



COMPREHENSIVE MARKET STUDY REPORT

**MARSHFIELD, WISCONSIN
NOVEMBER, 2014**

Management

Research

Marketing

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- EXHIBIT 5 - Location of the Four Subject Site Areas as well as the Location of Major Employers Located Right in Marshfield
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Exhibit 1 - Geographic Relationship of the Subject Market to the Central United States



Exhibit 2 - Geographic Relationship of the Subject Market to Greater Central Wisconsin Including the Neighboring States of Minnesota, Michigan, Illinois, Iowa and the Province of Ontario, Canada

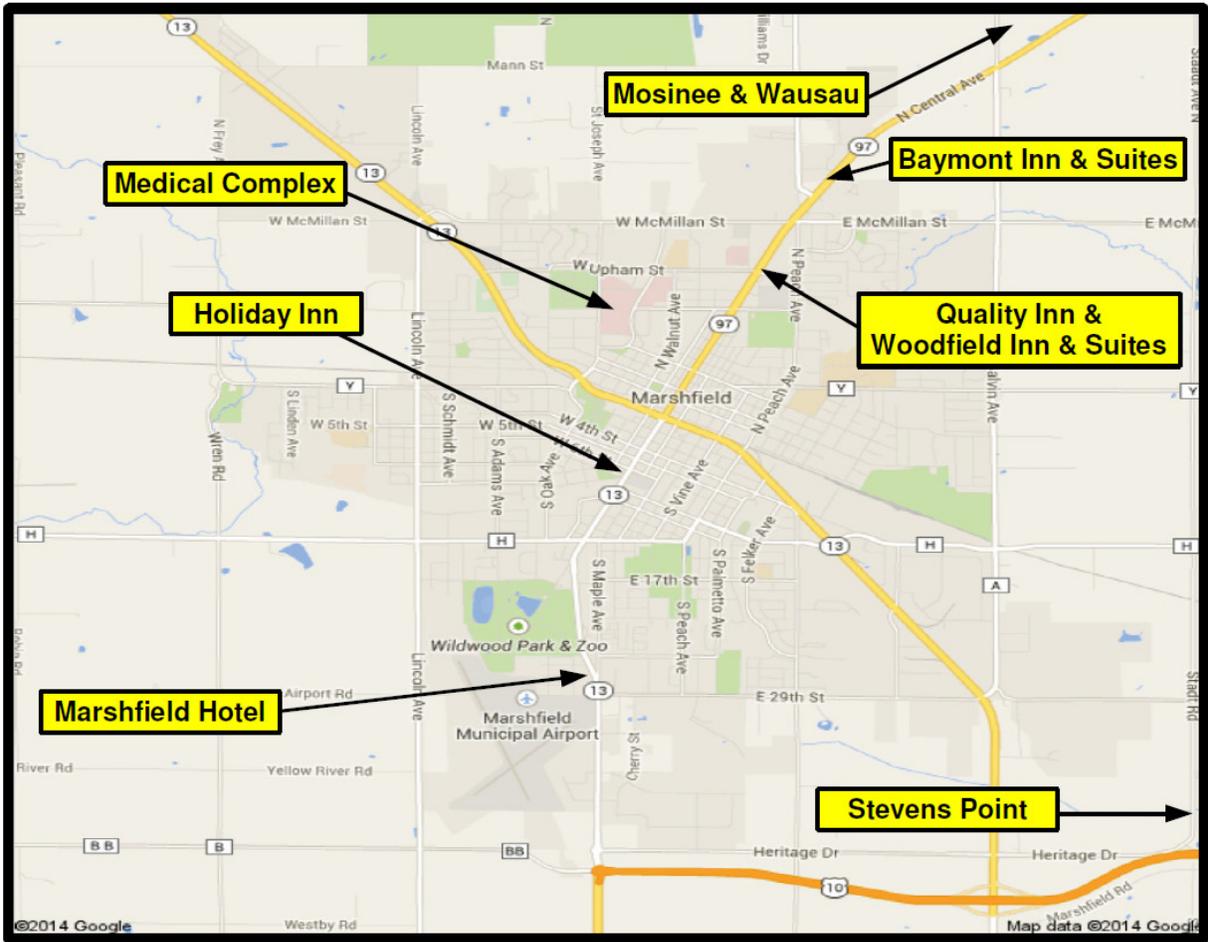


Exhibit 4 - Location of the Members of the Primary Competitive Set of Hotels Located in Marshfield and their Geographic Relationship to the Medical Complex

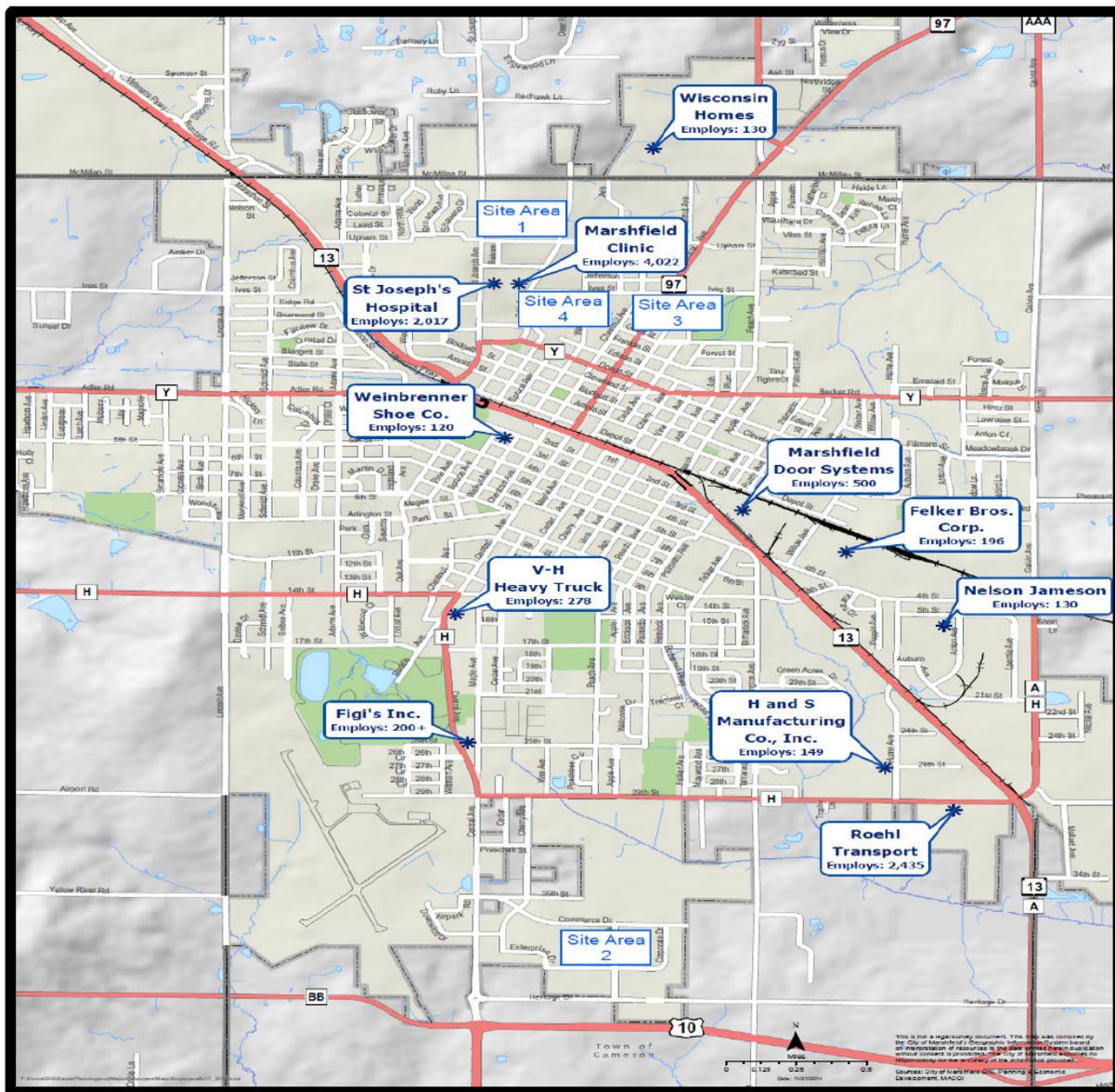


Exhibit 5 - Location of the Four Subject Site Areas as well as the Location of Major Employers Located Right in Marshfield



Exhibit 6 - Claritas Economic Radii Analyzed in this Report

INTRODUCTION/OBJECTIVE

Hospitality Marketers International, Inc., (HMI) has been engaged to provide this Comprehensive Hotel Market Study to determine the amount of support/demand there is in the greater Marshfield, Wisconsin market area for the development of a new limited-service style hotel. HMI has been engaged by Mr. Jason Angell, the Director of Planning & Economic Development for the City of Marshfield, to perform this market research. This report is the exclusive property of the City of Marshfield.

Four general subject site areas for the proposed hotel were identified during the field research phase of this report. They will be reviewed on an individual site basis in the *Site Analysis* section of this report. Their locations are indicated in Exhibit 5 of this report.

The research included in this report will support the Conclusions recommended regarding the style and size of the proposed hotel. This Comprehensive Market Study provides information concerning the greater Marshfield market, including potentially parts of Marathon and Wood Counties in Wisconsin, and the market factors that would affect the possible development of this proposed limited-service style hotel.

The focus of this report is on the amount of support/demand for developing a limited-service style hotel in the subject market. Discussions with Mr. Angell indicated that no specific brand, size or price category have been identified at this time. This report provides information regarding the subject market's ability to support a proposed limited-service style hotel as well as recommendations for its price category, franchise branding, and the suggested number of rooms.

HMI conducted comprehensive field research to determine the relationship between the subject market and the proposed hotel's Lodging Supply competitors and Lodging Demand generators. Economic indicators were reviewed to determine the stability and future growth of the general subject market area.

Multiple years of Occupancy, Average Daily Room Rate, and Sales Revenue projections for the proposed hotel were based upon a detailed review of the field research data. Facility recommendations as to product type, size, brand affiliation (if any), and amenities were based upon the Lodging Demand research for the proposed hotel. The research that was conducted included a macro- and micro-market analysis of the greater Marshfield market as well as potentially parts of Marathon and Wood Counties to determine the viability of this market to support the proposed hotel.

If, at any time, there are questions regarding this research, or if this report needs to provide specific information regarding this hotel development, HMI will be available to address the required information.

Mr. Jason Angell has engaged HMI to perform this Comprehensive Hotel Market Study. This report is the property of the City of Marshfield and any distribution, use or any other application of the Comprehensive Hotel Market Study must have its prior approval.

GENERAL MARKET DESCRIPTION

The subject market being reviewed, to determine the level of support/demand for additional lodging supply, currently anticipated to be for a mid-scale to upper mid-scale, limited-service style hotel, is the greater Marshfield, Wisconsin market area. This is located in both Wood and Marathon Counties in central Wisconsin. Marshfield is primarily located in the northwest corner of Wood County right on the border with Marathon County, with a small portion of it situated in Marathon county. It is located approximately thirty-five miles northwest of Stevens Point and forty miles southwest of Wausau. Additional information describing this subject market area follows:

GEOGRAPHIC LOCATION

- Marshfield is centrally situated in the State of Wisconsin. This is supported by Marshfield's location just seventeen miles north of Pittsville, Wisconsin where there is a plaque designating the center of the state. It is located approximately 190 miles northwest of Milwaukee, Wisconsin; approximately 125 miles west of Green Bay, Wisconsin and approximately 170 miles east of Minneapolis, Minnesota. See Exhibit 2 of this report for details.
- Marshfield is located at the intersection of WI Routes 13 & 97 with US Route 10. WI Routes 13 and 97 run north/south through the market area connecting to Bayfield to the north and Wisconsin Rapids and Wisconsin Dells to the South. US Route 10 traverses the market area east/west, connecting to I-39, Stevens Point and Appleton to the east and west to I-94 at Osseo and then on to St. Paul, Minnesota. See Exhibits 2 and 3 of this report for further details regarding the subject market's location.
- The closest airport with limited regularly scheduled passenger service is the Central Wisconsin Airport located in Mosinee, approximately thirty-two miles northeast of Marshfield. The next closest airports with a wider choice of scheduled passenger service are in Madison, approximately 140 miles south, and then either the Milwaukee or Minneapolis/St. Paul airports. Additional closer regional airports are located in Appleton and Green Bay.
- See Exhibit 2 and 3 of this report for further details regarding the subject market's location.

GENERAL MARKET CHARACTERISTICS

- Marshfield has received several accolades over the past few years including being ranked 14th in America, 3rd in the Midwest and 1st in Wisconsin as best cities to live in. Marshfield was also ranked as the 8th best “Dream City” in America. Bizjournals.com ranked Marshfield as “Best Place to Live in Wisconsin” and “Eighth Best Place to Live in America”. These accolades were earned based on factors including excellent health care, schools, supply of jobs, small town character, vitality and low cost of living.
- In the 2010 Census, the City of Marshfield had a reported population of 19,118, an increase of 1.70% from the 2000 Census number of 18,800. When comparing the 2014 projected population for a five-mile radius of downtown Marshfield including some farm land in both Wood and Marathon Counties to the 2000 population of 24,243 indicates a negligible decrease of (53) or (0.2%) over the fourteen year period.
- The 2010 Census reported that the population to be 94.8% Caucasian, 2.3% Asian, 0.7% African American and 2.2% Other.
- Discussions indicate that the population in Marshfield is aging. This was confirmed by 2010 Census data indicated 31.2% of the population in Marshfield was over 55 years, a 5.1% point increase or a 19.5% increase over the 2000 Census figure of 26.1% of the total population being over 55 years of age.
- Discussions with local officials indicated that the working population in the greater Marshfield market area are split between blue collar and white collar medical professionals, with this difference being greater within the city limits of Marshfield. This is evidenced by two of the major employers, both in healthcare, totaling 55.86% of the total employees of the top ten major employers. Also supporting this is that discussions indicated that the combined Marshfield Clinic and Ministry Saint Joseph’s Hospital medical complex has regional, national and international notoriety for the quality and specialty of their healthcare expertise.

EXHIBITS

The following exhibits describe the geographic location of the subject market and subject site.

- Exhibit 1 of this report shows the geographic relationship of the subject market to the central United States.
- Exhibit 2 of this report shows the geographic relationship of the subject market to greater central Wisconsin. Also included are the neighboring states of Minnesota, Michigan, Illinois, Iowa and the province of Ontario, Canada.
- Exhibit 3 of this report shows the geographic relationship of the Marshfield market area to central Wisconsin and the location of one member of the competitive set of hotels, as well as other Lodging Demand generators in this market area.
- Exhibit 4 of this report shows the location of the members of the Primary Competitive Set of Hotels located in Marshfield and their geographic relationship to the medical complex.
- Exhibit 5 of this report presents the location of the four subject site areas as well as the location of major employers located right in Marshfield.
- Exhibit 6 shows the Claritas economic radii analyzed in this report.

SITE ANALYSIS

This section of the report highlights the geographic location of the four different site areas that were identified during the field research as being considered for a potential hotel development. They are as follows in so specific order of preference:

- Site Area 1 is located on the north side of Upham Street approximately across from the Marshfield Clinic Lot B.
- Site Area 2 is located on the south side of Marshfield between Old Highway 10 or Heritage Drive and the four-lane US Route 10 east of Central Avenue South. This area is located immediately south of the Mill Creek Business Park.
- Site Area 3 is located on the east side of Central Avenue north in the southeast quadrant of the intersection of Central Avenue North and Ives Street.
- Site Area 4 is comprised of two separate sites that are adjacent to each other. They are located along Ives Street on the north side and on the south side across from each other and both in close proximity to the Marshfield Clinic East Wing.

See Exhibit 5 of this report for further details regarding the location of the subject site areas.

GENERAL SITE OVERVIEW

A general review of the four subject site areas revealed:

- Site Area 1: A physical inspection revealed approximately seven homes located on it right along the north side of Upham Street and then there is farm land behind the homes moving north away from Upham Street.
- Site Area 2: A physical inspection indicated that this area is vacant cleared land and basically flat. It is just south of the Mill Creek Business Park which discussions estimated to be 50% full.
- Site Area 3: A physical inspection revealed that the site is a vacant "L" shaped lot that previously had an apartment building located on it. It is situated between the existing Burger King on the corner of Ives Street and Central Avenue and an under-construction Dunkin Donuts.
- Site Area 4: A physical inspection indicated that this is the closest site area to the Marshfield Clinic. Also, it is located in a residential area with several homes located in it. Its proximity to the Marshfield Clinic East Wing would enable it to be connected via a skywalk.

LAND PREPARATION

A review of the *Land* at the four subject site areas revealed:

- Site Area 1: The land in this site area includes significant sloping downward from west to east and north to south resulting in the need for grading to level at least a section of it. Also, if the hotel development is located right on Upham Street, this would result in the need to acquire/demolish some of the homes located along it.
- Site Area 2: The land in this site area is basically flat, requiring minimal grading. There did not appear to be any buildings located in this site area that would require removal.
- Site Area 3: : The land in this site area was basically flat close to Central Avenue, however, there is a significant downward sloping in the back “half” (east side) of the site area resulting in potential grading needs. There are trees and bushes in the back or eastern portion of this site that may require removal. There are power lines that run across the back half of the site that may need to be relocated or at least addressed depending on how a proposed hotel building would be situated. Also, it appears that there may have been a building, possibly an apartment building, removed from this site area.
- Site Area 4: There are multiple homes located here that will need to be removed. Depending on which side of Ives Street would be chosen here, the north side is relative flat with a slight downward slope from west to east while the south side of Ives has a significant drop off east of Pine Avenue. Also, there is an existing building in the area in the southeast quadrant of the intersection of Ives Street and Pine Avenue.

Discussions with City of Marshfield officials indicated that all utilities, including municipal water, sewer, fire hydrants, storm sewers, sanitary sewers, gas, electric, telephone and Internet, are in place at all four of the subject site areas. This should be confirmed by the developer.

VISIBILITY

A review of the *Visibility* of the four subject site areas revealed:

- Site Area 1: This site area will have no *Visibility* to travelers arriving from any of the main entrance routes, US 10 and WI 97, into the greater Marshfield market area until they have arrived at this location. This results in an overall Fair *Visibility* rating. It will be visible to certain portions of the overall medical complex.
- Site Area 2: This site area will have great *Visibility* to travelers arriving on US Route 10 from the west. Those travelers arriving to Marshfield from the east on US Route 10 and on other routes previously discussed will have no visibility to a hotel located in this site area until arriving in its immediate area. Those doing business in the adjacent Mill Creek Business Park will have great *Visibility* of a hotel located here. Overall, this site area has a *Visibility* rating of Very Good.
- Site Area 3: This site area will have excellent *Visibility* to travelers arriving from the north via WI Route 97 as well as to travelers on Central Avenue North, the primary four-lane retail artery in the Greater Marshfield market area. Travelers arriving on US 10 and WI 13 will have great *Visibility* once they turn north onto Central Avenue, approximately ten blocks south of this site area. Overall, this site area has a *Visibility* rating of Excellent.
- Site Area 4: This site area will have no *Visibility* to travelers arriving from any of the main entrance routes into the greater Marshfield market area until they have arrived at this location. However, visitors to the Marshfield Clinic and St. Joseph's Hospital medical complex will have great *Visibility* of it if they are on the southeast side of the complex. Travelers Central Avenue North may have some partial visibility of a proposed hotel located here depending on its precise location and design. A taller three- or four-story building would assist in enabling this to occur. Overall, this site area has a *Visibility* rating of Excellent.

ACCESSIBILITY

A review of the *Accessibility* of the four subject site areas revealed:

- Site Area 1: *Accessibility* to this site area should be Good. It will be via Upham Street via Central Avenue North or WI Route 97, which then intersects with both US Route 10 and WI Route 13.
- Site Area 2: *Accessibility* to this site area should be Very Good. Those arriving via US Route 10, either from the east or the west, will have convenient access via the intersection of Central Avenue South with US Route 10 and via Old Highway 10.
- Site Area 3: *Accessibility* to this site area should be Excellent. Its location right on Central Avenue North, a four-lane commercial street with left turn lanes, will provide great access when arriving from any one of the major traffic routes previously discussed.
- Site Area 4: *Accessibility* to this site area should be Excellent. This site area is located right on Ives Street four blocks west of Central Avenue North. There are two potential sites within this site area and both should enable a convenient skywalk connection for a proposed hotel to the Marshfield Clinic East Wing building. This is the only site area that, from a practical standpoint, offers the ability to provide a skywalk connection between the medical complex and one of the proposed sites.

SUPPORT SERVICES

In the greater Marshfield market area, there is a variety of both retail and dining *Support Services*. They are primarily located along Central Avenue in the downtown area and along Central Avenue from 9th Street and Central Avenue South to McMillan Street on Central Avenue North, a distance of approximately two miles. A review of these in relation to the four subject site areas revealed:

- Site Area 1: This site area is situated approximately six blocks or less than a mile west on Upham Street from the north end of this area on Central Avenue North, warranting a Good rating.
- Site Area 2: This site area is located on the south side of Marshfield, approximately two miles south of this area, warranting a Fair rating.
- Site Area 3: This site area is located right on Central Avenue North adjacent to a Burger King, McDonald's, Dunkin Donuts and the Marshfield Mall, warranting an Excellent rating.
- Site Area 4: This site area is just four blocks from the same location on North Central Avenue as Site Area 3, warranting a Very Good rating.

Additional retail and restaurants located along Central Avenue North include Target, Office Max, Pizza Hut, Festival Foods, Applebee's, Menards, Wal-Mart Super Center, Dunham's and a Sears Hometown Store.

Recreational *Support Services* are numerous and will be discussed in detail later in this report, but briefly include trails for snowmobiling, hiking, biking and ATV's, golf and a zoo.

Overall, when considering the greater overall Marshfield market area, the *Support Services* appear to be Very Good.

ENVIRONMENTAL ISSUES

Due to the existence of the homes or other buildings on Site Areas 1 and 4, which as previously discussed will need to be removed, as well as some areas being used as cultivated farm land (Site Area 2 and a portion of Site Area 1), there appear to be possible *Environmental Issues* at some of the subject sites. The removal of these structures and the environmental impact will need to be researched.

Discussions with the city did not indicate that any site areas are considered to be in a flood zone.

These environmental elements are not within the scope of this Comprehensive Hotel Market Study report. They are presented as an observation of the four subject site areas and should be verified by a developer as to their relevance at the specific subject site area. It is recommended that a developer have a professional, independent environmental review completed along with a soil integrity test and any other testing that may be required.

COMPETITIVE POSITION

A review of the *Competitive Position* of the four subject site areas revealed:

- Site Area 1: This site area was rated as Good due to a combination of its ratings in the prior categories when compared to the existing competitive hotels located in Marshfield on Central Avenue.
- Site Area 2: This site area was rated as Good due to a combination of its ratings in the prior categories when compared to the existing competitive hotels located in Marshfield on Central Avenue.

- Site Area 3: This site area was rated as Very Good due to a combination of its ratings in the prior categories when compared to the existing competitive hotels located in Marshfield on Central Avenue and its location right on this same primary traffic route.
- Site Area 4: This site area was rated as Excellent due to a combination of its ratings in the prior categories when compared to the existing competitive hotels located in Marshfield on Central Avenue and it being the only site area that enables a skywalk connection to the medical complex.

The following chart summarizes the subject site where the proposed mid-scale, limited-service hotel will be located.

SUBJECT SITE EVALUATION				
CATEGORY	RATING			
	Site Area 1	Site Area 2	Site Area 3	Site Area 4
Visibility	Fair	Very Good	Excellent	Excellent
Accessibility	Good	Very Good	Excellent	Excellent
Land Prep	Good	Excellent	Good	Good
Environmental	Investigate	Investigate	Investigate	Investigate
Major Utilities	Excellent	Excellent	Excellent	Excellent
Zoning	Excellent	Excellent	Excellent	Excellent
Architectural Controls	Excellent	Excellent	Excellent	Excellent
Area Support Services	Good	Fair	Excellent	Excellent
Competitive Position	Good	Good	Very Good	Excellent
Overall	Good	Good	Very Good	Very Good
<i>Source: HMI</i>				

The above chart indicates Good and Very Good Overall ratings for the subject site areas. The Environmental sector is rated “Investigate” because it is beyond the scope of this report to evaluate the status of these issues. The Environmental sector includes water drainage/seepage, flood plain issues and any issues regarding the removal of the older existing buildings on the subject site. While discussions with city officials did not indicate any issues in these areas, a developer should confirm this. On a five-point scale, Site Area 1 earned a rating of 3.15, Site Area 2 earned a rating of 3.55 and both Site Areas 3 and 4 each earned ratings of 3.95. Sections in the chart requiring further investigation by the developer are given a 2.5 out of 5 rating until additional specific information is known. More information regarding these areas could result in a potentially higher Overall rating.

ECONOMIC OVERVIEW

This section of the report provides a composite analysis of the economic environment in which a proposed mid-priced, limited-service hotel would operate. It presents an overview of the economic stability of the subject market. This economic analysis does not conclusively determine how successful the proposed hotel will be in the greater Marshfield market area. However, it offers valuable insight into the economic stability and growth potential of the subject market. It will also directly affect the *Conclusions* formulated later in this report.

The economic health of the subject market can be important to the success of the proposed hotel. PKF Hospitality estimates that 80% of a hotel's operating performance is strongly influenced by the local market conditions. (*Hotel Management - July 15, 2013 - PKF "Budgeting for a Local Affair, So Understand Your Market" article*). Therefore, this section highlights several key components of the Marshfield market and the economic factors that drive this market.

A proposed mid-priced, limited-service hotel will draw Lodging Demand primarily from the greater Marshfield area, including portions of surrounding Wood and Marathon Counties. This resulted in a review of certain data based on 2-, 5- and 12-mile radii as well as, in certain circumstances, all of Wood County. This section will assist in understanding the economic stability of this market.

- Historically, the economy in this subject market is very seasonal, with a greater amount of activity occurring during the summer months.
- There is evidence of limited diversification in the workforce in the City of Marshfield with one industry sector, Health & Social Assistance, comprising 44.7% of the workforce. However, five different industry sectors comprise 82.2% of the workforce. The workforce in the City of Marshfield decreased by (0.2%) from 2006 to 2011, while the workforce in the predominantly surrounding Wood County increased by 0.1% for the same period.
- The subject market's economy appears to be stable, recovering slowly from the US recession of 2008 – 2010 with a slight improvement in unemployment through August, 2014 - 5.8% compared to August, 2013 at 6.1%.
- The subject market's economic base reflects both positive and negative results. Data for the three previously discussed radii indicates that the City of Marshfield is apparently experiencing slight decreases in population, but annual increases in household size and per capita income.

- The economic components found in the subject market are listed below.
 - Corporate/Commercial and Social/Leisure Transportation in the subject market is sufficient: While one primary interstate highway, I-39, traverses the area north/south approximately twenty miles east of Marshfield as well as US Route 10 that traverses the market area east/west connecting to I-39 to the east and to I-94 a further distance to the west.
 - Major industries include healthcare, transportation & warehousing, manufacturing and retail. Additionally, Marshfield is served by two major trucking firms.
 - The subject market offers a number of outdoor activities including hunting, hiking, biking, snowmobiling and skiing.
 - More of this economic impact will be described in the *Lodging Demand* section of this report along with details about these economic generators and additional Lodging Demand sources.
 - The Marshfield market area is seasonal with peak visitation in the summer when the weather is milder from vacationers/tourists as well as commercial/business visitors and patients and their families. These latter two market segments are available year-round. Also, there is some leisure business during the winter months due to the popularity of snowmobiling in the area.

GENERAL DEMOGRAPHIC and ECONOMIC CHARACTERISTICS

The following charts highlight the *General Demographics* used to study the economic stability of the subject market. They include key *Population* demographics and *Household Income* characteristics of the subject market area. Radii of 2, 5 and 12 miles from the subject site were analyzed. The 2-mile radius provides information about the more immediate City of Marshfield area and the larger 5- and 12-mile radii include all of the greater Marshfield market area and then portions of Wood and Marathon Counties. This is the area that surrounds Marshfield without going into the nearby market areas of Wausau to the northeast, Wisconsin Rapids to the south and Stevens Point to the southeast. All three cities have a significant number of lodging facilities. See Exhibit 5 of this report for additional details regarding these radii. The information in the following charts was derived from the Nielsen/Claritas *Household Trend 2014 Report*.

2-Mile Radius

The following chart lists the major economic demographics of the immediate market within a 2-mile radius of the downtown Marshfield.

GENERAL MARKET DEMOGRAPHICS							
Marshfield, Wisconsin							
RADIUS: 2 Mile							
	2000 CENSUS	2014 ESTIMATE	PERCENT CHANGE	ANNUAL PERCENT CHANGE	2019 PROJECTION	PERCENT CHANGE	ANNUAL PERCENT CHANGE
POPULATION	18,930	18,817	-0.6%	0.0%	18,762	-0.3%	-0.1%
HOUSEHOLDS	8,659	8,727	0.8%	0.1%	8,801	0.8%	0.2%
AVERAGE HOUSEHOLD SIZE	2.19	2.16			2.13		
AVERAGE HOUSEHOLD INCOME	\$51,531	\$57,650	11.9%	0.8%	\$61,928	7.4%	1.5%
MEDIAN HOUSEHOLD INCOME	\$38,547	\$42,160	9.4%	0.7%	\$44,837	6.3%	1.3%
AVERAGE PER CAPITA INCOME	\$23,571	\$26,737	13.4%	1.0%	\$29,050	8.6%	1.7%

Source: Claritas

- The subject market in this 2-mile radius had a slight decrease in *Population* from 2000 to estimated 2014. This decrease was negligible when looking at it on an average annual rate of change basis. Population is expected to continue to decrease at (0.1%) per year through 2019, slightly greater from the historic annual rate of decrease, which may be representative of the aging population.

- The number of *Households* increased from 2000 to the estimate in 2014 by an average annual growth rate of 0.1%. The rate of increase in the number of Households is projected to continue at a slightly improved rate over the historic annual rate through 2019 at an annual average rate of 0.2%. This is opposite the projected rate of decrease in population and may be supportive of the increase in the workforce discussed later in this report. This could indicate a younger, single population moving in that is increasing Households and is evidenced by smaller family size.
- The average *Family Size* is estimated at 2.16 people in 2014, down slightly from the 2000 Census at 2.19 people. This is projected to decrease slightly to 2.13 people in 2019. This decrease in family size could be an indication of an aging population in this market area or a younger population moving in.
- The *Per Capita Income* was estimated to have increased by an average annual rate of 1.0% from 2000 through 2014. This rate of growth is slightly higher than the growth rate for the 3.3% *Average Household Income* for the same period and slightly less than the growth rate of the *Median Household Income* for the same period at 4.5%.
- The estimated 2019 *Per Capita Income* is estimated to increase by an average annual rate of 3.7%. This compares to the estimated decreases of *Average Household Income* at (0.8%) and *Median Household Income* of (0.7%). The projected average annual future growth rates at 1.7%, 1.5% and 1.3%, respectively, are almost double the historic growth rates.

5-Mile Radius

The following chart lists the major economic demographics of the subject market within a 5-mile radius, including all of Marshfield and a small portion of Wood and Marathon Counties surrounding Marshfield.

GENERAL MARKET DEMOGRAPHICS							
Marshfield, Wisconsin							
RADIUS:	5 Miles						
	2000 CENSUS	2014 ESTIMATE	PERCENT CHANGE	ANNUAL PERCENT CHANGE	2019 PROJECTION	PERCENT CHANGE	ANNUAL PERCENT CHANGE
POPULATION	24,243	24,190	-0.2%	0.0%	24,215	0.1%	0.0%
HOUSEHOLDS	10,676	10,788	1.0%	0.1%	10,913	1.2%	0.2%
AVERAGE HOUSEHOLD SIZE	2.27	2.24			2.22		
AVERAGE HOUSEHOLD INCOME	\$53,834	\$61,336	13.9%	1.0%	\$66,276	8.1%	1.6%
MEDIAN HOUSEHOLD INCOME	\$40,995	\$45,151	10.1%	0.7%	\$48,235	6.8%	1.4%
AVERAGE PER CAPITA INCOME	\$23,707	\$27,354	15.4%	1.1%	\$29,869	9.2%	1.8%

Source: Claritas

- The subject market in this 5-mile radius of downtown Marshfield has a very slight decrease in *Population* from 2000 to estimated 2014 that is similar to that seen in the 2-mile radius. Through 2019, population is projected to improve slightly from the historic trend as well as to the 2-mile radius trend at a very slight increase for the five-year period of 0.1%.
- The number of *Households* increased from 2000 to the estimate in 2014 by a negligible rate on an average annual rate basis, slightly greater than that in the 3-mile radius. The actual number of *Households* is projected to increase through 2019 at an annual average rate of 0.2% up slightly from the historic average annual growth rate.
- The average *Family Size* is estimated at 2.24 people in 2014, down slightly from the 2000 Census number of 2.27 people. The projected average Family Size is projected to continue this slight rate of decrease through 2019 to a projected size of 2.22 people. This decrease in family size could be an indication of an aging population in this market area or a younger population moving in.
- The *Per Capita Income* was estimated to have increased at an average annual rate of 1.1% from 2000 through 2014. This rate of growth is slightly higher than the 1.0% and 0.7% respective growth rates for the *Average Household Income* and *Median Household Income* for the same period.
- During the five-year period from 2014 – 2019, the *Per Capita Income* is estimated to increase at an average annual rate of 1.8%. This compares to the estimated rate of increase of *Average Household Income* of 1.6% and *Median Household Income* of 1.4%. These consistent projected increasing rates of growth in these areas are most likely reflective of evolving population in these areas of both an aging population combined with an influx of younger white collar medical professionals.

12-Mile Radius

The following chart lists the major economic demographics of the subject City of Marshfield site including more of both Wood and Marathon Counties, which consists of more rural areas and smaller communities.

GENERAL MARKET DEMOGRAPHICS							
Marshfield, Wisconsin							
RADIUS: 12 Miles							
	2000 CENSUS	2014 ESTIMATE	PERCENT CHANGE	ANNUAL PERCENT CHANGE	2019 PROJECTION	PERCENT CHANGE	ANNUAL PERCENT CHANGE
POPULATION	40,142	40,115	-0.1%	0.0%	40,211	0.2%	0.0%
HOUSEHOLDS	16,641	16,831	1.1%	0.1%	17,039	1.2%	0.2%
AVERAGE HOUSEHOLD SIZE	2.41	2.38			2.36		
AVERAGE HOUSEHOLD INCOME	\$52,206	\$62,278	19.3%	1.4%	\$66,909	7.4%	1.5%
MEDIAN HOUSEHOLD INCOME	\$41,731	\$48,122	15.3%	1.1%	\$51,039	6.1%	1.2%
AVERAGE PER CAPITA INCOME	\$21,642	\$26,130	20.7%	1.5%	\$28,352	8.5%	1.7%

Source: Claritas

- The subject market within this 12-mile radius of downtown Marshfield has a similar very slight decrease in *Population* from 2000 to estimated 2014 as in both the 2- and 5-mile radii. Through 2019, population is projected to improve slightly from the historic trend as well as to the 2-mile radius trend at a very slight increase for the five-year period of 0.2%.
- The number of *Households* increased from 2000 to the estimate in 2014 by a negligible rate on an average annual rate basis, similar to both the two and five mile radii. The actual number of *Households* is projected to increase through 2019 at an annual average rate of 0.2% up slightly from the historic average annual growth rate.
- The average *Family Size* is estimated at 2.38 people in 2014, down slightly from the 2000 Census number of 2.41 people. This trend in decreasing size is estimated to continue at a projected 2.36 people in 2019.
- The *Per Capita Income* was estimated to have increased at an average annual rate of 1.5% from 2000 through 2014. This rate of growth is similar to the growth rates of *Average Household Income* of 1.4% and *Median Household Income* of 21.1% for the same period.

- During the five-year period from 2014 – 2019, the *Per Capita Income* is projected to increase at an average annual rate of 1.7%. This compares to the projected increase of *Average Household Income* or 1.5% and *Median Household Income* of 1.2%. The projected future increases in growth are slightly higher than the historic growth rates. Once again, the projected increasing rates of growth in these areas could be reflective of evolving population in these areas of both an aging population combined with an influx of younger white collar medical professionals.

POPULATION AND NUMBER OF HOUSEHOLDS – OVERALL OBSERVATIONS

The *Population* of the entire subject market area, including all three radii, experienced a slight average annual decrease from 2000 to 2014 of up to (0.1%). From 2014–2019, projections for all three radii reflected a slight improvement with average annual rates ranging from (0.1%) to 0.0% or flat. Additionally, the *Number of Households* indicated a projected slight average annual increase of 0.2% during this same five-year period along with a projected slight decrease in the size of the Households in all three radii. This could be reflective of several factors including the reported increased median age of the population discussed earlier in this report (in the City of Marshfield the percent of the population over 55 years increased by 19.5% from 2000 to 2010 per the US Census) that would then potentially increase the number of “empty nesters” as well as the influx of younger medical professionals relocating into the area.

HOUSEHOLD AND PER CAPITA INCOME – OVERALL OBSERVATIONS

The *Average and Median Household Incomes* and *Per Capita Incomes* were in a relatively narrow range of 0.7% to 1.5% for all three radii. These three income categories reflected a narrower range with an improvement at both the lower and top ends of the range over the historic patterns during the next five years through 2019, with projected average annual decreases ranging from (1.2%) to (1.8%). This may be reflective of the increased number of young professionals to the market area.

WORKFORCE CHARACTERISTICS

Workforce Characteristic data was available for not only the City of Marshfield but also both Wood and Marathon Counties. However, since the Marshfield workforce comprises just 51.8% of the total reported workforce in Wood County and since the other primary population/employment area, Wisconsin Rapids, is thirty-three miles south, just the City of Marshfield data will be reviewed here. Also, while Marshfield sits right on the border of Marathon County with a small portion of the city located in Marathon County, most of the neighboring portions of Marathon County are rural in nature. Also, the significant amount of the workforce in Marathon County is located in the greater Wausau market area, well outside of the subject City of Marshfield market area, resulting in Marathon County data not being reviewed here.

Data is provided in the following chart, highlighting the distribution of the labor force within the subject Marshfield market area. This will assist in analyzing the diversity of this market's employment base. The top three employment industries are highlighted in bold and yellow. The additional industries in bold blue make up the top five industries in this market area. The three industries showing the highest employment gains and losses from 2006 to 2011 are highlighted in bold blue and bold red in the far right column.

EMPLOYMENT BY INDUSTRY					
City of Marshfield, Wisconsin					
TYPE OF EMPLOYMENT	NUMBER OF PERSONS EMPLOYED 2006	PERCENT OF PERSONS EMPLOYED 2006	NUMBER OF PERSONS EMPLOYED 2011	PERCENT OF PERSONS EMPLOYED 2011	PERCENT CHANGE 2006 - 2011
Agriculture, Forestry, Fishing & Hunting	13	0.1%	20	0.1%	53.8%
Mining, Quarrying, & Oil and Gas Extraction	0	0.0%	0	0.0%	0.0%
Utilities	48	0.2%	53	0.2%	10.4%
Construction	640	2.8%	568	2.5%	-11.3%
Manufacturing	3,175	13.9%	2,310	10.1%	-27.2%
Wholesale Trade	648	2.8%	555	2.4%	-14.4%
Retail Trade	2,169	9.5%	2,514	11.0%	15.9%
Transportation and Warehousing	2,327	10.2%	2,677	11.7%	15.0%
Information	204	0.9%	214	0.9%	4.9%
Finance and Insurance	325	1.4%	400	1.8%	23.1%
Real Estate, Rental & Leasing	117	0.5%	108	0.5%	-7.7%
Services	13,205	57.7%	13,415	58.8%	1.6%
- Professional, Scientific & Technical Services	310	1.4%	269	1.2%	-13.2%
- Management of Companies and Enterprises	12	0.1%	12	0.1%	0.0%
- Administrative and Support and Waste Management and Remediation Services	222	1.0%	352	1.5%	58.6%
- Educational Services	616	2.7%	627	2.7%	1.8%
- Health and Social Assistance	10,023	43.8%	10,201	44.7%	1.8%
- Arts, Entertainment & Recreation	69	0.3%	48	0.2%	-30.4%
- Accommodation & Food Services	1,218	5.3%	1,068	4.7%	-12.3%
- Other Services	447	2.0%	509	2.2%	13.9%
- Public Administration	288	1.3%	329	1.4%	14.2%
TOTAL	22,871	100.0%	22,834	100.0%	-0.2%

Source: U.S. Census

The top three industries in 2011 (Health & Social Assistance, Transportation & Warehousing and Retail Trade) generated 67.4% of the total employment base. In 2006, the same top three industries generated 63.5% of the employment base. Therefore, when comparing 2011 to 2006 for these three industries, there is a slight increase in the amount generated by them, reducing the diversity in the subject market. Ideally, the top three industries should represent less than 50% of the employment to show good diversity. In this market, the top three industries exceeded the 50% threshold in 2011 by 17.4% points or 34.8%. This indicates that the subject market has a definite reliance on these three industries to support its economy, especially the Healthcare sector.

The subject market's top three employment industries in 2011 were Health & Social Assistance at 44.7%, Transportation & Warehousing at 11.7%, and Retail Trade at 11.0%. In 2006, the top three industries were the same: Health & Social Assistance at 43.8%, Transportation & Warehousing at 10.2%, and Retail Trade at 9.5%. This indicates a slight increase in the reliance on these same three industry sectors from 2006 to 2011.

The fourth major industry in 2011 was Manufacturing in both 2011 at 10.1% and 2006 at 13.9%. Adding this industry sector to the top three industries results in the top four industries totaling 77.5% in 2011 and 77.4% in 2006. Typically a total of 60.0% or less indicates very good diversity in the workforce of a market area.

Adding the fifth major industry, Accommodation & Food Services at 4.7% in 2011 and 5.3% in 2006 results in totals of the five major industry groups of 82.2% in 2011 and 82.7% in 2006. At 82.2% and 82.7% for the top five industry groups, they are well above the 65% - 70% range which indicates limited diversity in the market for industry and employment distribution.

From 2006 to 2011, this market showed growth in eleven employment categories. These are highlighted in Blue. The leading industries gaining employment are in bold. There were seven industries that lost employment. These are highlighted in Red. Two industry sectors remained the same. Overall, the subject market has shown a decrease of (0.2%) or (0.04%) per year in employment from 2006 to 2011.

It should be noted that 2006 to 2011 encompassed the recent national recession. The ability of this subject market to minimize its decrease in employment to such a low level during this time period is an indication of the modest strength in this market's economy. During this time, Unemployment Rates in Marshfield and Wood County ranged from 5.3% - 8.9%, slightly above the national average. This will be reviewed in greater detail in the following section.

The highest percentage of increase, at 58.6%, occurred in the Administrative and Support sector, the ninth smallest sector in 2011. Agriculture had the second largest increase at 53.8%. Then ten different sectors experienced increases over the five-year period ranging from 1.6% - 23.1%. Six of these sectors experienced growth in the double-digit range. This level of increase in seven different industry sectors indicates that there is a level of growing/improving diversity in this market, despite the dominance of the one sector, Health & Social Assistance. The largest decrease occurred in the sector with the third fewest employees, Arts & Entertainment.

UNEMPLOYMENT RATES

Data was available for the City of Marshfield as well as both Wood and Marathon Counties. Therefore, the chart below presents a comparison of the *Unemployment Rates* for Marshfield, Wood and Marathon Counties and the State of Wisconsin:

HISTORICAL UNEMPLOYMENT RATES				
YEAR	STATE OF WISCONSIN	MARATHON COUNTY	WOOD COUNTY	CITY OF MARSHFIELD
2014-YTD (April)	6.1%	5.9%	6.7%	5.8%
2013-YTD (April)	7.1%	7.2%	7.5%	6.1%
2013	6.7%	6.7%	7.0%	6.9%
2012	6.9%	7.2%	7.1%	7.2%
2011	7.5%	7.6%	7.7%	7.8%
2010	8.5%	9.0%	8.7%	8.7%
2009	8.7%	8.9%	8.9%	8.8%
2008	4.8%	4.5%	5.4%	5.4%
2007	4.8%	4.3%	5.2%	5.2%
2006	4.7%	4.3%	5.3%	5.3%
2005	4.8%	4.2%	5.7%	5.7%
2004	5.0%	4.4%	5.8%	5.8%

Source: U.S. Bureau of Labor Statistics, city-data.com

The 2013 year-end *Unemployment Rate* for the City of Marshfield was 6.9% while Wood and Marathon Counties achieved rates of 7.0% and 6.7%, respectively. Except for Marathon County, where the rate equaled the State of Wisconsin, the City of Marshfield and Wood County both achieved rates slightly above the State of Wisconsin. The 2014 year-to-date data covers the first four months of the year. As can be seen for the same period, in 2014 the City of Marshfield is 4.9% less than the same period in 2013. This would indicate that the projected 2014 year-end results could be as low as 6.6%, the lowest rate for the city since 2008 at the very beginning of the recent recession. The City of Marshfield and Wood County both appear to annually experience a slightly higher rate of unemployment than the state, most likely due to the seasonal nature of this market area.

Over the past ten years, *Unemployment Rates* have averaged 6.7% in the City of Marshfield and 6.6% in Wood County, slightly higher than the State of Wisconsin's ten-year average rate of 6.0%.

All of these numbers are significantly higher than the US averages, especially in recent years. They are performing currently (and on average) above the maximized employment rate considered by economists to be between 4% and 5%. This indicates the probable availability of labor in the subject market area.

LABOR SUPPLY and WAGES

At this time, no Labor Supply problems were reported in any employment sector in the subject market. With Unemployment running above average, the labor supply should be adequate. This will include the Service sector and other related industries.

Local officials did not note any wage pressures at this time. The current and historic Unemployment Rates in the subject market do not indicate any competitive wage pressure in the near future. While the relatively high, but improving, unemployment numbers denote the availability of labor, the seasonality of this market as reinforced by local officials could indicate some potential shortage of labor during the peak summer months of April - October.

TRANSPORTATION

The *Transportation* opportunities for this part of the central Wisconsin market area, while being somewhat limited, are adequate. Interstate 39 is located approximately twenty-six miles via four-lane divided US 10 east of Marshfield. It traverses the center of the state north/south from Beloit on the Illinois border north through Madison to Wausau. Additionally, Interstate 94 is located approximately fifty miles west of Marshfield via two-lane US 10. Marshfield also has convenient access via WI Route 13 north approximately twenty miles to four-lane WI Route 29, which connects from Eau Claire and I-94 east to Wausau and on to Green Bay.

Highway Traffic

The following chart highlights traffic counts in the subject site area. See Exhibits 3 and 4 of this report for the proposed site's geographic relationship to these traffic arteries.

TRAFFIC COUNTS Marshfield, Wisconsin			
LOCATION	YEAR	COUNT	CHANGE
On US Route 10 - East of WI Route 13	2014*	8,400	7.7%
	2011	7,800	16.4%
	2009	6,700	--
On US Route 10 - West of Business 13	2014*	6,500	-28.6%
	2011	9,100	49.2%
	2009	6,100	--
On WI Route 13 - North of US Route 10	2014*	11,200	34.9%
	2011	8,300	6.4%
	2008	7,800	--
Route 97 (N. Central Avenue) - North of E. Ives Street	2014*	16,300	10.1%
	2011	14,800	10.4%
	2008	13,400	--
- South of E. Ives Street	2014*	15,200	2.0%
	2011	14,900	12.0%
	2008	13,300	--
* Denotes Preliminary AADT counts			
Source: WI Department of Transportation			

All of the area traffic counts in the previous chart are positive except for one, on US 10 west of WI 13. Discussions with local officials indicated that the spike in traffic volume on US 10 West of Business 13 could have been due to a bridge closure on a different route that redirected traffic to this area, causing the significant increase in 2011. The US Route 10 and WI Route 13 both represent traffic entering the Marshfield area from the east or Stevens Point and I-39. The Route 97 counts are in the market area around Site Area 3 discussed previously in this report and just blocks from Site Area 4. Route 97 is also part of the most direct route into Marshfield from the Central Wisconsin Airport located in Mosinee, approximately thirty miles northeast of Marshfield.

Air Service

The closest airport with regularly scheduled passenger traffic to Marshfield is the Central Wisconsin Airport in Mosinee, approximately thirty miles northeast of Marshfield. Discussions with local officials indicated that this airport is the primary airport. Also, due to its proximity to several quality midscale to upper midscale hotels in Wausau, many visitors to Marshfield using this airport choose to stay in the hotels located in the Wausau area. The next closest airports with a greater selection of commercial air service are Madison and then Milwaukee or Minneapolis/St. Paul.

ECONOMIC CONCLUSIONS

The data for the City of Marshfield and parts of Wood and Marathon Counties indicated that the historic trend of slightly decreasing Population is projected to level off to a very slight increase in all three radii over the next five years. Household and per capita incomes reflected modest increases historically with similar to slightly improved increases projected for the same five-year period. The distribution of existing employment in the greater Marshfield area is dominated by Health & Social Services followed by Transportation & Warehousing, Retail Sales and Manufacturing. This indicates limited diversity in the workforce in the City of Marshfield with the top five industry sectors totaling 82.2% of the workforce. Labor Supply in the subject market was reported to be available with the modest levels of Unemployment in Marshfield at 6.9%, Wood County at 7.0% and Marathon County at 6.7% in 2013.

LODGING DEMAND

This section of the report identifies Lodging Demand sources for the proposed hotel. Exhibit 3 of this report shows the primary market area that will be serviced by the proposed hotel on a year-round basis. This research supports the recommendations provided in the *Conclusions* for the development of a mid-scale, limited-service style hotel.

MARKET SEGMENTATION

The first category to be identified in describing the Lodging Demand Potential for the subject market area is the *Market Segmentation* that exists in this area. The following chart highlights the Market Segmentation projections for the proposed hotel. This estimate of Market Segmentation supports the recommendations for development of a mid-scale, limited-service style hotel provided in the *Conclusions* section of this report.

MARKET SEGMENTATION					
	SUBJECT MARKET PROBABLE PERCENT OF MARKET	RANGE	PROPOSED PROPERTY PROBABLE MARKET	MARKET PENET.	RANGE
Individual Travel Markets	70.0%	67.5%-72.5%	85.0%	121.4%	80.5%-87.5%
Corporate/Commercial	45.0%	42% - 47%	45.0%	100.0%	40% - 47%
Social/Leisure	25.0%	22% - 27%	40.0%	160.0%	35% - 42%
Group Markets	30.0%	27.5%-32.5%	15.0%	50.0%	12.5%-17.5%
Business Related	10.0%	8% - 13%	5.0%	50.0%	2% - 7%
Social/Leisure Related	20.0%	18% - 23%	10.0%	50.0%	8% - 13%
TOTAL	100.0%		100.0%		
<i>Source: HMI</i>					

The *Market Segmentation* for the overall Marshfield market area also includes parts of greater Wood and Marathon Counties. It is split 55% Corporate/Commercial and 45% Social/Leisure.

The four subject site areas are located within the City of Marshfield, with three of them being situated in relative close proximity to the Marshfield Clinic and the medical complex known as Ministry Saint Joseph’s Hospital. Therefore, a new hotel on one of these three sites (Site Areas 1, 3 and 4) would focus primarily on the Lodging Demand being generated by the medical complex. A new hotel situated on Site Area 2 would also attract some of this Lodging Demand, but not to the extent as the other three site areas.

Thus, the *Market Segmentation* for the proposed hotel (shown in the chart above) is anticipated to differ slightly from the Market Segmentation of the overall Marshfield market with a greater emphasis on the medical complex generated Lodging Demand which is the Individual segment.

- The subject limited-service hotel will generate an estimated 50.0% of its Lodging Demand from the Corporate/Commercial market segment. This is slightly less than the estimated 55.0% that the greater market area is anticipated to generate. This estimated 50% Lodging Demand is comprised of 45% Individual demand and 5% Group demand. The relatively low Group Corporate/Commercial Demand believed to be in the subject market area and at the proposed hotel is due to the lack of significant meeting space in the Marshfield market area. This will be discussed later in this report.
- The subject hotel will generate an estimated 50.0% of its Lodging Demand from the Social/Leisure market segment. This is slightly higher than the overall market area and is due primarily to the anticipated use of the subject hotel by patients utilizing the medical complex, the size of the hotel, and the lack of significant meeting space currently in this market.

MARKET SEGMENTATION PROFILES

To further define the Market Segmentation of the area, preliminary profiles for each Market Segment were defined. The following outline provides *Market Segmentation Profiles* that correspond with the subject hotel's projected Market Segmentation. Again, these Market Segmentation Profiles will support the development of a mid-scale, limited-service style hotel that is recommended in the *Conclusions* section of this report. The ratings in the chart below indicate the likelihood of Lodging Demand originating from the various market segments, but in no way indicates the volume of Lodging Demand that will be generated by these segments.

MARKET SEGMENTATION PROFILES		
	Demand Potential	
	Transient = T Extended= E Group= G	Subject Property Potential
Social/Leisure Markets		
Visiting Friends & Relatives	T, E	Very Good
Area Sites & General Tourism		
Juristic Park	T	Good
Marshfield Fairgrounds	T,E	Very Good
Marshfield Clinic-Ministry Saint Joseph's Hospital -Patients/Families	T,E	Excellent
Area Events		
Central Wisconsin State Fair	T,E	Excellent
Annual Wisconsin Fur Trappers Rendevous-51st in 2014	T	Good
Small Town Baseball World Series	T,G	Very Good
Annual Maple Fall Fest	T	Good
Guernsey, Quarter Horse and Appaloosa Horse Shows	T	Good
Area Recreation- (Hunting, Snowmobiling, Hiking, Biking, skiing, etc.)	T,E	Good
Weddings	T,G	Very Good
Reunions	T,G	Good
Other	T	Good
Amateur Youth Sports		
Regional Basketball tournaments	T,G	Good
Small Town Baseball Tournaments	T,G	Excellent
	Potential	Very Good
Corporate/Commercial Markets		
Agriculture	T	Good
Mining, Quarrying and Oil & Gas Extraction	N/A	N/A
Utilities	T, E	Good
Construction	T	Good
Manufacturing	T,E	Very Good
Wholesale Trade	T	Fair
Retail Trade	T	Good
Transportation and Warehousing	T,E	Very Good
Information	N/A	N/A
Finance, Insurance and Real Estate	T	Good
Real Estate, Rental & Leasing	N/A	N/A
Services		
Professional, Scientific & Technical	T,E	Good
Management of Companies and Enterprises	N/A	N/A
Administrative, Support, Waste Management and Remediation	T	Good
Educational	T	Fair
Health and Social Assistance	T,E,G	Excellent
Arts, Entertainment & Recreation	T,G	Fair
Accommodation & Food Services	T	Good
Other	T	Good
Public Administration	T	Good
	Potential	Good
	Overall Potential	Good
<i>Source: HMI</i>		

As indicated above, the subject market appears to have some diversification in Lodging Demand since it is generated by both the Corporate/Commercial and Social/Leisure Market Segments. The chart denotes the extensive number of Lodging Demand sources identified during the research phase of this report that are believed to be currently generating good or better Lodging Demand. These Lodging

Demand sources relate to the overall subject market. The proposed hotel will have the potential to develop Lodging Demand from all of these sources. Some will be more productive than others for the subject hotel.

It should be noted here that the results in the chart above are based on the average overall demand generation from the location of all four subject sites previously discussed. If, for instance, the subject hotel is developed on Site Area 4, which would enable a skywalk connection to the medical complex, then it would be the only such hotel with this amenity and most likely be the first choice of those calling on the medical complex, be they patients, families of patients, medical professionals, service technicians, etc. This would most likely improve the overall rating of the demand potential from Good to Very Good or Excellent.

Overall Market Characteristics

In the above chart, the Social/Leisure market segment was identified as having a Very Good rating while the Corporate/Commercial segment was identified with a Good rating. Overall, the subject market's Lodging Demand is rated Good.

- In regard to the ratings, the Social/Leisure market segment has an above average Good rating. It is rated on a 5-point scale at 3.63 to an average rating of 2.5, or a strong Good, yielding 145.2%.
- The Corporate/Commercial market segment is rated on a 5-point scale as a modest Good. It is rated 3.13 to an average rating of 2.5, yielding 125.2% to an average rating.
- Overall, this subject market is rated Very Good. This rating is 3.38 to the average Good rating of 2.5, yielding 135.3% to an average rating.

The Lodging Demand for the proposed limited-service hotel will come from multiple sources. These sources are discussed below.

Social/Leisure Profiles

On an Individual traveler basis, the Very Good and Excellent categories in the previous Market Segmentation chart are discussed below in further detail.

- 1) Visitors/tourists are drawn to the Marshfield, central Wisconsin market area for:
 - (a) The combined Marshfield Clinic and Ministry Saint Joseph's Hospital creates one large medical complex which attracts patients on a statewide, regional, national and international basis.
 - (i) Featured specialties included cancer care, orthopedics and cardiology.
 - (ii) Discussions indicated that patients and families of patients are in need of a place to stay when utilizing the services/facilities.
 - (b) The Marshfield Fairgrounds hosts numerous events throughout the year including but not limited to:
 - (i) The Central Wisconsin State Fair
 - (ii) The Wisconsin State Guernsey Horse Show
 - (iii) The Liberty Classic Quarter Horse Show
 - (iv) The Marshfield Area Kennel Club Show – on the national circuit
 - (v) The Wisconsin State Appaloosa Show
 - (vi) 51st Annual Wisconsin Fur Trappers State Rendezvous
 - (c) Youth sports, especially "Small Town Baseball" draws competing teams on a regional basis over three different weekends in June. In 2014, the Small Town World Series was hosted in Marshfield.
 - (d) Visiting families and friends of local residents return for weddings, reunions, other special occasions, and local events for SMERF (Social, Military, Educational, Religious & Fraternal) type group events that were reported to occur on a regular basis.

Corporate/Commercial Profiles

Corporate/Commercial Lodging Demand, having the modestly above average rating, led by the Health & Social Assistance, the by far largest employment sector in Marshfield as well as in Wood County and a combined Wood and Marathon County data. It was the only industry sector rated Excellent. The only industry sectors in the City of Marshfield rated as Very Good were Manufacturing and Transportation and Warehousing, the fourth and second highest employment sectors in the city as shown in the previous chart.

All of these industry segments will bring Individual business travelers to this market as suppliers, vendors, technicians, and corporate representatives. These Lodging Demand Sources, as major employers in the subject market, are included in the following chart.

MAJOR EMPLOYERS Marshfield, Wisconsin		
COMPANY	SERVICE OR PRODUCT	TOTAL EMPLOYEES
Marshfield Clinic	Healthcare	4,022
Roehl Transport, Inc.	Transportation - Trucking	2,435
Ministry St. Joseph's Hospital	Acute Care Hospital	2,017
Marshfield DoorSystems, Inc.	Manufacturing - Woods Doors	500
A&B Process Systems Corp. (Stratford, WI)	Manufacturing - Process Flow Systems	434
de Boer, Inc. (Spencer, WI)	Transportation - Trucking	385
Land O' Lakes (Spencer, WI)	Processed Cheese	343
V&H Heavy Trucks, Inc.	Truck Sales & Service	278
Figi's, Inc.	Mail-Order Cheese, Sausage & Gifts	200+
Felker Bros. Corp.	Manufacturing - Stainless Steel	196
H&S Manufacturing Co., Inc.	Manufacturing - Farm Equipment	149
Wisconsin Homes	Manufactured Housing	130
Nelson Jameson	Distribution of Equipment & Supplies	130
Weinbrenner Shoe Co.	Manufacturing - Shoes/Outdoor Footwear	120

Source: Marshfield Chamber of Commerce - 2014 Economic Profile

All but two of the employers in the chart above are located in the City of Marshfield, confirming the number of available major employers in relative close proximity to the proposed hotel's location in Marshfield. The fact that two of the top three employers are in Healthcare at basically the same location with 54.8% of the total employees in the chart reinforces the strength of locating a proposed hotel at either Sites 4 or 3 and then possibly Site 2 as shown in the previous *Site Analysis* section of this report.

Discussions with local officials/employers provided the following Lodging Demand information that supports the Excellent or Very Good ratings in the Corporate/Commercial area:

- 1) Types of Lodging Demand generated by the medical complex includes:
 - a) Orientation of new medical professionals/employees – up to 3 days
 - b) Training of new medical professionals/employees – up to 1 – 2 weeks
 - c) Interviews for new medical professionals – doctors, nurses and technicians
 - d) Contractors in to perform work such as equipment maintenance or service
 - e) Consultants and sales people
 - f) Relocations of new hires. Discussions indicated a shortage of apartments in the Marshfield area.
- 2) Contractors for construction projects. Discussions indicated that local contractors historically have been too expensive, thus contractors from Green Bay or other areas win projects bringing in more reasonably priced labor. There are generally here for a longer period of time.
- 3) Discussions indicated that there is a significant amount of driver training going on at one of the major employers in the Transportation field requiring housing for an estimated week or two. This is thought to be lower rated business and was not confirmed.

Other Lodging Demand Profiles

Discussions with local officials indicated the following potential additional sources of Lodging Demand for the proposed hotel in Marshfield:

- 1) External auditors, bank examiners, compliance officers, consultants and salesmen.
- 2) One “smaller” employer not in the previous chart indicated that they have at least one person in per week through the year for two nights.
- 3) Currently consultants fly in/out of the Central Wisconsin Airport in Mosinee and stay in the Wausau area due to the wider variety of restaurants and other support activities located there.

SEASONALITY OF LODGING DEMAND

Seasonality of Lodging Demand was reviewed for the subject market area. This seasonality analysis was based upon the competitive set of hotels which included most of the economy, mid-scale and upper-midscale limited-service style hotel properties reporting to Smith Travel Research within a twenty-one mile radius of Marshfield. Only the economy rated Roadway Inn in Abbotsford, at nineteen miles, was excluded due to its location as well as not being indicated by local officials as being a potential competitor to the subject hotel. This analysis indicates the subject market’s potential to attract Lodging Demand during various seasons. It will help determine the strengths and weaknesses of the subject hotel during its operational year.

The following chart shows the most current information regarding deviation from total Lodging Demand, Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR) for the competitive hotel set identified for the proposed subject hotel. This will be discussed in greater detail later in this report.

SEASONALITY OF LODGING DEMAND			
Deviation From Average Monthly Demand			
MONTH	DEMAND	ADR	REVPAR
January	87.7%	97.6%	81.2%
February	85.4%	99.0%	<i>93.0%</i>
March	96.0%	97.1%	92.6%
April	90.8%	101.8%	<i>94.9%</i>
May	98.6%	101.3%	<i>99.2%</i>
June	108.9%	102.9%	115.0%
July	119.4%	104.5%	124.0%
August	114.6%	106.5%	115.9%
September	106.5%	103.1%	108.5%
October	108.7%	101.3%	<i>105.3%</i>
November	89.6%	98.5%	87.2%
December	83.5%	98.5%	78.7%
<i>ITALICS = RevPAR Exceeds at Least One Factor</i>			
BOLD = RevPAR Exceeds Both Factors			
<i>Source: Smith Travel Research and HMI</i>			

The greatest deviations from the average monthly Lodging Demand are 119.4% in July, 114.6% in August, 108.9% in June, 108.7% in October and 106.5% in September. This shows that five months exceed the average monthly demand for the subject market area and are above average. The next largest deviation from the average monthly Lodging Demand occurs in May at 98.6% and March at 96.0%.

A review of the subject market's Seasonality of Lodging Demand for the past six years (2008 – 2014) denotes that patterns are strong. There is significant strength from March through October with a peak in the middle of this five month period.

- The strongest month is July with 10.0% of the annual Lodging Demand, followed by August with 9.6% with June and October both at 9.1%.
- The strongest quarter includes June, July and August at 28.6% of the average annual Lodging Demand. This is slightly higher than is typical for this area. This creates a yield of 114.3% of the average annual quarterly Lodging Demand.
- May through October was the strongest six-month sector in this six-year-period. Five of the six months attained above average monthly Lodging Demand. This period from May through October is also the strongest half of the year with 54.7% of the annual Lodging Demand. This is typical of this Midwestern region of the United States with a yield of 109.5%.
- The strongest month is July with 10.0% of the average annual Lodging Demand for a yield of 119.4% of the average monthly Lodging Demand.
- The weakest period for Lodging Demand in this subject market is from December through February. This is based on average Lodging Demand at 21.4% of the average annual Lodging Demand and at 21.0% of the average annual revenue. This is typical for this Midwestern region of the United States.
- Overall, this is a fairly normal seasonal pattern for this part of the United States. There are only some minor deviations.

The previous chart also demonstrates the seasonal strength of this subject market since in four months, the deviation of RevPAR exceeds the monthly deviation of both Lodging Demand and ADR. Also, three additional months, February, April and May, each have a RevPAR deviation exceeding the average monthly deviation. This is another indication of the seasonal strength of the subject market, but it also indicates that this market has the potential for wide fluctuations in Occupancy based upon seasonality.

The subject market area shows less signs of flexibility in ADR, ranging as low as 97.1% of the Average ADR during weaker months of Occupancy and as high as 106.5% of the Average ADR in peak demand months.

During the five-month period of June through October, the Lodging Demand is above average by a greater amount than the ADR is. In particular, during the months of June, July, August and October when the difference is from 6.0% to 14.5% points, this indicates that rates could be increased to more closely match the strength of Lodging Demand. The remainder of the year, ADR is at or higher than Occupancy. However, lowering rates during this time does not always guarantee an increase in Lodging Demand and Revenue to offset lower ADR.

The monthly seasonality peaks during July, closely followed by June and August. There are no severe peaks or valleys from February through November, with an average monthly Occupancy that ranges from 54.1% in April to 68.8% in July. The strength of these Lodging Demand yields indicates the strength of both the Corporate/Commercial and Social/Leisure markets on a seasonal basis.

The subject market operates within a broad range of Occupancy percentages. The highest average monthly Occupancy over the past six years was 68.8% in July, closely followed by June at 64.8% and August at 63.1% for an average peak Occupancy level of 65.6%. During the same six-year period, this market hit average low Occupancies of 46.3% in December and 48.3% in January for an average low Occupancy of 47.3%. This is a swing of 18.3% points from the average high to the average low, or a 38.7% change. This indicates that the subject market area has a modest swing in Occupancy from peak season to the low two winter months.

There is a smaller fluctuation in ADR, ranging from the average high of \$78.49 in August (over the past six years) to an average low of \$71.60 in March, for a swing of \$6.89, or 9.6%. The competitive set appears to be attempting to maximize rates during peak periods of Occupancy. This is evidenced by the four highest Occupancy months (in order) of July, June, August and September, achieving the highest average ADR, but in the slightly different order of August, July, September and June.

During the past six years, the monthly averages result in a RevPAR range from an average high of \$53.04 in July to an average low of \$33.64 in December, for a swing of \$19.40 or 57.7%. This indicates that the subject market area is attempting to maximize RevPAR and overall revenue performance. It also indicates that ADR and Occupancy may be driving the RevPAR maximization in this market because the high RevPAR occurs during July, the month with the highest average in Occupancy and second highest average ADR. Also, the four months with the highest RevPAR of July, August, June and September are the four highest months in Occupancy and ADR over the same period but in differing order.

A review of the competitive set's performance from September, 2013 - August, 2014 indicated Occupancy has been highest on midweek/weekdays: Tuesdays at 57.8%, Wednesdays at 56.1% and Thursdays at 48.1% for an average mid-week day Occupancy of 54.0%. Not far behind were weekend nights achieving 46.2% on Fridays and 57.6% on Saturdays for an average Occupancy of 51.9%. Sunday nights had the lowest average Occupancy during this twelve-month period, at 28.1%. The daily breakdown of Occupancies over this period for the competitive set is presented in the following chart prepared by Smith Travel Research:

Occupancy (%)								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 13	31.6	52.0	62.8	59.7	52.6	51.1	63.7	52.6
Oct - 13	28.0	59.2	65.6	66.4	56.6	43.4	59.9	55.0
Nov - 13	26.2	44.7	50.6	49.4	46.1	39.4	37.0	41.7
Dec - 13	22.1	37.3	45.6	43.7	45.3	35.2	44.0	38.6
Jan - 14	22.7	42.2	50.2	44.6	35.8	34.8	43.4	39.0
Feb - 14	25.2	44.6	59.0	57.5	41.6	39.1	46.7	44.8
Mar - 14	17.7	41.9	48.5	49.3	45.4	43.0	61.1	43.5
Apr - 14	22.0	43.5	52.3	54.3	46.4	36.4	37.9	42.6
May - 14	33.4	50.2	61.0	57.2	45.3	42.5	56.3	49.3
Jun - 14	32.8	60.4	67.2	65.7	53.1	55.7	77.9	58.1
Jul - 14	39.3	56.0	59.3	58.7	55.7	72.2	83.2	60.4
Aug - 14	35.8	63.5	73.4	66.2	52.6	63.2	78.2	61.6
Total Year	28.1	49.5	57.8	56.1	48.1	46.2	57.5	49.0

Source: Smith Travel Research

Also, during the past twelve months, there was a little difference between the average ADR's achieved on weekdays (Monday - Thursday) at \$83.70 compared to the weekend average ADR (Friday and Saturday) at \$84.97. Therefore, there was a 1.5% difference between weekday and weekend average ADR's. ADR hit a high monthly average of \$86.70 in July, 2014. ADR from September, 2013 - August, 2014 ranged from \$80.52 in December, 2013 to \$86.70 in July, 2014. A daily account of ADR's over this period is presented in the following chart prepared by Smith Travel Research

ADR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 13	86.63	84.73	87.19	87.29	84.21	81.01	84.36	85.09
Oct - 13	80.06	82.86	85.73	80.80	81.07	81.85	86.60	82.95
Nov - 13	74.44	80.10	84.45	83.93	80.55	81.55	79.66	81.16
Dec - 13	71.70	82.47	83.18	85.01	80.07	79.33	77.49	80.52
Jan - 14	75.31	85.41	85.90	86.20	81.02	81.41	84.62	83.54
Feb - 14	78.98	84.24	84.61	84.51	79.56	77.65	78.43	81.63
Mar - 14	75.35	82.63	85.60	84.95	80.19	87.03	84.38	83.55
Apr - 14	79.25	82.72	90.17	89.17	86.06	84.98	83.27	86.19
May - 14	75.99	82.24	82.25	83.93	81.17	80.10	79.89	81.06
Jun - 14	77.34	84.14	82.96	80.33	81.79	87.06	92.53	84.33
Jul - 14	78.21	84.81	85.94	84.36	80.75	92.93	94.30	86.70
Aug - 14	79.38	83.56	84.87	84.08	83.76	87.91	88.58	85.21
Total Year	78.10	83.40	85.28	84.42	81.69	84.32	85.52	83.68

Source: Smith Travel Research

The above data shows that average weekday (Monday – Thursday) ADR at \$83.70 is just slightly lower than the weekend (Friday and Saturday) ADR at \$84.92. This indicates that the Corporate/Commercial Lodging Demand, typically weekday business, is generating just slightly lower ADR's than Social/Leisure Lodging Demand which typically occurs on weekends. This also indicates that the Corporate/Commercial segment appears to be slightly more price sensitive than the Social/Leisure segment since the weekday average ADR is slightly less than the weekend average ADR.

This overall analysis indicates that the highest ADR days are similar to the highest Occupancy days. This means that the competitive set is attempting to maximize rates on the highest Occupancy days.

LODGING DEMAND POTENTIAL INDEX

The Lodging Demand Potential for the proposed subject hotel was also analyzed via the *Lodging Demand Potential Index*. This relates Lodging Demand Potential to the Market Segmentation previously projected for the proposed property and the industry distribution in the subject market area. This is a rating based on a scale of 0 to 5, with 5 indicating excellent Lodging Demand Potential and 2.5 indicating average Lodging Demand Potential. The following information shows the results of this analysis. More specific and extensive Lodging Demand research would need to be conducted to further quantify the volume of Lodging Demand Potential expected for the proposed hotel.

This analysis of the Lodging Demand Potential varies depending on the Site Area under consideration. At this time, this area has focused on the two site areas with the highest ratings in the previous *Site Analysis* section of this report, Site Areas 3 and 4. The ratings in the two charts below indicate the likelihood of Lodging Demand originating from the various market segments, but in no way indicates the volume of Lodging Demand that will be generated by these segments.

Site Area 4

LODGING DEMAND POTENTIAL INDEX - SITE AREA 4		
MARKET SEGMENTATION	PERCENT OF MARKET	LODGING DEMAND POTENTIAL INDEX
Individual Travel Markets		
- Corporate/Commercial Markets	45.0%	3.4
- Social/Leisure Markets	40.0%	5.0
Group Markets		
- Business Related	5.0%	1.0
- Social Leisure Related	10.0%	1.0
TOTAL	100.0%	3.7
INDUSTRY DISTRIBUTION	PERCENT OF MARKET	LODGING DEMAND POTENTIAL INDEX
Agriculture, Forestry, Fishing & Hunting	0.1%	2.5
Mining, Quarrying, & Oil and Gas Extraction	0.0%	0.0
Utilities	0.2%	2.5
Construction	2.5%	2.5
Manufacturing	10.1%	3.5
Wholesale Trade	2.4%	1.5
Retail Trade	11.0%	2.5
Transportation and Warehousing	11.7%	3.5
Information	0.9%	1.0
Finance, Insurance, and Real Estate	1.8%	2.5
Real Estate, Rental & Leasing	0.5%	1.0
Services	58.8%	
- Professional, Scientific & Technical Services	1.2%	2.5
- Management of Companies and Enterprises	0.1%	1.0
- Administrative and Support and Waste Management and Remediation Services	1.5%	2.5
- Educational Services	2.7%	1.0
- Health and Social Assistance	44.7%	4.5
- Arts, Entertainment & Recreation	0.2%	1.0
- Accommodation & Food Services	4.7%	1.5
- Other Services	2.2%	1.5
- Public Administration	1.4%	1.5
Total:	100.0%	3.4
<i>Source: HMI, Inc.</i>		

It was estimated that the current overall Lodging Demand Potential is 3.7 or well above the average at 2.5. The yield is 148.0% to average. The reason for this significantly above average rating is multi faceted, but primarily due to the projected strength of the Individual Market Segments with a combined average rating of 4.15 which is a result of this site area being adjacent to the medical complex and presumed to be connected via a skywalk. This is a yield of 166.06% to average. The combined Group Market Segments are generating an average rating of 1.0 with a yield of 40.0%. This very low rating is due to the presumed lack of meeting space at the proposed hotel combined with the anticipated focus being primarily on medical complex generated demand.

The Social/Leisure segment is stronger overall with a rating of 4.20, generating a yield 168.0% while the Corporate/Commercial segment achieves an overall rating of 3.16, generating a yield of 126.4%. The strength of the Social/Leisure segment is primarily being generated by the anticipated Lodging Demand from patients at the medical complex and/or their families due to the presumed convenient access via a connecting skywalk.

Site Area 3

LODGING DEMAND POTENTIAL INDEX - SITE AREA 3		
MARKET SEGMENTATION	PERCENT OF MARKET	LODGING DEMAND POTENTIAL INDEX
Individual Travel Markets		
- Corporate/Commercial Markets	45.0%	3.2
- Social/Leisure Markets	40.0%	4.5
Group Markets		
- Business Related	5.0%	1.0
- Social Leisure Related	10.0%	2.5
TOTAL	100.0%	3.5
INDUSTRY DISTRIBUTION	PERCENT OF MARKET	LODGING DEMAND POTENTIAL INDEX
Agriculture, Forestry, Fishing & Hunting	0.1%	2.5
Mining, Quarrying, & Oil and Gas Extraction	0.0%	0.0
Utilities	0.2%	2.5
Construction	2.5%	2.5
Manufacturing	10.1%	3.5
Wholesale Trade	2.4%	1.5
Retail Trade	11.0%	2.5
Transportation and Warehousing	11.7%	3.5
Information	0.9%	1.0
Finance, Insurance, and Real Estate	1.8%	2.5
Real Estate, Rental & Leasing	0.5%	1.0
Services	58.8%	
- Professional, Scientific & Technical Services	1.2%	2.5
- Management of Companies and Enterprises	0.1%	1.0
- Administrative and Support and Waste Management and Remediation Services	1.5%	2.5
- Educational Services	2.7%	1.0
- Health and Social Assistance	44.7%	4.0
- Arts, Entertainment & Recreation	0.2%	1.0
- Accommodation & Food Services	4.7%	1.5
- Other Services	2.2%	1.5
- Public Administration	1.4%	1.5
Total:	100.0%	3.2
<i>Source: HMI, Inc.</i>		

It was estimated that the current overall Lodging Demand Potential is 3.5 or well above the average at 2.5. The yield is 140.0% to average. The reason for this significantly above average rating is multi faceted, but primarily due to the projected strength of the Individual Market Segments with a combined average rating of 3.81, which is a result of this site area being located right on north Central Avenue in the midst of retail and restaurants as well as just a few blocks from the medical complex. This is a yield of 152.4% to average. The combined Group Market Segments are generating an average rating of 2.0 with a yield of 80.0%. While this low rating is due to the presumed lack of meeting space at the proposed hotel, the site's location proximate to several popular fast food restaurants right on North Central Avenue increases its likelihood of attracting some leisure youth group Lodging Demand.

The Social/Leisure segment is stronger overall with a rating of 4.10, generating a yield of 164.0% while the Corporate/Commercial segment achieves an overall rating of 2.98, generating a yield of 119.2%. The strength of the Social/Leisure segment is primarily being generated by the anticipated Lodging Demand from patients at the medical complex and/or their families as well as the attractiveness of this location to youth oriented groups due to it being adjacent to very popular fast food restaurants.

RATE SENSITIVITY FACTOR ANALYSIS

Similar to the Lodging Demand Potential Index, a preliminary *Rate Sensitivity* analysis was also performed. This ranks the Market Segmentation planned for the proposed hotel and the anticipated Rate Sensitivity within the Market Segments. It utilizes a 5-point scale, with 5 indicating extreme sensitivity and 2.5 being average. The following are the results of this analysis.

RATE SENSITIVITY FACTOR		
Market Segmentation	% of Market	Rate Sensitivity Factor
Individual Travel Markets		
- Corporate/Commercial	45.0%	2.6
- Social/Leisure	40.0%	2.4
Group Markets		
- Business Related	5.0%	2.6
- Social/Leisure Related	10.0%	2.4
TOTAL	100.0%	2.5
<i>Source: HMI</i>		

Rate Sensitivity is based first on the assumption that the proposed subject mid-scale, limited-service hotel will primarily compete with upper economy to upper-mid-scale, limited-service hotels in the subject market area. These hotels comprise the competitive set discussed in the *Lodging Supply* section of this report. The Corporate/Commercial and Social/Leisure segments were analyzed to determine each of their Rate Sensitivity levels.

The reported average low single rate of \$83.80 of the subject market's competitive hotels is just 0.14% greater than the market's average ADR of \$83.68 for the twelve months ending in August, 2014. This is based on the competitive set utilized in this report and is reflective of the seasonality of this market area. It results in widely varying ADR rates from the high summer season to the lower winter season.

- The average weekday ADR of \$83.70 is just 0.12% less than the average low single rate.
- The average weekend ADR of \$84.92 is 1.3% greater than the average low single rate.

These average weekday and weekend ADR's that are slightly lower and slightly higher, respectively, than the average low single rates of the competitive set indicates an average overall Rate Sensitivity in the current subject market.

It is estimated that while there will be average *Rate Sensitivity* overall in the subject market, the Corporate/Commercial Market Segment will be slightly above average and the Social/Leisure Market Segment will be slightly below average (as indicated in the chart above). This is supported by the low average single rate of \$83.80 for the competitive set that is just slightly higher than the competitive set's twelve-month historical ADR average of \$83.68.

FEEDER MARKETS

Discussions with local officials indicated that the Social/Leisure *Feeder Markets* of visitors to the Marshfield market area are believed to be primarily regional. This Social/Leisure demand is projected to be driven first and foremost by visitors to the previously described medical complex, either those seeking services (i.e. patients) and/or those visiting the patients. Discussions indicated that this group comes first from the State of Wisconsin and then from surrounding states such as Minnesota and the Upper Peninsula of Michigan as well as some on a national and international basis. The balance of the Social Leisure visitors such as the small town baseball teams come from a state and/or regional basis.

Feeder Markets for the Corporate/Commercial market segment will be mixed. Corporate/Commercial Lodging Demand generators including primarily suppliers/vendors, professional services, educational/medical, and local government. This demand will be regionally and nationally driven due to this market's economic base: healthcare, manufacturing and transportation & warehousing.

UNACCOMMODATED LODGING DEMAND

Unaccommodated Lodging Demand is described in two ways. The first is Lodging Demand that prefers to stay in the subject market but currently stays in other areas due to the lack of adequate accommodations, either due to condition or number of available rooms. The second definition is Lodging Demand staying in the subject market but actually desiring accommodations in other areas.

At present, there are 14 hotels, resorts, motels, condominiums and motor inns (653 rooms) within a twenty-five mile radius of downtown Marshfield, Wisconsin.

The competitive hotel set is comprised of five properties ranging from economy to upper mid-scale, limited-service hotels with 334 total rooms. These hotels were selected because:

- 1) four of the five hotels are located within a 1.6 mile radius of downtown Marshfield;
- 2) the fifth hotel is located in Neillsville where discussions indicated that a corporate demand generator is located;
- 3) they all report to Smith Travel Research

It could therefore be concluded that the first type of Unaccommodated Lodging Demand (preferring to stay in the market area but currently staying in other areas due to the lack of adequate accommodations) is occurring on a limited basis. This is based on the performance of the competitive set that will be discussed in greater detail later in this report.

A review of the competitive set's performance in the most recent twelve-month period, September, 2013 - August 2014, reveals that 21.25 days (6.3%) in various months achieved Occupancies of 70.0% or greater. This is considered an Occupancy performance level at which newer and better hotels are reaching maximized Occupancy. These higher Occupancy days occurred between June and August (during the summer). This is normal for this part of the United States.

During this same period, there were an additional seventeen nights when Occupancies ranged from 67.5% to 69.9%. Assuming that the economic recovery continues from the recent recession and recovery period, these nights have the potential of achieving 70.0% or better Occupancy. They represent another 5.0% of the year and would raise the total nights during this twelve-month period when Occupancy is maximized to 11.4% of the year, just ten percent of the entire year. The daily Occupancies for this period are presented in the following chart prepared by Smith Travel Research:

Occupancy (%)								Total Month
Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Sep - 13	31.6	52.0	62.8	59.7	52.6	51.1	63.7	52.6
Oct - 13	28.0	59.2	65.6	66.4	56.6	43.4	59.9	55.0
Nov - 13	26.2	44.7	50.6	49.4	46.1	39.4	37.0	41.7
Dec - 13	22.1	37.3	45.6	43.7	45.3	35.2	44.0	38.6
Jan - 14	22.7	42.2	50.2	44.6	35.8	34.8	43.4	39.0
Feb - 14	25.2	44.6	59.0	57.5	41.6	39.1	46.7	44.8
Mar - 14	17.7	41.9	48.5	49.3	45.4	43.0	61.1	43.5
Apr - 14	22.0	43.5	52.3	54.3	46.4	36.4	37.9	42.6
May - 14	33.4	50.2	61.0	57.2	45.3	42.5	56.3	49.3
Jun - 14	32.8	60.4	67.2	65.7	53.1	55.7	77.9	58.1
Jul - 14	39.3	56.0	59.3	58.7	55.7	72.2	83.2	60.4
Aug - 14	35.8	63.5	73.4	66.2	52.6	63.2	78.2	61.6
Total Year	28.1	49.5	57.8	56.1	48.1	46.2	57.5	49.0

Source: Smith Travel Research

Discussions with local officials, including the Marshfield Convention & Visitors Bureau, the City Planning & Economic Development personnel and local business leaders, indicated that two specific types of potential Unaccommodated Lodging Demand may be occurring in the greater Marshfield market area. The first is due to those that are in the area for work related matters including relocating medical professionals, medical consultants/service technicians and truck driver training that are in the market area for longer periods of time (three to four days or more). This indicates a need for “extended-stay” style rooms since these same discussions indicated a shortage of apartments for rent in the Marshfield market area.

The second area was on the leisure demand side when the “small-town” baseball tournaments were underway. There was a reported shortage of hotel rooms for the teams forcing them to go to hotels in Stevens Point, Abbotsford and Wisconsin Rapids.

LODGING SUPPLY

This section of the report describes the competitive Lodging Supply that will affect the proposed hotel, particularly for hotel room demand. Smith Travel Research reports that there are fourteen lodging facilities (653 rooms) within a twenty-one mile radius of downtown Marshfield. Five properties with 334 total rooms were deemed to be competitors of the proposed hotel. These comprise the competitive set. These hotels were selected because: all but one are located right in Marshfield, the fifth is located in Neillsville where an identified potential Lodging Demand generator is located, and that they report to Smith Travel Research. One additional hotel, the Woodfield Inn & Suites, which does not report to Smith Travel Research, was then included to comprise the *Primary Competitive Set*. Exhibit 3 of this report shows the geographic location of the *Competitive Set* in relation to the subject sites for the proposed hotel. The Competitive Set is highlighted in the following chart.

PRIMARY COMPETITIVE HOTELS				
Number of Hotels:		6		
Number of Hotel Rooms:		438		
Chain Related:	Hotels:	4	% Overall Market	66.7%
	Rooms:	235	% Overall Market	53.7%
Non-Chain Related:	Hotels:	2	% Overall Market	33.3%
	Rooms:	203	% Overall Market	46.3%
PRODUCT DIFFERENTIATION ANALYSIS				
CATEGORY	NUMBER OF HOTELS	PERCENT OF MARKET	NUMBER OF ROOMS	PERCENT OF MARKET
Budget	0	0.0%	0	0.0%
Economy <i>Neillsville: (Super 8 - 39 rms.)</i>	1	16.7%	39	8.9%
Economy Suite	0	0.0%	0	0.0%
Mid-Scale (Limited-Service) <i>Marshfield: (Baymont - 59 rms., Quality Inn - 46 rms., Woodfield Inn & Suites - 104 rms.)</i>	3	50.0%	209	47.7%
Upper Mid-Scale (Limited-Service)	0	0.0%	0	0.0%
Upper Mid-Scale (Full-Service) <i>Marshfield: (Holiday Inn - 91 rms., Hotel Marshfield - 99 rms.)</i>	2	33.3%	190	43.4%
Upper Mid-Scale (Full-Service)		0.0%	0	0.0%
Upper Mid-Scale Extended Stay	0	0.0%	0	0.0%
Upscale (Boutique)	0	0.0%	0	0.0%
Upscale Suite (Limited Service)	0	0.0%	0	0.0%
TOTALS	6	100.0%	438	100.0%
Average Room Size:			73.0	
<i>Source: HMI</i>				

The average-sized hotel in the Primary Competitive Set (includes all competitive hotels to a proposed new hotel) has 73.0 rooms. This is compared to the Competitive Set of hotels at an average size of 66.8 rooms. This set includes only those hotels that report to Smith Travel Research, which therefore excludes one hotel, the Woodfield Inn & Suites with 104 rooms. This distinction is made because Occupancy and ADR performance data is available for the Competitive Set through Smith Travel Research and will be utilized/analyzed in this report.

At this time, the purpose of this study is to determine if there is sufficient Lodging Demand to support the development of a new hotel and what the recommended size of it would be. A new hotel would be better able to achieve the projected Occupancy with fewer rooms than the average size of the competitive set hotels as previously discussed. Therefore, at this time the suggested size of a proposed subject hotel would be in the 40 – 45 room range. This would be twenty-three to thirty-three rooms smaller than the average size of the Competitive Set for a Fair Share Yield in the range of 196.5% - 151.8%. It should be noted that this Fair Share Yield range increases to 182.5% - 162.2% when utilizing the average size of the Primary Competitive Set (73.0 rooms).

Four of the members of the Primary Competitive Set of properties are nationally branded. A strong regional brand or national brand affiliation is recommended for the proposed hotel. This would assist in positioning it to be competitive within the subject market and would enable it to compete in the broader market.

The previous chart also indicates there is one member of the Primary Competitive Set (or 8.9% of the rooms) that is classified by STR as Economy. The Woodfield Inn & Suites classification as Midscale by this consultant differs from the Economy classification by STR based on this consultant's review of it. The balance of the members of the Primary Competitive set are classified as either mid-scale or upper mid-scale hotels with 88.3% of the rooms.

PROJECTED OCCUPANCY AND AVERAGE DAILY RATE

The following chart highlights advertised competitive hotel rates, anticipated Occupancy performance, and the projected ADR rates of the Primary Competitive Set.

PRIMARY COMPETITIVE HOTEL OCCUPANCY & RATES					
PROPERTY	Occ. Perform.	RATE ANALYSIS			PROJECTED ADR
		SINGLE	DOUBLE	WEEKEND	
<u>Marshfield, WI</u>					
Baymont	Average	\$67-\$84	\$67-\$84	\$67-\$84	\$62.67
Holiday Inn & Conf. Center	Above	\$96-\$120	\$96-\$120	\$99-\$110	\$94.03
Hotel Marshfield	Above	\$119-\$129	\$119-\$129	\$129-\$139	\$103.20
Quality Inn	Average	\$69-\$79	\$69-\$79	\$79-\$89	\$65.57
Woodfield Inn & Suites	Average	\$65-\$75	\$65-\$75	\$70-\$80	\$65.25
<u>Neillsville, WI</u>					
Super 8	Average	\$68-\$80	\$68-\$80	\$68-\$80	\$63.12
					\$79.30
<i>Source: HMI</i>					

A review of the Occupancy performance of the Primary Competitive Set hotels in the subject market indicated that they are all performing at average to above average. The overall Projected ADR of \$79.30 in the above chart was arrived at by:

1. Arriving at a projected ADR for each of the five members of the Competitive Set (excludes the Woodfield Inn & Suites) based on their advertised ADR's.
2. The average of these projected ADR's was then agreed to the reported ADR for the Competitive Set of hotels by Smith Travel Research of \$83.68 for the twelve months ending August, 2014.
3. The projected ADR for the Competitive Set of \$83.68 was then adjusted to reflect the results of including the Woodfield Inn & Suites and its projected ADR based on published rates at the time, resulting in the overall projected ADR for the Primary Competitive Set of \$79.30 in the above chart.

The chart above indicates that there are two rate tiers within the Primary Competitive Set.

- The first rate tier has the highest rates and includes the Holiday Inn and the Hotel Marshfield. The projected average 2014 ADR's of these two hotels is \$94.03 and \$103.20 yielding a projected average ADR of \$98.62. A projected average ADR of \$98.62 achieves a yield to the projected 2014 average ADR of \$79.30 or 124.4% to the Primary Competitive Set.

- The second rate tier includes the Baymont, the Quality Inn, the Woodfield Inn & Suites and the Super 8 with a projected 2014 ADR range of \$62.67 - \$65.57 and an average projected ADR of \$64.15. This second rate tier average ADR has a yield of 80.9% to the projected 2014 average ADR of \$79.30 for the Primary Competitive Set.

Historically, the competitive set achieved an average annual ADR growth rate of 4.4% from 2008 through 2013. Year-to-date through August, 2014, the ADR rate of growth has been 2.6%. Comparing this to the average growth achieved in ADR over the prior three years, the projected 2014 annual ADR growth rate is projected at 2.39%, which will be applied for projection purposes in this report in 2014. The projected average annual growth rate for the six-year period 2008 – 2014 is 4.54%. Therefore, commencing in 2015 and all future years for projection purposes in this report, a growth rate of 4.54% will be applied.

Rate Positioning

It is suggested that the Lodging Demand in the Marshfield market area would support a new subject hotel that is rate positioned in the middle between the two rate tiers that were previously discussed, once it is stabilized by its third full year of operation. This would result in a projected ADR of this proposed subject hotel with a yield to the average ADR of the Primary Competitive Set of 100.65%.

As indicated in the following *Competitive Factor Analysis* section of this report, the average age of the other mid-scale hotels in the Primary Competitive Set is 21.5 years today. This would indicate that a new hotel should be able to achieve a rate premium of at least five percentage points due to it being brand new. This would result in an adjusted rate premium yield of 105.65% and a projected ADR of \$83.78 in today's dollars.

This projected ADR indicates that the proposed subject hotel is recommended to be positioned as a mid-scale hotel.

This rate yield will be reduced by 95% in years one and two to allow for any discounting that may occur. This is typical when promoting a new hotel at its opening and will result in yields of 95.3% in year one and 100.4% in year two. It will position the proposed hotel with a 2016 projected average ADR of \$85.86.

This rate positioning for the proposed hotel should result in ADR's in the \$84 - \$88 range when it opens in 2016. In the second and third years of operation, the resulting rates should be \$92 - \$95 in 2017 and \$100 - \$103 in 2018.

COMPETITIVE FACTOR ANALYSIS

A *Competitive Factor Analysis* was also performed for the Primary Competitive Set hotels. This analysis is based upon a scale of 0 to 5, with 5 indicating strong competitive factors and 2.5 being average. The following chart highlights the analysis of the primary hotels in the categories of *Rate, Facility, Brand, Location* and *Market Segmentation*. It also indicates the overall competitive factor for each property and for the subject market. This section of the report provides an overview of the competitive position that each hotel occupies within the subject market.

The following chart shows the competitive factor analysis of the *Primary Competitive Set*.

COMPETITIVE FACTOR ANALYSIS									
PROPERTY NAME	AGE (Yrs.)	# OF ROOMS	AAA RATING	RATE	FACILITY	BRAND	LOCAT.	MKT. SEG.	COMP. FACTOR
<u>Marshfield, WI</u>									
Baymont	14.0	59	2	3.2	1.5	2.0	3.0	2.0	2.3
Holiday Inn & Conf. Center	10.0	91	3	2.1	4.0	4.0	3.5	2.5	3.2
Hotel Marshfield	36.0	99	3	1.9	4.0	2.0	3.0	2.0	2.6
Quality Inn	29.0	46	N/A	3.0	2.5	2.5	4.0	3.8	3.2
Woodfield Inn & Suites	25.5	104	N/A	3.0	3.5	2.0	4.0	4.0	3.3
<u>Neillsville, WI</u>									
Super 8	10.0	39	2	3.1	2.5	2.5	2.0	2.5	2.5
COMBINED RATING	20.8		2.5	2.7	3.0	2.5	3.3	2.8	2.9
<i>Source: HMI</i>									

In the chart above, this market is indicating an overall slightly above average competitive factor for all hotel categories.

- The average *Age* of the Primary Competitive Set hotel is 20.8 years with a range from 10.0 years to 36.0 years. It should be noted that the oldest property, the Hotel Marshfield, recently underwent a total renovation/remodel, turning it into a like-new hotel in 2013. Taking this into consideration would decrease the average of the Primary Competitive Set to 15.0 years. This indicates that all of these properties except the Hotel Marshfield will need on-going, major renovation by the time a subject mid-scale, limited-service hotel opens in 2016. Typically, full renovations are required every five to seven years to maintain guest satisfaction and to assure that guests return. This would give the proposed hotel a distinct advantage.

- Three of the hotels, the Baymont, Holiday Inn and Super 8, will be approaching or be emerging from their first major renovation period, at 12 to 15 years. This stage involves replacement of soft goods and hard goods, exterior work, mechanical, and other major capital improvements. Two hotels, the Quality Inn and the Woodfield Inn & Suites, will either be in need of or recently emerged from their second major renovation period, at 25 to 30 years.
- The above chart indicates that the Baymont followed by the Super 8 and then the Quality Inn and the Woodfield Inn & Suites will be the most competitive with the proposed hotel *Rate* wise. This is because they have the lowest projected ADR's of the Primary Competitive Set as indicated in the previous chart. The independent, non-brand affiliated hotels were rated at a 2.
- There is good *Brand* representation in the Primary Competitive Set hotels. National hotel brands include: Wyndham Hotels through Super 8 and Baymont Inns; Intercontinental Hotels (IHG) through Holiday Inn; and Choice Hotels International through Quality Inns.
- The *Facilities* of the Primary Competitive Set hotels are varied with economy, midscale and upper midscale hotels and along with two full-service hotels and four limited-service hotels. The limited-service hotels all provide a free breakfast buffet, some more extensive than others. Those that were rated by AAA have either two or three diamond ratings.
- Regarding the *Location* of the Primary Competitive Set relative to the subject site areas, the Quality Inn and the Woodfield Inn & Suites are both located on N. Central Avenue within a few blocks of Site Area 3, resulting in the highest rating for them. Of the five hotels located in Marshfield, the Hotel Marshfield is situated the furthest from the medical complex, resulting in its rating. The Super 8 is not located in Marshfield, resulting in its lower rating. See Exhibit 3 of this report for further details.
- Evaluating the Market Segmentation for each member required a differentiation that was based primarily on two factors, first from a pricing standpoint and then full-service compared to limited-service. Location did come into play as well. The first or higher pricing tier which happens to be full-service was felt to be the least competitive, resulting in the lowest ratings.

The strong overall *Competitive Factor* ratings of 3.2 to 3.3 are based on a combination of differing factors depending on the individual property. The Woodfield Inn & Suites earned the highest 3.3 rating due to receiving scores of 3, 3.5 and two scores of 4. The score of 2 is a result of it not being associated with a national brand. The Quality Inn and the Holiday Inn followed closely with scores of 3.2 each.

COMPETITIVE SET LODGING PERFORMANCE

The following section highlights the Competitive Set’s Lodging Performance in the subject market. This lodging performance of the competitive set is based upon data from 2008 through August, 2014. The Competitive Lodging Performance of Lodging Demand Growth, Lodging Supply Growth, Occupancy, Average Daily Room Rate, and Revenue Per Available Room (RevPAR) will be analyzed.

Lodging Demand Growth

The following chart highlights *Lodging Demand Growth* that has occurred in the subject market area.

COMPETITIVE LODGING PERFORMANCE Lodging Demand Growth								
	2008	2009	2010	2011	2012	2013	YTD 2013	YTD 2014
Primary Competitive Lodging Demand - Percentage Change	N/A	-10.0%	-3.4%	5.2%	-17.8%	1.8%	0.6%	4.4%
2008-2013 - Annualized Growth Rate:								-4.8%
<i>Source: Smith Travel Research & HMI</i>								

Lodging Demand Growth has been mixed since 2008. Three years reflected negative growth while two years experienced positive growth and it appears that 2014 will make it three years with positive growth in *Lodging Demand*. It should be noted here that the significant drop in *Lodging Demand* in 2012 of (17.8%) is directly related to the decrease in Lodging Supply. This commenced in February, 2012 with the closing of the 100-room hotel which reopened in August, 2013 as the 99-room Hotel Marshfield, which will be discuss in the subsequent *Lodging Supply* section.

Year-to-date through August, 2014, Lodging Demand Growth was up 4.4%. When comparing this performance to the average of the prior three-year period, it would indicate a potential increase in 2014 of 3.70%, which will be utilized for projection purposes in this report as the growth factor. The projected annual average increase in Lodging Demand Growth for the period 2012 – 2014 is 2.77%. This period is being utilized since it excludes any impact from the recent recessionary period of 2008 – 2011. This 2.77% growth rate in demand will be applied for projection purposes in 2015 and 2016. Then in 2017 and all future years, 1.39% (50% of the 2.77%) will be applied for Lodging Demand Growth purposes in this report. This reduced rate has been applied in order to maintain a conservative nature to these projections.

Lodging Supply Growth

The following chart reflects the *Lodging Supply Growth* that occurred in the subject market.

COMPETITIVE LODGING PERFORMANCE Lodging Supply Growth								
	2008	2009	2010	2011	2012	2013	YTD 2013	YTD 2014
Primary Competitive Lodging Supply - Percentage Change	N/A	0.0%	-0.2%	-0.1%	-27.3%	13.6%	-0.1%	34.9%
2008-2013 - Annualized Growth Rate:								-2.8%
<i>Source: Smith Travel Research & HMI</i>								

The STR listing of competitive set hotels appears to indicate significant changes in the *Lodging Supply* during the period of 2012 through 2014. Discussions with local officials indicated that this was due to the closing of the 100-room hotel in February of 2012 which reopened as the 99-room Hotel Marshfield in August, 2013. Therefore, the net *Lodging Demand Growth* in the subject market during the five-year period covered in the chart above will be a change or decrease of one room due to the Hotel Marshfield's change in room count. In the chart above, the decreases of (0.2%) in 2010 and (0.1%) in 2011 were due to a change in the room count at the Baymont Hotel when it underwent the renovation and conversion to Baymont in 2007.

Due to these changes in *Lodging Supply* that were not "true" additions to the Lodging Supply during this five-year period, there was insufficient data to determine the historic Absorption Rate of Lodging Supply by Lodging Demand Growth for this subject market. The industry norm is for the absorption rate to be within the normal three-year stabilization period for a new hotel entering the market.

Occupancy

The following chart depicts the Competitive Lodging Performance of the subject market's *Occupancy*.

COMPETITIVE LODGING PERFORMANCE Occupancy								
	2008	2009	2010	2011	2012	2013	YTD 2013	YTD 2014
Primary Competitive Hotels	61.8%	55.6%	53.8%	56.7%	64.1%	57.5%	64.6%	50.0%
<i>Source: Smith Travel Research & HMI</i>								

Occupancy data shows that the Competitive Set was at its highest annual rate of 64.1% in 2012, most likely due to the hotel closing as stated above, and at its lowest rate of 53.8% in 2010. Occupancy for the six-year period from 2008 through 2013 reflected mixed results with increases and decreases mixed through this six-year period. The significant increases and decreases coincide with the opposite decreases and increases in supply that were discussed previously in this report.

Results through the first eight months of 2014 indicate that Occupancy has decreased significantly (22.6%), a direct result of the both the 34.9% increase in Lodging Supply and 4.4% increase in Lodging Demand for the same eight-month period discussed previously.

Average Daily Room Rates

The following chart highlights the historical trend of *Average Daily Room Rates* in the market.

COMPETITIVE LODGING PERFORMANCE								
Average Daily Room Rates								
	2008	2009	2010	2011	2012	2013	YTD 2013	YTD 2014
Primary Competitive Average Daily Room Rates	\$66.44	\$67.43	\$73.84	\$75.59	\$79.91	\$82.23	\$82.03	\$84.17
Percentage Change	N/A	1.5%	9.5%	2.4%	5.7%	2.9%	2.5%	2.6%
2008-2013 - Annualized Growth Rate:								4.4%
<i>Source: Smith Travel Research & HMI</i>								

Average Daily Rates (ADR) over the five years reviewed experienced consistent positive results with a steady trend of continued growth in every year ranging from 1.5% in 2009 to 9.5% in 2010. Year-to-date through August, the rate of growth has been 2.6%. Comparing this to the prior three-year average ADR growth rate experienced from 2011 - 2013, the projected 2014 annual ADR growth rate is 2.39%, which will be applied for projection purposes in this report for 2014. This projected 2014 average annual growth rate is a (45.7%) decrease from the six-year (2008 – 2014) projected average annual growth rate of 4.45%. Therefore, commencing in 2015 and all future years, the growth rate in ADR that will be applied for projection purposes will be 3.42%, halfway between the 6-year historic rate of 4.45% and the projected 2014 rate of 2.39%.

It is suggested that the Lodging Demand in the Marshfield market area would support a new subject hotel that is rate positioned in the middle between the two rate tiers that were previously discussed once it is stabilized by its third full year of operation. This would result in a projected ADR of this proposed subject hotel with a yield to the average ADR of the Primary Competitive Set of 100.65%. As indicated in the previous *Competitive Factor* section of this report, the average age of the other mid-scale hotels in the Primary Competitive Set is 21.5 years. This would indicate that a

new hotel should be able to achieve a rate premium of at least five percentage points due to it being brand new. This would result in an adjusted rate premium yield of 105.65% and a projected ADR of \$83.78 in today's dollars. This projected ADR indicates that the proposed subject hotel should be recommended to be positioned as a mid-scale hotel. This rate yield will be reduced by 95% in years one and two to allow for any discounting that may occur. This is typical when promoting a new hotel at its opening and will result in yields of 95.3% in year one and 100.4% in year two. It will position the proposed hotel with a 2016 projected average ADR of \$85.86.

This rate positioning for the proposed hotel should result in ADR's in the \$84 - \$88 range when it opens in 2016. In the second and third years of operation, the resulting rates should be \$92 - \$95 in 2017 and \$100 - \$103 in 2018.

Revenue Per Available Room (RevPAR)

The following chart depicts the *Revenue Per Available Room (RevPAR)* historical performance in the market.

COMPETITIVE LODGING PERFORMANCE								
Revenue Per Available Room								
	2008	2009	2010	2011	2012	2013	YTD 2013	YTD 2014
Primary Competitive Revenue Per Available Room (RevPAR)	\$41.06	\$37.52	\$39.74	\$42.86	\$51.25	\$47.26	\$52.98	\$42.07
Percentage Change	N/A	-8.6%	5.9%	7.8%	19.6%	-7.8%	3.1%	-20.6%
2008-2013 - Annualized Growth Rate:								3.4%
<i>Source: Smith Travel Research & HMI</i>								

Revenue Per Available Room (RevPAR) trends showed that the competitive set experienced mixed results with both positive and negative growth in the previous five years including during the recent national recession. The two years of decreases, 2009 and 2013, are the two years with the two largest decreases in Occupancy and Lodging Demand during the same five-year period. This indicates that the changes in Lodging Demand are having the greatest impact on RevPAR. The 2014 year-to-date growth rate, a decrease of (20.6%), reflects the impact of the increase in Lodging Supply previously discussed.

ISSUES AND RISKS

The following section of the report deals with topics that should be addressed when undertaking a hotel development project such as the one studied in this report. Many of these topics are common to hotel development and are addressed here as a matter of due diligence in evaluating the subject market and subject site for the proposed hotel. Also highlighted in this section are any concerns which have arisen during the research portion of this report that would directly affect the proposed hotel development. This may require additional research by the developer when pursuing the development of the proposed hotel.

COMPETITIVE PRICING PRESSURES

Regarding *Competitive Pricing Pressures*, the development of a subject mid-scale, limited-service hotel will need to be sensitive to the pricing strategies established in this central Wisconsin market area. As discussed previously in this report, Lodging Demand Growth reflected mixed results throughout the five years reviewed. This may be having an impact in the potential Rate Sensitivity in the Corporate/Commercial (slightly above average) and Social/Leisure (slightly below average) market segments, as previously discussed in this report.

It is recommended that a new subject mid-scale, limited-service hotel have the capability of increasing rates during peak Lodging Demand periods and the ability to offer solid price/value with lower rates during slower Lodging Demand periods. A well-positioned, mid-scale hotel product is recommended for this market positioning.

It is suggested that the Lodging Demand in the Marshfield market area would support a new subject hotel that is rate positioned in the middle between the two rate tiers that were previously discussed once it is stabilized by its third full year of operation. This would result in a projected ADR of this proposed subject hotel with a yield to the average ADR of the Primary Competitive Set of 100.65%. As indicated in the *Competitive Factor* section of this report, the average age of the other mid-scale hotels in the Primary Competitive Set is 21.5 years. This would indicate that a new hotel should be able to achieve a rate premium of at least five percentage points due to it being brand new. This would result in an adjusted rate premium yield of 105.65% and a projected ADR of \$83.78 in today's dollars. This projected ADR indicates that the proposed subject hotel should be recommended to be positioned as a mid-scale hotel.

This rate yield will be reduced by 95% in years one and two to allow for any discounting that may occur. This is typical when promoting a new hotel at its opening and will result in yields of 95.3% in year one and 100.4% in year two. It will position the proposed hotel with a 2016 projected average ADR of \$85.86.

This rate positioning for the proposed hotel should result in ADR's in the \$84 - \$88 range when it opens in 2016. In the second and third years of operation, the resulting rates should be \$92 - \$95 in 2017 and \$100 - \$103 in 2018.

Positioning the proposed hotel to compete between the two rate tiers that were previously discussed in this report should be achievable due to its planned amenities and its newness compared to the age of the competitive set hotels.

Modest growth in ADR is anticipated. The competitive set achieved a five-year average annual growth rate of 4.4% per Smith Travel Research. Year-to-date through August, the rate of growth has been 2.6%. Comparing this to the prior three-year average ADR growth rate experienced from 2011 - 2013, the projected 2014 annual ADR growth rate is 2.39%, which will be applied for projection purposes in this report for 2014. This projected 2014 average annual growth rate is a 45.7% decrease from the six-year (2008 – 2014) projected average annual growth rate of 4.45%. Therefore, commencing in 2015 and all future years, the growth rate in ADR that will be applied for projection purposes will be 3.42%, halfway between the six-year historic rate of 4.45% and the projected 2014 rate of 2.39%.

GROWTH IN LODGING DEMAND

Lodging Demand Growth has been mixed since 2008, with both increases and decreases over the five plus year period of 2009 through year-to-date 2014. Three years reflected negative growth while two years experienced positive growth and it appears that 2014 will make it three years with positive growth in *Lodging Demand*. It should be noted here that the significant drop in *Lodging Demand* in 2012 (17.8%) is directly related to the decrease in *Lodging Supply* which commenced in February of 2012 with the closing of the 100-room hotel. This property re-opened in August of 2013 as the 99-room Hotel Marshfield, which is noted in the subsequent *Lodging Supply Growth* section.

Year-to-date through August, 2014, *Lodging Demand Growth* was up 4.4%. When comparing this performance to the average of the prior three-year period, it would indicate a potential increase in 2014 of 3.70%, which will be utilized as the growth factor for projection purposes in this report. The projected annual average increase in *Lodging Demand Growth* for the period 2012 – 2014 is 2.77%. This period is being utilized since it excludes any impact from the recent recessionary period 2008 – 2011. This 2.77% growth rate in demand will be applied for projection purposes in 2015 and 2016. Then in 2017 and all future years, 1.39% (50% of the 2.77%) will be applied for *Lodging Demand Growth* purposes in this report. This reduced rate has been applied in order to maintain a conservative nature in these projections.

GROWTH IN LODGING SUPPLY

The Smith Travel Research listing of competitive set hotels appears to indicate significant changes in the *Lodging Supply* during the period in 2012 through 2014. Discussions with local officials indicated that this was due to the closing of the 100-room hotel in February of 2012 which reopened as the 99-room Hotel Marshfield in August of 2013. Therefore, the net *Lodging Demand Growth* in the subject market during the five-year period covered in the chart above will be a change/decrease of the one room at the Hotel Marshfield. The decreases of (0.2%) in 2010 and (0.1%) in 2011 in the chart above were due to a change in the room count at the Baymont Hotel when it underwent conversion/renovation to Baymont in 2007.

Due to these changes in *Lodging Supply* that were not “true” additions to the Lodging Supply during this five-year period, there was insufficient data to determine the historic Absorption Rate of Lodging Supply by Lodging Demand Growth for this subject market. The industry norm is for the absorption rate to be within the normal three-year stabilization period for a new hotel entering the market.

PROPERTY TAXES

A detailed analysis of the *Property Tax* structure in Marshfield and Wood County was not conducted within the scope of this report. The developer should analyze the property tax structure within Marshfield and Wood County prior to development of the proposed hotel.

POLITICAL CLIMATE

Discussions with city officials indicated that the *Political Climate* in the subject market area was reported to be supportive of development of the proposed hotel at its subject site in the Marshfield market area.

ENVIRONMENTAL CONCERNS

There were four different site areas discussed previously in this report. As previously discussed, there did not appear to be potential *Environmental Issues* at any of the four site areas except for the potential removal of residential properties in Site Areas 1 and 4. Discussions with city officials did not indicate that any of the four subject site areas were considered to be in a flood zone.

Since a detailed Environmental Impact Study was not within the scope of this report, an Environmental Study of at least a Level 1 should be completed by the developer for the subject site area selected. Toxic waste issues were not directly addressed within the scope of this study. However, the developer should conduct necessary environmental impact testing to make sure that the proposed hotel is in compliance with local ordinances and environmental regulations. Additionally, this should include a review of previous use, soil integrity, water drainage, water seepage, flood plain, toxic waste issues, etc.

ZONING AND ARCHITECTURAL CONCERNS

City and county personnel indicated that zoning is either already in place or it will be in place to support this proposed hotel development. They also stated that there are no special architectural/design issues.

LABOR MARKET, SUPPLY AND WAGES

At this time, no Labor Supply problems were reported in any employment area. No wage pressures were indicated at this time. The current as well as historic Unemployment Rates in the subject market area do not indicate any labor supply problems or wage pressures in the near future. This is supported by unemployment numbers in the City of Marshfield and Wood County market areas, which are slightly above the State of Wisconsin averages. If unemployment levels continue to drop in this market area, it is recommended that the developer monitor this because it could potentially create a need for slightly higher wages to attract quality staff. This would then result in potential pressure on the proposed hotel's performance through higher labor costs.

AREA OF FRANCHISE PROTECTION

Should a new subject hotel be developed that is associated with a regional or national brand, it is recommended that an *Area of Franchise Protection* be established to ensure that there is no encroachment by a similar brand property in the subject market area. This includes at least a ten- to fifteen-mile radius around the Marshfield market area for five years or more until the proposed hotel stabilizes. This will require negotiating with the proposed franchise brand to ensure adequate protection. Areas of Franchise Protection should be established by the developer to cover the subject market identified in Exhibit 3 of this report.

CONCLUSIONS

The following *Conclusions* are based upon the analysis of the research performed for this Comprehensive Hotel Market Study which recommends development of a 42-room, mid-scale, limited-service style hotel. This style of hotel should have the flexibility to attract both Corporate/Commercial and Social/Leisure Lodging Demand. The following projections are based upon the operating performance of the subject market at the time of this report, and a timely completion of the proposed hotel project discussed herein, based upon this report’s presentation. More details about the proposed hotel type and size are outlined in the *Property Recommendations* section of this report.

As previously stated in the introduction to this report, the focus of this report is on the amount of support/demand for developing a limited-service style hotel in the subject market. Discussions with Mr. Angell indicated that no specific brand, size or price category have been identified at this time. This report provides information regarding the subject market’s ability to support a proposed limited-service style hotel as well as recommendations for its price category, franchise branding, and the suggested number of rooms.

PROJECTED PROPERTY PERFORMANCE – 42 ROOMS

The following series of charts show the projected hotel’s performance, specifically in Occupancy, Average Daily Rates and Projected Revenue, beginning in the first full year of operation, which is assumed to be 2016.

Occupancy

The following chart shows the Projected Occupancy of the proposed hotel.

PROJECTED OCCUPANCY							
YEAR	PROJECTED MARKET OCCUPANCY			PROJ. MKT. PENET.	PROJECTED HOTEL OCCUPANCY		
	Low	Probable	High		Low	Probable	High
2016	46.5%	49.0%	51.4%	143.3%	66.7%	70.2%	73.7%
2017	47.2%	49.7%	52.2%	150.9%	71.2%	74.9%	78.7%
2018	47.8%	50.4%	52.9%	158.8%	76.0%	80.0%	84.0%
*Projected performance is +/- 5 percentage points and will be affected by changes in Lodging Supply and Demand growth levels used to formulate these projections.							
Source: HMI							

At 42 rooms, the proposed hotel will have a 158.8% yield to the Competitive Set's (334 rooms) projected Occupancy in 2018, its third full year of operation. This yield is based on utilizing 100.0% of the 159.0% of the Fair Share Adjustment in the third full year of operations, 2018. This 159.0% Fair Share Adjustment is the result of the difference between the average of the Competitive Set hotel size at 66.8 rooms and the size of the proposed hotel at 42 rooms. The only reason for the 0.2% point difference is the desire to cap the projected Occupancy at 80.0% in the third full year of operations. Typically, in calculating this yield, there would have been an allowance for an increase by 10.0% points to allow for the newness of the proposed hotel compared to the average age of the competitive set at 15+ years (considering the Hotel Marshall to be like new due its total remodel/renovation that was completed in 2013) when the proposed hotel opens in 2016. However, due to the desire to cap the projected Occupancy at 80.0%, this was not incorporated in these projections, supporting the conservative nature to these projected yields.

Previously in this report, it was indicated that the Primary Competitive Set of hotels included 438 rooms due to the addition of the 104-room Woodfield Inn & Suites (this property does not report to STR) to the Competitive Set of Hotels that report to STR. Using the 438 total rooms, the Primary Competitive Set of Hotels has an average size of 73.0 rooms which yields a Fair Share Adjustment to a proposed 42-room hotel of 173.8%. The previously discussed 158.8% yield utilizes 91.4% of the total Fair Share Adjustment of 173.8%.

Estimates of Lodging Demand Growth as previously discussed in this report are 3.70% in 2014, 2.77% in 2015 and 2016 and then 1.39% (50% of the 2.77%) in 2017 and all future years.

It was felt that the proposed hotel will potentially impact, at most, 50% of the Competitive Set described previously in this report. Assuming that the new hotel is developed at Site Areas 3 or 4, then its primary focus will be Lodging Demand generated by the medical complex. The analysis of the Lodging Demand in the market area indicates that on average in the Primary Competitive Set, the medical complex generated demand is 50% with some properties being higher and some being lower. Therefore, an impact factor of 50.0% was used in these projections because the proposed hotel could potentially capture this business. Additional information regarding the proposed hotel's type and size are outlined in the *Property Recommendations* section of this report.

In this projected scenario, the proposed hotel is scheduled to open in 2016, with this being its first full year of operation. The opening schedule for the proposed hotel is discussed later in this section.

Average Daily Room Rate

The following chart highlights the *Projected Average Daily Room Rate* for the proposed hotel.

PROJECTED AVERAGE DAILY ROOM RATE			
YEAR Probable	PROJECTED MARKET ADR	PROJECTED MARKET YIELD	PROJECTED SUBJECT PROPERTY ADR*
High	\$94.56		\$90.16
2016	\$90.05	95.3%	\$85.86
Low	\$85.55		\$81.57
High	\$97.79		\$98.15
2017	\$93.13	100.4%	\$93.47
Low	\$88.48		\$88.80
High	\$101.13		\$106.85
2018	\$96.32	105.7%	\$101.76
Low	\$91.50		\$96.67
<p><i>* Net ADR equals room revenue plus restaurant, lounge, meeting & conference revenue.</i> <i>** Projected performance is +/- 5 percentage points and will be affected by changes in Lodging Supply and Lodging Demand growth levels used to formulate these projections.</i></p>			
<p>Source: HMI</p>			

Average Daily Rate (ADR) over the five years reviewed experienced consistent positive results with a steady trend of continued growth in every year ranging from 1.5% in 2009 to 9.5% in 2010. Year-to-date through August, the rate of growth has been 2.6%. Comparing this to the prior three-year average ADR growth rate experienced from 2011 - 2013, the projected 2014 annual ADR growth rate is 2.39%, which will be applied for projection purposes in this report for 2014. This projected 2014 average annual growth rate is a 45.7% decrease from the six-year (2008 – 2014) projected average annual growth rate of 4.45%. Therefore, commencing in 2015 and all future years, the growth rate in ADR that will be applied for projection purposes will be 3.42%, halfway between the six-year historic rate of 4.45% and the projected 2014 rate of 2.39%.

It is suggested that the Lodging Demand in the Marshfield market area would support a new subject hotel that is rate positioned in the middle between the two rate tiers that were previously discussed, once it is stabilized by its third full year of operation. This would result in a projected ADR of this proposed subject hotel with a yield to the average ADR of the Primary Competitive Set of 100.65%. As indicated in the *Competitive Factor* section of this report, the average age of the other mid-scale hotels in the Primary Competitive Set is 21.5 years today. This would indicate that a

new hotel should be able to achieve a rate premium of at least five percentage points due to it being brand new. This would result in an adjusted rate premium yield of 105.65% and a projected ADR of \$83.78 in today's dollars. This projected ADR indicates that the proposed subject hotel should be recommended to be positioned as a mid-scale hotel. This rate yield will be reduced to 95% in years one and two to allow for any discounting that may occur. This is typical when promoting a new hotel at its opening and will result in yields of 95.3% in year one and 100.4% in year two. It will position the proposed hotel with a 2016 projected average ADR of \$85.86.

To attain these ADR projections, the proposed hotel must be properly placed in the rate positioning established in this report. This includes facility, product, amenities, and services offered as anticipated for a new hotel of this style. Also, the rates established for the proposed hotel must be competitive with the subject market's rate structure and competitive price positioning.

Projected Room Revenue

The following chart depicts the *Projected Room Revenue* established in this report. The Probable Room Revenues are based upon the Occupancy and Average Daily Room Rates established in this report.

PROJECTED REVENUE			
YEAR	PROBABLE ROOM REVENUE	PROJECTED RevPAR	MARKET RevPAR YIELD
2016	\$924,157	\$60.28	136.7%
2017	\$1,073,738	\$70.04	151.4%
2018	\$1,247,530	\$81.38	167.8%
* Projected performance is +/- 5 percentage points and will be affected by changes in Projected Occupancy or Projected ADR.			
Source: HMI			

Given the projected Occupancy and ADR levels, the proposed hotel should achieve room revenue levels modestly higher than the Primary Competitive Set by its third year of operation.

PROPERTY RECOMMENDATIONS

The following *Property Recommendations* were based upon the research conducted for this report. Once again, the recommendations were arrived at based on the focus of this report being on the amount of support/demand for developing a limited-service style hotel in the subject market. Discussions with Mr. Angell indicated that no specific brand, size or price category have been identified at this time. This report provides information regarding the subject market's ability to support a proposed limited-service style hotel as well as recommendations for its price category, franchise branding, and the suggested number of rooms.

Property Type

Based upon the projected Occupancy and Average Daily Room Rates in the subject market area and the product segmentation for both Lodging Demand and Supply, it appears that the proposed *Property Type* should be in the Mid-Scale, Limited-Service style hotel category. This would allow the proposed hotel to adjust rates to meet regional Lodging Demand markets in stronger demand periods. It would also allow the proposed hotel to adjust rates with regional hotels in weaker Lodging Demand periods. This will be critical in this type of market.

Property Size

Based upon the subject market's projected Occupancy and Average Daily Room Rates and on Lodging Demand and Supply segmentation, the proposed *Property Size* was calculated at 42 rooms. This is smaller than the average size of the Primary Competitive Set identified in this report at 73 rooms for a yield of 182.5%. The projections in this report utilize a 158.8% yield to the projected Occupancy of the Primary Competitive Set by the third year of the proposed hotel's operation. As previously discussed in this report, these yields do not include an additional premium/yield of 10.0% points for the newness of the proposed hotel compared to the average age of the competitive set at 15+ years when the proposed hotel opens in 2016.

Property Amenities

Recommended *Property Amenities* should be compatible with the product type and the brand affiliation selected for the proposed hotel. Consideration must be given to the Market Segmentation Profiles and demographics of the subject market. Product offerings should be in line with any national franchise that would be selected for the proposed hotel.

Property amenities and services that may be required are as follows:

- An appropriate indoor pool area would be appreciated by the Social/Leisure market segments, especially when competing with other members of the Primary Competitive Set. A well lit, attractively decorated pool area is suggested. This type of amenity would assist in servicing the Social/Leisure market including vacationers, family tourists, weddings and reunions in this area.

- Offering a whirlpool in the swimming pool area is suggested. Also, several whirlpool suites which could be called “honeymoon suites” might be considered to attract Social/Leisure travelers.
- Offering an exercise room/area is recommended.
- The sleeping rooms should provide the typical amenities currently required by mid-scale, limited-service hotel chains. A large work desk and wireless Internet access in the guest rooms are expected by Corporate/Commercial guests in these price categories. Offering a complimentary breakfast is typical for this style of mid-scale, limited-service hotel.
- If the proposed hotel is not developed at Site Area 4 which is adjacent to the medical complex and will most likely be connect via skywalk, a shuttle bus should be considered to assist guests/patients and families in getting back and forth from the hotel to the medical complex.

Sleeping Room Configuration

The recommended *Sleeping Room Configuration* for the proposed hotel should be compatible with the area’s overall Market Segmentation. The rooms should accommodate both the Corporate/Commercial and the Social/Leisure market segments.

- Approximately 45.0% of the Lodging Demand is projected to be Social/Leisure, so double-queen beds would be preferred. They provide greater flexibility for all market segments. King beds should be considered for some rooms with up to a third for the Corporate/Commercial segment. Therefore, it is recommended that the proposed hotel offer up to 70% double-queen beds and 30% king beds.
- Developing one or two whirlpool suites is suggested. This would accommodate weddings and special getaway weekends as well as differentiate the proposed hotel from the other members of the Primary Competitive Set.
- Discussions indicated that the medical complex does generate some Lodging Demand that can be considered extended-stay (relocations, patients and consultants) which would indicate need to consider including a few extended-stay style suites.

Brand Affiliation

Since four of the six members of the Primary Competitive Set hotels have national brand affiliations, it is strongly suggested that the proposed hotel be affiliated with at least a strong regional or national brand.

Rate Strategy

The Room Rate Strategy for the proposed hotel should be compatible with the Average Daily Room Rate projections indicated in this report. Seasonality of Room Rates is also a consideration for this hotel. Given the Average Daily Room Rate research performed and the projections set forth in this report, it appears that the proposed hotel would be positioned to compete in the middle between the two rate tiers previously discussed in this report. For projection purposes in this report, it would initially appear that the proposed hotel will be positioned rate-wise to achieve a yield to the Competitive Set of 95% to 100% by the time it stabilizes in its third year of operation.

Opening Date

The Opening Date for the proposed mid-scale, limited-service hotel should be selected based upon the seasonality of the subject market. Ideally, opening this hotel in early spring would capture the maximum revenue prior to the softer season beginning in November.



DISCLAIMER

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

At the present time of this report, the United States and world economies are in the midst of a recovery from a major recessionary period that ran from 2008 - 2010. This recovery appears to be continuing according to current news reports with most economic indicators indicating growth since 2011.

HMI is not responsible for effects that occur from future political, economic or social events that ultimately alter these projections. These events should be monitored accordingly and potentially the results of this report may require updating to respond to future events.

Also, it should be understood that normal economic and marketplace conditions change constantly. HMI assumes no responsibility for information that becomes outdated once this report is written; nor is it responsible for keeping this information current after November, 2014.

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

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

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

Further questions concerning this report should be directed to HMI.

Sincerely,
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