>406,404</b>

Subject Property					
Segment	2006	2007	2008	2009	2010
Commercial	13,238	15,331	15,879	16,094	16,109
Leisure	17,164	19,360	19,944	20,200	20,217
Group	49,086	52,471	63,545	66,668	68,374
Contract	4,727	6,179	5,000	5,000	5,000
<b>Total</b>	<b>84,215</b>	<b>93,341</b>	<b>104,369</b>	<b>107,962</b>	<b>109,700</b>
Source: Property Management					

### Market Penetration within the new Competitive Set

Our estimates for future penetration rates and occupancy levels for the subject EMC and Hotel for the period beginning January 2007 are summarized in the following table. As stated previously, we have assumed that the EMC and Hotel will be fully operational by the January 1, 2008. We estimate that the subject EMC and Hotel should be able to achieve a stabilized occupancy level of 72-74% by 2010. The contribution to penetration of the group segment is expected to rise to 108.2% from the projected 2006 level of 84.2%. Overall Penetration is expected to rise from 103.4% to 122.6% by 2010.

Hilton [REDACTED] Market Penetration and Projected Occupancy					
	2006 Actual	2007 Forecast	2008 Projected	2009 Projected	2010 Projected
<b>Total Available Rooms</b>					
Hilton [REDACTED]	147,825	147,825	148,230	147,825	147,825
Competitive Market	671,250	671,250	671,250	671,250	671,250
<b>FAIR SHARE</b>	22.0%	22.0%	22.1%	22.0%	22.0%
<b>SUBJECT PENETRATION</b>					
Commercial	10.6%	11.8%	10.5%	10.3%	10.2%
Leisure	15.7%	17.9%	17.7%	16.7%	17.1%
Group	84.2%	83.4%	101.7%	107.1%	108.2%
Contract	4.8%	7.2%	4.0%	4.5%	4.5%
<b>MARKET SHARE CAPTURED</b>	22.7%	24.1%	26.1%	26.6%	27.0%
<b>OVERALL MARKET PENETRATION</b>	103.4%	110.1%	118.0%	120.7%	122.6%
<b>SUBJECT OCCUPANCY</b>	57.0%	63.1%	70.4%	73.0%	74.2%
Source: Property Management, Smith Travel Research [REDACTED]					

### Projected ADR and RevPAR in 2006 Dollars

The following table summarizes our estimates of performance of the subject hotel compared to the competitive market. We estimate that ADR and RevPAR will grow \$29.57 and \$41.23 respectively over the period 2006-2010.

Hilton [REDACTED] WITH Conference Center Concept Revenue Yield Analysis									
Year	Market Occupancy	Market ADR	Percent Change	Subject Occupancy	Subject ADR	Percent Change	Market REVPAR	Subject REVPAR	Revenue Yield
<b>Historical</b>									
2004	54.5%	\$ 138.48	n	50.4%	\$ 110.40	N/A	\$ 75.46	\$ 55.68	73.8%
2005	58.6%	\$ 141.13	1.9%	62.1%	\$ 110.67	0.2%	\$ 82.76	\$ 68.74	83.1%
2006	55.4%	\$ 146.42	3.8%	57.0%	\$ 111.84	1.1%	\$ 81.07	\$ 63.71	78.6%
<b>Projected</b>									
2007	57.6%	\$ 152.28	4.0%	63.1%	\$ 118.51	6.0%	\$ 87.74	\$ 74.83	85.3%
2008	59.7%	\$ 158.31	4.0%	70.4%	\$ 128.31	8.3%	\$ 94.48	\$ 90.34	95.6%
2009	60.5%	\$ 164.86	4.1%	73.0%	\$ 135.04	5.2%	\$ 99.72	\$ 98.62	98.9%
2010	60.5%	\$ 171.61	4.1%	74.2%	\$ 141.41	4.7%	\$ 103.90	\$ 104.94	101.0%
Source: Smith Travel Research, Torto Wheaton Research									

Without the conference center concept and assuming that the existing corporate group room segment grew at an annual rate of 10% per year and all other segments (both group and transient) grew at the same rate as with an EMC, we estimate the property will not perform as robustly. ADR and RevPAR are estimated to fall \$6.09 and \$13.64 under what is projected with a Conference Center.

Hilton [REDACTED] WITHOUT Conference Center Concept Revenue Yield Analysis									
Year	Market Occupancy	Market ADR	Percent Change	Subject Occupancy	Subject ADR	Percent Change	Market REVPAR	Subject REVPAR	Revenue Yield
<b>Historical</b>									
2004	54.5%	\$ 138.48	N/A	50.4%	\$ 110.40	N/A	\$ 75.46	\$ 55.68	73.8%
2005	58.6%	\$ 141.13	1.9%	62.1%	\$ 110.67	0.2%	\$ 82.76	\$ 68.74	83.1%
2006	55.4%	\$ 146.42	3.8%	57.0%	\$ 111.84	1.1%	\$ 81.07	\$ 63.71	78.6%
<b>Projected</b>									
2007	57.6%	\$ 152.28	4.0%	63.1%	\$ 118.51	6.0%	\$ 87.74	\$ 74.83	85.3%
2008	59.7%	\$ 158.31	4.0%	66.5%	\$ 124.71	5.2%	\$ 94.48	\$ 82.92	87.8%
2009	60.5%	\$ 164.86	4.1%	67.4%	\$ 129.99	4.2%	\$ 99.72	\$ 87.64	87.9%
2010	60.5%	\$ 171.61	4.1%	67.5%	\$ 135.32	4.1%	\$ 103.90	\$ 91.30	87.9%
Source: Smith Travel Research, Torto Wheaton Research [REDACTED]									

The EMC is expected to contribute an increase in group room nights to the overall mix of business. This increase in group room mix is a direct result of increasing meeting room inventory and thereby making way for additional business. The hotel, by virtue of adding and IACC quality product will be able to compete for business previously unavailable to it. The subject hotel will be able to improve its fair share against the local competitive set and attract new group business into the local market from outlying regions therefore expanding the existing market demand base. Our EMC projections with and without an ECC are outlined on the following page:

Performance of Subject Hotel With and Without ECC Rooms Revenue, ADR, RevPAR								
<b>Rooms Sold <u>WITH EMC</u></b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
Transient	35091	40229	35129	40870	40824	41294	41327	
Group	39468	51583	49086	52471	63545	66668	68374	
<b>TOTAL</b>	<b>74559</b>	<b>91812</b>	<b>84215</b>	<b>93341</b>	<b>104369</b>	<b>107962</b>	<b>109700</b>	
<i>Total Occupancy</i>	<i>50.30%</i>	<i>61.94%</i>	<i>56.81%</i>	<i>63.14%</i>	<i>70.41%</i>	<i>73.03%</i>	<i>74.21%</i>	
<b>Rooms Sold <u>WITHOUT EMC</u></b>								
Transient	35091	40229	35129	40870	40824	41294	41327	
Group	39468	51583	49086	52471	57733	58365	58410	
<b>TOTAL</b>	<b>74559</b>	<b>91812</b>	<b>84215</b>	<b>93341</b>	<b>98556</b>	<b>99659</b>	<b>99737</b>	
<i>Total Occupancy</i>	<i>50.30%</i>	<i>62.11%</i>	<i>56.97%</i>	<i>63.14%</i>	<i>66.49%</i>	<i>67.42%</i>	<i>67.47%</i>	
<b>Room Revenue</b>								
With EMC	\$ 8,231,344	\$ 10,161,164	\$ 9,418,617	\$ 11,061,723	\$ 13,411,643	\$ 14,591,009	\$ 15,535,472	
Without EMC	\$ 8,231,344	\$ 10,161,164	\$ 9,418,617	\$ 11,061,723	\$ 12,291,304	\$ 12,954,678	\$ 13,496,099	
<b>VAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,120,339</b>	<b>\$ 1,636,331</b>	<b>\$ 2,039,372</b>	
<b>RevPAR</b>								
With EMC	\$ 55.5	\$ 68.7	\$ 63.7	\$ 74.83	\$ 90.48	\$ 98.70	\$ 105.09	
Without EMC	\$ 55.5	\$ 68.7	\$ 63.7	\$ 74.83	\$ 82.92	\$ 87.64	\$ 91.30	
<b>VAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7.56</b>	<b>\$ 11.07</b>	<b>\$ 13.80</b>	
<b>ADR</b>								
With EMC	\$ 110.4	\$ 110.7	\$ 111.8	\$ 118.51	\$ 128.50	\$ 135.15	\$ 141.62	
Without EMC	\$ 110.4	\$ 110.7	\$ 111.8	\$ 118.51	\$ 124.71	\$ 129.99	\$ 135.32	
<b>VAR</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3.79</b>	<b>\$ 5.16</b>	<b>\$ 6.30</b>	

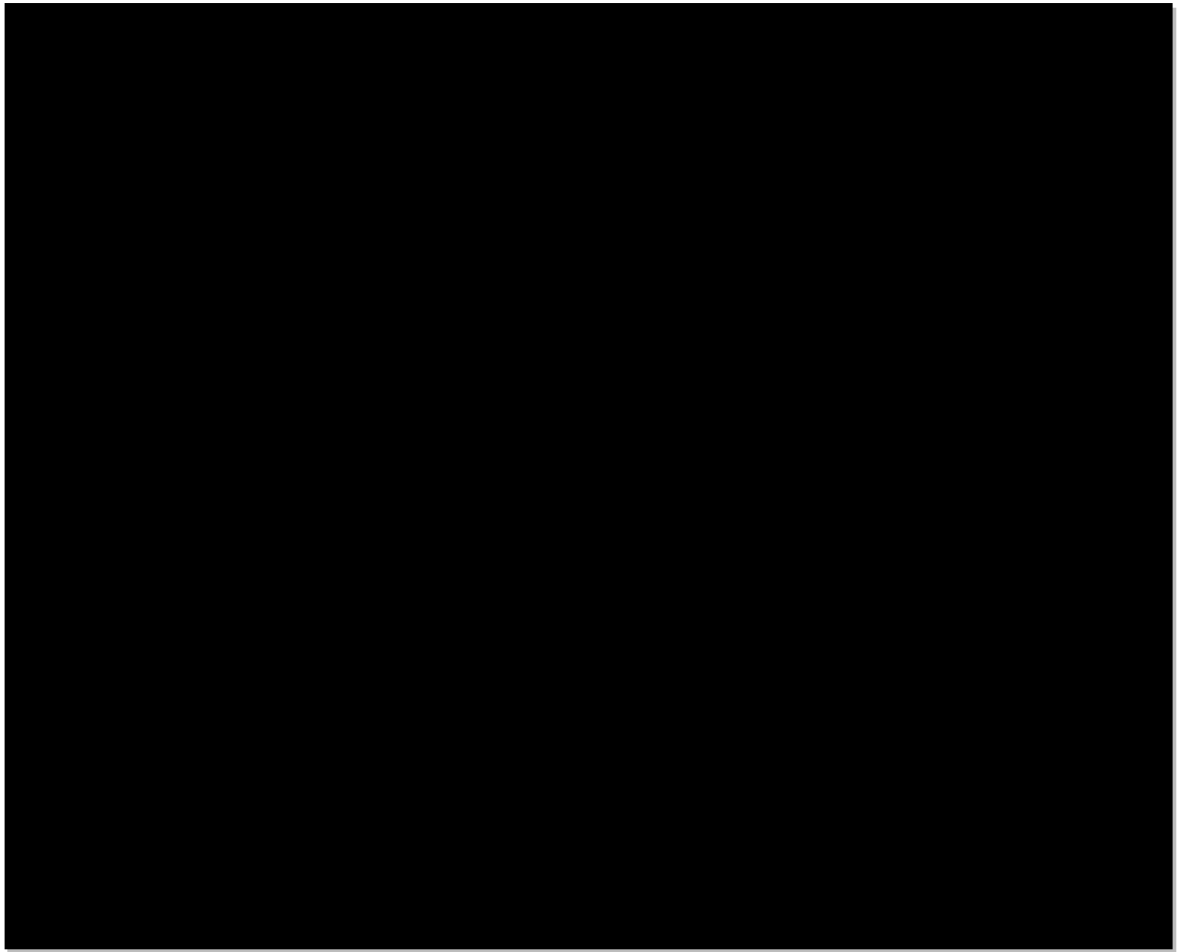
The remainder of this study support these summary conclusions.

## 2. Site Analysis

### 2.1. Area and Neighborhood Review

#### 2.1.1. Location

The Hilton XXX Hotel is located at 3 Tower Center Boulevard, XXX, XXX, XXX. The hotel is centrally located at the crossroads of XXX's major arteries at Exit XX of the XX Turnpike, just outside of New Brunswick and only 8 miles from downtown XXX. It is 25 minutes from XXX International Airport and 1.25 hours from XXX International airport.



### **2.1.2 Neighborhood/City History**

XX County, is known as the "Heart" of XXX is located squarely in the center of XXX and stretches from the XX River south to XX and XX Counties and from XXX Bay on the Atlantic Ocean west to XX County. The county is 318 square miles in size, has 25 municipalities which includes the City of XXX, the seat of XXX County Government and includes extensive industrial, office, and residential areas.

One of the fastest growing suburban areas in central XX County is XXX Township. Located inland south of the XX River, it runs parallel to the South River on its easterly and southern side and is bordered by the Farrington Lake on its westerly side. The area was settled in the 17th century by people of Scotch, English, Dutch and German origin.

In the southern portion of the township of XXX is the Historic District of XXX. It is bordered on two sides, east and south, by the South River, by the Chestnut Hill Cemetery on the north and by Route XXX and XXX Turnpike on the west. Due to its favorable geographical position located on the navigable part of the South River, the area attracted settlers as early as 1685. Old Bridge derives its name from the fact that the first bridge spanning the South River was built there, and as other bridges were built across the river the first one became known as "the Old Bridge." Prior to that, it was known as South River Bridge. Although the village had never been chartered or incorporated, it nonetheless grew, since it served the people and their needs. Through its long history the village had numerous names but none were as meaningful or as permanent as Old Bridge.

### **THREE SETTLEMENTS DEFINE THE PERIMETER**

XXX is tremendously significant both historically and culturally because it was the center of an industrious community of people whose lives epitomized developments of the 18th and 19th centuries in XXX County. The district has withstood the difficulties of the growing nation from the time of its infancy to its maturity. This small secluded community has made its contribution to all the national efforts. Tombstones in Chestnut Hill Cemetery tell the story of numerous generations of families who lived in the village. Pioneers in the years from 1685-1725 included: David Mudie, Samuel Gordon, Robert Hardy, Abraham Barkalew, John Leonard, among others, recognized the potential value of locating their various activities along the navigable part of the South River. These men demonstrated bravery, courage and foresight.

Transportation by water, land and railroad had a significant influence on the growth and commerce of Old Bridge. The village occupied an excellent position on the most direct route to markets north and south. The earliest known commercial transportation utilization of the South River was that of Arthur

Brown, who advertised in 1734 that he "plied a boat between XXX and South River and would carry goods to XXX, XXX and XXX." In 1823, a steamboat route was established at this location. This area eventually evolved into a complete community with commerce, industry and culture.

Early 17th century maps and archive deeds show that the area generally referred to as the Riva Avenue section of XXX, (originally XXX) was initially established by the DeHart family. This prolific family had first migrated from Holland to New England, then to the XXX or XXX area. Being extremely industrious, they purchased and developed plantations along the Farrington Lake area as well as in XXX. The plantation in the Riva Avenue section was finally decimated and sold to small farmers. The location of the current Bicentennial Park in XXX is on the precise location where the homestead of Abraham DeHart was situated until it was demolished several years ago.

These three widely separated settlements represented the perimeter of the present community of XXX. However, the original lands within this geographic area also included the villages now known as Helmetta, South River, Spotswood as well as Milltown. In 1860 the Township of XXX, separated from XXX and XXX, was incorporated as an entity. During the period between 1870- 1908 these other communities withdrew and formed independent governments. The area now referred to as the Historic District of XXX was unique in its position by remaining within the Township of XXX.

### **RAW MATERIALS, CHEAP TRANSPORTATION, A BOOM**

The growth of industry in 19th century XXX was facilitated by the abundance of raw materials, proximity to large markets as well as relatively inexpensive transportation to the markets of XXX and XXX.

(Old Bridge) XXX was the junction point of several paths and roads. In 1684 the XXX Proprietors offered the public its first overland transportation route by authorizing the Lawrie's Road. The mails were carried across XXX on this route from the late 17th through the mid-19th century. In the mid-19th century this road was used to transport large quantities of fresh fruit from XXX for shipment to XXX.

In 1740 the XXX stage line was established and flourished until the Revolution. In addition, land travelers who sought to go to Monmouth and the shore had to traverse this area. Consequently, inns and stagecoaches became part of the local scene. Shortly after, the first railroad (the XXX Railroad) was completed in 1833 and ran from XXX to XXX. Most travelers sought the inexpensive rail transportation and a railroad boom ensued. The railroad company built a freight station in the village, at the foot of River Road, to service the industry of the



area. The single track train built in 1832 still passes through the village (Historic District of XXX).

### **SHIPPING PROMPTS GROWTH, TOO**

The railroad and overland roads brought a measure of prosperity to Old Bridge (XXX). They provided a way to transport the agricultural output of the interior and encouraged the growth of industry in the village. But the greatest industrial development which occurred early to mid-19th century was non-agricultural.

Docks and warehouses were constructed to accommodate the demands of commerce. Cargoes consisted of wood, produce, brick and clay products to the ever-expanding metropolitan area of XXX and XXX. Several ships were built at Old Bridge as was a shipyard.

The lumber trade furnished employment to the early water- men who made Old Bridge their headquarters. Immense quantities of pine, oak, cedar, maple and ash were cut to meet the demand for building, firewood and shipbuilding. The sandy, clay soil in the area was very well adapted to the manufacture of pottery and bricks, and subsequent to the Revolution, General James Morgan and Jacob Van Wickle established a pottery which remained in operation until 1828. The Bissetts started a similar venture on the wharf of Old Bridge in 1815, as did many others through the mid-19th century. Thus was created a fine heritage of this craft for the area. Due to the unique quality of this area's pottery, which was beautiful, distinctive and useful, its reputation prospered and is now coveted by museums throughout the eastern central states. Examples of this clay craft may be found in the XXX Museum, XXX State Museum, and XXX Historical Museum in addition to Winterthur Museum in XXX.

The manufacture of brick flourished in XXX from 1850-1878 and bricks were conveniently shipped, both quickly and economically, to the ever-expanding cities, north and south. In 1869 the XXX Brick Company was organized by Messrs. Bissett, DeVoe, Rue and Charles Bissett, all Old Bridge residents. This occurred during the period of great expansion in the metropolitan surrounding XXX.

Other industrial and commercial enterprises of the 18th and 19th centuries included wood sawing mills, fanning and snuff mills, a distillery, blacksmith and wheelwright shops, general stores, clothing factories, warehouses and inns for the numerous travelers. The onset of World War I brought the revival of the munitions industry in this community.

XXX has been host to extraordinary industries in its time. Currently, it is encouraging industrial parks which cater to light industry and more sophisticated post-industrial concerns, such as computer, electronics and publishing firms.

Another hallmark of the area is the plethora of suburban shopping malls and businesses specializing in quick service.

### **ROAD CONSTRUCTION A KEY**

Overland roads, responsible for the area's original growth did not undergo any significant improvement during the 19th century. By 1903, the only improved road was the XXX Turnpike to New Brunswick. A familiar landmark on this route, which still exists today, was the Cosmopolitan Inn (#9 Route 18). It was later used as an antique shop. This highway, as well as the Bordentown Road, which joined XXX to Spotswood, represented the major arteries of the community. During the 1920s the Riva Avenue section, which had acquired a reputation as a resort, was served by a trolley-line from XXX. Route XXX, built in 1935, and diverted much of the traffic from XXX Turnpike.

Unprecedented development in central XXX occurred as a result of the completion of the XXX Turnpike in 1952. The phenomenal growth which ensued in XXX far exceeded that of XXX County as a whole. The population of XXX multiplied fivefold during the early 1950s.

### **XXX COUNTY TODAY**

#### **EDUCATIONAL FACILITIES**

Serving approximately 100,000 primary and secondary school students are 175 public school, five County vocational-technical Schools, and over 70 parochial and private schools. XXX County College, a two year education center for academic and technical training, was one of the first in the State. Graduate level studies are available at Rutgers, The state University of XXX. Located in XXX County are five main Rutgers campuses; XXX College, XXX College, XXX College, XXX Campus, and the XXX Campus Home of XXX College of Medicine and Dentistry. Adjacent to Cook College is the XXX Agricultural Experiment Station; a nationally recognized research center The XXX Campus of XXX University is located in XXX County, with XXX University's main campus nearby.

#### **HOUSING AND POPULATION**

XXX County has been one of the fastest growing counties in the State, having an estimated population increase between 1970 and 1990 of 87,967 persons. Preliminary population projections for 2000 are estimated at 745,000 while the population is projected to increase to nearly 796,000 by the year 2010.

As population grows so must housing as evidence by 45.7% increase in housing units since 1970 including new homes and apartments. As of 1990, the county estimates that it now has 250,174 housing units. This is an average of 784 units per square miles. Firms relocating to XXX County bring jobs and people and offer the progressive developer various opportunities.

**HEALTH CARE**

XXX County has five major hospitals with a total bed space of 1,900. They include John F. Kennedy Medical Center, Robert Wood Johnson University Hospital, Raritan Bay Medical Center (Old Bridge), Raritan Bay Medical Center (Perth Amboy), and St. Peter's University Hospital.

**RECREATION:** The XXX County Department of Parks and Recreation operates 18 county parks encompassing 6,600 acres. Thirteen of these parks contain active recreational facilities and five others are conservation areas or are being held for future recreational development. The County has acquired over 5,000 acres of open space through the Open Space Trust Fund, and an active farmland preservation program has preserved 3,400 acres. The XXX County Improvement Authority operates three golfing facilities: The 36 hole Tamarack Golf Course in XXX, the Meadows at XXX in Plainsboro, and the Raritan Landing Golf Course in Piscataway.

**2.1.3. Transportation/Access****2.1.3.1. Major Highways**

The Hilton XXX is located off exit 8 of the XXX Turnpike and Route 18, setback from the street, as part of a multi-use hotel-office complex. The XXX Turnpike is the States most prominent highway spanning the entire state from north to south.

**2.1.3.2. Bus/Rail**

Public transportation and Community Transit is available XXX Transit. The Northeast Corridor Line services XXX from XXX to Trenton. XXX Transit also provides bus service to The Port Authority in XXX City and all major points in between.

**2.1.3.3. Air**

**XXX Airport (EWR)** is located just 16 miles from midtown Manhattan, 22 miles from the subject property and is one of the three major XXX metropolitan airports.

Established as the metropolitan region's first major airport in 1928, XXX International Airport has undergone major expansion of its international air service in the last decade. Today XXX international airlines offer direct service to many destinations around the world, and are a popular alternative to XXX's XXX airport for visitors to XXX.

XXX Airport provides three separate terminals, A, B and C, all with a comprehensive range of amenities and services for the convenience of travelers. A choice of ground transportation options to XXX City and 24-hour AirTrain service between Terminals A, B, and C, parking lots D and E, and the rental car complex.

Major Carriers that service XXX include.

**Terminal A**

Air Canada  
Air Tran Airways  
Alaska Airlines  
America West  
American  
American Eagle  
ATA  
Chautauqua  
Continental  
Continental  
Independence - +1 800 359 3594  
Qantas  
United  
United Express  
US Airways  
US Airways Express

**Terminal B**

Air France  
Air India  
Air Jamaica  
Alitalia  
British Airways  
Comair  
Czech Airlines  
Delta  
El Al  
Ethiopian Airlines  
EVA Airways  
Hooters Air  
Jetsgo  
KLM ROYAL DUTCH AIRLINES  
Lot Polish  
Lufthansa  
Malaysia  
Mexicana  
Midwest Express  
Northwes  
SAS  
Singapore Airlines  
Swiss  
Tap Air Portugal  
Virgin Atlantic

**2.1.3.3.1. Passenger Volumes**

The Following represents emplanements at XXX International Airport of the past five years.

International Airport Travel Activity (Passengers x 1000)						
Year	Domestic	% Change	Interantional	% Change	Total	% Change
2001	11,599	--	3,827	--	15,425	--
2002	10,901	-6.0%	3,632	-5.1%	14,534	-5.8%
2003	10,887	-0.1%	3,707	2.1%	14,595	0.4%
2004	11,493	5.6%	4,374	18.0%	15,867	8.7%
2005	11,846	3.1%	4,261	-2.6%	16,107	1.5%

### 2.1.3.3.2. Feeder Destinations

CITY	2001	2002	2003	2004	2005
Orlando, FL	609,572	470,953	466,790	480,415	578,455
Chicago, IL	525,668	626,734	611,573	660,739	658,113
Fort Lauderdale, FL	597,361	401,949	367,870	355,642	420,069
Atlanta, GA	554,428	500,493	509,596	553,392	583,539
Los Angeles, CA	541,890	523,452	517,489	522,862	498,458
Las Vegas, NV	397,283	403,481	409,343	417,778	414,671
West Palm Beach/Palm Beach, FL	341,739	265,977	263,440	275,118	288,338
San Francisco, CA	379,573	381,228	417,457	428,064	375,711
San Juan, PR	267,963	282,055	278,137	309,111	296,097
Tampa, FL	240,648	209,428	206,292	211,223	253,246
Miami, FL	288,686	313,156	306,555	296,688	281,800
Dallas/Ft. Worth, TX	240,554	230,775	227,151	265,357	266,558
Phoenix, AZ	180,642	191,045	256,549	296,456	287,415
Ft. Myers, FL	155,695	126,173	129,955	137,719	164,457
Houston, TX	222,463	223,763	229,078	243,178	245,783
Seattle, WA	139,667	143,826	164,751	187,466	190,748
Denver, CO	209,437	223,148	220,227	216,259	198,937
Boston, MA	226,199	178,572	184,665	186,981	183,888
Minneapolis/St. Paul, MN	133,513	143,681	142,044	150,422	150,330
San Diego, CA	133,725	134,189	145,634	143,416	155,175
Charlotte, NC	94,763	97,589	95,362	112,012	124,574
Raleigh/Durham, NC	120,837	134,633	103,618	110,767	118,168
Washington, DC	113,274	84,330	89,939	122,467	162,435
Santa Ana, CA	91,580	95,044	96,351	98,252	105,997
Detroit, MI	178,298	145,687	116,537	115,713	118,170
Cleveland, OH	77,162	80,394	71,222	91,898	104,634
Jacksonville, FL	84,352	92,601	96,040	94,364	93,150
St. Louis, MO	104,276	104,026	108,547	104,787	97,033
Honolulu, HI	68,336	71,312	93,408	103,027	96,810
Milwaukee, WI	61,236	61,333	59,087	67,333	79,939
Portland, OR	65,648	84,625	87,369	98,566	83,511
Pittsburgh, PA	90,149	84,027	86,559	91,340	91,730
Salt Lake City, UT	63,870	76,475	76,889	78,315	76,109
Sarasota/Bradenton, FL	43,562	49,490	52,950	59,389	56,179
Columbus, OH	71,169	78,484	81,001	80,061	77,551
Austin, TX	59,265	59,015	57,947	66,343	74,260
Kansas City, MO	65,079	58,571	62,781	66,936	68,545
Buffalo, NY	56,016	51,463	53,009	54,958	58,486
San Antonio, TX	48,241	52,359	48,375	56,924	60,392
Cincinnati, OH	77,052	71,232	65,103	76,534	82,761
Nashville, TN	51,439	50,325	47,920	51,694	61,663
Indianapolis, IN	67,793	66,465	57,990	62,945	60,355
New Orleans, LA	126,787	119,677	112,391	107,689	79,179
Memphis, TN	54,320	48,582	52,298	56,389	53,668
Daytona Beach, FL	28,008	10,181	29,137	31,683	34,673
Aguadilla, PR	20,643	21,399	34,985	41,415	44,005
San Jose, CA	70,446	53,315	51,690	44,484	40,939
Savannah, GA	41,332	42,421	41,211	46,117	44,704
Greensboro/High Point, NC	44,458	39,944	46,124	45,201	43,869
Charleston, SC	30,901	32,737	34,514	39,939	39,059
<b>TOTAL</b>	<b>8,556,998</b>	<b>8,091,814</b>	<b>8,164,950</b>	<b>8,615,828</b>	<b>8,824,336</b>
<b>+/-Change</b>	<b>0.0%</b>	<b>-5.4%</b>	<b>0.9%</b>	<b>5.5%</b>	<b>2.4%</b>

Source: Smith Travel Research

#### **2.1.4. Area Overview/Economic Indicators**

##### **2.1.4.1. Market Commercial Office Occupancy**

"The Central XXX office market is much larger and covers a larger area than the northern XXX office market. It is comprised of Somerset, Hunterdon, Mercer, XXX, Monmouth and Ocean Counties as well as the western portion of Union County. With a total of just over 128 million square feet and approximately 3,400 class A, B and C office buildings, the central XXX office market offers slightly newer buildings and approximately \$2.00 per square foot lower asking lease rates than its northern competitor. Although the northern XXX market provides an attractive location just outside XXX City, more and more rail lines are being added to the central part of the state to accommodate easier access to the city. The vacancy rate for the central XXX office market is still virtually flat with a rate of 12.1%.

The XXX/XXX/I-XXX Submarket has over 22.8 million square feet of class A, B and C office space in 560 buildings. The submarket is defined by the towns of XXX, Highland Park, XXX, XXX, XXX, XXX, XXX, XXX and XXX. Approximately 50% is considered class A space, the majority of which is located in Piscataway and Somerset-Franklin Township.

The vacancy rate for the XXX/XXX/I-XXX Submarket is currently one of the highest in the Central XXX Office Market at 20% vacancy for class A, B and C space combined. This elevated percentage of vacant space available for lease can be partially attributed to the higher proportion of multi-tenanted office buildings to owner-occupied buildings in this submarket as well as the continued high vacancy of former telecom space. The vacancy rate remained relatively flat during 2006, but did increase slightly from the 19.7% for the period six months earlier. Rental rates have remained stable over the year as well. The average asking lease rate for the fourth quarter of 2006 for all classes of space combined was \$21.86, compared to the asking lease rate of \$21.71 for the period six months earlier. The average class A rental rate is approximately 4% higher than the overall asking rate at \$22.70 per square foot, while the class B average asking rate is approximately 11.2% lower than the overall at \$19.62 per square foot.

Despite the higher vacancy rate and little to no demand for more office space in this submarket, 5 smaller office buildings were delivered to the XXX/XXX/I-XXX office submarket in 2006. The most significant delivery was a 42,000 square foot; class A urban office building in New Brunswick. The remaining four office buildings are all smaller office buildings of 10,000 square feet or less. Three larger class A and B office buildings all greater than 70,000 square feet have been renovated this year, a trend we will be seeing more of in this already built-out, mature market. In addition, there is approximately 220,000 square feet presently under construction. Most of the

buildings being built are less than 15,000 square feet; however there are two significant buildings that will be added to the market once complete. One is a 53,000 square foot building at 90 Cliffwood Avenue in XXX (5.4 miles from subject) and the other is a 70,329 square foot building at 1 Helen Street in South Plainfield (11.7 miles from subject). Both are class B buildings with the majority of the space already pre-leased. There are currently 33 office buildings listed for sale in this submarket. Most of the buildings are smaller class B and C buildings and have an average asking price of \$200.00 per square foot, a slight increase from 1 year ago. However, there are five larger class A and B buildings for sale (50,000 SF and greater) and they have an average asking price of \$132.00 per square foot.

### **XXX Submarket**

With a total of 954 buildings and almost 40 million square feet of office space, the XXX Area Office Submarket is one of the largest and most prominent office submarkets in Central XXX. It includes the following townships in the greater XXX Area: XXX, XXX, XXX, Ewing, Hamilton, XXX, XXX, XXX, XXX, XXX, XXX, XXX, XXX and parts of XXX. Over 50% of the space in this submarket is considered Class A space, making it most favorable for headquarters space or for larger corporations. The current vacancy rate of 11.0% shows a slight decrease in vacancy recorded in this submarket over the past six months. The fourth quarter 2006 rate decreased by half of a percentage point from six months ago, when the vacancy rate was recorded at 11.5%. Net absorption has increased slightly this quarter to 277,800 square feet from the 40,400 square feet recorded last quarter. Rental rates have held pretty steady over the past year at around \$24.50 per square foot range for all classes of office space combined. Class A lease rates are almost \$1.50 per square foot higher at \$25.90 for the fourth quarter of 2006 and class B rates are \$2.00 lower than the overall rate at \$22.45 per square foot.

There are 55 buildings currently for sale in the XXX Area Submarket, the most for sale product than any of the other submarkets in central XXX. Almost 90% of the buildings that are for sale are smaller office buildings with less than 50,000 square feet. They have an average asking price of \$140.00 per square foot. There are an additional six larger, class B and C, office buildings (greater than 50,000 square feet) on the market for sale with an average asking price of \$92.00 per square foot. The lack of larger Class A for sale product has brought the average asking rate down this quarter. The construction pace this past year has increased significantly. Over 1.75 million square feet of office space is presently under construction. Some notable buildings are a 313,046 SF on University Square Dr. and a 140,000 SF in Carnegie Centre W. both in XXX (both 18 miles from subject); two large class A office buildings (160,000 SF and 120,000 SF) on Route 31 in XXX (29.5



miles from subject); a 140,000 SF building on Horizon Ct. in XXX (29.7 miles from subject); and two 100,000 SF buildings in Cranbury, one on Prospect Plains Road and one on South River Rd. (both 14 miles from subject). The rest are smaller office buildings scattered throughout the greater XXX Area. In addition, nearly 600,000 square feet was delivered to the submarket throughout the year. In the last two quarters of 2006, only one 40,000 square foot building in East Windsor was delivered. The remaining buildings mostly in Hamilton or XXX were delivered in the first half of 2006." *Colliers International*

#### 2.1.4.2. Consumer Price Index

The consumer price index, a measure of anticipated inflation, is expected to grow between 4-5% per year through 2012. For the remainder of this study we have used a more conservative growth rate of 3%.

Consumer Price Index			Consumer Price Index			Consumer Price Index		
Year	Price Index	% Change	Year	Price Index	% Change	Year	Price Index	% Change
1984	103.9	NA	1995	152.4	2.8%	2006	200.4	2.6%
1985	107.6	3.6%	1996	156.9	3.0%	2007	209.0	4.3%
1986	109.6	1.9%	1997	160.5	2.3%	2008	219.9	5.2%
1987	113.6	3.6%	1998	163.0	1.6%	2009	232.8	5.9%
1988	118.3	4.1%	1999	166.6	2.2%	2010	244.7	5.1%
1989	124.0	4.8%	2000	172.2	3.4%	2011	256.0	4.6%
1990	130.7	5.4%	2001	177.1	2.8%	2012	267.0	4.3%
1991	136.2	4.2%	2002	179.9	1.6%	2013	276.6	3.6%
1992	140.3	3.0%	2003	184.0	2.3%	2014	285.7	3.3%
1993	144.5	3.0%	2004	188.9	2.7%	2015	294.6	3.1%
1994	148.2	2.6%	2005	195.3	3.4%			

Source: PKF Consulting

Source: Financial Forecast Center, LLC

#### 2.1.4.3. Population and Income Demographics

##### Salient points regarding population demographics include:

- Total XXX Population is projected to grow at a slightly greater pace than the state and region the US through 2010. Total local population is currently 2.357 MM and is forecasted to grow to 2.475 MM by 2010.
- Total Employment growth mirrors the state and region and matches US employment growth.
- Total Earnings growth mirrors total employment growth by region, state and US.
- Total Personal Income is projected to outpace the state and region and mirrors the US.

RETAIL SALES - ALL SEGMENTS						Annual Average Compounded Change	
	2000	2002	2004	2006	2010	2000-2006	2006-2010
(000,000)	\$25,341	\$26,025	\$28,101	\$29,332	\$31,883	2.62%	2.17%
AUTOMOBILE DEALERS	\$5,519	\$5,517	\$5,713	\$5,993	\$6,559	1.43%	2.36%
FOOD STORES	\$4,132	\$4,200	\$4,336	\$4,477	\$4,753	1.39%	1.54%
MISCELLANEOUS RETAIL STORES	\$3,451	\$3,479	\$3,810	\$4,013	\$4,434	2.71%	2.63%
GENERAL MERCHANDISE	\$2,965	\$3,180	\$3,453	\$3,633	\$3,969	3.75%	2.31%
EATING AND DRINKING PLACES	\$2,096	\$2,215	\$2,449	\$2,594	\$2,876	3.95%	2.72%
FURNITURE, HOME FURNISHINGS	\$1,667	\$1,691	\$1,796	\$1,884	\$2,075	2.18%	2.52%
APPAREL AND ACCESSORIES	\$1,542	\$1,541	\$1,639	\$1,710	\$1,849	1.81%	2.04%
DRUG STORES	\$1,230	\$1,418	\$1,549	\$1,648	\$1,838	5.66%	2.89%
GASOLINE SERVICE STATIONS	\$1,430	\$1,395	\$1,723	\$1,735	\$1,784	3.55%	0.70%
BUILDING MATERIALS, HARDWARE .	\$1,309	\$1,387	\$1,632	\$1,645	\$1,746	4.27%	1.54%
<b>NEW JERSEY (000,000)</b>	<b>\$91,609</b>	<b>\$93,148</b>	<b>\$99,693</b>	<b>\$103,022</b>	<b>\$109,898</b>	<b>2.08%</b>	<b>1.67%</b>
AUTOMOBILE DEALERS	\$20,878	\$20,701	\$21,284	\$22,106	\$23,748	0.98%	1.86%
FOOD STORES	\$15,247	\$15,338	\$15,699	\$16,047	\$16,714	0.87%	1.04%
MISCELLANEOUS RETAIL STORES	\$12,347	\$12,303	\$13,348	\$13,906	\$15,060	2.11%	2.07%
GENERAL MERCHANDISE	\$9,225	\$9,809	\$10,580	\$11,029	\$11,845	3.26%	1.85%
EATING AND DRINKING PLACES	\$7,818	\$8,175	\$8,961	\$9,390	\$10,211	3.35%	2.18%
DRUG STORES	\$5,069	\$5,782	\$6,256	\$6,581	\$7,192	4.97%	2.32%
FURNITURE, HOME FURNISHINGS	\$5,693	\$5,730	\$6,041	\$6,272	\$6,773	1.69%	2.00%
APPAREL AND ACCESSORIES	\$5,729	\$5,669	\$5,977	\$6,168	\$6,543	1.28%	1.52%
GASOLINE SERVICE STATIONS	\$5,258	\$5,080	\$6,221	\$6,202	\$6,255	2.99%	0.21%
BUILDING MATERIALS, HARDWARE .	\$4,344	\$4,560	\$5,327	\$5,321	\$5,557	3.75%	1.11%
<b>MID EAST (000,000)</b>	<b>\$10,450</b>	<b>\$10,452</b>	<b>\$10,455</b>	<b>\$10,463</b>	<b>\$10,484</b>	<b>0.02%</b>	<b>0.05%</b>
AUTOMOBILE DEALERS	\$1,097	\$1,098	\$1,096	\$1,096	\$1,098	-0.01%	0.04%
FOOD STORES	\$1,071	\$1,072	\$1,071	\$1,071	\$1,072	0.00%	0.03%
MISCELLANEOUS RETAIL STORES	\$1,064	\$1,062	\$1,063	\$1,064	\$1,068	0.00%	0.10%
GENERAL MERCHANDISE	\$1,049	\$1,050	\$1,052	\$1,053	\$1,055	0.06%	0.06%
EATING AND DRINKING PLACES	\$1,043	\$1,044	\$1,045	\$1,046	\$1,049	0.05%	0.07%
DRUG STORES	\$1,026	\$1,027	\$1,029	\$1,030	\$1,031	0.08%	0.02%
GASOLINE SERVICE STATIONS	\$1,025	\$1,025	\$1,024	\$1,026	\$1,030	0.01%	0.09%
APPAREL AND ACCESSORIES	\$1,027	\$1,026	\$1,026	\$1,027	\$1,028	0.00%	0.02%
BUILDING MATERIALS, HARDWARE .	\$1,023	\$1,023	\$1,024	\$1,025	\$1,027	0.03%	0.07%
FURNITURE, HOME FURNISHINGS	\$1,025	\$1,025	\$1,025	\$1,026	\$1,027	0.00%	0.03%
<b>UNITED STATES (000,000)</b>	<b>\$2,881,916</b>	<b>\$2,941,681</b>	<b>\$3,165,369</b>	<b>\$3,288,791</b>	<b>\$3,544,350</b>	<b>2.35%</b>	<b>1.94%</b>
AUTOMOBILE DEALERS	\$706,403	\$703,041	\$724,768	\$757,610	\$823,449	1.21%	2.17%
GENERAL MERCHANDISE	\$371,587	\$396,382	\$428,539	\$449,546	\$488,361	3.50%	2.16%
FOOD STORES	\$422,979	\$427,066	\$438,259	\$450,719	\$474,755	1.09%	1.33%
MISCELLANEOUS RETAIL STORES	\$324,593	\$324,339	\$352,395	\$369,016	\$403,379	2.28%	2.33%
EATING AND DRINKING PLACES	\$278,404	\$292,136	\$320,952	\$338,361	\$371,972	3.59%	2.48%
GASOLINE SERVICE STATIONS	\$199,848	\$193,601	\$237,520	\$238,219	\$242,875	3.20%	0.49%
BUILDING MATERIALS, HARDWARE .	\$165,405	\$174,173	\$203,795	\$204,817	\$216,229	3.97%	1.39%
FURNITURE, HOME FURNISHINGS	\$159,356	\$161,081	\$170,330	\$177,976	\$194,457	1.95%	2.32%
DRUG STORES	\$122,976	\$140,442	\$152,058	\$160,622	\$176,838	5.10%	2.52%
APPAREL AND ACCESSORIES	\$130,365	\$129,420	\$136,753	\$141,905	\$152,035	1.48%	1.78%
Source: Woods & Poole Economics, Inc					Sorted Decending		

XXX County leads the region, state and US in total Mean Household Income, and is expected to continue this trend through 2010.

MEAN HOUSEHOLD INCOME (Current Dollars - 000,000)	2000	2002	2004	2006	2010	Annual Average Compounded Change	
						2000-2006	2006-2010
	\$105,998	\$106,822	\$113,013	\$119,838	\$136,774	2.18%	3.53%
	\$107,597	\$109,082	\$115,810	\$122,767	\$139,994	2.35%	3.51%
	\$103,353	\$105,652	\$111,729	\$118,477	\$135,180	2.44%	3.52%
MID EAST	\$88,319	\$91,147	\$96,790	\$102,661	\$117,171	2.71%	3.53%
UNITED STATES	\$77,814	\$80,159	\$84,857	\$90,097	\$103,037	2.63%	3.59%
Source: Woods & Poole Economics, Inc							

Wealth Index of XXX County is among the top in the nation; a good 25 points above the US benchmark index of 100 and 15 points above the Mideast region as a whole. Wealth in the county slightly exceeds that of the state index by 3 points. (See table below)

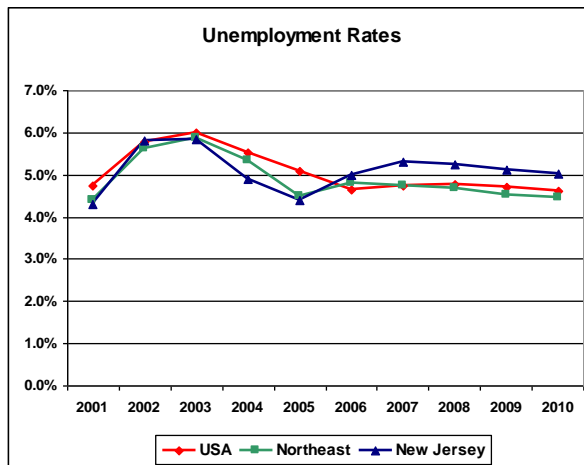
W&P WEALTH INDEX (US - 100)	2000	2002	2004	2006	2010	Annual Average Compounded Change	
						2000-2006	2006-2010
	128.43	125.96	125.87	125.73	125.52	-0.35%	-0.04%
	127.26	125.51	125.75	125.50	125.05	-0.23%	-0.09%
	124.25	123.29	123.20	123.11	122.97	-0.15%	-0.03%
MID EAST	110.41	110.54	110.84	110.77	110.63	0.05%	-0.03%
UNITED STATES	100.00	100.00	100.00	100.00	100.00	0.00%	0.00%
Source: Woods & Poole Economics, Inc							

Income Per Capita also exceeds state and region and is expected to continue to grow at a healthy annual average rate of 3.5+%.

INCOME PER CAPITA (Current Dollars - 000,000)	2000	2002	2004	2006	2010	Annual Average Compounded Change	
						2000-2006	2006-2010
	\$39,625	\$40,183	\$42,795	\$45,674	\$52,673	2.54%	3.83%
	\$40,048	\$40,828	\$43,611	\$46,497	\$53,501	2.68%	3.77%
	\$38,372	\$39,461	\$42,022	\$44,868	\$51,775	2.82%	3.85%
MID EAST	\$34,079	\$35,368	\$37,815	\$40,375	\$46,580	3.08%	3.84%
UNITED STATES	\$29,847	\$30,906	\$32,932	\$35,187	\$40,650	2.98%	3.88%
Source: Woods & Poole Economics, Inc							

#### 2.1.4.3.1. Unemployment

With the exception of 2001 and 2003-2005, unemployment rates in XXX exceeded national averages by up to .4%. and are expected to outpace the US through 2010. Similarly, XXX unemployment is expected to be slightly higher than regional levels through 2010. Swings in unemployment are often correlated to swings in population growth. The stability of the variances in unemployment between the XXX and XXX MSA and the state, and region correlate to the variances in population growth in all areas. There exists no unusual anomaly with would significantly impact the projected performance of the subject property.



Unemployment Rates New Jersey				
Year	USA	Northeast	NJ	Var to US
2001	4.7%	4.4%	4.3%	-0.4%
2002	5.8%	5.6%	5.8%	0.0%
2003	6.0%	5.9%	5.8%	-0.2%
2004	5.5%	5.3%	4.9%	-0.6%
2005	5.1%	4.5%	4.4%	-0.7%
2006	4.6%	4.8%	5.0%	0.4%
2007	4.7%	4.7%	5.3%	0.6%
2008	4.8%	4.7%	5.2%	0.5%
2009	4.7%	4.5%	5.1%	0.4%
2010	4.6%	4.5%	5.0%	0.4%

Sources: Economy.com, Woods & Poole Economics, Inc.

### 2.1.5. General Business and Commercial Activity

Total Retail Sales is projected to grow 2.1% through 2010 to \$31.8B. The compounded rate of growth exceeds the state, region and exceeds the projected US rate of growth .23%. The rate of growth in eating and drinking establishments, mirrors total retail sales growth at the regional level, but is on par with state and US levels.

RETAIL SALES (Current Dollars - 000,000)						Annual Average Compounded Change	
	2000	2002	2004	2006	2010	2000-2006	2006-2010
<b>TOTAL RETAIL (Millions)</b>							
EDISON, NJ	\$25,341	\$26,025	\$28,101	\$29,332	\$31,883	2.62%	2.17%
NY-NEWARK-BRIDGEPORT, NY-NJ-CT-PA	\$206	\$208	\$222	\$229	\$242	1.86%	1.50%
NEW JERSEY	\$91,609	\$93,148	\$99,693	\$103,022	\$109,898	2.08%	1.67%
MID EAST	\$450	\$455	\$484	\$499	\$528	1.81%	1.47%
UNITED STATES	\$2,881,916	\$2,941,681	\$3,165,369	\$3,288,791	\$3,544,350	2.35%	1.94%
<b>EATING &amp; DRINKING PLACES SALES (Millions)</b>							
EDISON, NJ	\$2,096	\$2,215	\$2,449	\$2,594	\$2,876	3.95%	2.72%
NY-NEWARK-BRIDGEPORT, NY-NJ-CT-PA	\$20	\$21	\$23	\$24	\$26	3.00%	1.91%
NEW JERSEY	\$7,818	\$8,175	\$8,961	\$9,390	\$10,211	3.35%	2.18%
MID EAST	\$43	\$45	\$49	\$51	\$55	2.97%	1.95%
UNITED STATES	\$278,404	\$292,136	\$320,952	\$338,361	\$371,972	3.59%	2.48%

Source: Woods & Poole Economics, Inc.

RETAIL SALES - ALL SEGMENTS						Annual Average Compounded Change	
	2000	2002	2004	2006	2010	2000-2006	2006-2010
<b>MIDDLESEX COUNTY (000,000)</b>	<b>\$25,341</b>	<b>\$26,025</b>	<b>\$28,101</b>	<b>\$29,332</b>	<b>\$31,883</b>	<b>2.62%</b>	<b>2.17%</b>
AUTOMOBILE DEALERS	\$5,519	\$5,517	\$5,713	\$5,993	\$6,559	1.43%	2.36%
FOOD STORES	\$4,132	\$4,200	\$4,336	\$4,477	\$4,753	1.39%	1.54%
MISCELLANEOUS RETAIL STORES	\$3,451	\$3,479	\$3,810	\$4,013	\$4,434	2.71%	2.63%
GENERAL MERCHANDISE	\$2,965	\$3,180	\$3,453	\$3,633	\$3,969	3.75%	2.31%
EATING AND DRINKING PLACES	\$2,096	\$2,215	\$2,449	\$2,594	\$2,876	3.95%	2.72%
FURNITURE, HOME FURNISHINGS	\$1,667	\$1,691	\$1,796	\$1,884	\$2,075	2.18%	2.52%
APPAREL AND ACCESSORIES	\$1,542	\$1,541	\$1,639	\$1,710	\$1,849	1.81%	2.04%
DRUG STORES	\$1,230	\$1,418	\$1,549	\$1,648	\$1,838	5.66%	2.89%
GASOLINE SERVICE STATIONS	\$1,430	\$1,395	\$1,723	\$1,735	\$1,784	3.55%	0.70%
BUILDING MATERIALS, HARDWARE .	\$1,309	\$1,387	\$1,632	\$1,645	\$1,746	4.27%	1.54%
<b>NEW JERSEY (000,000)</b>	<b>\$91,609</b>	<b>\$93,148</b>	<b>\$99,693</b>	<b>\$103,022</b>	<b>\$109,898</b>	<b>2.08%</b>	<b>1.67%</b>
AUTOMOBILE DEALERS	\$20,878	\$20,701	\$21,284	\$22,106	\$23,748	0.98%	1.86%
FOOD STORES	\$15,247	\$15,338	\$15,699	\$16,047	\$16,714	0.87%	1.04%
MISCELLANEOUS RETAIL STORES	\$12,347	\$12,303	\$13,348	\$13,906	\$15,060	2.11%	2.07%
GENERAL MERCHANDISE	\$9,225	\$9,809	\$10,580	\$11,029	\$11,845	3.26%	1.85%
EATING AND DRINKING PLACES	\$7,818	\$8,175	\$8,961	\$9,390	\$10,211	3.35%	2.18%
DRUG STORES	\$5,069	\$5,782	\$6,256	\$6,581	\$7,192	4.97%	2.32%
FURNITURE, HOME FURNISHINGS	\$5,693	\$5,730	\$6,041	\$6,272	\$6,773	1.69%	2.00%
APPAREL AND ACCESSORIES	\$5,729	\$5,669	\$5,977	\$6,168	\$6,543	1.28%	1.52%
GASOLINE SERVICE STATIONS	\$5,258	\$5,080	\$6,221	\$6,202	\$6,255	2.99%	0.21%
BUILDING MATERIALS, HARDWARE .	\$4,344	\$4,560	\$5,327	\$5,321	\$5,557	3.75%	1.11%
<b>MID EAST (000,000)</b>	<b>\$10,450</b>	<b>\$10,452</b>	<b>\$10,455</b>	<b>\$10,463</b>	<b>\$10,484</b>	<b>0.02%</b>	<b>0.05%</b>
BUILDING MATERIALS, HARDWARE .	\$1,023	\$1,023	\$1,024	\$1,025	\$1,027	0.03%	0.07%
GENERAL MERCHANDISE	\$1,049	\$1,050	\$1,052	\$1,053	\$1,055	0.06%	0.06%
FOOD STORES	\$1,071	\$1,072	\$1,071	\$1,071	\$1,072	0.00%	0.03%
AUTOMOBILE DEALERS	\$1,097	\$1,098	\$1,096	\$1,096	\$1,098	-0.01%	0.04%
GASOLINE SERVICE STATIONS	\$1,025	\$1,025	\$1,024	\$1,026	\$1,030	0.01%	0.09%
APPAREL AND ACCESSORIES	\$1,027	\$1,026	\$1,026	\$1,027	\$1,028	0.00%	0.02%
FURNITURE, HOME FURNISHINGS	\$1,025	\$1,025	\$1,025	\$1,026	\$1,027	0.00%	0.03%
EATING AND DRINKING PLACES	\$1,043	\$1,044	\$1,045	\$1,046	\$1,049	0.05%	0.07%
DRUG STORES	\$1,026	\$1,027	\$1,029	\$1,030	\$1,031	0.08%	0.02%
MISCELLANEOUS RETAIL STORES	\$1,064	\$1,062	\$1,063	\$1,064	\$1,068	0.00%	0.10%
<b>UNITED STATES (000,000)</b>	<b>\$2,881,916</b>	<b>\$2,941,681</b>	<b>\$3,165,369</b>	<b>\$3,288,791</b>	<b>\$3,544,350</b>	<b>2.35%</b>	<b>1.94%</b>
BUILDING MATERIALS, HARDWARE .	\$165,405	\$174,173	\$203,795	\$204,817	\$216,229	3.97%	1.39%
GENERAL MERCHANDISE	\$371,587	\$396,382	\$428,539	\$449,546	\$488,361	3.50%	2.16%
FOOD STORES	\$422,979	\$427,066	\$438,259	\$450,719	\$474,755	1.09%	1.33%
AUTOMOBILE DEALERS	\$706,403	\$703,041	\$724,768	\$757,610	\$823,449	1.21%	2.17%
GASOLINE SERVICE STATIONS	\$199,848	\$193,601	\$237,520	\$238,219	\$242,875	3.20%	0.49%
APPAREL AND ACCESSORIES	\$130,365	\$129,420	\$136,753	\$141,905	\$152,035	1.48%	1.78%
FURNITURE, HOME FURNISHINGS	\$159,356	\$161,081	\$170,330	\$177,976	\$194,457	1.95%	2.32%
EATING AND DRINKING PLACES	\$278,404	\$292,136	\$320,952	\$338,361	\$371,972	3.59%	2.48%
DRUG STORES	\$122,976	\$140,442	\$152,058	\$160,622	\$176,838	5.10%	2.52%
MISCELLANEOUS RETAIL STORES	\$324,593	\$324,339	\$352,395	\$369,016	\$403,379	2.28%	2.33%

Source: Woods &amp; Poole Economics, Inc

## 2.2. Property Description

### 2.2.1 Site Description

In this section, we provide a description of the subject property, the 405-room Hilton XXX.

#### 2.2.1.1 Guestrooms

There are 405 guestrooms that are all in excellent condition due to the recent renovations. Each room includes a 27 inch television, movies on demand, High Speed Internet Access, 2 phone lines, Crabtree & Evelyn bath amenities, excellent work space, oversized windows which offer a wide variety of views and natural lighting. Guest rooms feature Hilton's, "The Bed" with new mattresses, Duvet covers and oversized pillows.

The Distribution of Room types is as follows:

Room Type	Quantity
King	171
Double/Double	216
Suites	12
Parlor Rooms	6
<b>TOTAL</b>	<b>405</b>
<b>Source:</b> <i>Hilton XXX</i>	

The guestrooms typically provide the following facilities:

#### Standard

- Air conditioning
- Alarm clock
- Bottled water
- Crib
- Individual climate control
- Hilton Serenity Bed & Bath
- Large Desk with Ergonomic chair

#### Convenience

- Coffee maker/tea service
- Connecting Rooms/Parlors
- Hairdryer
- Iron/Ironing Board

#### Technology

- Internet browser/Web TV
- 2-line Telephones
- HSIA
- 27" Television with Remote Control
- Voicemail
- Wake-up Service
- Movies/videos, pay-per-view

#### Upscale

Room Service – 6:30am – 12:00am

#### 2.2.1.2 Food & Beverage Operations

The subject property offers three dining options in addition to in-room services. Open seven days a week and serving breakfast, lunch and dinner, **The Cafe** features American cuisine with an emphasis on light and creative dining in an atmosphere of open spaces and natural light

The **Sports Edition** Bar offers interactive sports, games and multiple televisions with satellite reception. Sports Edition serves Lunch and dinner and provides a great atmosphere for food, drink and most of all, fun.

Finally, there **is Sips Coffee Shop**, located just off the hotel lobby, offering breakfast items and light lunch items. It is a great alternative for guests on the go.

### 2.2.1.3 Facilities and Amenities

Some of the amenities the subject hotel currently offers include:

- Business center services
- High Speed Wireless throughout the property
- Self Parking Facilities
- Room Service
- Wake-up Service
- Fitness Facility
- Indoor Heated Pool

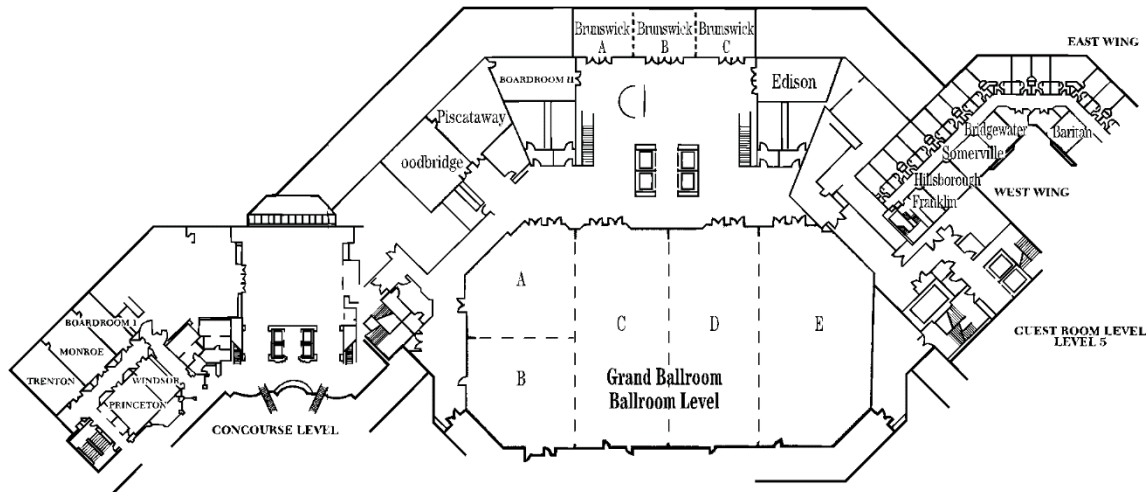
### 2.2.1.4. Banquet & Meeting Space

The Hilton XXX features two floors of meeting space totaling 23,928 SF of usable meeting and banquet space, located on the second and third floors of the building. Meeting space is accessible by elevator, stairs, and most conveniently by lobby escalators.

The second level has a 14,940 SF grand ballroom devisable into five sections with a ceiling height of 20'. The hotel's grand ballroom is the largest outside of XXX, XXX. Pre-function space outside the grand ballroom offers 6,000 SF. Additional meeting space totals 8,948 SF featuring 15 meeting rooms Ranging from 322 SF to 1475 SF. The ceiling height for the additional meeting rooms is 9'.

MEETING SPACE - EXISTING		
Room Name	APPROX Dim.	Area
Grand Ballroom A _ E	166' x 90'	14940
Boardroom I	15' x 25	375
Boardroom II	19' x 30'	570
Bridgewater	19' x 30'	570
Brunswick A	22' x 21'	462
Brunswick A _ C	70' x 21'	1470
Brunswick B	26' x 21'	546
Brunswick C	22' x 21'	462
Edison	19' x 30'	570
Woodbridge	26x27	702
Piscataway	31' x 25'	775
Princeton	25x28	700
Windsor	13x24	312
Trenton	26x35	910
Monroe	26x35	910
Franklin	14x23	322
Hillsborough	26x23	598
Somerville	26x21	546
Bridgewater	19x21	399
Raritan	19x21	399
<b>GRAND TOTAL</b>		<b>24498</b>

The meeting/function rooms are undergoing major renovations to include carpet, ceiling, wall covering.



## Existing Meeting Space

### 2.2.1.5. Management and Affiliation

The subject property is franchised as a Hilton Hotel with a license agreement from Hilton Hotel Corporation. XXX, which has extensive experience in the operation of lodging facilities, will operate the Hotel and Executive Conference Center.

## 2.2.2. Improvement Description

### 2.2.2.1. Guestrooms

- All guestrooms at the subject property have been recently renovated with both hard and soft good, paint and wall coverings.

### 2.2.2.2. Meeting Space

The most significant renovation plans is the creation of the new EMC in the attached office building. This new space will consist of 11,794 SF of meeting space in fourteen rooms. Two of these rooms will combine to create a 3,000 SF meeting room and another two of these rooms will combine to form a 3,300 SF meeting room. The EMC will also have a business center and technology room, as well as a dedicated refreshment area.

The net changes in meeting space will be as follows:



NET CHANGE IN MEETING SPACE ( Sq. Ft.)	
Total Existing	24498
Total After Renovation	36292
Variance	11794

The following table outlines the renovated space at the subject property.

MEETING SPACE - POST RENOVATION					
Room Name	Dimen	Area	Room Name	APPROX Dim.	Area
Grand Ballroom A _ E	166' x 90'	14940	Somerville	26x21	546
Boardroom I	15' x 25	375	Bridgewater	19x21	399
Boardroom II	19' x 30'	570	Raritan	19x21	399
Bridgewater	19' x 30'	570	1	32.5x50	1627
Brunswick A	22' x 21'	462	2	33.5x50	1699
Brunswick A _ C	70' x 21'	1470	3	20x30	640
Brunswick B	26' x 21'	546	4	40x32	1280
Brunswick C	22' x 21'	462	5	15x15	225
Edison	19' x 30'	570	6	15x29	435
Woodbridge	26x27	702	7	30x61	1850
Piscataway	31' x 25'	775	8	30x40	1190
Princeton	25x28	700	9	20x30	640
Windsor	13x24	312	10	40x32	1280
Trenton	26x35	910	11	14x16	232
Monroe	26x35	910	12	14x16	232
Franklin	14x23	322	13	14x16	232
Hillsborough	26x23	598	14	14x16	232
GRAND TOTAL					36292

According to the 2006 PKF Conference Center Industry Trends report, the Subject property's guest room count exceeds the average number of guestrooms found at conference centers, and the quantity of dining room seats at the Subject property slightly exceeds the industry average in all conference centers segments. Because all meeting space is planned to be dedicated to the EMC we recommend comparing the subject property with the Ancillary Conference Center category. This comparison reveals that the subject property will have more guestrooms than the average Ancillary Conference Center, more Net SF of meeting space, but less meeting rooms by quantity. It also reveals that the subject property's dining capacity is slightly over that of a typical Ancillary Conference Center. (See table below).

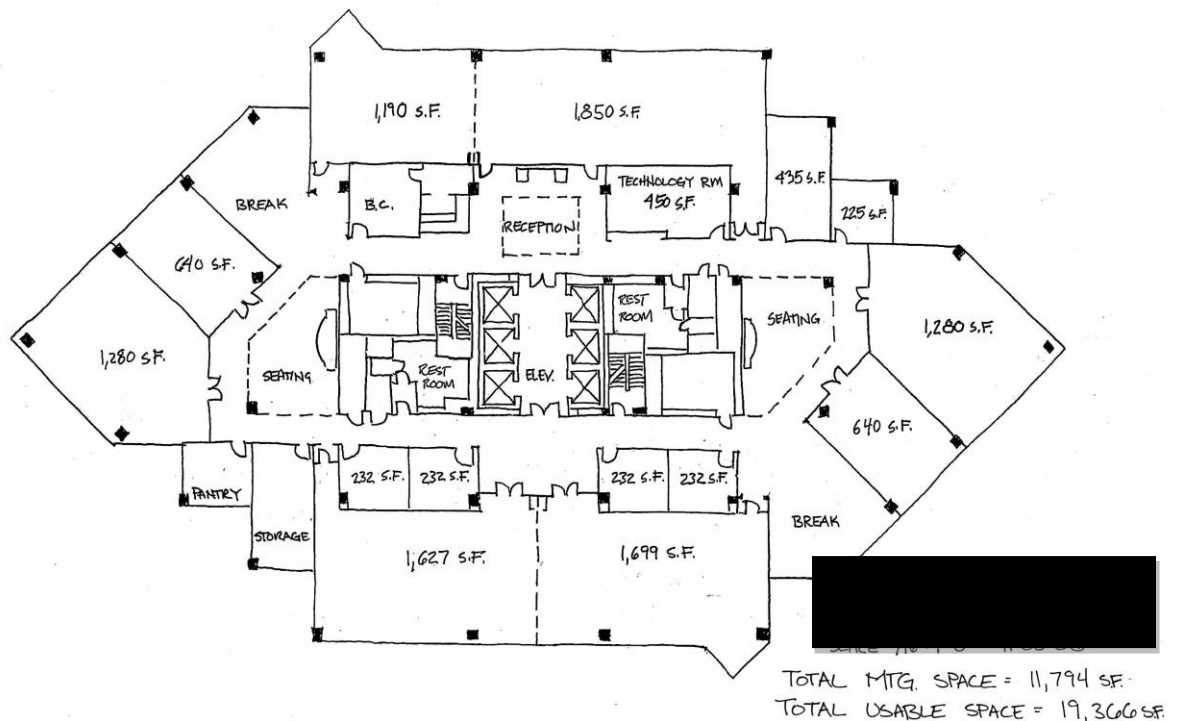
## Summary of Typical Conference Center Facilities

Average Number of:

	Guest Rooms	Dining Room Seats	Meeting Rooms	Total MTG Space (Sq. Ft.)
	405	180	37	36,292
	405	180	14	11,794
Executive Conference Centers	151	290	26	29,741
Corporate Conference Centers	358	395	50	42,912
Resort Conference Centers	283	319	28	33,458
College/University Centers	153	287	19	21,268
Ancillary Conference Centers *1	347	166	22	9,444

Sources: PKF Consulting, The Conference Center Industry, 2005, \*1 - International Association of Conference Centers

NOTE: Comparable meeting space Ancillary to Ancillary does not include the Ballrooms

**Planned EMC Floor plan****2.2.3. Executive Conference Center Points of Differentiation**

Conference centers are designed around a business model that serves a targeted market niche with highly specialized products and services. They differ from the traditional hotel approach in their physical design, philosophy, and virtually every aspect of their operations. Traditional hotels view their function space and other amenities and services from an "all things to all people" perspective, perhaps hosting a wedding one day, a local service club breakfast the next, and

a business meeting the day after that. A conference center, by contrast, is distinguished by its much tighter focus.

Conference centers are designed specifically to provide an environment for efficient and effective business gatherings. They feature meeting space dedicated to meet the needs of small-to-medium size meetings, including state-of-the-art lighting, acoustical treatments, ergonomic seating, audiovisual equipment and other customized features. A conference center represents a *defined environment* where service, product and technology meet to best handle the specific needs of the meeting planner and attendees.

The primary market for a typical conference center is the small to medium-sized business meeting (15 to 75 attendees on average). The attendees are usually mid-level corporate managers or higher, or their equivalent in other organizations. Their meetings typically last from 2 to 4 days, and their objectives may include training, strategic planning, and other tasks best done away from the demands of the office. Their purpose is primarily business, but they also need meals, the rejuvenation of recreation, and other services, and they tend to move about the property as a group. A conference center's staffing, service model, and operating philosophy are all designed specifically to cater to these unique needs.

Providing this productive environment at a reasonable price is the conference center's strong point, a powerful combination of product, price, value and service. All of the components of a successful meeting are bundled into one all-inclusive per person per day package price, the Complete Meeting Package. This makes the meeting planner's job much easier by eliminating variables such as selecting menus, scheduling breaks and ordering equipment. It also reduces the budget creep that can occur when all items are priced separately.

IACC recognizes these two primary approaches to conference center operation by certifying properties as either Full Active Conference Centers or Ancillary Conference Centers. The Hilton XXX, based on the distribution of dedicated to flexible/social event space, will qualify as a Full Active Conference Center. IACC's criteria relative to Full Active Conference Center are outlined in Appendix 7.4.

Some of the key features of a Full Active Conference Center are:

- Meeting rooms in Executive Conference Centers are purpose designed, with unobstructed views. Ceilings are at least eight feet high (relative to the size

of the room) with solid or operable walls and maintain a 52 Sound Transmission Class rating. All wall surfaces are designed to allow for flip chart tacking.

- Meeting room amenities include ergonomic chairs, hardtop tables, individual climate controlled rooms, and controllable lighting.
- Dining rooms are separated from the meeting environment, in a facility that allows for a much needed break from learning, to recharge and energize attendees for the next meeting session. Conferee dining rooms are of a size that can accommodate all group business in a maximum of two seatings.
- Guest rooms are geared towards evening study with efficient and spacious work/study area, featuring quality lighting and high-speed Internet access”.
- Technology enhancements include high-speed Internet access in the meeting rooms and guest rooms, two phone outlets in the guest rooms, complete Business Center, computer work stations and IT/AV staff onsite. Standard technology tools in the CMP include LCD projection.
- A dedicated Conference Planning Manager sees to all meeting details, acting as one point of contact to discuss meeting room setups, audiovisual needs, rooming list, private dining options and any other requirements meeting attendees might have.

The standard Complete Meeting Package includes, at a minimum, the following:

- Lodging
- 3 Meals (Breakfast, Lunch and Dinner)
- Continuous Refreshment Breaks
- 24-hour Meeting Room Access
- Basic Audiovisual Equipment included in the Package:
  - + Flipcharts, Pads, Markers, VCR/Monitor, Overhead, Screen
- Business Center Services
- Service charges

XXX recommends that in addition to these minimums, the property offer the following:

- One LCD Projector included in main meeting room. (Additional projectors at a reasonable price.)
- Meeting room access the night of arrival for setup.
- Complimentary photocopying and fax services for the meeting planner and on-site trainers (\$100 limit per day).
- Complimentary Name Tags and Table Tents upon request.
- No handling fees for shipping and receiving.
- Complimentary meeting planner office upon request.

- No surcharge for a standard box lunch, standard roll-ins or select sit-down menu options (additional menu upgrades are encouraged).
- Carousel Dining Program. The group buys the CMP but can select one night to go off property at selected restaurants using a voucher program.
- Telephone rooms - Complimentary meeting room for impromptu conference calls by VIPs complete with quality speakerphone, calls included.
- T-1 line connection for the main speaker, additional devices will be at a surcharge established by the hotel.

See section 5 for design recommendations specific to the subject property.

### 3. Hotel Market Demand Analysis

#### 3.1. Introduction

In order to provide a clear estimate of the subject property's future performance it is critical to understand the current national, regional and local economic climate, as well as defining the competitive supply. In the pages that follow, we will provide summary conclusions of the impact of the economy along with detailed data supporting these conclusions. In addition we will provide detailed and summarized information on the competitive supply in terms of facility capabilities, amenity offerings and strengths, weaknesses, threats and opportunities, relative to the Hilton XXX.

#### 3.2. National Overview/USA – Economy.com

##### Recent Performance

"More than five years into the current expansion, the economy is performing about as well as could be expected. After all the revisions come in, annualized real GDP growth will be just below potential growth of 3% in last year's fourth quarter, and appears on track to be about the same in the first quarter of this year. This just below-potential growth is fortuitous as the current 4.6% unemployment rate is consistent with a job market that is a bit too tight. Sub-potential growth and lower prices for energy goods and other commodities have taken the edge off of inflation. Underlying inflation is just above the top end of the Federal Reserve's target—2.5% as measured by core CPI inflation—but has moderated substantially in recent months, and appears set to fall back within target in the coming months. Investor euphoria. Investors are euphoric over the economy's performance and prospects. Stock prices have gone nearly straight up since last summer, rising a stunning more than 15%. Bond investors are equally upbeat. Credit spreads have narrowed sharply and are about as narrow as they have ever been. The difference between yields on Baa corporate bonds, the lowest-rated investment grade bond, and 10-year Treasuries is only 150 basis points. Below investment-grade, or junk corporate, bonds are trading at just over 300 basis points relative to Treasuries. For context, the Baa-Treasury spread was as high as 375 basis points and the junk-Treasury spread was closer to 1,000 basis points in the wake of the stock market crash and accounting scandals early in the decade.

##### Financial event

With investor exuberance running so thick, the likelihood that investors will make a large collective misstep is on the rise. Global financial events—characterized by falling asset prices, widening credit spreads and a surge in volatility—are rare, but

they often happen at this point in the business cycle when the global economy is operating near capacity and central banks are wary of building inflationary pressures and are thus tightening monetary policy. The last such event was the 1997-1998 Asian financial crisis and Russian bond default. A potential trigger for a global financial event lies in the U.S. residential mortgage-backed securities market. The RMBS market has mushroomed in recent years along with the previously booming housing market, and is now the largest part of the global fixed income market. Investor demand for U.S. RMBS has been so avaricious that U.S. mortgage lenders became emboldened to dramatically lower underwriting standards, as they knew there would be a ready buyer for anything they originated. Sub-prime, interest-only, negative amortization and alt-A lending soared. However, the downturn in the housing market, combined with poor underwriting, is driving soaring delinquency and default rates. It is not difficult to imagine that these stresses could become overwhelming, spooking all investors and precipitating a global financial event.

Despite the potential for a global financial event, far and away the most likely outcome is a much more sanguine one. The baseline is for real GDP growth of 2.7% in 2007, a slightly higher unemployment rate later this summer and core inflation moving to within the Fed's target by the spring. Indeed, while growth will be sub-potential through the middle of the year, it is coming in a bit stronger than previously projected as the spillovers from housing and manufacturing into the rest of the economy appear less pronounced than expected. This change is just enough to prompt a change in the outlook for monetary policy: instead of two 25 basis point rate cuts this summer, as previously assumed, policymakers are now expected to hold the fed funds rate at its current 5.25% throughout 2007". *Mark M. Zandi*

*February 2007*

### **3.3. Regional Overview/Mideast – Economy.com**

#### **Recent Performance**

"The northeastern economy has slowed since its summertime peak in line with the rest of the nation, and is now the slowest-growing in the nation in terms of job growth. New England is the laggard in the region with four out of the six states in the division posting job losses in the three months ending in December. The Mid-Atlantic region is led by growth in Pennsylvania as job growth in XXX and XXX has slipped in recent months. The Greater Washington, D.C. area is still the growth leader in the Northeast. From a metro area perspective, the picture is less rosy. Growth in the large metro divisions of Philadelphia and XXX City, and in fact most XXX metro areas, has slowed over the past several months, primarily due to manufacturing layoffs and the slowing housing market.

**Population**

Weak demographics weigh on growth in the Northeast. New population estimates from the Bureau of the Census show that population growth slowed in all but two northeastern states in 2006; only Massachusetts and Pennsylvania saw faster growth last year. In D.C. and XXX, population went from growing in 2005 to shrinking in 2006. As they did last year, both states likely will challenge the official Census Bureau figures and the 2006 data may eventually be revised up as it was for 2005. The general trend of slowing population growth, despite relatively strong job growth in the Northeast last year, coincides with Moody's Economy.com baseline assumptions of waning population growth in the Northeast and Midwest regions of the country as the population there ages and moves to the South and West.

**Manufacturing**

Industrial production in the Northeast continues to outpace the national average, but risks here have become very heavily weighted to the downside as emerging data show a sharp weakening in demand for capital goods in the fourth quarter. Moreover, despite the solid rate of production, manufacturing employment in the Northeast has been declining at the fastest rate in the nation. Regional manufacturing surveys from the Philadelphia and XXX Feds have generally shown weaker factory conditions in the region. Expect manufacturing weakness to linger through the first half of the year; continued strong business investment should boost production in the second half of the year.

**Credit conditions**

The high incomes in the Northeast render credit conditions in the region favorable in comparison to other parts of the country. Delinquency rates on mortgage loans have been trending up nationwide due to the higher interest rate environment and aging vintages. The Northeast has not bucked the trend, although the pace of credit deterioration in the region has been slower than in other parts of the country. To be sure, there are some problem spots in the region; delinquencies on first mortgage loans have risen by 140 basis points since the last quarter of 2005 in Norwich-New London for instance (the national average is 50 basis points). This is the fastest rate of deterioration in the Northeast and ranks 11th among the largest 200 metro areas in the nation. Economic growth will be slower but stable through the end of 2007. As housing markets continue to cool and higher interest rates take their toll, job and income growth in the Northeast will moderate. Over the long term, economic expansion in the Northeast will be limited by poor demographic trends and a declining industrial base. Population growth will subside to near zero by 2020. The weak demographic trends will be a major drag on population-dependent industries going forward, causing the Northeast to be a chronic underperformer."

*Marisa Di Natale January 2007*



### 3.4. Local Overview/XXX – Economy.com

#### Recent Performance

“XXX’s economic expansion is steadily slowing down. Construction and housing-related industries are rapidly decelerating, as house prices flatten and residential building declines. Meanwhile, manufacturing and information remain heavy weights on the state’s labor market, even though the industries are currently stable at the national level. However, unlike the rest of the nation, retail trade has been a leading source of growth for XXX in recent months.

#### Government

XXX’s ongoing fiscal problems will continue to have widespread effects on the state’s economy for the foreseeable future. While the high tax burden creates a disincentive for new businesses to expand in the state, growth in the public sector, which has been an important source of XXX’s expansion in recent years, is also threatened. Furthermore, since XXX is so dependent on tax income, an economic deceleration over the coming quarters could drastically impact state revenue. The legislature is considering several ways to cut expenditures, while also reducing residential property taxes by as much as 20% for most homeowners. The cost-saving measures proposed so far include selling state assets such as toll roads or the lottery, consolidating and sharing municipal services, and cutting pension and healthcare benefits for state workers. However, all of these proposals have met with some degree of resistance so far, particularly from state workers whose benefits would be cut.

#### Telecom

As the telecom industry evolves, XXX is at risk of losing its role as a telecom leader over the long run. The state’s burdensome taxes and outdated regulatory policies are important factors contributing to the industry’s shift away from XXX. However, the decline is also due in large part to the breakup and subsequent buyout of industry leader AT&T. Moving its headquarters to San Antonio has helped Texas to emerge as a new hub for the industry, at the expense of XXX. Similarly, after

#### TOP EMPLOYERS

Wakefern Food Corporation	32361
Saint Barnabas Health Care System	22000
United Parcel Service, Inc.	15720
Great Atlantic & Pacific Tea	15618
Verizon New Jersey	15000
Caesars Entertainment	14450
University of Medicine and Dentistry of NJ	13564
Rutgers University	12936
Pathmark Stores	12774
Wal-Mart Stores, Inc.	12473
NJ Transit	11500
Robert Wood Johnson Health System	11371
Continental Airlines, Inc.	11149
Trump Entertainment Resorts	11100
Johnson & Johnson	11000
Public Service Enterprise Group, Inc.	10387
Merrill Lynch & Company, Inc.	9200
Federated Department Stores, Inc.	9100
Cendant Corporation	8614
Acme Markets / Albertson’s	8165
<b>Sources: Business News New Jersey</b>	<b>268482</b>

merging with Alcatel, Lucent's global headquarters has shifted to Paris. Moreover, AT&T and Verizon were once well-established leaders in traditional wire-line phone service, which has rapidly declined in importance as an industry segment. Fixed-line service once supported a very large workforce in XXX, but this mature industry segment is no longer expanding and is not very profitable; it has given way to wireless phone, broadband internet, and cable television services.

### Healthcare

XXX's well-developed healthcare industry will face increasing headwinds going forward. Among the problems plaguing XXX's hospitals are excess capacity, inadequate reimbursements from government and uninsured patients, and state-mandated quotas for charity care. Furthermore, urgent care and other limited-service healthcare providers selectively target patients with the greatest ability to pay. These problems have resulted in strained financial conditions for many of the state's hospitals. A recent study by the XXX Hospital Association concluded that the average operating margin in the state was a mere 1.6%, which is about one-third of the typical, healthy margin for hospitals. Such tight finances make it difficult for XXX's hospitals to afford the requisite equipment and staff, putting them at a competitive disadvantage over the long run."

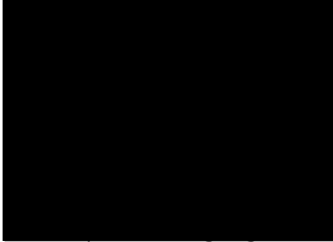
XXX's economy will weaken in the near term, owing largely to the downturn of the housing market. Meanwhile, many other lingering weaknesses, including a high cost of living, unfavorable demographics, and the state's ongoing fiscal concerns, will slow the long-term pace of growth. Nevertheless, XXX retains some important assets including a strong concentration in healthcare, biotechnology, financial services, and tourism-related industries. In sum, XXX is expected to be XXX is expected to be a below average performer over the long run." *Sean Maher, January 2007*

## 3.5. Existing Supply

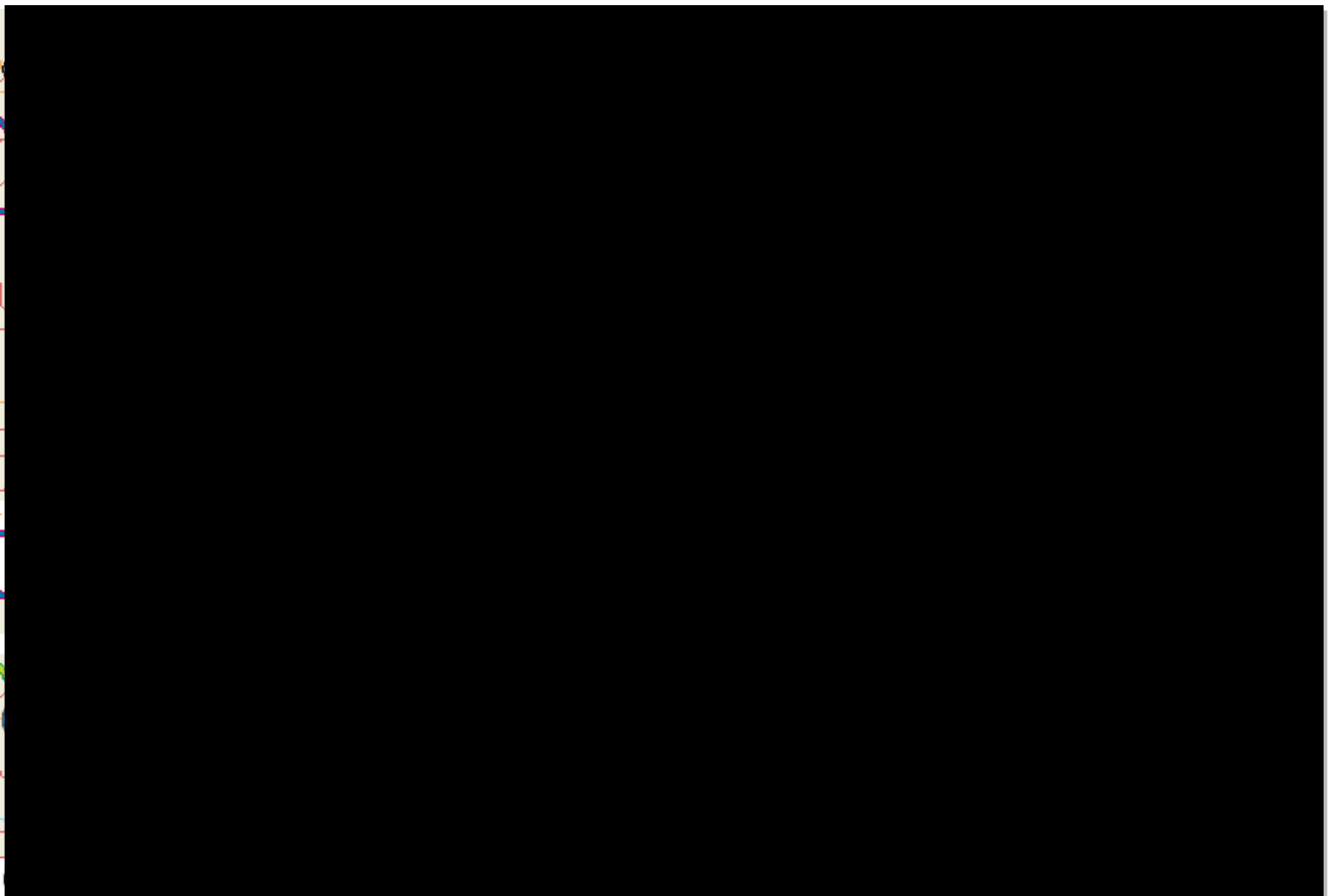
### 3.5.1. The Primary Competitive Hotel Market

In this section we will provide an overview of the hotel and conference centers that are in competition with the Hilton XXX. The following table is a listing of the revised comp set for the subject hotel. This comp set will be used as a baseline for comparison in the analysis to follow.

Following is a list of competitors and their locations relative to the subject property. A detailed profile of each competitor can be found in Appendix

NEW COMPETITIVE SET	
Property	Rooms
	405
	288
	302
	364
	93
	219
	171
Total	1842

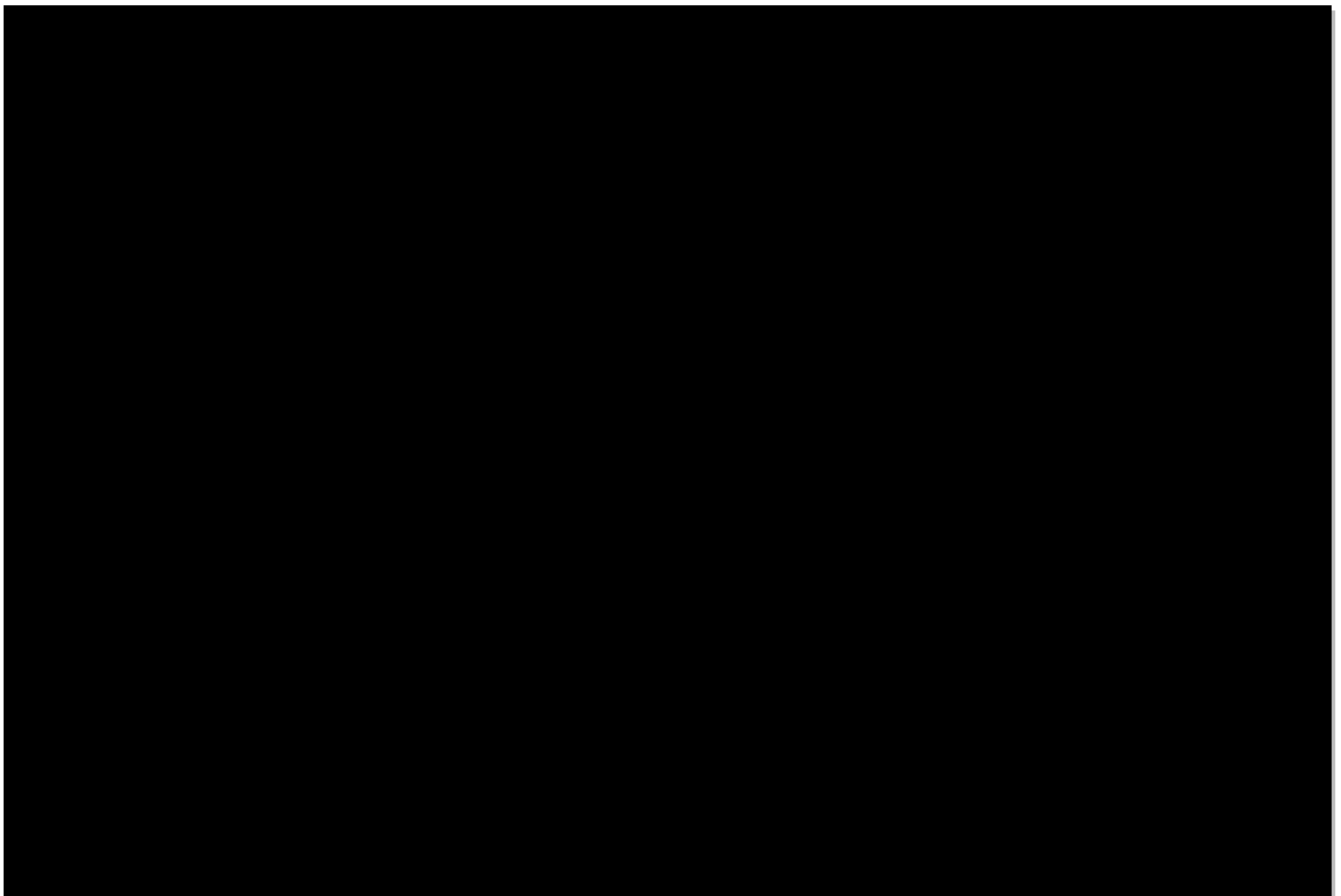
Hilton [REDACTED] NEW Competitive Supply				
Competitor	Address	City, State	Guest Rooms	Distance From Subject
[REDACTED]	[REDACTED]	[REDACTED]	120	68
			93	16
			219	38
			248	4
			288	4
			206	52
			441	19
			171	27
			299	19
TOTAL:			2085	



**Note:** These properties were shopped but are secondary competitors so are not included in the comp set that was used for financial and statistical projections.

**Note:** The XXX is a competitor but was not included in the comp set because it opened in March 2007 and no meaningful data is available.

Hilton [REDACTED] EXISTING Competitive Supply				
Competitor	Address	City, State	Guest Rooms	Distance From Subject
A	[REDACTED]	[REDACTED]	150	7.25
B			361	10
C			439	10
D			276	7.85
E			288	4
F			144	10.75
TOTAL:			1658	
NEW COMPETITIVE SET PROPERTIES (See Previous Page)				



The subject property's' guestroom exceed the competitive market's average. Total meeting space also exceeds market average market average. Square feet per guestroom is below market average, however, this number is skewed by the abundant amount of guestrooms compared to a typical dedicated conference center. The new competitive set provide a sharp contrast to the existing competitive set in regards to the square feet per meeting room. The

change is reflective of conference centers versus traditional meeting and limited service hotels. Conference centers are more space intensive then traditional competitors.

Local Competitive Supply Net Meeting Space NEW COMP SET			
	Guest Rooms	Meeting Space Square Feet	Square Feet Per Room
	405	36,292	90
	120	19,789	165
	93	8,000	86
	219	26,942	123
	248	22,880	92
	288	23,616	82
	206	41,874	203
	441	45,933	104
	299	30,675	103
	171	17,116	100
Average	249	27,312	110
Local Competitive Supply Net Meeting Space EXISTING COMP SET			
	150	9,696	65
	361	29,376	81
	439	24,650	56
	276	16,140	58
	288	23,616	82
	144	1,500	10
Average	276	17,496	63
Source: Competitor Sales Materials			
Doubletree Somerset included additional space in Atrium			

### Competitive Summary

The following two tables provide a snapshot summary of features and amenities of the competitive set. This information was learned through in-person inspections, a review of competitor websites and sales collateral and competitive shops.

PROPERTY	Total Meeting Space	Total Meeting Rooms	Largest Meeting Room	Total Guest Rooms	# F&B Outlets	Room Service Hours	Business Center Hours	Fitness Center Hours
	24,498	22	14,940	408	3	6:30am-midnight	24 hrs	6am-10pm
	19,789	41	2,940	120	3	n/a	7am-6pm	6am-10pm
	8,000	14	1,848	93	2	7am-11pm	6am-5pm	24 hrs
	26,942	37	4,680	219	2	6:30am-11pm	7am-7pm	24 hrs
	22,880	21	7,360	248	2	24 hrs	7am-7pm	24 hrs
	23,616	21	9,600	288	1	6:30am-midnight	24 hrs	24 hrs
	41,874	44	5,082	206	2	n/a	7am-6pm	5:30am-10pm
	45,933	66	7,664	441	2	5pm-11pm	6:30am-7pm	5:30am-9:30pm
	30,675	36	4,956	299	3	6:30am-10pm	7am-4pm	24
	17,116	25	4,664	171	2	24	7am-7pm	5:30am-10pm

PROPERTY	HSIA Wired	HSIA Wireless	2 Line telephone	Voice Mail	Coffee Maker	Iron and ironing board	Safe In Room	Hairdryer	Bathroom Counter Material	Bathroom Floor Material
	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Granite	Tile
	Yes	No	Yes	No	Yes	Yes	No	Yes	Granite	Marble
	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Marble	Tile
	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Granite	Tile
	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Granite	Marble
	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Granite	Tile
	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Corian	Tile
	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Corian	Tile
	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Granite	Tile
	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Marble	Tile

### 3.5.2. Results of Competitive Shop

A shop of all competitors was conducted to assess rates, inclusions, availability proposal presentation and strength of sales manager ability. The following scenario was given to all competitors in order to make an "apples-to-apples" analysis.

### Cabot Corp. Regional Sales Meeting

**Company Name/Address:**

Cabot Corp.  
Two Seaport Lane  
Suite 1300  
Boston, MA 02210-2019

**Dates:**

June 3-6, 2007 or June 10-13, 2007  
August 12-15, 2007 or August 19-22, 2007.

**Sleeping Room Requirements:** 50 singles on Sun, Mon, Tues

**Meeting Space Requirements:**

Meeting set for 50 classroom style, (4) Breakouts each day for 12 ppl each

Monday: 8-5 meeting

Tuesday: 8-12 meeting (offsite for remainder of day)

Wednesday: 8-3 meeting

**Food and Beverage Requirements:**

Sunday: Welcome Reception, private dinner

Monday: Continental breakfast, refreshment breaks, lunch, dinner.

Tuesday: Continental breakfast, a.m. refreshment break, box lunch

Wednesday: Continental breakfast, refreshment breaks, lunch

**Audiovisual Requirements:**

LCD projector/screen in main session,  
flipcharts in breakouts

The competitive shop yielded a wide range of response from both conference center and hotel competitors. All properties had June and August 2007 availability. Rate quotes are therefore assumed to be level.

Competitive Shop Price Quotes	Dates	CMP Rate June	CMP Rate August	DMP Rate	Meeting Room Rental	AV	Meals	F&B Min	Additional Breakout Fees
	6/07, 8/07	\$ 299.00	\$299.00	\$90.00	Included	Included	Included	none	none
	6/07, 8/07	\$ 299.00	\$289.00	\$99.00	Included	Included	Included	none	none
	6/07, 8/07	\$ 365.00	\$365.00*	\$150.00	Included	Included	Included	none	\$600/day
	6/07, 8/07	\$ 375.00	\$375.00	\$125.00	Included	Included	Included	none	none
	6/07, 8/07	\$ 355.00	\$355.00	\$135.00	Included	2 Flip Charts Only	Included	none	none
	6/07, 8/07	\$ 350.00	\$335.00	\$150.00	Included	Included	Included	none	none
	6/07, 8/07	\$ 335.00	\$289.00	\$140/\$125	Included	Included	Included	none	none
	6/07, 8/07	\$ 349.00	\$349.00	\$130.00	Included	Included	Included	none	none
	6/07, 8/07	\$ 365.00	\$299.00	\$150.00	Included	\$400/day	Included	none	none

Rates reduced from \$405.00

IBM - Rates reduced from June - \$365.00, August - \$345.00

Note: All CMP rates include service charge with the exception of Hyatt (21%)

### 3.5.3. Competitor SWOT Analysis

	Strengths	Weaknesses	Threats	Opportunities
<b>XXX CONERENCE CENTER</b>	<ul style="list-style-type: none"> <li>Beautiful location and surroundings</li> <li>Great recreation area and amenities, including golf on site.</li> <li>Spacious guestrooms</li> <li>Overall condition of property is very good (lounge furniture and all carpeting is new)</li> <li>Extensive meeting space with a good variety of room sizes</li> <li>Many open areas with views, perfect for private receptions</li> <li>Most of the meeting rooms have natural light</li> <li>Complimentary parking on property</li> <li>IACC approved meeting space</li> </ul>	<ul style="list-style-type: none"> <li>Food at dinner was average. Service was poor.</li> <li>Refreshment breaks were mediocre</li> <li>Bedding product is average</li> <li>Property is spread out (more walking for attendees)</li> <li>Meeting space and property in general is a bit rustic in areas, specifically the oak conference tables with chrome bases.</li> <li>Stainless steel drawers and cabinets on break stations looks a bit institutional</li> </ul>	<ul style="list-style-type: none"> <li>Suburban location with ample grounds and recreational amenities</li> <li>Good location in relation to Philadelphia and XXX, and desirable for Fortune 500 companies</li> </ul>	<ul style="list-style-type: none"> <li>Food and beverage does not appear to be a strong feature</li> <li>Only 120 guestrooms, limiting the size of their groups</li> <li>No substantial renovations are planned in the immediate future</li> <li>Since pharmaceutical business is increasingly harder to secure due to exclusivity, a portion of this business may be easier to capture               <ul style="list-style-type: none"> <li>Independent property with no branding or cross selling leverage</li> </ul> </li> </ul>
<b>XXX INN</b>	<ul style="list-style-type: none"> <li>State of the art fitness center and swimming pool</li> <li>84-seat tiered amphitheater</li> <li>Excellent food presentation and selection in dining room</li> <li>Outstanding service in restaurant and throughout property</li> <li>Sales process was excellent</li> <li>Nice presentation on</li> </ul>	<ul style="list-style-type: none"> <li>Limited number of sleeping rooms, and all are single occupancy</li> <li>Limited amount of meeting space as compared with subject property</li> <li>Property is up for sale</li> <li>Property is losing business to its sister property, The Heldrich</li> <li>Strong social business particularly on weekends, could</li> </ul>	<ul style="list-style-type: none"> <li>Property has received numerous awards including Meeting News Planner's Choice Award, Lodging Hospitality's "Top Performer" and one of 50 Best Places to Work in XXX by XXXBiz publication.</li> <li>Benchmark Hospitality managed property</li> <li>Ability to gain business by cross selling with other Benchmark</li> </ul>	<ul style="list-style-type: none"> <li>Capitalize on larger groups               <ul style="list-style-type: none"> <li>Since pharmaceutical business is increasingly harder to secure due to exclusivity, a portion of this business may be easier to capture</li> </ul> </li> </ul>



	<ul style="list-style-type: none"> <li>refreshment breaks</li> <li>Main dining room is well designed with open hearth display kitchen.</li> <li>Variety of meeting room sizes</li> <li>Complimentary parking on site</li> <li>Wireless HSIA throughout property</li> <li>IACC approved meeting space</li> </ul>	interfere with conference groups	<ul style="list-style-type: none"> <li>properties</li> <li>Strong and loyal repeat customer base</li> </ul>	
<b>MARRIOTT XXX</b>	<ul style="list-style-type: none"> <li>Superior guest room product with Marriott bedding package</li> <li>Superior meeting space product – Newly renovated and tastefully done</li> <li>Wireless HSIA throughout property</li> <li>15,000 square foot spa and fitness center</li> <li>IACC approved meeting space</li> <li>All meeting space is located on one level</li> <li>Very professional staff throughout property</li> <li>Complimentary parking on property</li> <li>Most meeting space has natural light</li> <li>Three outlet choices in addition to room service</li> </ul>	<ul style="list-style-type: none"> <li>Hidden location and limited signage</li> <li>Strong social business particularly on weekends, could interfere with conference groups</li> <li>Weak link in sales process (see shop summary below)</li> <li>No amphitheater</li> </ul>	<ul style="list-style-type: none"> <li>Strong brand identity</li> <li>Strong and loyal repeat customer base</li> <li>Property is spotless and extremely organized</li> <li>Ability to gain business by cross selling with other Marriott properties</li> <li>Location is near many Fortune 500 company headquarters</li> </ul>	<ul style="list-style-type: none"> <li>Since pharmaceutical business is increasingly harder to secure due to exclusivity, a portion of this business may be easier to capture <ul style="list-style-type: none"> <li>Location is farther from XXX City and Central XXX</li> </ul> </li> </ul>
<b>XXX CONFERENCE CENTER</b>	<ul style="list-style-type: none"> <li>Extensive fitness center</li> <li>Ample breakouts</li> <li>Meeting rooms are high</li> </ul>	<ul style="list-style-type: none"> <li>Entire property is stark and poorly decorated</li> <li>Plenty of space, but it is</li> </ul>	<ul style="list-style-type: none"> <li>Property can easily handle large groups if they do not require</li> </ul>	<ul style="list-style-type: none"> <li>Capitalize on recent reorganization and poor quality of service.</li> </ul>

	<ul style="list-style-type: none"> <li>tech with many built-ins and great lighting</li> <li>Large amphitheater which seats 360</li> <li>Plenty of private dining and flexible gathering space throughout center</li> <li>Complimentary parking</li> <li>IACC approved meeting space</li> </ul>	<ul style="list-style-type: none"> <li>underutilized</li> <li>New management company and transition appears to have affected service levels</li> <li>No ballroom space</li> <li>Guestroom product is average (new bedding and chairs only)</li> <li>Guestroom corridors worn</li> <li>Property is spread out (more walking for attendees)</li> <li>Hidden location and limited signage</li> <li>Property is up for sale</li> </ul>	<ul style="list-style-type: none"> <li>ballroom space.</li> <li>Location is in close proximity to Fortune 500 companies</li> <li>Strong and loyal customer base</li> </ul>	<ul style="list-style-type: none"> <li>Lack of ballroom space prohibits certain groups from booking</li> <li>Poor quality of marketing materials (sales kits, website, etc.)</li> <li>3 Smaller groups get "lost in the shuffle" at such a large property</li> </ul>
XXX	<ul style="list-style-type: none"> <li>Coffee Pavilions are upscale break areas surrounded by windows</li> <li>Largest meeting space, Watson, has three rear-screen projectors, floor to ceiling windows and a built in stage.</li> <li>Extensive fitness center with state-of-the-art equipment and indoor wave less lap pool</li> <li>IACC approved meeting space</li> <li>Strong a/v capabilities and staffing</li> <li>Open air balconies in guest room areas make corridors bright and spacious</li> <li>Hearth Dining Room is</li> </ul>	<ul style="list-style-type: none"> <li>IBM internal groups account for 25% of total business</li> <li>Some of prefunction space is cold and resembles exhibit space.</li> <li>No room service</li> <li>Guestroom accommodations are all single occupancy. No suites.</li> <li>Strong social market, especially on weekends which could interfere with conference business</li> <li>Limited number of guestrooms in relation to meeting space.</li> <li>Meeting rooms are small or very large. Not much to accommodate groups</li> </ul>	<ul style="list-style-type: none"> <li>Extensive meeting space</li> <li>Location is 30 minutes from midtown</li> <li>High tech property with extensive A/V and services</li> <li>Ability to gain business by cross selling with other Dolce properties</li> </ul>	<ul style="list-style-type: none"> <li>Location is not convenient for companies situated in central XXX</li> <li>Smaller groups get "lost in the shuffle"</li> <li>In general, relatively weak sales force</li> </ul>

	<p>newly renovated and quite spacious. Adjacent to it is the Chef's Table area for menu tastings or private dinners</p> <ul style="list-style-type: none"> <li>▪ Complimentary parking on site</li> <li>▪ Many tiered classrooms and two computer labs on property</li> </ul>	<p>in-between</p> <ul style="list-style-type: none"> <li>▪ Guestroom baths have not been recently renovated</li> </ul>		
<b>HYATT REGENCY XXX</b>	<ul style="list-style-type: none"> <li>▪ Walking distance to shopping, theaters and over 18 restaurants</li> <li>▪ Good sleeping room product. Guestrooms, unlike public space, are nicely appointed.</li> <li>▪ Large ballroom and junior ballroom which will accommodate groups over 300</li> <li>▪ Was informed by sales that there is longevity of employees, particularly in the area of banquets</li> <li>▪ Strong team effort by department heads to play a role in site tours (see sales summary below)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Guest room hallways tired (renovated two years ago).</li> <li>▪ Mix of banquet chairs and ergonomic</li> <li>▪ Limited breakout space</li> <li>▪ Charge for parking (weekday \$13.00)</li> <li>▪ Social business could interfere with conference groups</li> <li>▪ New renovation of public space has a very post-modern look which will become outdated quickly</li> <li>▪ Front desk was understaffed and service appeared to be lacking during my visit.</li> <li>▪ Busy location – congested traffic area</li> <li>▪ Most of meeting space is ballroom space, divisible by air walls.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Property can accommodate large groups</li> <li>▪ Property is owned by Johnson &amp; Johnson, capturing much of their group business</li> <li>▪ Ability to gain business by cross selling with other Hyatt properties</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of breakout space could limit options for conferences</li> <li>▪ Capitalize on poor service and (in our shopper's case) weak sales effort <ul style="list-style-type: none"> <li>▪ Meeting space is not dedicated conference space and is not IACC approved.</li> </ul> </li> </ul>
<b>XXX PARK</b>	<ul style="list-style-type: none"> <li>▪ Cyber bar – Computer stations offered in conference center corridors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong social business particularly on weekends, could interfere with conference</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hamilton Park offers an excellent product with high levels of service.</li> <li>▪ Located near major</li> </ul>	<ul style="list-style-type: none"> <li>▪ Capitalize on larger groups <ul style="list-style-type: none"> <li>▪ Since pharmaceutical business is</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>99% of meeting rooms have natural light</li> <li>Plenty of outdoor seating and break areas</li> <li>Fitness center is brand new and offers quite an extensive variety of machines.</li> <li>Entire hotel (guestrooms and public space) is wireless.</li> <li>Longevity of employees is a strong feature</li> <li>Condition of property immaculate</li> <li>Destination has taken over as management company and made a smooth transition with many improvements.</li> <li>Good ratio of sleeping rooms to meeting space</li> <li>Excellent sales process</li> <li>Complimentary parking</li> <li>Overall level of service seems very strong.</li> <li>Extensive lounge and game room</li> <li>Streamlined, very high tech business center</li> <li>IACC approved meeting space</li> </ul>	<ul style="list-style-type: none"> <li>groups</li> <li>Limited outlet choices</li> <li>No auditorium</li> <li>Limited amount of sleeping rooms compared to subject property</li> </ul>	<p>Fortune 500 company headquarters</p> <ul style="list-style-type: none"> <li>Destination is the management company</li> <li>Ability to gain business by cross selling with other Destination properties</li> <li>Strong and loyal customer base</li> <li>Remote location more desirable than city property</li> <li>Additional pavilion space to be added in the near future</li> <li>Team effort by management to secure business and be involved in site inspections</li> </ul>	<p>increasingly harder to secure due to exclusivity, a portion of this business may be easier to capture</p>
<b>XXX CONFERENCE CENTER</b>	<ul style="list-style-type: none"> <li>All meeting rooms have natural light with exception of Barn Hall</li> <li>Personnel attentive and friendly on property</li> <li>Sales process was very smooth and professional</li> </ul>	<ul style="list-style-type: none"> <li>Small property with limited number of guestrooms and meeting space</li> <li>No indoor swimming pool</li> <li>No wireless Internet access, although they</li> </ul>	<ul style="list-style-type: none"> <li>Location of property is near many Fortune 500 company headquarters, as well as many offsite recreational options.</li> <li>Chauncey offers an excellent product with</li> </ul>	<ul style="list-style-type: none"> <li>Size of groups is limited, due to small scale meeting rooms. <ul style="list-style-type: none"> <li>Since pharmaceutical business is increasingly harder to secure due to</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>Laurie House is a separate bed and breakfast with seven sleeping rooms and a small meeting room</li> <li>Property is well maintained</li> <li>Nice options for outdoor and indoor cocktail receptions</li> <li>Solomon Dining Room has a nice atmosphere and is very functional Luncheon buffet looked very appealing.</li> <li>Refreshment breaks attractively presented</li> <li>Complimentary parking on property</li> <li>Close to train station</li> <li>IACC approved meeting space</li> </ul>	<p>are planning to add it this year</p> <ul style="list-style-type: none"> <li>No auditorium</li> <li>Remote location, limited signage</li> <li>Strong social business particularly on weekends, could interfere with conference groups</li> </ul>	<p>high levels of service.</p> <ul style="list-style-type: none"> <li>Remote location could be more desirable than city property</li> <li>Ability to gain business by cross selling with other Aramark managed properties</li> </ul>	<p>exclusivity, a portion of this business may be easier to capture</p>
<b>THE XXX</b>	<ul style="list-style-type: none"> <li>High end property</li> <li>Full service spa on site</li> <li>Meeting rooms are highly functional and high tech</li> <li>Good food quality and presentation Many meeting rooms have floor to ceiling windows</li> <li>Large amphitheater</li> <li>Nicely presented break areas</li> <li>Several good-sized main meeting rooms</li> <li>Walking distance to shopping, theaters and over 18 restaurants</li> <li>Wireless HSIA</li> </ul>	<ul style="list-style-type: none"> <li>Limited seating/gathering space in conference break area.</li> <li>Guestrooms have large armoires vs. closets for clothing storage.</li> <li>Overall, service levels are relatively weak. Employees are not completely educated about property, and poor service was experienced in the dining room</li> <li>Valet parking only. Garage is not owned by Heldrich and daily charge</li> </ul>	<ul style="list-style-type: none"> <li>Currently, CMP rate is competitive</li> <li>New property is appealing to market</li> <li>Benchmark Hospitality owned and managed property</li> <li>Ability to gain business by cross selling with other Benchmark properties</li> <li>Connection with Rutgers School of Business, city of New Brunswick and Johnson &amp; Johnson</li> </ul>	<ul style="list-style-type: none"> <li>Introductory CMP is reasonable (\$375 range) but will eventually go well over \$400.</li> <li>Valet parking (time and cost) is a major inconvenience</li> <li>Capitalize on poor service levels and staff that is uneducated about property</li> </ul>

	<ul style="list-style-type: none"><li>throughout property</li><li>IACC approved meeting space</li></ul>	<ul style="list-style-type: none"><li>is \$32.10 + tax</li><li>City property – recreational facilities limited</li><li>Congested traffic area</li><li>Limited number of sleeping rooms as compared with subject property</li></ul>		
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### **3.5.3.1. Summary of Competitive Shop Experiences**

#### **Properties in the primary Competitive Set**

##### **THE HYATT XXX**

The sales experience with the Hyatt was somewhat disappointing. The initial response could have been quicker (two full business days until a response was sent). There were minimal questions asked about the program and group during the initial inquiry stage. The sales manager, Maria, was available and responsive throughout the shop with the exception of the site inspection, when she was unexpectedly out of the office. I was given a site by the Catering Manager, who obviously was in a hurry. The site was rushed and far from thorough. Maria followed up with me at a later date and apologized for missing the site. She said the norm for their site inspections is to have the department heads (along with the General Manager) line up to greet the client in the lobby

##### **XXX PARK**

The sales shop experience at xxxxxxxx Park was most professional. The sales person, Christie, responded to the RFP within one day and was the first sales contact to send an entire sheet of references. She did not ask many questions about the group prior to sending the proposal, nor did she inquire about past history. When a site inspection was set up, she offered lunch as well. The shopper declined, but was greeted at the door by Christie, and refreshments were set up in the lobby. The Director of Sales also came out to greet the shopper and sat down to inquire about the program.

The site inspection was organized and thorough. Employees throughout the property acknowledged the shoppers presence. Finally, the Executive Chef came out to introduce himself and talk more about food and beverage options on site. Upon leaving, he prepared a box lunch for the shoppers return trip.

Christie followed up with the shopper that week, and upon learning that xxxxxxxx Park gave the highest CMP bid of \$405.00, she offered to reduce the rate to \$365.00. She expressed her interest in hosting the property and her desire to stay in the running for this program.

##### **XXX CONFERENCE CENTER**

The sales process was effortless at XXX. Our contact was the first one to respond to the RFP and the proposal was sent the same day. Alison was most accommodating with everything that was requested, including references. The site inspection was quite thorough and an invitation was extended have lunch on property. Throughout the entire sales process she was professional and a pleasure to work with.

**XXX CONFERENCE CENTER (Formally XXX)**

The overall sales process was not flawless with xxxxx, but the sales manager gave it her best effort. The shopper could sense that the change in management had created a bit of a challenge in many ways for her contact, whose name was Linda. She shared with the shopper that she was new to the position and was originally hired by ARAMARK. Two weeks into the job Paramount replaced Aramark, but she was allowed to stay on board. Linda was prompt with her response to the inquiry and sent a proposal the day the RFP went out. She apologized for the lack of sales materials as they are in the process of revising all of their information. (She put together a make-shift sales kit.) The website was also very uninformative, with no floor plans or detailed description of the property and its services or amenities. Again, Linda apologized, and faxed the shopper very primitive-looking floor plans. Because of the lack of information the shopper was able to gather herself, she had to question Linda in detail on many areas including guestroom breakdown, function space and amenities. She answered her questions to the best of her ability and if she did not have the answers, did some research and got back to the shopper quickly with the proper information.

The site tour was rather disappointing. The shopper could tell immediately that the front desk was unorganized, with phones ringing off the hook and staff that appeared to be untrained. Linda did not have keys in hand for guestrooms during the tour so she had to leave the shopper at one point and get them. The lounge was also locked, so the shopper could only see it through the glass doors. The site was not performed in an organized fashion, and it entailed a lot of walking without really seeing much of the meeting space.

Linda followed up with the shopper via e-mail three days after the site visit. She informed the shopper she would be out of the office the following week on vacation and a colleague would be available to assist in her absence.

**MARRIOTT XXX (Formally XXX)**

The sales process started off strong with the proposal arriving the same day the RFP went out. The salesperson did not call the shopper to qualify the business or ask further questions about the program. A site visit was scheduled and the salesperson was out of the office due to poor weather conditions. In her place, the Senior Salesperson did the site visit, and he was very thorough and professional. Ken took the time to sit with the shopper initially to discuss the needs of the program and give her an overview of the property. He stopped at the floor plan on display in the lobby and pointed out key meeting rooms and various areas of the hotel before beginning the actual tour. Ken was educated about the facility and presented it well. The shopper had asked for references and he followed up the same day via e-mail with the information that was requested.



The initial sales person was not proactive in following up after the site visit. She only responded to the thank you note the shopper copied her on which was sent via e-mail, but never made another attempt to contact her regarding the program.

### **XXX INN**

The sales process at the XXX Inn started off with a bit of a delay due to computer malfunctions, but once the problem was alleviated, the proposal was sent immediately. The salesperson was prompt and professional and apologized for the inconvenience. Like many of the other properties shopped, the weakness initially was qualifying the business and being a bit more inquisitive about the group/meeting.

The site visit was quite thorough and the shopper was invited to stay for lunch. The Director of Sales came out to say hello and discuss the program. Follow up after the site included an e-mail from the Director of Sales as well as the salesperson. The next week there was also a phone call and an e-mail to follow up with the shopper, after the alleged meeting with the shopper's client to discuss the properties

### **Properties outside of the primary the Competitive Set**

#### **XXX CONFERENCE CENTER**

The overall sales process at XXX was a positive experience. The sales manager, Brian, was quick to respond to the RFP and very accommodating throughout the process. (He did not, however, take the time initially to properly qualify the business, asking the necessary questions about past history or inquiring about the competition for this particular program). The proposal and sales kits came in a timely fashion and he sent exactly what was requested. Brian even extended a complimentary overnight stay as well as dinner for the site inspection. During the site, Brian and his staff was most accommodating. He did not follow up immediately after the site visit, but did respond via e-mail to the shopper's thank you note.

#### **THE XXX**

The sales process was very professional at the XXX. The proposal arrived in a timely fashion and my sales contact was available to answer any questions. Unfortunately, the business was not pre-qualified as it should have been since there was no inquiry as to past history, competition, hot buttons, etc. The site inspection was organized and very well done. I received a follow up call that same week.

**XXX**

The response to the initial inquiry with XXX was far from expeditious. In fact, the salesperson did not respond for several days and when she did, it was via e-mail. A proposal was sent, and no qualifying questions were asked prior to offering pricing and information. Several voicemail and e-mail messages were exchanged between the shopper and the salesperson to set up a site inspection. It wasn't until the shopper was on property that she felt as if the salesperson was interested in the business. (At that point the salesperson was aware that the shopper knew the Director of Sales & Marketing, who came out to say hello). The rest of the site was organized and informative. The salesperson did a nice job of describing the features and benefits of the property.

The salesperson responded later that week to the shopper's thank you note and offered to provide any additional information if and when it was necessary. A week later, she sent a revised proposal which extended a reduced rate for the group (stating that it was due to a cancellation in June, however, both June and August were reduced). CMP Rates went from \$365.00 to \$350.00 in June and \$345.00 to \$335.00 in August.

**3.5.4. Potential Additions to Supply**

Currently there are 30 total supply additions coming to market in the construction phase, planning or proposal phase. In total, these projects represent an additional room inventory of approximately 3535 rooms. Of these new additions, only two would be considered a threat, A Westin scheduled to open in October 2008 and a W also expected to open in October 2008. Both of these new products are being built in XXX and we do not believe they will impact the operation of the subject property.

## Pipeline by Brand Summary



	Hotels					
	Existing Supply *		Pipeline Projects			
	Total	Recently Opened	In Const	Final Planning	Planning	Pre-Planning
<b>Luxury</b>						
W Hotel			1			
<b>Luxury Total</b>	-	-	1	-	-	-
<b>Upper Upscale</b>						
Doubletree	1					
Embassy Suites	2					
Hilton	2					
Hyatt	3					
Marriott	4					
Sheraton Hotel	3					
Westin	1		1			1
<b>Upper Upscale Total</b>	16	-	1	-	-	1
<b>Upscale</b>						
Amerisuites	2			1		
Cambria Suites					1	
Courtyard	9					
Crowne Plaza	2					
Hilton Garden Inn	3		1		1	
Homewood Suites	2	1			1	
Hyatt Summerfield Suites	1					
Radisson	2	1				
Residence Inn	4				2	1
Sierra Suites	1					
Staybridge Suites	3					
<b>Upscale Total</b>	29	2	1	1	5	1
<b>Midscale with F&amp;B</b>						
Best Western	5					
Clarion	2					
Doubletree Club	1					
Holiday Inn	8				1	
Holiday Inn Select	1					
Quality Inn	2					
Ramada	4					
<b>Midscale with F&amp;B Total</b>	23	-	-	-	1	-
<b>Midscale w/out F&amp;B</b>						
Candlewood Suites	2				1	
Comfort Inn	2					
Comfort Suites	4	1			1	
Country Inn & Suites	1	1				
Extended Stay Deluxe	1					
Fairfield Inn	1		1			
Hampton Inn	8	1		1		
Hampton Inn Suites	1					
Holiday Inn Express Hotel	4					1
La Quinta Inn & Suites	1					
Ramada Limited	1					
<b>Midscale w/out F&amp;B Total</b>	26	3	1	1	2	1
<b>Economy</b>						
Days Inn	8					
Econo Lodge	2					
Extended Stay America	5					
Homestead	2					
Howard Johnson Express	3					
Motel 6	2					
Red Carpet Inn	1					
Red Roof Inn	4					
Studio 6	1					
Super 8	2					
<b>Economy Total</b>	30	-	-	-	-	-
<b>Independents</b>						
<b>Independents Total</b>	65	1			10	2

	Rooms					
	Existing Supply *		Pipeline Projects			
	Total	Recently Opened	In Const	Final Planning	Planning	Pre-Planning
			225			
	-	-	225	-	-	-
361						
482						
605						
985						
1,284						
930						
294			433			414
<b>4,941</b>	-	-	<b>433</b>	-	-	<b>414</b>
283				120		
1,450					117	
452						
385			105		160	
265	142				124	
128						
323	117					
544					252	108
139						
351						
<b>4,320</b>	<b>259</b>	<b>105</b>	<b>120</b>	<b>653</b>	<b>108</b>	
450						
274						
198						
1,431					222	
142						
169						
462						
<b>3,126</b>	-	-	-	<b>222</b>	-	-
324					82	
214						
334	100				80	
78	78					
112						
90			103			
924	107			82		
165						
359						72
151						
141						
<b>2,892</b>	<b>285</b>	<b>103</b>	<b>82</b>	<b>162</b>	<b>72</b>	
931						
89						
597						
272						
316						
251						
50						
571						
124						
162						
<b>3,363</b>	-	-	-	-	-	-
<b>4,506</b>	<b>248</b>			<b>618</b>	<b>500</b>	

## Construction Pipeline



Project ID: 29349	Location	Owner/Developer
<b>In Construction</b>	Chain: Westin	
Projected opening: Oct-2008	Westin Jersey City	
Rooms: 433	Unknown Location Jersey City, NJ 07310	
Notes: 1)		
Project ID: 17413	Location	Owner/Developer
<b>In Construction</b>	Chain: W Hotel	
Projected opening: Oct-2008	W Hoboken Hotel & Residences	
Rooms: 225	2nd St & 3rd St Hoboken, NJ 07030	
Notes: 1) Work underway - Sub trades have been let - Completion anticipated 2007		
2) 225 hotel rooms - 37 residential suites - banquet hall - swimming pool - 5,000 sq ft Bliss spa - fitness center - restaurants - lounge - 11,000 sq ft meeting space - Metal Joists - Metal Deck - Fire Protection Specialties - Telephone Specialties - Toilet,		
Project ID: 23296	Location	Owner/Developer
<b>In Construction</b>	Chain: Hilton Garden Inn	
Projected opening: Jul-2007	Hilton Garden Inn	
Rooms: 105	Rt 130 Hamilton, NJ 08619	
Notes: 1) Design in progress - Advancement pending litigation - Schedules not determined		
2) 105 room hotel - fitness center - indoor pool - small restaurant - 2,500 sf of meeting space - Masonry Units - Metal Deck - Building Insulation - Roof & Deck Insulation - Metal Doors & Frames - Swimming Pools - Site Preparation - Earthwork - Utility Servi		
Project ID: 18134	Location	Owner/Developer
<b>In Construction</b>	Chain: Fairfield Inn	
Projected opening: May-2007	Fairfield Inn New York Edison	
Rooms: 103	875 New Durham Rd Edison, NJ 08817-2827	
Notes: 1) Land cleared and poured footers - Further advancement expected in the next 1-2 months pending receipt of necessary permits		
2) 103 guest rooms - Wood Decking - Shingles - Gypsum Board - Toilet, Bath & Laundry Accessories - Swimming Pools - Earthwork - Bases, Ballasts, Pavements & Appurtenances - Rough Carpentry - Paints & Coatings - Fire Suppression - Basic Mechanical Materials &		
Project ID: 28244	Location	Owner/Developer
<b>Final Planning</b>	Chain: Cambria Suites	
Projected opening: Mar-2008	Cambria Suites Somerset	
Rooms: 120	16 Cedar Grove Ln Somerset, NJ 08873-1341	
Notes: 1)		
Project ID: 26960	Location	Owner/Developer
<b>Final Planning</b>	Chain: Hampton Inn	
Projected opening: Apr-2008	Hampton Inn North Brunswick	
Rooms: 82	841 George Rd North Brunswick, NJ 08902	
Notes: 1)		

Project ID: 25979	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Holiday Inn</b>	
<b>Projected opening:</b> May-2008	Holiday Inn & Suites Bayonne 15 Pulaski St & Rt 440	
<b>Rooms:</b> 222	Bayonne, NJ 07002-5001	
<b>Notes:</b> 1) Working drawings underway - - Advancement pending DOT approvals - No date set to proceed		
2) includes 150 seat restaurant, catering facility, 50 seat coffee shop, fitness center, spa, indoor pool, conference rooms, 220 guest rooms, garage - Metal Joists - Metal Deck - Fire Protection Specialties - Toilet, Bath & Laundry Accessories - Food Prepara		
Project ID: 11920	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Hilton Garden Inn</b>	
<b>Projected opening:</b> Jul-2007	Hilton Garden Inn Conference Center 3470 Rte 1 N	
<b>Rooms:</b> 160	Princeton, NJ 08540-5914	
<b>Notes:</b> 1) Design Development in progress - Further advancement pending approvals and Owners decision to proceed - Construction schedules undetermined		
2) 98,264 sf - 160 room six-story Hilton Garden Inn Hotel - Office park consisting of four separate office buildings - two of which will be two stories high and be 53,897 sf each and two smaller of which will be one story high - Excavation & Fill - Water Dis		
Project ID: 30922	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Princeton South Corporate Center Atchley Tract @ Rt 31 & I 95	
<b>Rooms:</b> 144	Ewing Township, NJ 08628	
<b>Notes:</b> 1) Project on hold in design development - Further development pending Township public hearings and approvals - Construction schedules undetermined at this time		
2) Six 3 & 4 story office buildings on 108 acres -Amenities planned to complement the office building: 144- room hotel/meeting center- 2 sit down restaurants- bank- fitness center - parking 4:1000 ratio - Concrete Reinforcement		
Project ID: 15606	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Residence Inn</b>	
<b>Projected opening:</b>	Residence Inn Weehawken 1400 Harbor Blvd	
<b>Rooms:</b> 135	Weehawken, NJ 07086-6742	
<b>Notes:</b> 1) Planned for construction - Zoning approvals received - Further advancement pending tenant occupancy and Owners decision to proceed - Construction schedule undetermined		
2) Build to Suit - Zoning approvals received		
Project ID: 31461	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Homewood Suites</b>	
<b>Projected opening:</b> Jul-2008	Homewood Suites Iselin Woodbridge 120 Wood Ave	
<b>Rooms:</b> 124	Iselin, NJ 08830	
<b>Notes:</b> 1) Project planned for construction - Advancement pending all approvals - Schedules not determined		
2) Extended stay hotel - 124 suites - ground floor laundry room - 7th floor storage		
Project ID: 33027	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Unnamed Hotel Interchange Plz	
<b>Rooms:</b> 121	East Brunswick, NJ 08816	
<b>Notes:</b> 1) Project planned for construction - Advancement pending all approvals - Schedules not determined		
2) Construct a 5-story 121 room , 50, 390 s.f hotel on a 1.715 acre lot		

<b>Project ID: 13513</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>		
	Robert Wood Johnson Hotel	
<b>Rooms:</b>	French St	
119	New Brunswick, NJ 08901	
<b>Notes:</b> 1) Design Development underway - Construction tentatively scheduled for 2006 or 2007		
2) Construct 7-8 sty hotel over 4-5 level parking garage - may also include a UMDNJ cardiovascular unit for research & outpatient use		
<b>Project ID: 30757</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Residence Inn</b>	
<b>Projected opening:</b>		
Jun-2008	Residence Inn by Marriott Freehold	
<b>Rooms:</b>	Unknown Location	
117	Freehold, NJ 07728	
<b>Notes:</b> 1)		
<b>Project ID: 9286</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Courtyard</b>	
<b>Projected opening:</b>		
Jun-2008	Courtyard by Marriott Freehold	
<b>Rooms:</b>	Unknown Location	
117	Freehold, NJ 07728	
<b>Notes:</b> 1)		
<b>Project ID: 31147</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>		
	Unnamed Hotel	
<b>Rooms:</b>	Rte 130 & Melrich Rd	
116	South Brunswick, NJ 08852	
<b>Notes:</b> 1) Proposed project - Advancement pending receipt of all approvals and owner decision - Further information to be provided		
2) 4 story 25,333 sf 116 room hotel - separate 7,230 sf 175 seat restaurant building - Swimming Pools		
<b>Project ID: 33952</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Candlewood Suites</b>	
<b>Projected opening:</b>		
May-2008	Candlewood Suites Secaucus	
<b>Rooms:</b>	279 Secaucus Rd	
82	Secaucus, NJ 07094-2117	
<b>Notes:</b> 1) Proposed for construction - Advancement pending county & NJ Meadowlands review & approvals - No date set to proceed		
2) 82 rooms - parking for 101 vehicles - 34 ft tall bldg - demolish 2 houses on site -		
<b>Project ID: 26895</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Comfort Suites</b>	
<b>Projected opening:</b>		
May-2008	Comfort Suites Cranbury	
<b>Rooms:</b>	2678 Rt 130	
80	Cranbury, NJ 08512	
<b>Notes:</b> 1) Planned Construction - Further action pending additional approvals - Construction schedule not determined		
2) Metal Roof - Load Bearing Metal Stud Walls - Asphalt Shingles - Masonry Units - Metal Joists - Metal Deck - Building Insulation - Shingles - Gypsum Board - Tile - Toilet, Bath & Laundry Accessories - Hospitality Furniture - Swimming Pools - Ceilings - Pai		
<b>Project ID: 19084</b>	<b>Location</b>	<b>Owner/Developer</b>
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>		
Aug-2007	Virgin Boutique Hotel & Spa @ Natirar	
<b>Rooms:</b>	2 Main Street	
76	Bedminster, NJ 07921	
<b>Notes:</b> 1) Project on hold - Advancement pending land development approvals - Advancement possible March		
2) 460 acre site - 76-room boutique hotel - 11 rooms in the mansion and 41 in a 70,000 sf addition - remaining rooms in guest cottages - 150-seat 3,500 sf restaurant with 3 dining rooms - sunroom - 25,000sf health spa - indoor pool - hot tubs - business & con		

Project ID: 33830	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Lakewood Court Motel 2070 Rt 130 N Monmouth Junction, NJ 08852	
<b>Rooms:</b> 42		
<b>Notes:</b> 1) Project planned for construction - Advancement pending all approvals - Schedules not determined  2) Construction of 2-story, 42 room motel - Lakewood Court Motel		

Project ID: 33686	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Work/Live Residential & Retail Complex -Hotel 111 1st St Jersey City, NJ 07302-3010	
<b>Rooms:</b>		
<b>Notes:</b> 1) Planned for construction - Advancement for construction anticipated in 1 year pending approvals & Owner's decision to proceed -  2) Proposed 710 condominium units - 16,000 sq ft art gallery, 52,000 sq ft retail space - 210,000 sq ft hotel - Possible future development on 110 First St for 345 residential units, approx 360,000 sq ft, parking, restaurant		

Project ID: 27289	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Harrison MetroCentre Res/Commercial Mix Use Phs 1 Frank Rodgers Blvd Harrison, NJ 07029	
<b>Rooms:</b>		
<b>Notes:</b> 1) Submitted to town committee for review - Advancement pending committee and planning department review - No schedules set for construction  2) This portion to consist of 850 residential units - hotel - parking garage - 150,000 square feet office space - 200,000 square feet of retail space		

Project ID: 21424	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Unnamed Hotel @ Edison Towne Center Rt 1 & I-287 Edison, NJ 08817	
<b>Rooms:</b>		
<b>Notes:</b> 1) Advancement pending DEP standards satisfied and approved - Further advancement pending rezoning issues and township approvals - Announcing Architect & Engineer		

Project ID: 23529	Location	Owner/Developer
<b>Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Liberty Harbor North Mixed-Use Development Grand St & Luis MM Blvd & Jersey Ave Jersey City, NJ 07302	
<b>Rooms:</b>		
<b>Notes:</b> 1) Initial Site work underway - Phase I underway - No advance schedules or details for subsequent phases determined at this time - Projects to be reported separately as they advance 2) Seven phases to include 6,500 units of market-rate housing, 1 million square feet of hotel space, 750,000 square feet of retail space and 4.5 million square feet of office space		

Project ID: 19479	Location	Owner/Developer
<b>Pre-Planning</b>	<b>Chain: Independent</b>	
<b>Projected opening:</b>	Transit Village Unknown Location Secaucus, NJ 07094	
<b>Rooms:</b> 500		
<b>Notes:</b> 1) Announcing additional owner and consultant - Planned for construction - Advancement pending owners decision - Schedules not determined  2) 1,850 unit residential development - 350 to 500 room hotel - 30,000 to 50,000 sf conferece center		

Project ID: 11791	Location	Owner/Developer
<b>Pre-Planning</b>	<b>Chain: Westin</b>	
<b>Projected opening:</b> May-2008	Westin Jersey City Washington Blvd & Sixth St Jersey City, NJ 07310	
<b>Rooms:</b> 414		
<b>Notes:</b> 1) Work underway on fourth floor- Completion anticipated Spring 2008  2) Full service hotel (429 units) with banquet rooms, 10,000 sq ft ballroom, conference rooms, 5,000 sq ft restaurant, pool & fitness center, 16,261 sq ft retail, - Note: total square footage is estimated - - Excavation & Fill - Metal Joists - Metal Deck - F		

Project ID: 15213	Location	Owner/Developer
<b>Pre-Planning</b>	Chain: Residence Inn	
Projected opening: Apr-2008	Residence Inn Woodbridge	
Rooms: 108	Unknown Location Woodbridge, NJ 07095	
Notes:	1)	

Project ID: 17502	Location	Owner/Developer
<b>Pre-Planning</b>	Chain: Holiday Inn Express Hotel	
Projected opening: Jul-2008	Holiday Inn Express & Suites Flemington	
Rooms: 72	Rt 202 & Colony Rd Flemington, NJ 08822	
Notes:	1)	

Project ID: 26944	Location	Owner/Developer
<b>Pre-Planning</b>	Chain: Independent	
Projected opening:	Mixed Use Town Center	
Rooms:	Unknown Location Cliffwood Beach, NJ 07735	
Notes:	1) Project proposed for construction - Further advancement pending final site approvals and site remediation - Architect and Engineers to be selected - Bidding and construction schedules undetermined 2) Apartments - Townhouses - Retail - Offices - Hotel	

Source and Copyright: Smith Travel Research / TWR / McGraw-Hill Construction

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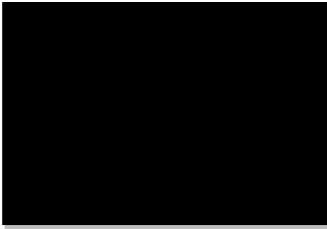
### Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon the hotel's anticipated competitive posture within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share. In this equation, market share represents that portion of total market demand accommodated by a property, and fair share represents the subject hotel's portion of the total supply (calculated as the subject property's room count divided by the total supply of the market at large).

If a property with a fair share of 5% is capturing 5% of the market demand in a given year, then its occupancy will equal the market wide occupancy, and its penetration rate will equal 100% ( $5\% \div 5\% = 100\%$ ). If the same property achieves a market share in excess of its fair share, then its occupancy will be greater than the market wide occupancy, and its penetration rate will be greater than 100%. For example, if a property with a fair share of 5% has a market share of 7%, then its penetration rate is 140% ( $7\% \div 5\% = 140\%$ ). Conversely, if the property captures less than its fair share, then its occupancy will be below the market wide average, and its penetration rate will be less than 100%.

The following table identifies the basis for the calculation of the subject property's historical penetration rates by segment for 2006 within the proposed comp set.

Subject Property's 2006 Penetration Rates by Segment - NEW COMP SET - MEETING HOTELS									
Market Segment	Subject Property's Total Room Night Capture (2006)		Market Segment Percentage (Full Service Hotels)		Fair Share		Marketwide Occupied Room Nights		Subject Property's Penetration
Commercial	13,238	x	15.7%	÷	22.0%	x	59,027	=	16.0%
Leisure	17,164	x	20.4%	÷	22.0%	x	97,806	=	16.3%
Meeting/Group	49,086	x	58.3%	÷	22.0%	x	208,804	=	62.3%
Other	4,727	x	5.6%	÷	22.0%	x	6,011	=	20.1%
<b>OVERALL</b>	<b>84,215</b>	<b>x</b>	<b>100.0%</b>	<b>÷</b>	<b>22.0%</b>	<b>x</b>	<b>371,647</b>	<b>=</b>	<b>103.1%</b>
Sources: Market Segmentation - PKF Consulting, Marketwide Occupancy - Smith Travel Research, Subject Property Capture - Sheraton P&L									

MARKET	ROOMS		
	405	Comp Set 2006 Supply	671,250
	288	Comp Set 2006 Occupancy	55.4%
	302		
	364		
	93		
	219		
	171		
	1842		

**Explanation of Market Share and Penetration Rate Adjustment**

The subject property's occupancy is forecast by estimating the hotel's penetration by market segment for each year of the forecast period. The estimation of penetration rates is based upon our review of the historical penetration rates of the subject property and its competitors. If the subject hotel and all its competitors are expected to remain stable in their ability to penetrate the market, then the historical penetration rates may be appropriately projected to remain the same throughout the forecast period.

However, when additions to supply are anticipated, or if a particular hotel is expected to alter its ability to compete in some way (e.g., through a refurbishment or change in brand or management), then the penetration rates for all the hotels in the market must be adjusted. This adjustment is necessitated by the circular calculation of the penetration rate. A hotel's penetration rate is calculated as its market share of demand divided by its fair share of demand. If one hotel's penetration rate increases, thereby increasing its market share and leaving less demand for the other hotels in the market to capture, then the penetration rates of the remaining hotels automatically decline (all other things being equal).

For example, let us assume that a hotel is slated for a renovation and repositioning, thereby enabling the hotel to improve its occupancy through increased market penetration. A higher penetration by one hotel will result in a larger capture of room nights by that hotel, thus leaving a reduced number of room nights to be shared by the rest of the competitive set. The additional room nights captured by this hotel will come out of the same finite amount of demand from which the other hotels in the market draw their demand. Any inducement of new demand caused by the repositioning will already have been built into the forecast of market-wide demand in the forecast of market-wide occupancy.

A similar impact is observed when a new hotel is added to the market. Penetration rates for the new hotel are forecast. These rates are multiplied by the hotel's fair share percentage (calculated as the hotel's fair share of supply) to calculate the hotel's market share percentage. The hotel's market share percentage is then multiplied by the total demand forecast for that market segment in that year to determine the number of room nights captured by the new hotel in that segment. When the new hotel enters the market, the penetration of all the existing hotels will automatically be impacted because these properties will each be capturing a smaller amount of the overall demand once the new hotel takes its share. If the new hotel captures less than its fair share of demand, then the penetration rates of the existing hotels will increase, and alternatively, if the new hotel captures greater than its fair share of demand, then the penetration rates of the existing hotels will decline. Thus,

the penetration rate of a stable hotel is often impacted from year to year by the penetration rates of its competitors.

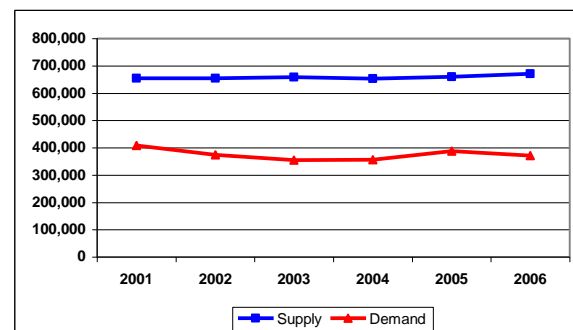
### 3.6. Historical Performance of the Competitive Supply

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry; its published data is routinely used by typical hotel buyers. STR has compiled historical supply and demand data for the subject property and its competitors. This information is presented in the following tables, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate, and provides an indication of how well room revenue is being maximized. The table depicted on this page provides an overview of the performance of the hotel competitive set in terms of occupancy, ADR, and RevPAR.

Supply has remained relatively constant over the past six years with a slight increase in 2006 representing 31 additional rooms added to the market. Demand during this same period in 2002. This drop has a direct relationship to the events of 9/11. This adjusted occupancy level has not yet recovered to its' pre 9/11 level. Average rates also had a significant decline after 2001 but have recovers to their 2001 level. RevPar in the market is still struggling to reach its' 2001 high of \$91.74 and has leveled over the past two years

HISTORICAL SUPPLY AND DEMAND TRENDS (STR)						
HOTEL COMP SET	2001	2002	2003	2004	2005	2006
Average Daily Room Count	1792	1792	1804	1788	1808	1839
Available Room Nights	654080	654080	658460	652493	659825	671250
Change (%)		0.0%	0.7%	-0.9%	1.1%	1.7%
Occupied Room Nights	408442	374313	354745	355558	386955	371647
Change (%)		-8.4%	-5.2%	0.2%	8.8%	-4.0%
Occupancy	62.4%	57.2%	53.9%	54.5%	58.6%	55.4%
Change (%)		-8.4%	-5.9%	1.1%	7.6%	-5.6%
Average Rate	\$ 146.91	\$ 140.09	\$ 137.31	\$ 138.48	\$ 141.13	\$ 146.42
Change (%)		-4.6%	-2.0%	0.8%	1.9%	3.8%
RevPAR	\$ 91.74	\$ 80.17	\$ 73.98	\$ 75.46	\$ 82.76	\$ 81.07
Change (%)		-12.6%	-7.7%	2.0%	9.7%	-2.0%

Competitors In sample	Rooms
	405
	288
	302
	364
	93
	219
	171
<b>TOTAL</b>	<b>1842</b>



## Performance by Weekday

Occupancy by Weekday								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 06	39.8	67.8	67.4	66.1	58.1	45.8	46.6	56.0
Apr - 06	41.3	69.9	74.7	73.9	66.3	54.6	52.1	60.8
May - 06	38.6	62.1	74.3	72.4	59.6	53.7	58.8	60.9
Jun - 06	53.2	79.0	82.9	74.4	61.4	59.3	68.4	67.8
Jul - 06	33.6	54.0	63.5	64.2	51.5	45.9	51.3	51.4
Aug - 06	38.7	58.0	66.5	63.3	49.4	41.9	50.8	53.3
Sep - 06	37.9	62.6	75.3	79.0	61.2	44.5	55.0	58.7
Oct - 06	36.3	62.5	73.9	80.3	70.6	49.9	60.4	61.6
Nov - 06	29.2	61.4	65.4	68.0	62.3	52.3	53.9	56.7
Dec - 06	29.6	48.1	53.1	48.2	40.0	32.2	42.2	41.2
Jan - 07	23.6	42.1	54.1	59.2	46.0	29.5	30.8	41.8
Feb - 07	25.7	51.4	61.2	59.3	46.7	40.1	39.4	46.2
Year Avg	35.6	59.5	67.6	67.2	56.2	45.8	50.7	54.7
Source: Smith Travel Research								

The competitive market exhibits a significant fluctuation in occupancy levels, with strongest demand on Tuesday and Wednesday, followed by the shoulder days of Monday and Thursday, reflecting the dominant influence of business travel on the market. Weekends remain weak. This weekend drop is consistent with the competitive set with, with the exception of the Hyatt XXX and the subject property; this set is comprised of conference centers.

### 3.7. Customer Profiles/Demand Generators

#### 3.7.1. Introduction

In order to achieve a better understanding of the Hilton XXX's current client base and customer demands, XXX has conducted a detailed customer analysis which included e-mails surveys and personal phone interviews with the markets largest demand generators. Companies in the local/regional market within a 40 mile radius of XXX were researched and identified. The cities recognized included XXX, XXX, XXX, XXX, XXX, XXX, XXX, XXX, XXX, XXX, XXX, Pennington, XXX, XXX, XXX, XXX, XXX, XXX, XXX, and XXX. By researching Fortune 500 corporations and existing users of our competitive set, we further qualified contacts to interview. The purpose of this study was to gain the clients' professional insights regarding the facility and its amenities, and to hear their valuable suggestions regarding the existing property and proposed Executive Meeting Center.

XXX has a thriving pharmaceutical sector and is home to some of the largest and most sophisticated corporations in the world. More than 115 pharmaceutical facilities are located in the state and the highest concentration of these companies is within XXX, XXX and XXX Counties, three areas of focus for this study. Also included in this study were some of the largest public companies in XXX and neighboring XXX City, most of which are Fortune 500 companies. A total of 62 organizations in the XXX area were researched and solicited. Of those, more in-depth interviews were conducted with 33 of these companies. A partial list is as follows:

- |                        |                          |
|------------------------|--------------------------|
| ▶ ADP                  | ▶ GlaxoSmithKline        |
| ▶ American Standard    | ▶ Johnson & Johnson      |
| ▶ BASF                 | ▶ Lucent Technologies    |
| ▶ BOC Group            | ▶ Linens N' Things       |
| ▶ Bristol-Myers Squibb | ▶ Merck & Co.            |
| ▶ CAN                  | ▶ Merrill Lynch          |
| ▶ Chubb Insurance      | ▶ Pharmos                |
| ▶ C.R. Bard            | ▶ Prudential Investments |
| ▶ Dow Chemical Co.     | ▶ Quest Diagnostics      |
| ▶ Dow Jones            | ▶ Ranbaxy                |
| ▶ Engelhard            | ▶ Reuters                |
| ▶ Ernst & Young        | ▶ Schering-Plough        |
| ▶ ETS                  | ▶ UBS Financial Services |
| ▶ Forest Labs          | ▶ Wyeth                  |
| ▶ GE Healthcare        |                          |

Specific details of these calls is outlined in the following Customer Feedback Grid, however, a detailed summary of noteworthy communication is included at the end of this section.

There were three main sections to the survey. The purpose of each is outlined on the following pages.

### 3.7.2. Customer Survey

In Section One we sought to gain a basic perception of the client; their opinion of the property, their preferences for meeting venues (conference centers vs. hotels) and the actual number of meetings their department plans on a yearly basis as well as per person expenditures (lodging, food and beverage, meeting costs, and audiovisual costs). **(PLEASE**

**NOTE:** Blank boxes reflect no answers to e-mail surveying)

Customer	Company	Title/Department	Have you used the Hilton East Brunswick for meetings or overnight stays? (Yes/No)	If you have used the Hilton East Brunswick what was your opinion of the property?	Where do you prefer to hold your meetings? Conference Centers, Hotels or Both	How many offsite meetings does your department plan a year?"	Approximately how much does your organization presently spend per attendee for an average meeting? (Costs include lodging, three meals, morning and afternoon coffee breaks, meeting facility, audiovisual requirements)	Do you anticipate an increase, decrease or no change in the number of meetings your organization will hold in 2007 as compared to 2006?
Bob Canton	Alliance of Filipino Catholic Charismatic Prayer Communities AFCCPC	National Coordinator	Yes	Average	Hotels	1-5	\$150 or Less	No Change
Mark Mehler	CareerXroads - MMC Group	Contact	Yes	Excellent	Both	6-10		No Change
Sandra Buleza	New Jersey Science Teachers Association	Executive Co-Chair	Yes	Excellent	Both	6-10	\$251-\$300	No Change
Dick Krane	New Jersey State First Aid Council Inc	Convention Manager	Yes	Excellent	Hotels	1-5	\$251-\$300	No Change
Laura DeGroot	Healthcare Marketing & Communications Council - HMC	Program Manager	Yes	Excellent	Hotels	11-20		Increase
Katie Wittkamp	New Jersey Business and Industry Association	Event Contact	Yes	Excellent	Both	21+	\$150 or Less	No Change
Patricia Walker	New Jersey Center for Public Health Preparedness at UMDNJ	Event Contact	Yes	Excellent	Conference Centers	1-5	\$151-\$200	Increase
Kathy Anderson	New Jersey Education Association	Contact	Yes	Excellent	Both	21+	Over \$350	No Change
Jason Friedman	The Masters Circle	Executive Director	Yes	NA	Hotels	6-10		No Change
FRANK SLEJKO	Ultracure Water Journal	PLANNER	Yes	Excellent	Hotels	1-5		No Change
Kathy Piano	New Jersey Center for Biomaterials	Meeting Planner	Yes	Good	Both	1-5	Over \$350	Increase
Linda Bartolo	Radiological Society of New Jersey RSNJ	Executive Director	Yes	Good	Both	21+		Increase
Jon Llong	Strategic Research Institute	Senior Vice President	Yes	Average	Hotels	21+		
Amanda Cosgrove	ASA/Eastern Fishing & Outdoor Exposition	Operations Director						
Mark Green	Center for Continuing Education Columbia University College of Physicians and Surgeons	Course Director		NA	Hotels	11-20	\$150 or Less	Decrease
Gloria Sokolowski	Corporation for National and Community Service	Program Coordinator			Both	21+		No Change
Randy Ortiz	Data Center Journal	Administrative Contact		NA	Both		\$210-\$250	Increase
Karen Fearn	Excel Partnership Inc	Coordinator			Both	21+	\$150 or Less	Increase
Mary Diulus	Institute of Validation Technology	Conference Coordinator			Conference Centers	21+	\$150 or Less	No Change
Chris Meinhardt	New Jersey Association of Professional Mediators NJAPM	Membership Director		Excellent	Hotels	6-10	Over \$350	No Change
Gerry Serriente	Somerset Folk Harp Festival	Festival Director			Hotels	1-5		No Change
Sandra Cinque	New Jersey Association of Occupational Health Nurses Inc	President			Both	1-5	Over \$350	
Gail Girard	New Jersey State Bar Association	Meetings		Good	Hotels	6-10		Increase
Lisa Lafratta	Eastern Academy of Management EAM				Both			

Customer	Company	Title/Department	Have you used the Hilton East Brunswick for meetings or overnight stays? (Yes/No)	If you have used the Hilton East Brunswick what was your opinion of the property?	Where do you prefer to hold your meetings? Conference Centers, Hotels or Both	How many offsite meetings does your department plan a year?"	Approximately how much does your organization presently spend per attendee for an average meeting? (Costs include lodging, three meals, morning and afternoon coffee breaks, meeting facility, audiovisual requirements)	Do you anticipate an increase, decrease or no change in the number of meetings your organization will hold in 2007 as compared to 2006?
	GenNext Technologies	President			Both	1-5	\$251-\$300	No Change
	International Chiropractic Pediatric Association ICPA	Booking Director			Both	21+	\$310-\$350	No Change
	National Association of Negro Business and Professional Womens Club Northeast	Meeting Coordinator			Both	1-5	Over \$350	No Change
	SafeBridge Consultants Inc	Office Manager			Hotels	1-5		No Change
	American Water Resources Association	Program Coordinator			Both	1-5		Increase
	Office of Rare Diseases - National Institute of Health	Contact			Both			No Change
	New Jersey Association of School	President-Elect				1-5	Over \$350	No Change
	NJ Apartment Association	Director of Convention & Events			Hotels	11-20	\$150 or Less	Decrease
	GlaxoSmithKline	Administrative Assistant			Both	21+	\$350-400	Decrease
	MasterFoods	Administrative Coordinator			Both	21+	\$200 - 400	No Change
	BASF	Administrative Associate			Both	21+	300	Increase
	Wyeth	Meeting Planner	No	NA	Both	21+	350	Increase
	Association Headquarters Inc.	VP of Marketing			Hotels	21+	250	Increase
	Financial Executives International	Dir, Prof Devlmt			Hotels	21+	525	No Change
	Roche Laboratories, Inc.	Manager, Meeting Planning			Hotels	21+		Increase
	Advogent, Inc	Manager, Meeting Planning			Hotels	21+	400	Increase
	MasterFoods	Administrative Assistant			Both	21+	250	No Change
	Booz Allen Hamilton	Training Coordinator			Both	21+		No Change
	ConferenceDirect	National Accounts Manager			Both	21+	335	Increase
	BOC	Marketing Assistant	No	NA	Both	21+	Over \$350	No Change
	The Main Event by Melody, Event Planner, Caterer,	owner			Both	21+	500	Increase
	Centeon Management Group	Vice President Meeting Management			Both	21+	\$400-450	No Change
	AXS ONE	VP Product Marketing & Business Development			Both	21+	400	No Change
	BASF	Learning & Development	No	NA	Conference Centers	21+	Over \$350	No Change
	La Leche League of New Jersey	Conference Supervisor				21+		
	New Jersey Broadcasters Assn.	President			Hotels	21+	50	No Change
Marianne J. Santorelli, CMP	Physicians World	Sr. Medical Education Conference Director			Hotels	21+	450	Increase
James Silkensen	New Jersey League of Community Bankers	Pres			Both	21+	100	No Change

Customer	Company	Title/Department	Have you used the Hilton East Brunswick for meetings or overnight stays? (Yes/No)	If you have used the Hilton East Brunswick what was your opinion of the property?	Where do you prefer to hold your meetings? Conference Centers, Hotels or Both	How many offsite meetings does your department plan a year?"	Approximately how much does your organization presently spend per attendee for an average meeting? (Costs include lodging, three meals, morning and afternoon coffee breaks, meeting facility, audiovisual requirements)	Do you anticipate an increase, decrease or no change in the number of meetings your organization will hold in 2007 as compared to 2006?
	Access Communications	Meeting Planner			Both	21+	500	Increase
	AFSCA	Comms Mgr			Both	21+	varies	Increase
	Forest Laboratories, Inc.	Meeting Planning Specialist			Both	21+	500	Increase
	American Standard Companies, Inc.	Meeting Planner	No	NA	Both	11-20	\$310-\$350	No Change
	Bristol Myers Squibb	Manager, Global Marketing Management	Yes	Poor	Conference Centers	21+	\$310-\$350	No Change
	Dow Chemical Co.	Wire & Cable Division	Yes	Good	Both	6-10	\$310-\$350	No Change
	Merrill Lynch	Program Coordinator	No	NA	Conference Centers	21+	\$310-\$350	No Change
	Prudential Investments	Manager, Meetings & Event Planning	Yes	Good	Conference Centers	21+	Over \$350	No Change
	Reuters	Management Development Coordinator	No	NA	Conference Centers	6-10	Over \$350	No Change
	Schering-Plough	Account Manager	No	NA	Both	21+	Over \$350	No Change
	ETS (Educational Testing Services)	Corporate Meeting Planning	Yes	Good	Both	21+	\$250-\$300	No Change



The purpose of Section Two was to determine the types of meetings planned by this department, the average size, and when they take place. When it was available from the client, we were able to list the total volume of business this company holds in the local market (Indicated in number of room nights per year). By gathering this information, we can identify the programs that could potentially work for the Hilton XXX and acknowledge when they take place.

Customer	Title/Department	What is the Average Size of the meetings you plan Pls check all that apply.				What is your estimated total volume of business in local market (#Roomnights/year)?		Approximately what month(s) are your meetings are held during the following calendar periods?											
		Training	Strategic Planning	Management Retreats	Other	GROUP	TRANSIENT	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	National Coordinator							Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Contact				21-50			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Executive Co-Chair	Over 250				Over 250		N	N	N	N	Y	N	N	N	N	Y	N	N
	Convention Manager				Over 250	Over 250		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Program Manager				50-100			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Event Contact	100-250				50-100		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Event Contact	50-100				0-20		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Contact				Over 250	Over 250		Y	N	Y	N	N	Y	N	N	Y	N	N	N
	Executive Director		50-100		Over 250			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	PLANNER				100-250			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Meeting Planner				Over 250	Over 250		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Executive Director				50-100			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Senior Vice President																		
	Operations Director							N	N	Y	Y	Y	Y	Y	Y	Y	N	Y	N
	Course Director					0-20		N	N	N	Y	N	N	N	N	Y	N	N	N
	Program Coordinator	21-50			100-250			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Administrative Contact	50-100				Over 250		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Coodinator	0-20						Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Conference Coordinator	100-250				21-50		N	N	N	Y	N	N	N	N	N	N	N	N
	Membership Director	21-50				Don't Know		N	N	N	N	N	N	Y	N	N	N	N	N
	Festival Director				Over 250			N	N	N	N	N	N	N	N	N	N	N	N
	President							Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Meetings				Over 250			N	N	N	N	N	N	N	N	N	N	N	N
	0							N	N	N	Y	Y	Y	Y	Y	N	N	N	N
	President				50-100	100-250		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Customer	Title/Department	What is the Average Size of the meetings you plan Pls check all that apply.				What is your estimated total volume of business in local market (#Roomnights/year)?		Approximately what month(s) are your meetings are held during the following calendar periods?											
		Training	Strategic Planning	Management Retreats	Other	GROUP	TRANSIENT	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
	Booking Director	21-50				100-250		N	Y	N	N	N	N	N	N	N	Y	N	N
	Meeting Coordinator				Over 250	Over 250		Y	N	N	N	Y	Y	N	N	N	N	N	N
	Office Manager				21-50			N	N	N	Y	Y	Y	N	N	N	N	Y	N
	Program Coordinator				Over 250	50-100													
	Contact				Over 250	100-250													
	President-Elect																		
	Director of Convention & Events	21-50	21-50	Don't Know	Over 250														
	Administrative Assistant	0	3	3		39145	10												
	Administrative Coordinator	30-40 people	25-35 people	12 - 15 people		don't know	don't know												
	Administrative Associate	30	12	10		40	20												
	Meeting Planner	21-50	20	N/A	50-100	800	N/A												
	VP of Marketing	25	15	15		250	250												
	Dir, Prof Devlmt	500	60	12		25	12												
	Manager, Meeting Planning																		
	Manager, Meeting Planning	50	0	0		50	50												
	Administrative Assistant	50	50	25															
	Training Coordinator																		
	National Accounts Manager	75	38	200		1000	100												
	Marketing Assistant	50-100		250			Don't Know												
	owner	125	125	75		25000	25,00												
	Vice President Meeting Management	100	20	9		50	0												
	VP Product Marketing & Business Development	30	30	15		2000	5000												
	Learning & Development	25 to 30	-	-		Over 250	-	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Conference Supervisor																		
	President	200	40	40		0	0												
	Sr. Medical Education Conference Director	150-200	20	0		25	10												
	Pres	50	8	NA		250	NA												
	Meeting Planner	50	20	20		1000	1000												
	Comms Mgr	n/a	n/a	39367		200	100												
	Meeting Planning Specialist	200	75	n/a		5000	n/a												
	Meeting Planner	21-50	0-20			Over 250	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Manager, Global Marketing Management	50-100	0-20	0-20	50-100	Over 250	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Wire & Cable Division	0-20	21-50		0-20	100-250	Don't Know	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y
	Program Coordinator	50-100				Over 250	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
	Manager, Meetings & Event Planning	50-100	50-100	50-100	21-50	100-250	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Michele Brown	Management Development Coordinator	21-50				Over 250	Don't Know	N	N	Y	Y	Y	Y	N	N	Y	Y	Y	N
Melissa Nahama	Account Manager	50-100				Over 250	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Denise Maurer	Corporate Meeting Planning		21-50	21-50	50-100	500	Don't Know	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y

Perhaps the most important section, this provides us with insights as to what is important to the client when selecting a meeting site. (Columns are organized in order of importance).

Customer	Quality of Service	Quality of meeting facilities	Quality of lodging facilities	Total Cost of meeting	Internet access- Wired/wireless	Audiovisual services/ Technology
	Very Important	Not Important	Very Important	Very Important	Very Important	Important
	Very Important	Important	Important	Important	Important	Not Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Important
	Very Important	Important	Very Important	Very Important	Not Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Important	Very Important	Very Important	Important	Important
	Very Important	Very Important	Very Important	Very Important	Important	Important
	Very Important	Very Important	Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Not Important	Very Important	Very Important
	Very Important	Important	Important	Important	Important	Very Important
	Very Important	Very Important	Important	Important	Very Important	Not Important
	Very Important	Not Important				
	Very Important	Very Important	Very Important	Very Important	Not Important	Important
	Very Important	Very Important	Very Important	Very Important	Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Important
	Very Important	Very Important	Very Important	Very Important	Important	Not Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Not Important

Customer	Quality of Service	Quality of meeting facilities	Quality of lodging facilities	Total Cost of meeting	Internet access- Wired/wireless	Audiovisual services/ Technology
	Very Important	Very Important	Very Important	Very Important	Important	Very Important
	Very Important	Very Important	Important	Very Important	Not Important	Not Important
	Very Important	Very Important				
	Very Important	Not Important	Very Important	Very Important	Very Important	Important
	Very Important	Very Important				
	Very Important	Very Important	Important	Very Important	Very Important	Not Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Important	Important
	Very Important	Very Important	Very Important	Important	Important	Important
	Very Important	Not Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important				
	Very Important	Very Important	Very Important	Very Important	Very Important	Important
	Very Important	Very Important	Important	Very Important	Very Important	Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important			Very Important	Very Important
	Very Important	Very Important	Important	Very Important	Very Important	Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Important	Very Important	Very Important	Very Important
Peter Mojica	Important	Very Important	Important	Important	Very Important	Very Important
Debbie Nemerovich	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important

Customer	Quality of Service	Quality of meeting facilities	Quality of lodging facilities	Total Cost of meeting	Internet access- Wired/wireless	Audiovisual services/ Technology
	Very Important	Important	Not Important	Very Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Important	Important	Very Important
	Very Important	Very Important	Important	Very Important	Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Important	Important	Important	Very Important	Important	Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Important
	Very Important	Important	Very Important	Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important
	Important	Very Important	Very Important	Very Important	Important	Important
	Important	Very Important	Very Important	Important	Important	Very Important

Customer	Quality of Food and Beverage	Quality of setting/ environment	Security/ Exclusivity	Proximity to airports	Proximity to office	Proximity to East Brunswick	Quality of recreation options
	Important	Important	Not Important	Not Important	Not Important	Not Important	Not Important
	Important	Important	Important	Important	Not Important	Not Important	Not Important
	Important	Very Important	Very Important	Not Important	Not Important	Important	Not Important
	Very Important	Very Important	Not Important	Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Very Important	Not Important	Not Important	Important
		Important	Important	Not Important	Not Important	Not Important	Not Important
		Very Important	Very Important	Very Important	Not Important	Very Important	Not Important
	Very Important	Very Important	Very Important	Not Important	Very Important	Very Important	Important
	Important	Important	Important	Very Important	Not Important	Not Important	Not Important
	Very Important	Important	Important	Important	Not Important	Not Important	Not Important
	Important	Very Important	Very Important	Not Important	Not Important	Not Important	Not Important
	Very Important	Important	Very Important	Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Important	Important	Not Important	Not Important	Important
	Not Important	Not Important	Not Important	Not Important	Not Important	Not Important	Not Important
	Very Important	Important	Very Important	Important	Not Important	Not Important	Important
	Important	Very Important	Very Important	Important	Not Important		Very Important
	Very Important	Important	Very Important	Important	Not Important	Not Important	Important
	Very Important	Very Important	Very Important	Important	Not Important	Not Important	Not Important

Customer	Quality of Food and Beverage	Quality of setting/ environment	Security/ Exclusivity	Proximity to airports	Proximity to office	Proximity to East Brunswick	Quality of recreation options
	Important	Very Important	Very Important	Not Important	Not Important	Not Important	Not Important
	Important	Not Important	Very Important	Very Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Important	Very Important	Very Important	Not Important
	Important	Important	Important	Very Important	Not Important	Not Important	Not Important
	Not Important	Very Important	Very Important	Very Important	Important	Not Important	Not Important
	Important	Very Important	Very Important	Important	Not Important	Not Important	Important
	Very Important	Important	Important	Very Important	Not Important	Not Important	Not Important
	Important	Very Important	Very Important	Very Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Important	Not Important	Important	Important
	Very Important	Important	Not Important	Not Important	Not Important	Very Important	Not Important
	Very Important	Very Important	Very Important	Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Important	Important
	Very Important	Important	Very Important	Important	Important	Important	Important
	Very Important	Important	Important	Important	Very Important	Not Important	Not Important
	Very Important	Very Important	Important	Very Important	Very Important	Very Important	Not Important
	Very Important	Very Important	Important	Important	Important	Not Important	Not Important
	Important	Important	Very Important	Important	Very Important	Not Important	Not Important
	Important	Important	Very Important	Important	Not Important	Important	Not Important
	Very Important	Important	Very Important	Important	Important	Important	Very Important
	Very Important		Very Important		Important		
	Very Important	Very Important	Important	Important	Important	Not Important	Important
	Very Important	Very Important	Very Important	Important	Important	Not Important	Important
	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important
	Very Important	Important	Very Important	Very Important	Very Important	Important	Not Important
Peter Mojica	Important	Very Important	Important	Important	Important	Not Important	Not Important
Debbie Nemerovich	Very Important	Very Important	Very Important	Very Important	Very Important	Very Important	Important

Customer	Quality of Food and Beverage	Quality of setting/ environment	Security/ Exclusivity	Proximity to airports	Proximity to office	Proximity to East Brunswick	Quality of recreation options
	Very Important	Very Important	Not Important	Not Important	Important	Not Important	Not Important
	Very Important	Very Important	Important	Important	Not Important	Not Important	Not Important
	Very Important	Very Important	Important	Not Important	Not Important	Not Important	Not Important
	Very Important	Important		Important	Important	Important	Not Important
	Important	Important	Important	Important	Very Important	Important	Important
	Very Important	Important	Important	Important	Important	Not Important	Not Important
	Very Important	Very Important	Not Important	Not Important	Important	Not Important	Not Important
	Very Important	Important	Important	Important	Important	Not Important	Important
	Important	Very Important	Not Important	Not Important	Very Important	Not Important	Not Important
	Important	Important	Not Important	Very Important	Not Important	Not Important	Not Important
	Very Important	Important	Very Important	Not Important	Important	Not Important	Not Important
	Important	Important	Not Important	Not Important	Important	Not Important	Not Important
	Important	Important	Important	Not Important	Very Important	Not Important	Not Important
	Very Important	Important	Important	Not Important	Important	Not Important	Not Important



### **3.8. Customer Survey Synopsis**

The findings from this study have produced some valuable information regarding the proposed EMC as well as the existing property. Based on a relatively large volume of calls to the surrounding metropolitan area, **less than 10%** of the customers we contacted **were not interested** in utilizing the property for future meetings.

The primary reason for the lack of interest was proximity to their offices. On average, the companies interviewed will travel an average of 21 miles to get to a meeting destination. For those traveling any farther, the distance was considered a disadvantage. Given the metropolitan area and traffic congestion, close proximity to company offices was a very important factor. This, coupled with the vast selection of quality conference centers in their own backyards, made staying "close to home" a very convenient option.

Our competitive set included only one hotel property and seven conference centers. These centers are, for the most part, well-established properties with IACC affiliations and a strong client base. They are located in cities with high concentrations of Fortune 500 companies and within the three counties (XXX, XXX and XXX) that were previously mentioned. Again, these are also the areas that house the majority of the top pharmaceutical corporations. In addition to the properties in our comp set, the variety of quality hotels in these areas is numerous. These second tier properties offer good options when availability is scarce or lead time is short and a conference center is not an option.

Within the immediate XXX/XXX area there are several conference centers and hotel competitors. The newest addition to the competition the Heldrich, which is part of a project that was collaboration between public, private and community sectors. Because of this there are strong ties to XXX University as well as XXX. Two additional hotel properties, The XXX and the XXX, were mentioned several times by our potential customers. These two properties are used primarily for their close proximity to company offices, good meeting facilities and excellent service.

One of the larger room night generators in the XXX area is XXX. XXX owns the Hyatt XXX as well as its' own private conference facilities for training. Their XXX Division is located in XX, XXX, and we have been told that those divisions are more likely to stay closer to XXX for their meetings. Despite these factors, we still feel there will be some opportunities to book XXX meetings, given the size and scope of this company and proximity to XXX. Another potentially large generator is XXX, located only 23 miles from the Hilton XXX. XXX produces approximately 950-1100 group room nights a year in the XXX market. Their meetings are primarily training oriented (30-40) with some strategic planning and management retreats (10-0). XXX like conference centers and are users of

every property in the competitive set as well as the Doubletree XXX and XXX Marriott. Distance is important but they are always open to new conference center products.

Very few of the original 62 companies/organizations contacted had used the Hilton XXX. The groups who we contacted that had used the Hilton in the past were associations or various other SMERF groups. Of the potential users we interviewed on a more in-depth basis, only 5% had used the Hilton XXX. When asked to comment on the quality of the property, these contacts offered positive as well as some negative feedback. Our contact at Bristol-Myers Squibb had two negative experiences (see specific comments below), but is willing to work with the property again, especially if an EMC is added. One prospect from the pharmaceutical company, XXX, would not elaborate on the two negative meeting experiences that she had at the Hilton. She said she would most likely refrain from using the property again, as they were given a second chance. They are currently using the XXX Marriott, XXX and XXX Conference Center.

The majority of meetings these potential groups book are training programs, with an average size of 50 people. Several contacts mentioned the importance of having rooms (other than ballroom space) which will easily accommodate groups of 50-80 people classroom style. Other types of programs mentioned were Executive Board, Incentive, Management, Sales and Product Launches. Again, training programs were referred to consistently by each contact, so this appears to be the bulk of the programs which could potentially be coming to the Hilton XXX.

A review of nine of the top generators in XXX indicates that there is a base of 40,000 room nights in the marketplace from these companies alone. Based on our conversations with potential users, we can conclude that the Hilton XXX can capture 2,500 room nights or 6% of these projected rooms in its' first the initial year of EMC operation.

- |                        |                          |
|------------------------|--------------------------|
| ▶ American Standard    | ▶ Merrill Lynch          |
| ▶ BASF                 | ▶ Prudential Investments |
| ▶ Bristol-Myers Squibb | ▶ Reuters                |
| ▶ Dow Chemical Co.     | ▶ Schering-Plough        |
| ▶ ETS                  |                          |

In conclusion, we can also safely say that the potential for EMC business for the Hilton will mostly lie within a 20-25 mile radius of the property. The conference center concept is one that is preferred by major corporations, and in the XXX market, one that is appreciated and understood. Users are loyal if the facilities and service is good, and although price was mentioned occasionally, it did not seem to play a big part in influencing the decision to use a particular property. The sales and marketing effort will have to be one that is quite extensive, focusing on the local market and larger corporations looking for a variety of meeting venues.

## XXX COMPANY PROFILES

### ***American Standard Companies Inc.***

1 Centennial Ave.  
Piscataway, XXX  
08855-3921

**Tel:** (732) 980-6000, (888)273-6397  
**Fax:** (732)980-6300

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#### **Business**

Manufacturing: Air conditioning equipment, household plumbing fixtures and braking systems for trucks. Finance: Holding company.

<b>Annual Sales</b>	\$11,208.20 M Sales
<b>Employees</b>	62,200
<b>Sales/Employees</b>	\$180,196.00
<b>Year Founded</b>	1988
<b>Fiscal Year</b>	Dec 31, 2006
<b>Features</b>	Public Company, Headquarters Location
<b>Website</b>	<a href="http://www.americanstandard.com">www.americanstandard.com</a>
<b>Comments</b>	Ranked 223rd largest company in United States. Change in revenues from 2004-2005: +9.2% Change in profit from 2004-2005: -2.8%

Dana Goodman in the Meetings & Events Department said American Standard books a total of 12 meetings per year, including Executive Board Meetings and internal training programs. The size varies, but averages 25-35. They average \$350.00 per person, CMP. Important to Dana is the overall quality of the facility and food. American Standard is currently using the Doubletree Somerset due to its location, which is one exit away. The property has been recently renovated, she noted, and for the most part service has been good. Despite Hilton XXX being a bit farther from the global office, Dana said she might consider the property for a couple of meetings per year.

#### Negative Comments:

- ▶ None offered. Dana has not used property.

#### Positive Comments:

- ▶ Location may work for some of their programs

#### Suggestions:

1. Offer wireless in sleeping rooms
2. Food must be top notch
3. Offer good amenities, such as a spa or spa services

#### Properties Currently Using:

1. Doubletree XXX

***BASF Corp.***

100 Campus Dr.  
 Florham Park, XXX  
 07932-1020  
 United States  
**Tel:** (973) 426-2600, (800)526-1072  
**Fax:** (973)245-6072

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<b>Business</b>	Manufacturing: Chemicals.
<b>Parent</b>	BASF AG
<b>Ult. Parent</b>	BASF AG
<b>Annual Sales</b>	\$11,160.20 M Sales
<b>Employees</b>	11,002
<b>Sales/Employees</b>	\$1,014,379.00
<b>Year Founded</b>	1986
<b>Fiscal Year</b>	Dec 31, 2004
<b>Features</b>	Exporter, Importer, Private Subsidiary, HQ Location
<b>Website</b>	<a href="http://www.basf.com">www.basf.com</a>
<b>Comments</b>	Additional company information unavailable

Debbie Nemerovich, Human Resources Assistant, said they have not used the Hilton XXX for their meetings, but would consider it. They prefer to use conference centers over hotels; prefer the package pricing, ergonomic chairs, 24-hour hold on meeting space, and variety on the refreshment breaks. Debbie books over 1,000 room nights in the local market, most of which are training for 20-30 attendees at three days each. She has programs year round, and her pricing structure is from \$350-\$400 per person. Debbie stressed that she would not use the Hilton XXX or the Hilton XXX. Both, she added, are in need of an "overhaul".

Also contacted was Ann de Jongh, Administrative Associate. She uses both hotels and conference centers and books over 25 meetings per year. Her meetings are mostly training and management programs averaging 30 people for several nights. Important to Ann is technology and audio visual, as well as cost. Ann also mentioned that BASF has recently acquired Engelhard in Iselin, so that the Hilton XXX will be a better location for those offices.

Negative Comments:

- ▶ None offered. These contacts have not used the property.

Positive Comments:

1. Location may work for some of their programs

Suggestions:

1. Meeting rooms with windows
2. Likes XXX shelves surrounding room to eliminate easels
3. Offer good sleeping room product

***Bristol-Myers Squibb Co.***

345 Park Ave.  
XXX, XXX  
10154-0037  
United States  
**Tel:** (212) 546-4000  
**Fax:** (212) 546-4020

777 Scudders Mill Road  
Plainsboro, XXX 08536  
Tel: 609-252-4000

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**Business**

Services: Pharmaceutical research and development laboratory; infant formulas and nutritional products; ostomy and advanced wound care; cardiovascular imaging; over-the-counter products.

<b>Annual Sales</b>	\$17,914.00 M Operating revenue
<b>Employees</b>	43,000
<b>Sales/Employees</b>	\$416,604.00
<b>Year Founded</b>	1887
<b>Fiscal Year</b>	Dec 31, 2006
<b>Features</b>	Public Company, Headquarters Location
<b>Website</b>	<a href="http://www.bms.com">www.bms.com</a>
<b>Comments</b>	Ranked 129 <sup>th</sup> largest company in United States. Change in revenues from 2004-2005: -11.4% Change in profit from 2004-2005: -47.2%

Colleen Murray, Manager Global Marketing Management, was most responsive and offered valuable information regarding the XXX hotel market. Despite having had two negative experiences using the Hilton XXX, she would still consider utilizing the property for future programs once an EMC is in place. Bristol Myers Squibb books over 40,000 group room nights per year in the metropolitan area, and roughly 25,000 in the XXX market alone. She said most of her programs are training and management or sales meetings. They also book product launches and incentive programs, although these only amount to three or four of each per year. She stressed that she wants to be "loyal to her XXX properties" and tends to go to XXX less and less due to the exorbitant costs. Most important on her list is the quality of food, and she commented that the XXX Marriott has the best in XXX.

**Negative Comments:**

1. Guest rooms are renovated now, but when they booked their first meeting they were not complete.
2. Although it wasn't serious, she said there was a fire on property when they were on site.
3. She gave guarantees for food counts and they came up 100 meals short.
4. Although the property was better the second time around, she said the property was "still not there yet."

Positive Comments:

1. Location is accessible for them
2. The guestroom product is nice
3. EMC would be a plus (She inquired about the size, capacities, etc)

Suggestions:

1. Put a focus group together. She offered to be a part of this.
2. Technology has to be the best
3. Quality of food is important

Properties Currently Using:

1. Marriott XXX – Loves the property. Food and service excellent.
2. Lakeside – Has had good experiences here, despite management change
3. XXX – Said it is a good property – Books quite a bit there.

## ***Dow Chemical Co.***

2030 Dow Ctr.  
Midland, Michigan  
48674-2030  
United States

**Tel:** (989) 636-1000, (800)258-2436  
**Fax:** (989)832-1556

Union Carbide Corp (div of Dow)  
171 River Road  
Piscataway, XXX 08854  
Tel: 732-563-5000

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### **Business**

Manufacturing: Organic and inorganic industrial chemicals, extruded, laminated, foam and thermoforming plastics, plastic pipes and valves. Finance: holding company.

<b>Annual Sales</b>	\$49,124.00 M Sales
<b>Employees</b>	42,578
<b>Sales/Employees</b>	\$1,153,741.00
<b>Year Founded</b>	1897
<b>Fiscal Year</b>	Dec 31, 2006
<b>Features</b>	Exporter, Importer, Public Company, HQ Location
<b>Website</b>	<a href="http://www.dow.com">www.dow.com</a>
<b>Comments</b>	Ranked 40th largest company in United States. Change in revenues from 2004-2005: +6.1% Change in profit from 2004-2005: -17.5%

Judy Mastroserio works for the Wire & Cable division at the Dow site. She books approximately 120 room nights per year which includes Training and Management meetings. She was not sure of the exact figures, but estimates that the Business and Marketing Division books double that, including all of their Sales and Educational meetings. Her programs are usually four to five days long. Dow uses both conference centers and hotels, and pays on average \$325.00 to \$350.00 per person, CMP. Important to her groups are shuttle/transportation to and from the airport, audiovisual services and equipment and good service.

### Negative Comments:

None offered. Judy has not used property.

### Positive Comments:

1. Location may work for some of their programs.

### Suggestions:

1. Offer good technology
2. Offer shuttle service/transportation

### Properties Currently Using:

1. XXX Inn
2. Doubletree XXX
3. Marriott XXX

## ETS – XXX

Our contact at ETS (Educational Testing Services) was Denise Maurer in Corporate Meeting Planning. Her first comment was that they own the XXX Conference Center, and it is their first choice whenever they can get availability. The property is relatively small, however, so they find themselves using other properties quite frequently. She mentioned that they book programs “up and down the Route 1 corridor”, including the Hilton XXX. They recently booked a Focus Group there, which she said went quite well. ETS books 500 meetings per year in the XXX area. These include Directors, Board, and Committee Members meetings and range in size from 8 to 200.

### Negative Comments:

- ▶ None offered.

### Positive Comments:

1. Location works for them
2. Likes that there is parking on site and the cost is minimal.
3. Their recent meeting ran smoothly and they had no problems.

### Suggestions:

1. Their groups are space intensive and they use breakout rooms. Have breakouts close by
2. Offer kiosks near the meeting rooms so attendees can easily get on-line and check e-mail.
3. Offer healthy options and high energy foods on menus, especially breaks.

### Properties Currently Using:

1. XXX Marriott
2. XXX Hyatt
3. XXX Westin



## ***Merrill Lynch and Company Inc.***

4 World Financial Ctr., 250 Vesey St.

XXX, XXX

10080-1002

United States

**Tel:** (212) 449-1000, (800)637-7455

**Fax:** (212)236-4384

800 Scudders Mill Road

Plainsboro, XXX 08536

Tel: 609-282-1212

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### **Business**

Finance: Full-service securities brokerage and investment advisory firm, equity, debt, foreign exchange, commodities and economic research, banking, trust, and lending services, including mortgage lending and related services. Insurance:

Underwriter of life insurance and annuities. Finance: Holding company.

**Annual Sales** \$34,659.00 M Operating revenue

**Employees** 56,200

**Sales/Employees** \$616,708.00

**Year Founded** 1885

**Fiscal Year** Dec 31, 2006

**Features** Public Company, Headquarters Location

**Website** [www.ml.com](http://www.ml.com)

**Comments** Ranked 22<sup>nd</sup> largest company in United States.  
Change in revenues from 2004-2005: +47.7%  
Change in profit from 2004-2005: +46.6%

Leigh-Ann Lewis is the Program Coordinator for Merrill Lynch. She said she would consider using the property for her groups, which are primarily comprised of training programs. Her department books a heavy volume of meetings throughout the year (40+) and the sizes usually vary from 15-100 on average. She prefers conference centers over hotels primarily for the ease of planning and the CMP.

### Negative Comments:

- ▶ Has not used property - None offered

### Positive Comments:

1. Good location – She didn't feel it was too far from their offices
2. Good highway access

### Suggestions:

1. A/V is huge – Have a great staff, high tech equipment and reasonable pricing
2. Her groups want a nice lounge on site
3. Put mini refrigerators in the rooms for grab n' go items (sodas, fruit, etc.)

### Properties Currently Using:

1. Marriott XXX
2. Lakeside – Although not pleased lately, due to new management

3. Westin XXX
4. Hyatt XXX

### ***Prudential Financial Inc.***

751 Broad St.

XXX, XXX

07102-3777

United States

**Tel:** (973) 802-6000, (877)998-7625

**Fax:** (973)367-6476

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#### **Business**

Insurance: Underwriter of life and health insurance. Finance: Full-service securities brokerage and investment advisory firm.

**Annual Sales** \$454,266.00 M Total assets

**Employees** 39,841

**Sales/Employees** \$11,401,972.00

**Year Founded** 1875

**Fiscal Year** Dec 31, 2006

**Features** Public Company, Headquarters Location

**Website** [www.prudential.com](http://www.prudential.com)

**Comments** Ranked 66th largest company in United States.  
Change in revenues from 2004-2005: +2.5%  
Change in profit from 2004-2005: -3.2%

Nancy Cahill is the Manager of Meeting & Event Planning at Prudential Investments. She said their company met at Hilton XXX last year and it was in need of upgrades in the meeting space area. Despite the recent renovations, she said it just looked like "average hotel space." The meeting ended up running very smoothly and in the end she liked the property and would use it again. Nancy prefers conference centers to hotels for the 100 or so meetings they book a year, all out of the XXX office. The average size of their group is 50, and they seldom book meetings for more than 75 or 80 people. Types of programs they plan include Sales programs, Board meetings, Due Diligence, and Management meetings. The average length of stay is one to two nights, and they generally pay a \$350.00 to \$375.00 CMP.

#### Negative Comments:

- ▶ Renovations (carpeting/walls) looked average

#### Positive Comments:

1. Service was good
2. Meeting ran smoothly

#### Suggestions:

1. Chairs are key. Offer ergonomic chairs.
2. Offer rooms which will accommodate 50-85 people

#### Properties Currently Using:

1. XXX
2. XXX Inn
3. Hyatt XXX

## Reuters

75 Park Pl.  
XXX, XXX  
10038-4518  
United States

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<b>Business</b>	Prepackaged Software
<b>Variant Name</b>	Multex Systems Inc. - Name Change
<b>Annual Sales</b>	\$5,554.90 M Sales, Estimate
<b>Employees</b>	15,300
<b>Sales/Employees</b>	\$363,065.00
<b>Year Founded</b>	1858
<b>Fiscal Year</b>	Dec 31, 2005
<b>Features</b>	Private Company, Headquarters Location
<b>Website</b>	<a href="http://www.reuters.com">www.reuters.com</a>
<b>Comments</b>	Additional information unavailable.

Michele Brown is the Management Development Coordinator at Reuters. She books six to nine meetings per year that average 25 attendees each. These are usually Management Training programs for four days/three nights. Michele had heard of the Hilton XXX, but never used the property. She prefers conference centers to hotels for ease of planning. Most important to her is a good conference planner and for many meetings, close proximately to offices. She has used a variety of properties in the area and had plenty to say about her negative experiences. She recently used Lakeside and said the administrative part was "a nightmare." She also said she is afraid to place another group at XXX Conference Center since they are now self-op and the property still needs updating. She loves the IBM facility but feels they are "overly confident and too big." And because of this they don't always understand or meet their needs. Hamilton Park, on the other hand, does an excellent job, as does Arrowwood.

### Negative Comments:

- ▶ None offered – She has not used the property

### Positive Comments:

1. Would like to see another name in the mix of conference centers available in the area
2. Location is good – Not too far for their group.

### Suggestions:

1. Offer wireless internet access in sleeping rooms
2. No room charge for landlines.
3. Offer up to date technology; drop down screens, LCD projectors with package

### Properties currently using:

1. XXX
2. XXX
3. XXX
4. XXX

## ***Schering-Plough Corp.***

2000 Galloping Hill Rd.

Kenilworth, XXX

07033-0530

United States

**Tel:** (908) 298-4000

**Fax:** (908)298-7028

---

### **Business**

Manufacturing: Prescription and over the counter drugs, animal health care products, foot and sun care products, egg decorating kits.

<b>Annual Sales</b>	\$10,594.00 M Sales
<b>Employees</b>	33,500
<b>Sales/Employees</b>	\$316,238.00
<b>Year Founded</b>	1971
<b>Fiscal Year</b>	Dec 31, 2006
<b>Features</b>	Public Company, Headquarters Location
<b>Website</b>	<a href="http://www.sch-plough.com">www.sch-plough.com</a>
<b>Comments</b>	Ranked 242nd largest company in United States. Change in revenues from 2004-2005: +11.4% Change in profit from 2004-2005: +324.9%

Schering has offices in Kenilworth, Berkeley Heights, Morristown, and Summit. Melissa Nahama is the Account Manager at Schering, overseeing the Domestic team out of Philadelphia. This group books the majority of their meetings (100 per year) in Northern XXX. Schering uses a variety of properties (as indicated below) and would consider using the Hilton XXX for their meetings and events. Their meetings include Sales Training, Management Programs and Executive Groups. Most important to this group is the relationship they have with a hotel or conference center and flexibility with contracts/negotiating.

### Negative Comments:

None offered – Have not used the property

### Positive Comments:

1. Location is good for them (access to offices)

### Suggestions:

1. Offer free internet access in sleeping rooms
2. Offer reasonable and favorable contractual terms

Properties currently using:

1. Hyatt XXX
2. XXX Hilton
3. XXX Inn
4. Sheraton XXX
5. XXX Hotel, XXX
6. XXX – currently in contract negotiations

**3.7.3. Customer Location Map**

Hilton XXX Customer Locations				
	Company	Address	City	Distance Miles
1	[REDACTED]	[REDACTED]	[REDACTED]	35
2				8
3				39
4				17
5				23
6				8
7				21
8				36
9				35
10				3
11				26
12				61
13				24
14				17
15				41
16				25
17				37
18				34
19				20
20				37

### 3.8.4. Companies not currently interested in the subject property

The following companies have been contacted regarding meetings, but do not have a need or interest in using the Hilton XXX.

COMPANY	LOCATION	PROGRAMS	REASON WOULDN'T USE	PROPERTIES USING
		Training	Location	
		Training, Mgmt, Sales	Location	
		Sales, Training, Town Hall	Location	
		Did not specify	Location	
		Did not specify	On-site facilities	
		Training, Product Launch	Location	
		Did not specify	Downsizing/reorganizing	
		Training	Location & own facilities	
		Sales	Location	
		Did not specify	Budget	
		Did not specify	Location & own facilities	
		Did not specify	Location	
		Did not specify	Location	
		Did not specify	Bad experience in past	
		Did not specify	No meetings, no training	
		Planning	Location	
		Training, Management	On-site facilities	
		Did not specify	Location	
		Did not specify	Location	
		Training, Membership	Accessibility to train station	
		Training	Location	
		Staff and Administrative	Have preferred facilities	
		Training, Incentive, Sales	Location*	

\* Wyeth also mentioned XXX was "J&J Territory" so they stay away.

## 4. Financial Analysis

### 4.1. Projected Occupancy

Along with average rate, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverage, and telephone income) are driven by the number of guests, and many expense levels also vary with occupancy. Consequently, a well-documented forecast of occupancy is essential.

To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a competent hotel management team to achieve an optimal mix of occupancy and average rate.

ROOM VOLUMES	2006 ACTUAL		2007 FORECAST		2008 Projected		2009 Projected		2010 Projected	
Transient										
Retail	8684	24.7%	10522	30.0%	10898	31.0%	11046	31.4%	11056	31.5%
Contract	4727	13.5%	6179	17.6%	5000	14.2%	5000	14.2%	5000	14.2%
Corporate/Local	5216	14.8%	6157	17.5%	6377	18.2%	6463	18.4%	6470	18.4%
Corporate NLRA	6852	19.5%	7895	22.5%	8177	23.3%	8288	23.6%	8296	23.6%
Government	1170	3.3%	1279	3.6%	1325	3.8%	1343	3.8%	1344	3.8%
Package	347	1.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
AAA	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Consortia	1835	5.2%	2163	6.2%	2240	6.4%	2271	6.5%	2273	6.5%
Wholesale/FIT	5377	15.3%	5509	15.7%	5706	16.2%	5783	16.5%	5789	16.5%
Discount	921	2.6%	1166	3.3%	1100	3.1%	1100	3.1%	1100	3.1%
Non-Opaque	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Opaque	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Subtotal Transient	35129	41.7%	40870	43.8%	40824	39.1%	41294	38.2%	41327	37.7%
Group										
Corporate/Non packaged	21397	100.0%	24518	100.0%	29195	83.4%	29590	78.1%	29618	74.8%
Corporate/Package - CMP	0	0.0%	0	0.0%	3487	10.0%	4982	13.1%	5978	15.1%
Corporate/Package - MMP	0	0.0%	0	0.0%	2325	6.6%	3321	26.8%	3985	10.1%
Subtotal Corporate	21397	43.6%	24518	46.7%	35007	55.1%	37893	56.8%	39581	57.9%
Association	10886	39.3%	11826	42.3%	12249	42.9%	12415	43.1%	12426	43.2%
SMERF	4160	15.0%	5107	18.3%	5290	18.5%	5361	18.6%	5366	18.6%
Government	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
T&T	12643	45.7%	11020	39.4%	11000	38.5%	11000	38.2%	11000	38.2%
Subtotal NON Corporate	27689	56.4%	27953	53.3%	28538	44.9%	28776	43.2%	28792	42.1%
Subtotal Group	49086	58.3%	52471	56.2%	63545	60.9%	66668	61.8%	68374	62.3%
TOTAL	84215	57.0%	93341	63.1%	104369	70.6%	107962	73.0%	109700	74.2%

The preceding projected occupancy levels assume the following (see next page):



#### 4.1.1 Transient Rooms

We have defined the existing transient market segments as follow:

Market Segment	Description
<b>Commercial</b>	
Corporate/Local	Last Room Available-Negotiated at National and Local level-try to limit this category
Corporate LRA	Last Room Available-Negotiated at National and Local level-try to limit this category
Government	2 or 3 rates-County, State, Federal
<b>Leisure</b>	
Retail/Rack	Highest rated transient-everything that is not negotiated and generally higher than the BAR
Discount	A catchall category comprised of restricted, wholesale, FIT, Other discount, Redemption, etc. rated rooms. Average rate for this category is the weighted combined average of all components.
AAA	American Auto Association participation
Consortia	Negotiated contract rates
Wholesale/FIT	Negotiated contract rates
Other Discounts	Negotiated contract rates
Non-Opaque	Negotiated contract rates
Opaque	Negotiated contract rates
<b>Contract</b>	
Contract	A discounted rate available to specific high-volume users, such as airlines, convention groups, and bus tours. Contract rates are negotiated and often apply to a block of rooms that are reserved on an ongoing basis and paid for regardless of use.

#### 4.1.2 Group Rooms

- We anticipate a shift in the mix of corporate group business from Non-Packaged to Packaged. The total amount of Non-Packaged business as a percentage of total corporate business moves from 100% in 2007 to 71.4% in 2010. This shift is projected to begin in 2008 in line with the completion of renovations by January 1, 2008.
- We based our forecast of packaged group business on the following formula and assumed a 3 year ramp up to stabilization:

Year	Total Rooms	Available Weeks	Days per week	100% Utilization	Forcecasted Utilization	Total Packages Sold	MMP @ 40%	CMP @60%
2007	94	x	0	x	4	= 0	0	0
2008	94	x	44	x	4	= 16606	2325	3487
2009	94	x	44	x	4	= 16606	3321	4982
2010	94	x	44	x	4	= 16606	3985	5978

- We anticipate a conservative average growth of 30% per year in total packaged group rooms sold in the first three years of EMC operation. We believe this is conservative based on the performance of similar products in similar markets. The table below provides data supporting this belief. In our direct experience, properties such as the subject property that have introduced an ECC product

have experience on average a 40.04% growth in group rooms sold during the first three years of operation.

EMC HISTORICAL PERFORMANCE IN VARIOUS MARKETS									
<b>GROUP ROOMS SOLD</b>									
Market	1996	1997	1998	1999	2000	2001	2002	2003	2004
Central Jersey	6400	11099	10778	10777	14106	15281	11588	16618	13513
North Chicago			5375	11416	9451	8279	10144	14456	12346
Rockville					7208	9432	21215	16329	19511
Richmond							2924	3273	4471
Percent Change	Year 1	Year 2	Year 3	Year 4	Year 5	Annualized			
Central Jersey	73.4%	-2.9%	0.0%	30.9%	8.3%	24.1%			
North Chicago	112.4%	-17.2%	-12.4%	22.5%	42.5%	33.8%			
Rockville	30.9%	124.9%	-23.0%	19.5%	n/a	34.1%			
Richmond	11.9%	36.6%	n/a	n/a	n/a	17.6%			
<b>AVERAGE</b>	<b>57.2%</b>	<b>35.4%</b>	<b>-11.8%</b>	<b>24.3%</b>	<b>25.4%</b>	<b>27.4%</b>			

Source: [REDACTED]

- Because all other group segments are non-corporate, and because we factored in 4 days per week of corporate selling, we did not feel that a reduction due to displacement of these segments was warranted. As a result, we used the properties 2007 association forecast as a basis and grew these volumes consistent with the market growth forecasts provided by Torto Wheaton Research (see table to right).

Projected OCC Growth	
Year	OCC Growth
2007	4.1%
2008	3.6%
2009	1.4%
2010	0.1%

SOURCE: Torto Wheaton Research

#### 4.1. Projected Average Daily Rate

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total room revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast room revenue, which in turn provides the basis for estimating most other income and expense categories.

A hotel's average room rate is the weighted average of the various amounts charged to different market segments, such as rack rates, published rates, commercial rates, and contract rates. The average rate also takes into account differentials during peak and off-peak periods, including various seasons of the year, holidays, and weekends. Different types of rooms may also command varying rates, and thus have an impact on the overall average rate. The following is a description of several typical rate categories.

- **Rack Rate** – An undiscounted room rate generally given to anyone who does not qualify for or request a discounted rate. The term is derived from the room rack (now a computer terminal) at the front desk, which contains information about each room's rate, including the highest amount that can be charged for that type of unit. When a hotel is expected to be full during a certain period or when a guest arrives without a reservation, the rack rate is usually the only rate available. The average rate is almost always lower than the rack rate.
- **Published Rate** – The rate listed in directories and other publications. This rate is usually quoted as a range and represents the various rack rates for specific types of accommodations. Published rates usually set the upper limit of average rate, and average rates tend to be closest to published rates in the case of single (rather than double) rooms.
- **Commercial Rate** – A discounted rate available to certain commercial travelers. Some hotels charge all commercial travelers a commercial rate upon request, while others offer it only to established accounts based on their projected use of the hotel. Commercial rates vary because they can be negotiated between the business and the hotel. These rates are always below the rack and published rates and, depending on the market mix, may approximate the property's average rate.

For this study, we used the subject property's 2006 forecast and the competitive set as a starting point and projected average rate based on market conditions and the property's relative degree of competitiveness. This process is outlined as follows:

- ▶ The average rates of the competitive set are considered to determine whether the subject property's rates reflect market conditions, competent management, and buyer's expectations.
- ▶ Factors that may have an impact on future average rate increases are analyzed for each market segment, and future growth rates for each segment are estimated.
- ▶ The subject property's average rate is projected for each segment based on the growth estimates. The subject property's overall average rate is calculated for each projection year based on the segment average rates.

Although the average rate analysis presented here follows the occupancy projections, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by room revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical and projected average rate and RevPAR levels of the subject property and its competitive set.

AVERAGE RATE & RevPAR Subject vs. Competitive Set								
Year	Market ADR	% +/-	Subject ADR	% +/-	Market REVPAR	% +/-	Subject REVPAR	VARIANCE
Historical								
2004	\$ 138.48	0.8%	\$ 110.40	N/A	\$ 75.46	2.0%	\$ 55.68	N/A
2005	\$ 141.13	1.9%	\$ 110.67	0.2%	\$ 82.76	9.7%	\$ 68.74	\$ (14.03)
2006	\$ 146.42	3.8%	\$ 111.84	1.1%	\$ 81.07	-2.0%	\$ 63.71	\$ (17.35)
Projected								
2007	\$ 152.28	4.0%	\$ 118.51	6.0%	\$ 87.74	8.2%	\$ 74.83	\$ (12.91)
2008	\$ 158.31	4.0%	\$ 128.31	8.3%	\$ 94.48	7.7%	\$ 90.34	\$ (4.14)
2009	\$ 164.86	4.1%	\$ 135.04	5.2%	\$ 99.72	5.5%	\$ 98.62	\$ (1.10)
2010	\$ 171.61	4.1%	\$ 141.41	4.7%	\$ 103.90	4.2%	\$ 104.94	\$ 1.04
	4.3%		6.6%		7.0%		16.2%	
Source: Smith Travel Research, Torto Wheaton Research, Property Management								

As indicated above, we anticipate market wide average rate to increase at an average annualized rate from 2006 to 2010 of 4.3%. During the same timeframe we anticipate the subject properties average rate to increase at an annualized average rate of 6.6%. These rates multiplied by the occupancy levels reported prior yield a Market and Subject Property annualized RevPAR increase during the same period of 7.0% and 16.2% respectively.

It is important to note that we feel the subject properties ADR is lower then the market because the subject property it is now being compared to is the highly rated conference center market. If the subject property were converting to a full executive conference center its' ADR would be significantly higher. In fact, only a small percentage of the subject property (approx. 25%) will be focused on serving the conference center customer. Hence, ADR reflect the proportional impact of this new market position.

ADR	2006 ACTUAL			2007 FORECAST		2008 Projected		2009 Projected		2010 Projected										
Transient																				
Retail	\$	165.83	\$	8.33	\$	165.03	\$	(0.80)	\$	171.57	\$	6.54	\$	178.66	\$	7.09	\$	185.97	\$	7.31
Contract	\$	73.56	\$	(36.59)	\$	77.25	\$	3.69	\$	80.31	\$	3.06	\$	83.63	\$	3.32	\$	87.05	\$	3.42
Corporate/Local	\$	107.14	\$	(8.43)	\$	113.56	\$	6.42	\$	118.06	\$	4.50	\$	122.94	\$	4.88	\$	127.97	\$	5.03
Corporate NLRA	\$	135.83	\$	(7.93)	\$	138.14	\$	2.31	\$	143.61	\$	5.47	\$	149.55	\$	5.94	\$	155.67	\$	6.12
Government	\$	109.40	\$	(10.07)	\$	109.09	\$	(0.31)	\$	113.41	\$	4.32	\$	118.10	\$	4.69	\$	122.94	\$	4.83
Package	\$	-	\$	(64.80)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
AAA	\$	-	\$	(69.87)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Consortia	\$	186.03	\$	3.79	\$	193.56	\$	7.53	\$	201.23	\$	7.67	\$	209.55	\$	8.32	\$	218.13	\$	8.57
Wholesale/FIT	\$	91.46	\$	26.78	\$	93.76	\$	2.30	\$	97.48	\$	3.72	\$	101.51	\$	4.03	\$	105.66	\$	4.15
Discount	\$	184.58	\$	74.75	\$	147.43	\$	(37.15)	\$	153.27	\$	5.84	\$	159.61	\$	6.34	\$	166.14	\$	6.53
Non-Opaque	\$	-	\$	(75.38)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Opaque	\$	-	\$	(95.70)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Subtotal Transient	\$	125.49	n/a		\$	128.46	\$	2.97	\$	135.33	\$	6.86	\$	141.01	\$	5.68	\$	146.78	\$	5.78
Group																				
Corporate/Non packaged	\$	132.73	\$	31.57	\$	135.64	\$	2.91	\$	141.02	\$	5.38	\$	146.85	\$	5.83	\$	152.86	\$	6.01
Corporate/Package - CMP	\$	-	\$	-	\$	179.00	\$	179.00	\$	186.21	\$	7.21	\$	193.59	\$	7.38	\$	201.51	\$	7.92
Corporate/Package - MMP	\$	-	\$	-	\$	189.00	\$	189.00	\$	193.80	\$	4.80	\$	198.72	\$	4.91	\$	203.62	\$	4.90
TTL AVG CORP	\$	132.73	n/a		\$	135.64	\$	2.91	\$	149.03	\$	13.38	\$	157.54	\$	8.51	\$	165.32	\$	7.78
Association	\$	95.82	\$	(34.57)	\$	106.86	\$	11.04	\$	111.09	\$	4.23	\$	115.69	\$	4.59	\$	120.42	\$	4.73
SMERF	\$	100.42	\$	100.42	\$	104.56	\$	4.14	\$	108.70	\$	4.14	\$	113.20	\$	4.49	\$	117.83	\$	4.63
Government	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
T&T	\$	56.10	\$	5.96	\$	62.44	\$	6.34	\$	64.91	\$	2.47	\$	67.60	\$	2.68	\$	70.36	\$	2.77
Subtotal Group	\$	102.07	n/a		\$	110.76	\$	8.69	\$	123.80	\$	13.04	\$	131.34	\$	7.54	\$	138.16	\$	6.81
Total Average Rate	\$	111.84	\$	1.17	\$	118.51	\$	6.67	\$	128.31	\$	9.80	\$	135.04	\$	6.73	\$	141.41	\$	6.37

## 4.2. Estimated Performance of the Subject Hotel

### 4.2.1. Allocations

After establishing occupancy and average rate projections, the next step in determining financial performance for a conference center (as opposed to a traditional hotel) is to determine package allocations. In a package, a fixed portion of the total income is reserved for operating departments. These departments are primarily Food & Beverage and Conference Services. The following allocation table (next page) projects a 2007 total allocation package consistent with industry standards. Thereafter a straight 3% inflationary rate was applied to each allocation category. Service charge is assumed to be 20%. CMP rates, however, were increased each year by a percentage equal to the anticipated changes in average market wide ADR as reported by Torto Wheaton Research, Inc.

Room rate is determined by subtracting the total allocation from the total CMP package. (i.e. A CMP rate of \$249.00 in 2007 will yield a room rate of \$129.00).

Projected ADR Increases in Market	
Year	% Change
2007	4.00%
2008	3.96%
2009	4.13%
2010	4.09%
Source: Torto Wheaton Research, Inc.	

Projected Package Allocations				
Category	2007	2008	2009	2010
Breakfast	\$ 14.00	\$ 14.55	\$ 15.13	\$ 15.75
Lunch	\$ 18.00	\$ 18.71	\$ 19.45	\$ 20.25
Dinner	\$ 30.00	\$ 31.19	\$ 32.42	\$ 33.75
Breaks	\$ 18.00	\$ 18.71	\$ 19.45	\$ 20.25
Gratuities	\$ 16.00	\$ 16.63	\$ 17.29	\$ 18.00
AV	\$ 7.00	\$ 7.28	\$ 7.57	\$ 7.88
Business Center	\$ 7.00	\$ 7.28	\$ 7.57	\$ 7.88
HSIA	\$ 3.00	\$ 3.12	\$ 3.24	\$ 3.38
Meeting Room Rental	\$ 7.00	\$ 7.28	\$ 7.57	\$ 7.88
<b>Total Allocation</b>	<b>\$ 120.00</b>	<b>\$ 124.76</b>	<b>\$ 129.70</b>	<b>\$ 135.01</b>

**Assumptions:**

- ▶ 20% Service Charge
- ▶ 3% increase each year

CMP Allocation	\$ 120.00	\$ 124.76	\$ 129.70	\$ 135.01
MMP Allocation	\$ 84.00	\$ 86.52	\$ 89.12	\$ 91.79
DMP Allocation	\$ 60.20	\$ 62.59	\$ 65.07	\$ 67.73

**Estimated Rates:**

CMP	\$ 299.00	\$ 310.97	\$ 323.29	\$ 336.52
MMP	\$ 279.00	\$ 287.37	\$ 295.99	\$ 304.87
DMP	\$ 129.00	\$ 132.87	\$ 136.86	\$ 140.96

**Revenue Yield:**

CMP Guest Room Rate Yield	\$ 179.00	\$ 186.21	\$ 193.59	\$ 201.51
MMP Guest Room Rate Yield	\$ 195.00	\$ 200.85	\$ 206.88	\$ 213.08
DMP Meeting Room Rental Yield	\$ 68.80	\$ 70.28	\$ 71.79	\$ 73.23

We based our DMP volume projections on our propriety industry data that yields one DMP for every two overnight packaged produced on property.

While DMP Volumes do not affect occupancy or ADR, they are an important product to forecast due to the significant impact they have on property revenues.

Year	DMP's
2007	0
2008	2906
2009	4151
2010	4982

**Note:** Year 1 CMP rates projected at \$299 are conservative to the \$350+ the competitive set is receiving for the same product.

## **5. Design Recommendations**

### **5.1. Overview**

As briefly discussed in section 2.2.3., the fundamental difference between a traditional hotel and a conference center is the primacy of conference business in determining the design of the meeting space. It is not designed to be multi-purpose, with maximum flexibility to accommodate any and all events. Instead, it is a **dedicated** meeting environment designed for the sole purpose of providing a successful meeting experience. Only by completely embracing this concept can a property realize its full potential as a specialized conference center.

### **5.1. Design Fundamentals**

In the ideal design, all of a property's conference rooms are all grouped together in a single contiguous area that is designed around meetings. In the case of the subject property, conference rooms are grouped together on three floors.

- Contiguous grouping of conference rooms affords guests easy movement between conference rooms and allows staff and physical resources to be concentrated efficiently.
- The conference center should be visually and physically separated from the hotel's primary living and leisure areas, allowing the conference center to have its own sense of place.
- It should also be shielded from high-traffic areas such as the front desk, restaurants and bars, and from outside distractions. This minimizes the blurring of work time and space with personal time and space, and supports focus and productivity.

The subject property, by design will have two distinct areas for meeting allowing for privacy among groups. This can be positioned as strength.

At the same time, the conference center should be readily accessible from the main entrance and main lobby, making it easy for guests to find and supporting social and other non-conference events that often draw large numbers of local participants. To allow for the best possible service and support for meetings and other events, the conference center should be adjacent to the public ballroom pre-function area, the back-of-house service corridor, storage areas, and catering facilities. Because conference rooms are available to clients on a 24-hour basis for the storage of materials, the conference center design must also provide for effective security.

For maximum productivity, meeting rooms should be free from extraneous noise from HVAC and mechanical systems, activities in adjacent rooms (including amplified sound), and traffic and conversations in the hallways. As a result, acoustics are critical in conference center design. Other important considerations include guest-friendly lighting controls (capable of supporting activities ranging from reading to

projection), guest-friendly temperature controls for each room, comfortable and functional furniture, and a full range of meeting support technology (from traditional audiovisual to computer-driven and Internet-based presentations).

## 5.2. Meeting Rooms Size and Types

For the purpose of determining fire and life safety specifications, most jurisdictions require occupancy calculations based on an allowance of around three-five square feet per person (standing room). The resulting capacities have little bearing on actual use, however. More realistic functional capacities are best estimated using per person allowances based on the most common space-intensive meeting sets.

Meeting Room Set Type	Space Required Per Person
IACC-Standard Executive Classroom	25 square feet
IACC-Standard U-Shape**	35 square feet
IACC-Standard Conference**	30 square feet
Theater (with Banquet Chairs)	10 square feet
Banquet (10/table, plated meal, no bars)	15 square feet
Standing Cocktail Reception	5 square feet

\*\* The space requirements for sets such as u-shapes, hollow squares and conference styles are not readily calculated on a per person basis, because their footprints vary widely with relative shape.

Meeting room sizes can be derived from these per person allowances. From a design perspective, meeting room capacity, as determined by anticipated business and property size, should be paramount. It is far better to first determine the desired capacities of the meeting rooms (and the mix of capacities) and then to size the rooms accordingly, rather than to determine the room size first and then calculate the capacities afterward. Two other meeting room types are sought after by conference center users.

### **Conference Call Rooms**

Complimentary conference call rooms are small common meeting spaces that are available on an impromptu basis for conferees needing to make a private phone call or have a brief meeting. Their use is typically coordinated by the Meeting Services (concierge) desk. These can either be the smallest of the breakout rooms included in the conference center design plan above or small (100 square feet) dedicated rooms. Each room should have data, phone and power connections and a high quality speakerphone.

### **Meeting Planner Offices**

Meeting planner offices are another sought after feature. They allow meeting planners to have a quiet, dedicated work area near the main meeting room for administrative work and material storage. Small breakout rooms are typically used for this purpose, and thus also should have data, phone and power connections.



### **5.3. Conference Dining**

While the conference center, with its thoughtfully designed and technologically advanced meeting rooms, is the primary reason that groups will choose the property, the meeting experience will not be complete, perhaps not even effective, without a well-conceived food and beverage program.

This is due to two fundamental attributes of conference centers. First, most guests are essentially on the same schedule for all three meal periods. Particularly at lunchtime, the conference dining room must accommodate a wave of guests as each group breaks, and the dining experience cannot take more than an hour because they need to get back to their meetings. Second, dining is not the primary purpose for their visit. Food and beverage is expected to play something of a supporting role, providing interest and a welcome break from the day's work, but not overshadowing it.

In a competitive conference center market, where many properties have full-featured meeting rooms, it is often the dining experience that sets one property apart from the others. And while dining may not be the central reason for a group's visit, it is likely to be the aspect of the attendees' stay that they remember best, and a strong motivator for return visits. The dining experience thus plays a critical role in a property's success, and cannot be overlooked.

#### **Main Dining Room**

Several needs must be balanced in creating the ideal conference dining environment. The dining area should create an ambiance of welcome and relaxation. It should be segregated easily for groups of varying sizes, such that all of the attendees from a group can dine together without overlapping with other groups, and the layout should promote easy interaction among the diners within each group. The room design must support quick and efficient service without creating a cafeteria-like impression. The room must be large enough to accommodate the entire normal capacity of the meeting rooms in two lunchtime seatings of one hour each. Finally, the room must offer visual interest and allow for enough day-to-day variation to satisfy guests who are likely to eat all three meals there over several consecutive days.

Although there is certainly room for innovation in this area, several common strategies have emerged to meet these various needs. The welcome and relaxing ambiance and the easy segregation of groups is generally accomplished by dividing the dining room into different areas through the use of plants, low walls, changes in floor level, and different ceiling heights. Easy group interaction is generally accomplished by incorporating a variety of table sizes, with fewer two-person tables than in a typical restaurant. The required service efficiency can really only be attained

by using a buffet or kiosk approach, although some properties use a table d'hôte model (buffet style first course and dessert, with a plated entrée) in the evenings. Finally, provision for changing decorative displays and flower arrangements can keep the room interesting throughout the stay.

Conference Dining Challenge	Design Solution
Welcoming and relaxing ambiance	Segmented room layout, walls, levels, plants
Easy segregation of groups	Segmented room layout, walls, levels, plants
Easy interaction within groups	Varied table sizes, with few two-tops
Quick and efficient service	Buffet or kiosk style service model
Space for all groups in two seatings	Designed around meeting room capacity
Visual interest over multiple days	Changing displays, decoration, flowers, etc.

### **Private Dining Rooms**

Small private dining rooms are often added to the conference dining room. Typically accommodating between eight to twenty diners, these rooms allow small groups to have private events or confidential dining meetings. Sometimes these groups utilize the buffet stations, but they may also request dedicated wait staff and perhaps even a different menu. Private dining rooms should have a special ambiance, with a higher quality of interior finish and furniture. If more than one private dining room is included in the design, and if they are not adjacent to the kitchen, they should share a small pantry or warming kitchen.

### **Conference Food Service**

Because most meals will be served buffet style, the design of the buffet stations or kiosks is critical to the success of the conference dining program. With only an hour or less to dine, speed and efficiency are critical to groups. The design of the buffet area must promote quick and easy guest access and circulation, typically achieved by using double-sided islands rather than buffet lines along the walls, and by breaking the buffet into several distinct components (typically a chef's action station, a hot or entrée kiosk, a cold salad/soup kiosk, and a dessert kiosk). Similarly, the staff must be able to quickly, easily and continuously clean, maintain and replenish the kiosks throughout meal periods.

### **Buffet Stations**

The chef's action station is a variant on the open-concept kitchen, although in this case comparatively little work is actually done there – usually only one or two items per meal period. At breakfast, this station might offer made-to-order omelets or waffles. At lunch, it might offer carved submarine sandwiches, fajitas or made-to-order pasta dishes. And at dinner, carved meats, specialty seafood items, or tapas-style dishes might be the choices. In all cases, however, the station serves to break

up the traffic flow, provide visual interest, and add a personal touch to an otherwise impersonal buffet.

The buffet itself must offer plenty of choices, and plenty of each choice, to satisfy the diverse tastes of diners. A double-sided island layout supports this objective, but must be designed logically, such that there is space for plates and bowls at the obvious entry points. The design must also allow placement of typical accompaniments next to primary items (bread and crackers next to soup, for example, or salad dressings at the end of the salad bar rather than the beginning). Labeling of items is essential on a buffet, both because chafing lids are generally kept closed to maintain heat and because many diners have allergies or specific dietary regimens. The buffet design should include provision for labeling that is both flexible and easy to keep clean.

The physical design of buffet kiosks should be similar in concept to that of refreshment break stations (with the exception of under-counter storage, which is neither convenient nor necessary). The top should be stone or a similar material and the cabinetry beneath should feature decorative millwork consistent with the overall design. Built-in tiers are sometimes included. To ensure that hot food stays hot and cold food stays cold, each station should include built-in service equipment. This includes inset steam trays with decorative covers for the hot kiosk, refrigerated displays and inset heated soup/cereal tureens for the salad/soup kiosk, and inset refrigeration and scoop bath for ice cream on the dessert kiosk. Power and drain requirements will vary with the equipment installed, and an additional 120v duplex outlet should be included on each station. Sneeze guards may or may not be dictated by local code, but are recommended throughout.

### **5.5. Subject Property Recommendations**

From a design standpoint, based on the preliminary drawings provided by Rabun Architects (Appendix 7.5), the subject property will have a spacious footprint providing fourteen individual meeting rooms, two of which can combine to form a large 3,000 SF space and another two of which can combine to form a second large 3,300 SF space. The current floor plan provides a dedicated sense of arrival into a reception area. The EMC provides a dedicated business center and technology space, small and medium sized breakouts and telephone rooms and two separate and distinct break areas. The symmetric nature of the floor plan will allow for two groups to utilize the space and still feel a sense of privacy. We believe this to be a benefit of the current design. The only item lacking in the current design is a space for staff and we expect the final design to have one less small breakout to accommodate this need. Other than this one concern, we believe that the current plan outlines a best use scenario.

Given the amount of meeting space available, the EMC will be able to support 95 guest rooms. The value to this space is that these guest rooms are additive to the guest rooms supported by the already existing non-EMC meeting space.

### Food and Beverage

The F&B Program is key element of the conference concept. The Cafe provides excellent venue for conference dining to deliver Breakfast, Lunch. Ideally, the property should be able to accommodate all meals in this one restaurant. Lunch is always the highest demand meal because all packages include lunch and virtually all (95%) of packaged guests will eat lunch. The table to the left estimates the average number of covers per day the Cafe can expect to serve based on a 365 day year. A conferee dining room with a minimum of 170 seats will be able to accommodate breakfast in one seating lunch demand comfortably in two seating (IACC standard), 95% of the time. Based on the size of the current restaurant and the ability to provide overflow in the Sports Bar, we do not anticipate any issues with seating conferees in two seatings.

Meal	2007	2008	2009	2010
<b>Transient Covers</b>				
Breakfast	100	108	113	116
Lunch	50	54	57	58
Dinner	46	50	52	54
<b>Package Covers</b>				
Breakfast	0	33	47	57
Lunch	0	50	71	85
Dinner	0	20	28	34
<b>Total Covers</b>				
Breakfast	100	141	160	173
Lunch	50	104	127	143
Dinner	46	70	80	88