

**FEASIBILITY STUDY FOR A PROPOSED
90-ROOM PREMIUM BRAND LIMITED-SERVICE HOTEL
TOCCOA, GEORGIA
MARCH 2024**



March 4, 2024

Mrs. Brittany Ivey
President/CEO
Stephens County Development Authority
20 Doyle Street
Toccoa, GA 30577

Email: brittany@scda.biz

Dear Mrs. Ivey,

We are pleased to present this report on a potential hotel development in Toccoa, Georgia in Stephens County. Recommendations in this study result from research of the lodging market, interviews with local generators of hotel demand, meetings with economic development authorities and analysis of economic data.

We have done our best to obtain accurate information for you. However, since we relied on interviews as well as other sources, some information may vary from actual. Conclusions are based on research ended February 12, 2024, and we cannot be responsible for events occurring subsequent to that date, or not foreseen. Our projections are based on assumptions, and we do not warrant that they will be achieved. This report has been prepared for use by the Stephens County Development Authority, for their internal use and decision-making process, and for presentation to selected lenders and investors. It is restricted against inclusion in offering statements or wider distribution without our express written permission.

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Conclusions
Proposed Premium Brand Limited-Service Hotel
Toccoa, Georgia

Our market analysis, which included interviews with select local hotel demand sources, revealed visitors travel as far as 17 miles away to Lavonia and Cornelia for an overnight stay due to the lack of a good quality, preferably nationally branded hotel in Toccoa. Many interviews also indicate there is potential to increase visitation if there were a premium brand hotel conveniently located nearby. Currently, the hotels in the City of Toccoa consist of two, exterior corridor independently owned properties totaling 134 rooms, which are below average in quality, in addition to a 40-room interior corridor hotel, Country Hearth and Suites, built in 2001. If a hotel was developed with a premium brand in Toccoa, it should be able to attract guests displaced to comparable hotels in Lavonia and Cornelia, and some guests using Toccoa hotels because they have no other option. Estimated room nights from 19 demand sources indicate just over 16,000 room nights were generated from visitation to their facility in Stephens County in 2023.

The proposed premium brand hotel would be competitive with upper midscale class hotels in Lavonia and Cornelia to the extent that they accommodate displaced demand that leaves the area for better quality lodging. These hotels would not necessarily compete for guests that originate in these markets. The proposed hotel would also attract some room nights from lower quality hotels in the immediate area that are used by default when very close accommodation is required. The proposed premium brand hotel would not be competitive with the lower quality hotels over the longer term because of wide differences in room rates and quality.

Smith Travel Research (STR/CoStar) reports nationally branded, midscale to upper midscale class hotels in Lavonia and Cornelia collectively experienced RevPar recovery from the impact of the pandemic by 2021. Solid performance continued in 2022 as this group of hotels collectively reached a peak in occupancy of 67 percent at an increase in average rate of 14 percent to \$119. An additional increase in average rate in 2023 resulted in a peak of \$127.

Based on our market analysis, and considering the assumptions and risks outlined in this report, a Premium Brand Limited-Service Hotel has the potential to be successful in Toccoa on a recommended site and benefit from immediate access to sources of shopping and dining in the downtown area. The proposed hotel would be the newest and best quality lodging option for a wide area and within a short drive of demand generators. The table following shows projections for a proposed 90-room Premium Brand Limited-Service hotel on a recommended site in Toccoa with an expected open fiscal year 2027.

Projected Operating Results Premium Brand Limited Service Hotel			
Year	Occupancy	Average Room Rate (1)	RevPar (1)
2027	63%	\$160	\$101
2028	69%	\$167	\$115
2029	71%	\$172	\$122
2030	73%	\$177	\$130
2031	75%	\$182	\$138
Note: (1) Adjusted for inflation Source: The Highland Group			

Our projections are based on assumptions and risks as follows.

Assumptions

- Visitation to Toccoa from larger demand generators interviewed remains stable or increases
- There are no competitive hotels developed within the competitive market area during the projection period, except the Fairfield Inn Suites in Cornelia, which is referenced in this report and included in our projections as additional supply
- The proposed hotel is of very good quality and has a premium brand such as one affiliated with Hilton, Marriott or IHG
- Progress is made for the continued development of restaurants, retail, and residential activity within the City of Toccoa and Stephens County
- Growth in economic indicators, as described herein, continues

- The hotel is developed with necessary amenities and operates with approximately 90 rooms including an estimated 20 to 25 percent suites

Risks

- Historic low hotel average occupancy for the overall competitive set of hotels that range from high 50 to high 60 percent
- Location on a non-interstate corridor and without visibility to a large volume of interstate travelers. RevPar (Occupancy X Average Rate) is strongest for premium brand hotels at Interstate 85.
- Low volume of weekday demand from corporate-based demand sources

Available Hotel Sites

The Stephens County Development Authority (SCDA) identified four viable and potential sites for the development of the proposed hotel. Acreage and locations, per SCDA, are summarized on the following pages.

Property Description

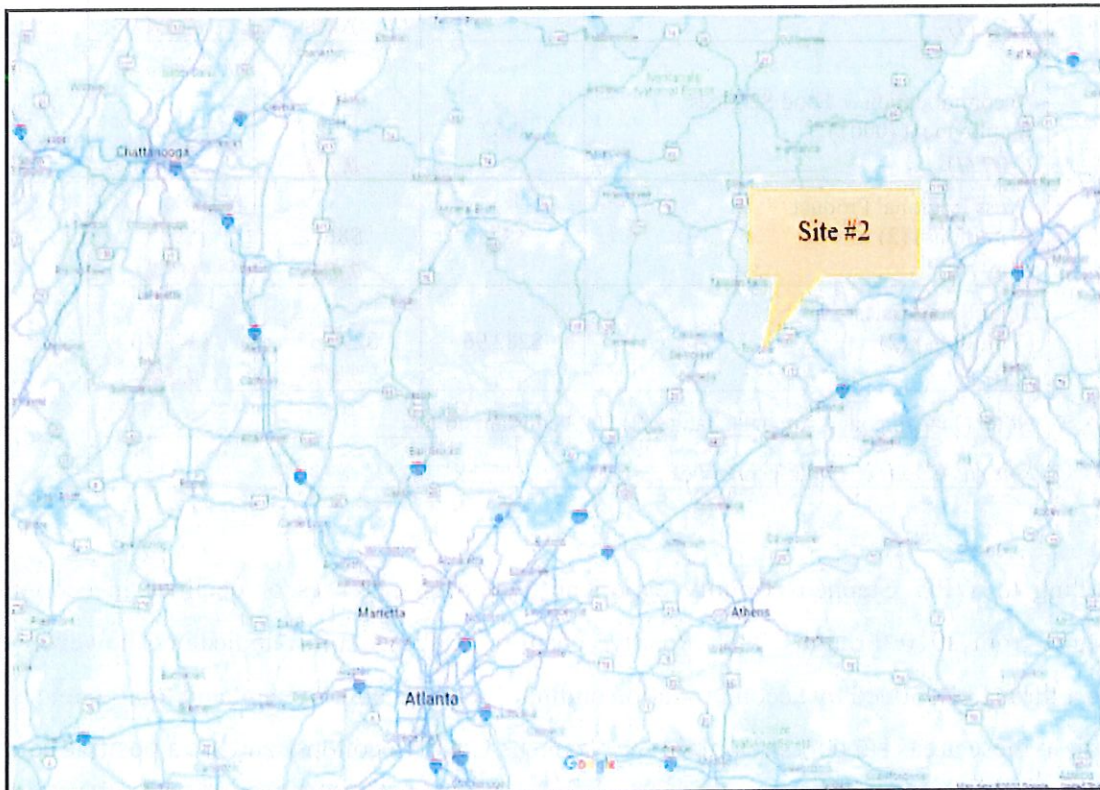
The proposed Premium Brand Limited-Service Hotel is expected to open in 2027 and would feature the following characteristics and amenities. Guestroom count and mix may vary slightly depending on final building configuration

- 90 guestrooms, including approximately 20 to 25 percent suites
- Complimentary Breakfast
- 850-1,200 +/- square feet of meeting space
- Fitness center
- Business center
- Pool
- Other standards and features of the selected Premium Brand Limited-Service Hotel

Premium hotel brands potentially available include Hilton, IHG, and Marriott affiliated hotels. Within the limited-service framework and hotel market price point, brands currently available for development in the market are Hampton Inn & Suites by Hilton, Holiday Inn Express by IHG or Fairfield Inn & Suites by Marriott. All brands benefit from national recognition and a strong frequent guest program.

Market Research

The proposed Premium Brand Limited-Service Hotel would be located in the City of Toccoa in Stephens County, which covers the same area as the Toccoa, GA MICRO Statistical Area. For the purposes of this report, Stephens County data is presented. Toccoa serves as the county seat of Stephens County and is located roughly 90 miles north of Atlanta, Georgia. The map following shows the proposed hotel site within the region.



Changes in economic indicators for Stephens County are depicted in the table below with data provided by Woods & Poole Economics (WPE).

Historic and Projected Economic Indicators			
	Stephens County		
	2010	2020	2030
Population (000's) <i>CAG (1)</i>	26.12	26.80 <i>0.3%</i>	26.96 <i>0.1%</i>
Employment (000's) <i>CAG (1)</i>	12.53	11.34 <i>-1.0%</i>	12.02 <i>0.6%</i>
Accommodation & Food Services Employment (000's) <i>CAG (1)</i>	0.62	0.58 <i>-0.7%</i>	0.68 <i>1.6%</i>
Gross Regional Product (\$ millions) (2) <i>CAG (1)</i>	\$826	\$861 <i>0.4%</i>	\$937 <i>0.8%</i>
Total Retail Sales (\$ millions) (2) <i>CAG (1)</i>	\$282.96	\$295.55 <i>0.4%</i>	\$343.40 <i>1.5%</i>
Note: (1) Compound Annual Change (2) 2012 constant dollars			
<i>Source: Woods & Poole Economics</i>			

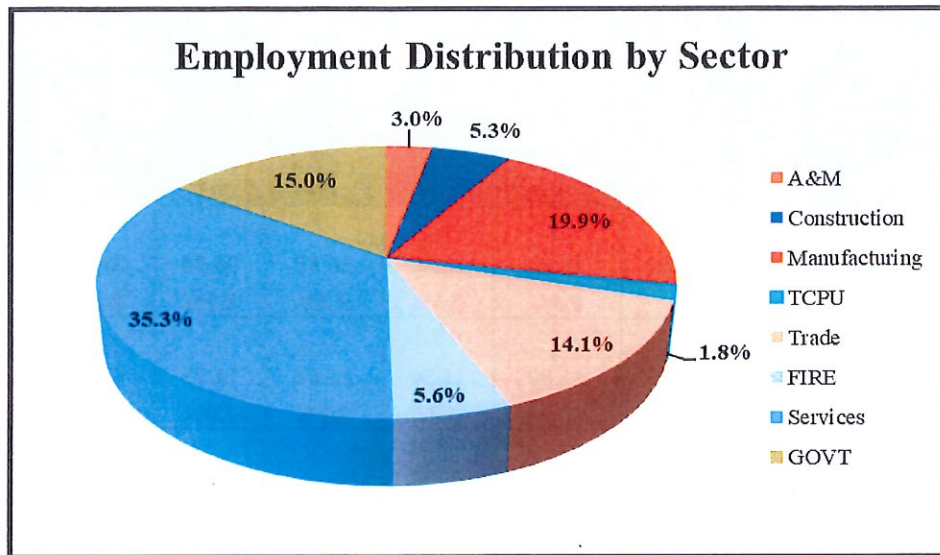
According to WPE, Stephens County experienced modest increases or declines in economic indicators from 2010 through 2020. Positive changes in all economic indicators, however, are forecast through 2030 led by accommodation and food services employment and total retail sales. Growth in these areas support strength in the Stephens County economy and are a positive source of indication for future hotel demand.

The table following depicts growth by year from 2018 through 2023 for Stephens County.

Recent Historic Economic Indicators							
Stephens County							
	2018	2019	2020	2021	2022	2023	CAG 2018-2023 (1)
Population (000's) <i>CAG (1)</i>	26.64	26.64 <i>0.0%</i>	26.80 <i>0.6%</i>	26.87 <i>0.2%</i>	26.88 <i>0.0%</i>	26.89 <i>0.0%</i>	<i>0.2%</i>
Employment (000's) <i>CAG (1)</i>	11.86	11.80 <i>-0.5%</i>	11.34 <i>-3.9%</i>	11.61 <i>2.4%</i>	11.75 <i>1.2%</i>	11.89 <i>1.2%</i>	<i>0.0%</i>
Accommodation & Food Services Employment (000's) <i>CAG (1)</i>	0.68	0.66 <i>-2.7%</i>	0.58 <i>-11.4%</i>	0.63 <i>7.4%</i>	0.65 <i>3.5%</i>	0.67 <i>3.2%</i>	<i>-0.2%</i>
Gross Regional Product (\$ millions) (2) <i>CAG (1)</i>	\$845	\$867 <i>2.6%</i>	\$861 <i>-0.6%</i>	\$869 <i>0.9%</i>	\$874 <i>0.5%</i>	\$878 <i>0.5%</i>	<i>0.8%</i>
Total Retail Sales (\$ millions) (2) <i>CAG (1)</i>	\$294.53	\$297.16 <i>0.9%</i>	\$295.55 <i>-0.5%</i>	\$336.43 <i>13.8%</i>	\$331.34 <i>-1.5%</i>	\$326.39 <i>-1.5%</i>	<i>2.1%</i>
Note: (1) Compound Annual Change (2) 2012 constant dollars							
<i>Source: Woods & Poole Economics</i>							

According to WPE, economic indicator change ranged from an annual decline of 0.2 to an increase of 2.1 percent from 2018 through 2023. Accommodation and food services employment declined the most in 2020 during the Covid-19 pandemic. Positive change occurred in 2021 for all economic indicators with a 13.8 percent increase in total retail sales that year. Economic indicators have returned to or surpassed 2019 levels following their respective declines in 2020.

The chart below illustrates the distribution of employment in Stephens County in 2023, as reported by WPE.



Source: Woods & Poole Economics (WPE)

The service sector is the largest segment, representing 35 percent of employment in the county, followed by manufacturing at 20 and government at 15 percent. Stephens County is home to several manufacturing companies that include ASI Storage Solutions, Sage Automotive Interiors and Patterson Pump. Openings in the past few years have included Nifco KTW America Corp, Sark Wire and Magna Flow. The county is home to three major industrial parks - Hayestone Brady, Toccoa and Meadowbrook. One of the most recent development announcements involves SungEel HiTech, a lithium-ion battery recycle firm, which plans to invest over \$37 million to build its first US recycling facility in Stephens County with an expected open year of 2024, according to SCDA. Largest employers for Stephens County in 2023 are listed in the table following.

Stephens County Largest Employers	
Stephens County Schools	570
Nifco KTW	491
ASI Storage Solutions	400
Walmart Super Center	375
Stephens County Hospital	370
Patterson Pump	325
Toccoa Falls College	200
Sage Automotive Interiors	200
Total	2,931
<i>Source: SCDA</i>	

Toccoa is situated roughly 17 miles west of Interstate 85, a major thoroughfare which runs southwest to northeast from Alabama to Virginia through Georgia, South Carolina and North Carolina. Access into Toccoa from Interstate 85 is via US 17, which also separates into a bypass corridor that routes around the southern portion of the city. According to Georgia Department of Transportation (GDOT), annual average daily traffic volume on US 17 at a point roughly 5 miles southeast of Site # 2 increased at a compound annual average of 1.2 percent from 2015 through 2022. US 123 merges with the most western portion of US 17 Bypass and continues northward routing through Toccoa. GDOT reports traffic volume on US 123 between S Broad Street and S Alexander Street just west of Site # 2 increased at a compound annual average of 1.3 percent from 2015 through 2022. Average annual daily traffic counts on US 17 and US 123, as reported by GDOT, are shown in the following tables. Increasing traffic volume is a good indicator of area growth and potential demand for hotels.

Traffic Volume on US 17	
Year	AADT
2015	12,000
2016	12,500
2017	12,700
2018	12,900
2019	13,200
2020	12,400
2021	12,700
2022	13,000
CAG (1)	1.2 %
<i>Note: (1) Compound Annual Average</i>	
Source: GDOT	

Traffic Volume on US 123	
Year	AADT
2015	8,170
2016	8,480
2017	8,710
2018	8,720
2019	8,720
2020	7,890
2021	8,740
2022	8,930
CAG (1)	1.3 %
<i>Note: (1) Compound Annual Average</i>	
Source: GDOT	

Downtown Toccoa & Tourism

Visit Toccoa reports 12 new businesses were added to Downtown Toccoa in 2023 and include an art gallery, coffee shop, yoga studio, a restaurant, clothing boutique, small commercial space and an outdoor outfitter. Additionally, a strategically placed gathering area is in development for downtown proposed to include greenspace, seating, a bandshell, storage room, greenroom, public restrooms and a potential amphitheater. According to Main Street Toccoa, there are more than 50 yearly events held in Downtown Toccoa and include the Toast of Toccoa, the Ida Cox Music Series, Harvest Festival and Christmas Fest. On Saturday nights during the Summer, downtown becomes an “entertainment district” where visitors can stroll to restaurants, live music venues and shopping establishments with alcoholic drinks. The Ritz Theatre, a 448-seat facility featuring musicians, comedians, magicians and theatrical groups, reports roughly 100 events that bring as many as 20,000 visitors to its venue in downtown each year. The Ritz intends to undergo improvements that include a new sound system, balcony restoration and an annex that features a grand hall with concession, merchandising and an art gallery. With more than 30 establishments in Downtown Toccoa and an active event and performance calendar, Visit Toccoa reports visitation has steadily increased over the past few years.

The beauty of the Chattahoochee National Forest, Tugaloo River, Lake Toccoa and Lake Hartwell also create reasons for outdoor tourism visitation to the Toccoa area throughout the year. According to Visit Toccoa, the area’s number one attraction is the 186-foot high waterfall, Toccoa Falls, located on the 1,100 acre campus of Toccoa Falls College. Additionally, Lake Toccoa features walking trails, fishing, paddle boats and Links, a nine-course public golf course; and the Tugaloo River Water trail offers a 10-mile stretch of scenic hiking.

Military history also brings tourism to Toccoa with the Currahee Military Museum which honors paratroopers who trained at Camp Toccoa during World War II, and Camp Toccoa at Currahee which is in restoration to include a pavilion, barracks and a C-47 plane. One of the highest attended and the second biggest draw to Toccoa, according to Visit Toccoa, is Currahee Military Weekend.

The appeal and vibrancy of Toccoa has increased interest in residential development and future growth in this sector is exhibited with the recent announcement of a large planned urban development roughly 5 miles south of downtown, according to SCDA. The phased multi-use

project is in the approval phase and would offer 320 multifamily units, 150 single family detached homes, and more than 70,000 square feet of restaurant, grocery and commercial space when complete. SCDA also reports 2 new subdivisions are in the planning phase for Stephens County for proposed development in the near future.

Continued growth in indicators, including gross regional product and total retail sales, point to further increases in the local economy. Investment in the addition of manufacturing facilities, new businesses and residential development also indicate future economic growth. Efforts to entice increased visitation to Downtown Toccoa are expected to provide vibrancy and continued appeal. The foreseeable outlook for Toccoa is continued economic growth and increasing demand for lodging.

Hotel Demand

Telephone demand interviews were conducted to estimate the need for a hotel in the City of Toccoa. Estimated potential room nights of roughly 16,453 were totaled from 19 hotel demand generators contacted in Stephens County. According to interviews, the top 6 sources of potential room nights are predominately leisure which need weekend accommodation. The Venue @ Star Theatre, Avamar Farms, Flat Rock Farm, Venue @ Broken Bridge Farm and Reflections host events generally year-round, typically for one weekend night on average, that include weddings, receptions, and a variety of social gatherings. The City of Toccoa reports an annual average of over 30,000 visitors that include attendance to a variety of events, predominately on weekends, and includes attendance to the Currahee Museum Military Weekend and performances at the Ritz Theatre. Some of these attendees stay overnight but most are local guests. Toccoa Falls College reports over 10,000 visitors from a wide range of guest types including those attending weddings, prospective student weekends and school events. The largest contributor of room nights from Toccoa Falls College are from athletes which typically stay 4 to a room. Business retreats at various venues and visiting faculty to Toccoa Falls College create some corporate demand during the weekday. Additionally, Patterson Pump generates corporate room nights on weekdays throughout the year, many which stay for two consecutive nights, and include auditors, trainees, seminar attendance and vendor visits. Eleven demand sources indicated anticipated growth in room nights ranging from an increase of 5 percent to 25 percent over the next few years. This includes additional room nights expected from a new training center at Patterson Pump with an expected open year of 2025.

The table following summarizes key information from telephone interviews with hotel demand sources in Stephens County.

Demand Interview Results				
Source of Demand	Estimated Visitors	Average % Overnight	Average Occupants per Room	Estimated Potential Room Nights
City of Toccoa	30,390	20%	2	3,039
Reflections	7,250	75%	2	2,719
The Venue @ Star Theater	6,000	75%	2	2,250
Toccoa Falls College	10,593	80%	4	2,119
The Venue@ Broken Bridge Farm	6,575	75%	2.5	1,973
Flat Rock Farm	3,000	75%	2	1,125
Paterson Pump	1,117	100%	1.5	745
Stephens County Rec Dept	1,748	70%	2	612
Camp Mikell	800	100%	2	400
ASI	380	100%	1	380
Nifco KTW	250	100%	1	250
Phillips Group	200	100%	1	200
North Georgia Credit Union	170	100%	1	170
Avamar Farms	1,740	15%	2	131
1st Franklin Financial	120	100%	1	120
Truvista	100	100%	1	100
Dewtex	55	100%	1	55
Toccoa Little League	250	50%	3	42
Stephens County School System	26	100%	1	26
Estimated Potential Room Nights				16,453
Source: The Highland Group, SCDA Contacts				

Additional results of the demand interviews include:

- All respondents stated they currently use hotels in Lavonia and Cornelia due to the lack of quality accommodation in Toccoa.
- Respondents that represent an estimated 75 percent of total room nights, would find a nightly hotel room rate of \$90 - \$150 reasonable.
- All establishments contacted would consider using a good quality, premium branded hotel in the City of Toccoa because of its expected quality, location and amenities.
- Amenities most preferred include interior rooms, premium brand, complimentary breakfast, pool, and fitness center. Walkability to restaurants was also heavily stated as a desirable amenity.

Walk-In Hotel Demand

Hotels located along interstates and highways attract walk-in guests without an advance reservation. The amount of walk-in business varies widely and depends on several factors including traffic volume on the highway, hotel brand, visibility, overall curb appeal of businesses at the exit or intersection, and the nearby availability of supporting services such as gas stations and restaurants. Since Toccoa is not located on an interstate highway and US 123 & US 17 are primarily used by residents in the area or individuals purposely traveling to Toccoa, demand from walk-ins is expected to be minimal. The proposed hotel's affiliation with a premium brand would offset some lack of walk in business by generating demand through its reservation system and brand website.

Lodging Market Analysis

According to demand interviews, those needing overnight stay while in Toccoa drive as far as 17 miles to Lavonia and Cornelia due to lack of quality accommodation. To illustrate competitive market area hotel changes in supply, demand, average rate and RevPar, we analyzed a Smith Travel Research (STR/CoStar) report comprised of midscale to upper midscale class hotels in Lavonia and Cornelia. A Quality Inn in Hartwell was included to comply with STR/CoStar reporting restrictions. Hotels in the report are shown in the following table.

Toccoa Competitive Market Hotels			
Hotel	City	Open Date	Rooms
Hampton Inn	Cornelia	Aug 2001	81
Quality Inn	Lavonia	Feb 1994	69
Holiday Inn Express	Lavonia	Feb 2009	72
Hampton Inn Suites	Lavonia	May 2015	81
Quality Inn	Hartwell	Jan 1993	41
Number of Hotels		Number of Rooms	
		5	344
<i>Source: STR/CoStar.</i>			

The table following reports historic overall market performance of the above hotels from 2016 through 2023.

Toccoa, GA - Overall Competitive Market Hotel Operating History 2016- 2023									
Year	Room Night Supply	Change in Supply	Occupancy	Room Night Demand	Change in Demand	Average Rate	Change in Rate	RevPar	Change in RevPar
2016	122,640		61.9%	75,973		\$100.56		\$62.29	
2017	123,864	1.0%	57.4%	71,043	-6.5%	\$105.67	5.1%	\$60.61	-2.7%
2018	124,100	0.2%	60.2%	74,675	5.1%	\$104.32	-1.3%	\$62.77	3.6%
2019	124,100	0.0%	60.4%	74,914	0.3%	\$104.57	0.2%	\$63.13	0.6%
2020	124,405	0.2%	51.2%	63,656	-15.0%	\$97.48	-6.8%	\$49.88	-21.0%
2021	125,925	1.2%	63.8%	80,367	26.3%	\$104.23	6.9%	\$66.52	33.4%
2022	125,925	0.0%	66.6%	83,865	4.4%	\$119.23	14.4%	\$79.41	19.4%
2023	125,772	-0.1%	61.0%	76,749	-8.5%	\$126.51	6.1%	\$77.20	-2.8%
CAG (1)		0.4%			0.1%		3.3%		3.1%
Note: (1) Compound Annual Growth 2016 - 2023									
<i>Source: STR/CoStar</i>									

Supply fluctuations are due to addition of rooms at the Quality Inn Lavonia in 2017 and 2021, resulting in an overall annual supply increase of 0.4 percent from 2016 through 2023. Occupancies, which typically range from high 50 to low 60 percent range, dropped to 51 percent in 2020, as demand declined 15 percent and average rate dropped 7 percent. This compares favorably to national averages for the overall US at declines of 36 and 21 percent respectively in 2020. Rural locations with outdoor appeal such as Toccoa fared better during 2020 across the nation. Resultant of a demand spike in 2021, RevPar recovered and surpassed 2019 levels. Demand increases continued in 2022 bringing occupancies to a peak of 67 percent. Average rate increased from 2016 through 2023 at a compound annual average of 3.3 percent with the largest yearly increases occurring after 2020. A demand decline of 9 percent in 2023 is likely due to the settling of travel following an uptick in previous years and could also be due to a peak in collective average rate to \$127 at older and some lower quality hotels.

Seasonality of Demand

The table below presents a 12-month rolling average for occupancy, average rate, and RevPAR by day of the week in 2023 for hotels in the competitive market area. As illustrated, performance during this period is strongest on Tuesdays and Wednesdays at 68 and 67 percent while average rate is higher by an average of \$6 on the weekends.

Competitive Hotel Market Operating Performance by Day of Week-1/2023-12/2023							
	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Occupancy	43.0%	62.8%	67.7%	67.2%	59.6%	64.9%	62.3%
ADR	\$115.35	\$126.20	\$128.05	\$127.83	\$124.07	\$131.14	\$129.12
RevPar	\$49.57	\$79.27	\$86.74	\$85.89	\$73.94	\$85.08	\$80.44
<i>Source: STR/CoStar</i>							

Weekday occupancy is typically driven by corporate travel, although some is attributed to leisure accommodation during the spring and summer months. Most leisure travel occurs on the weekend and is associated with vacations, festivals, sports, weddings, college events and various social functions.

Competitive Hotel Market

The proposed hotel would be the newest and only premium brand hotel in Toccoa. Hotels most competitive with the proposed hotel are premium brand hotels in Lavonia and Cornelia, shown in the table on page 19. These hotels currently accommodate demand that leaves Toccoa due to the lack of quality lodging. The proposed hotel would compete with these hotels for the displaced demand, but not for guests specifically needing accommodation in Lavonia or Cornelia because of their respective distances from Toccoa. Not included as competitive are the Quality Inn properties in Lavonia and Hartwell due to their condition, age and lower rate.

The following table shows a summary of competitive hotel performance from 2021 through 2023, and projected performance in 2024.

Competitive Market Summary									
Competitors Direct	Total Rooms	Occupancy				Average Daily Rate			
		2021	2022	2023	2024	2021	2022	2023	2024
Hampton Inn Cornelia	81	75-79%	70-74%	70-74%	70-74%	\$105-109	\$120-124	\$120-124	\$120-124
Hampton Inn Suites Lavonia	81	65-69%	75-79%	70-74%	75-79%	\$130-134	\$145-149	\$155-159	\$160-164
Holiday Inn Express Suites Lavonia	72	55-59%	65-69%	65-69%	65-69%	\$125-129	\$140-144	\$145-149	\$145-149
TOTAL	234	67%	72%	71%	72%	\$120	\$136	\$140	\$143

Source: The Highland Group

Competitive hotel occupancy and average rate increases in 2022 were led by the Hampton Inn Suites Lavonia, contributing to overall occupancies reaching 72 percent and average rate rising by 13 percent to \$136 by year end. Overall occupancies settled to 71 percent in 2023 and average rate increased by roughly 3 percent to \$140. Based on historic demand trends and market interviews, overall occupancy and average rate are anticipated to increase to 72 percent and \$143, respectively in 2024.

The charts on the following page summarize the facilities and services at competitive hotels.

Competitive Hotels: Summary of Facilities and Services

Hotel	Year Open	Rooms/Suites	Weekday Rates	Weekend Rates	S.F Total Meeting Space	S.F Largest Meeting Room	Pool	Restaurant	Comp. Breakfast	Free High Speed Internet	Parking
Hampton Inn & Suites Lavonia	2015	60 rooms / 21 suites	\$132-\$157	\$127-\$160	1,932	1,932	Indoor	No	Yes	Yes	Free
Holiday Inn Express Lavonia	2009	43 rooms / 29 suites	\$127-\$153	\$112-\$133	1,112	1,112	Indoor	No	Yes	Yes	Free
Hampton Inn Cornelia	2001	80 rooms / 1 suites	\$112-\$151	\$115-\$157	700	700	Indoor	No	Yes	Yes	Free

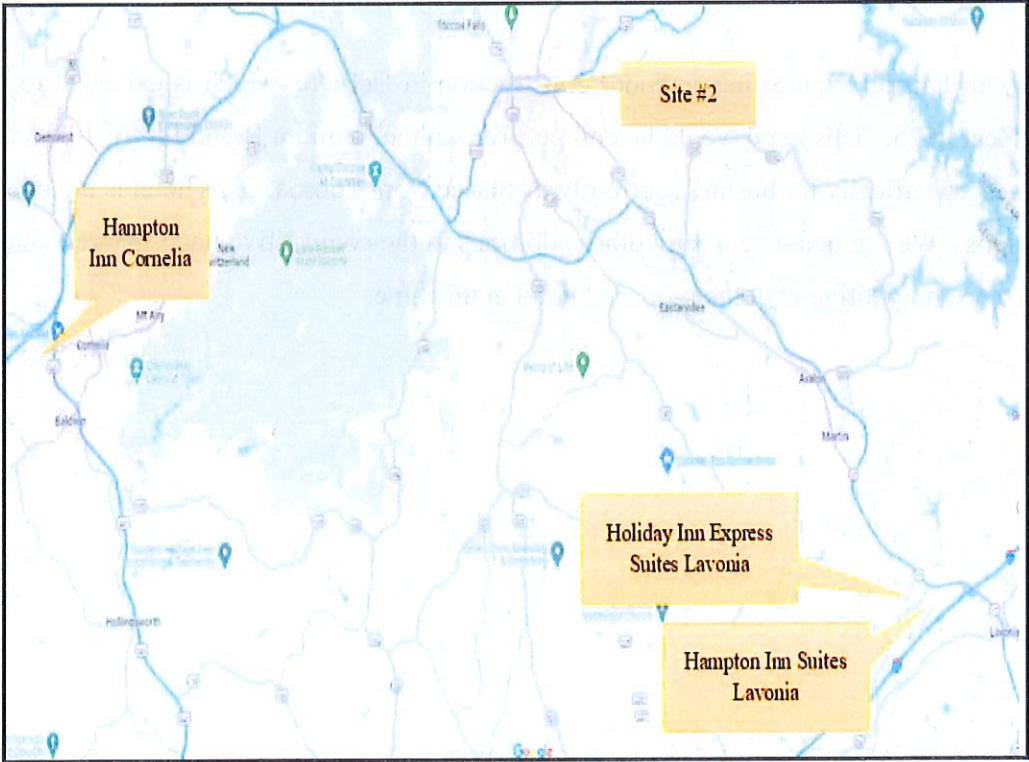
Sources: Competitive Hotels, The Highland Group

Competitive Hotels: Summary of Strengths and Weaknesses Relative to Subject Hotel

Hotel	Distance From Subject Hotel	Last Renovation	Location	Access	Arrival Experience	Interior Finishes	Brand Strength	Comments
Hampton Inn & Suites Lavonia	16.7 miles	None	Superior	Superior	Inferior	Inferior	Similar	Located at & easily accessed from I-85. Dated building.
Holiday Inn Express Lavonia	16.7 miles	2020	Superior	Superior	Inferior	Inferior	Similar	Located at & easily accessed from I-85. Renovated but a 15 year old building.
Hampton Inn Cornelia	17.2 miles	2015	Superior	Similar	Inferior	Inferior	Similar	Proximate to numerous restaurants & shopping. Oldest competitive hotel.

Sources: Google Maps, Competitive Hotels, The Highland Group

Hotels in Lavonia would be superior in location and access to the proposed hotel due to a location at Interstate 85 and passing traffic volume. The Hampton Inn Cornelia would have a superior location to the proposed hotel due to its proximity to an abundance of restaurants and traveler services. Access for the Hampton Inn Cornelia is via a US Hwy and somewhat similar to the proposed hotel. Competitive hotels would be in buildings that would range in age from 12 to 26 years by 2027, the first year of operation for the proposed hotel. Consequently, as a brand new lodging option, these hotels would be inferior in arrival experience and interior finish compared to the proposed hotel. The proposed Premium Brand Limited-Service hotel would be the newest and best quality hotel within a wide area. The map following illustrates the location of the proposed hotel site and competitive hotels.



Mix of Business

Mix of business in the competitive set is estimated in 2023 at:

- 65 percent corporate
- 35 percent leisure

The mix of business in the competitive set is strongest in corporate which is comprised of transient business travelers to the competitive area while visiting local firms, manufacturing facilities and conducting training. Leisure demand is primarily a result of tourism, college events, weddings and social events.

Changes in Supply

A 79-room Fairfield Inn Suites is under construction in Cornelia which is expected to open in Fiscal Year 2025. This hotel would be competitive with a Premium Brand Limited-Service hotel in Toccoa, specifically for business currently displaced from Toccoa. This hotel is included in our projections. We are unaware of any other additions to the competitive hotel markets that would affect or be competitive with the proposed hotel at this time.

Competitive Market Projections

The following table shows supply and demand projections for the proposed hotel’s competitive set through 2031. The projected supply and demand increase in 2025 and 2027 are due to the Fairfield Inn Suites in Cornelia and the proposed Premium Brand Limited-Service hotel in Toccoa, respectively. Competitive hotel room supply is projected to increase by a compound annual average of 8.1 percent from 2024 through 2031. The corresponding increase in demand is projected to be 8.4 percent over the same time period. The proposed 90-room hotel in Toccoa is expected to be absorbed within 2 years.

Projection of Supply and Demand by Segment											
Segment	Actual			Projected							
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Corporate	37,410	40,079	39,353	40,140	50,175	52,683	63,220	66,381	68,372	70,424	72,536
Percent Change		7%	-2%	2%	25%	5%	20%	5%	3%	3%	3%
Segment Demand	37,410	40,079	39,353	40,140	50,175	52,683	63,220	66,381	68,372	70,424	72,536
Leisure	20,144	21,581	21,190	21,614	24,856	26,099	32,623	34,254	35,282	36,340	37,431
Percent Change		7%	-2%	2%	15%	5%	25%	5%	3%	3%	3%
Segment Demand	20,144	21,581	21,190	21,614	24,856	26,099	32,623	34,254	35,282	36,340	37,431
Total Demand	57,553	61,659	60,543	61,753	75,030	78,782	95,843	100,635	103,654	106,764	109,967
Total Supply	85,410	85,410	85,410	85,410	114,245	114,245	147,095	147,095	147,095	147,095	147,095
Total Demand Percent Change		7%	-2%	2%	22%	5%	22%	5%	3%	3%	3%
Total Supply Percent Change		0%	0%	0%	34%	0%	29%	0%	0%	0%	0%
Competitive Set Occupancy	67%	72%	71%	72%	66%	69%	65%	68%	70%	73%	75%

Source: The Highland Group

Each segment of demand is discussed in the paragraphs below.

Corporate

Corporate demand in the competitive set is mainly comprised of travelers that visit businesses in Lavonia and Cornelia, in addition to demand displaced from Toccoa. The largest increases in corporate demand are projected for 2025 and 2027 with the addition of a Fairfield Inn Suites in Cornelia and a brand new premium brand hotel in Toccoa. Demand growth includes some guests

drawn from the lower quality, older hotels in Toccoa. Corporate demand also considers a base of historic economic growth and anticipated increases as reported by demand sources in Stephens County. Corporate demand is projected to increase by an annual average of 8.2 percent from 2024 through 2031. The proposed hotel would be affiliated with a premium brand and the strength of its brand reservation system is likely to bring in some demand that is not currently staying in the competitive market.

Leisure

Leisure demand includes tourism, vacation travel, sports and various social gatherings in Lavonia and Cornelia, in addition to that emanating in Toccoa but displaced to other markets. Leisure demand increases are forecast to be strongest in 2025 and 2027 as new rooms are available in Cornelia and Toccoa from additional premium brand hotels. Growth also considers a base of historic economic growth, anticipated increases as reported by demand sources in Stephens County, and potential increased event attendance due to the proposed hotel in Toccoa. Leisure demand is projected to increase by an annual average rate of 8.9 percent from 2024 through 2031.

Projections

Penetration Analysis

The table below shows market penetration by demand segment for the proposed Premium Brand Limited-Service Hotel in Toccoa, Georgia.

Premium Branded Limited Service Hotel Penetration Analysis					
Segment	2027	2028	2029	2030	2031
Premium Branded Limited Service Hotel	90	90	90	90	90
Fair Share Demand	22%	22%	22%	22%	22%
<i>Corporate</i>					
Fair Share Demand	14,119	14,825	15,269	15,727	16,199
Penetration	95%	95%	95%	95%	95%
Capture	13,413	14,083	14,506	14,941	15,389
Mix	65%	63%	63%	63%	63%
<i>Leisure</i>					
Fair Share Demand	7,286	7,650	7,879	8,116	8,359
Penetration	100%	110%	110%	110%	110%
Capture	7,286	8,415	8,667	8,927	9,195
Mix	35%	37%	37%	37%	37%
Total					
Fair Share Demand	21,404	22,474	23,149	23,843	24,558
Penetration	97%	100%	100%	100%	100%
Capture	20,698	22,498	23,173	23,868	24,584
Occupancy	63%	68%	71%	73%	75%
<i>Source: The Highland Group</i>					

A penetration analysis was performed to assess how well the proposed Premium Branded Limited-Service Hotel would compete in each segment of demand. The formula for penetration is room nights of demand captured by a hotel divided by that hotel's fair share of demand. Fair share is the ratio of the hotel's rooms to the number of competitive rooms in the market area. All else being equal, each hotel would have 100 percent penetration; however, hotels differ in their degree of competitiveness across the segments. Strong potential performance is reflected in penetration rates above 100 percent.

Penetration in each segment of demand is discussed in the paragraphs following.

Corporate

Corporate demand in Toccoa is mainly comprised of business travelers affiliated with local firms, training, traveling nurses and visiting faculty to Toccoa Falls College. Patterson Pump brings room nights from training, seminars and auditors. Additionally sources of corporate room nights come from small conferences such as those affiliated with ASI. Manufacturing facilities also produce corporate travel including those involved in sales and management. Penetration in the corporate segment includes room nights absorbed from displaced guests in the competitive market. The proposed hotel would also initially accommodate some room nights from lower quality hotels in Toccoa. The proposed Premium Brand Limited-Service hotel is expected to penetrate the corporate segment at 95 percent in 2027 and throughout the projection period. Corporate guests are expected to account for 63 percent of overall room nights at the proposed hotel.

Leisure

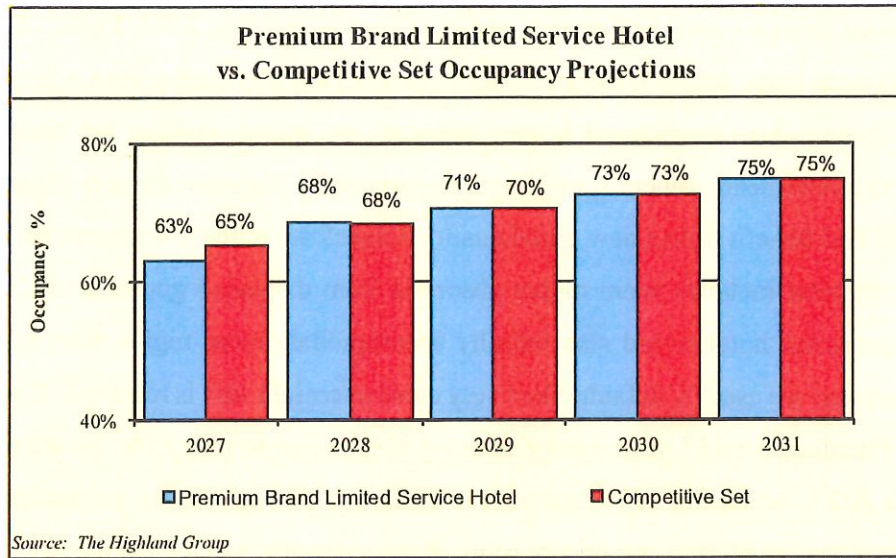
The proposed Premium Brand Limited-Service hotel would be located proximate to Downtown Toccoa and benefit from the area's vibrancy and large attendance to events, festivals and performances. Non-local attendees from these demand sources are largely unaccommodated in the Toccoa market due to preference for a quality lodging option. The proposed hotel would be conveniently located to leisure event venues including Avamar Farms, Venue @ Star Theatre,

Venue @ Broken Bridge Farm, Reflections at Lake Toccoa and Flat Rock Farm. Toccoa Falls College and Toccoa Falls, which generate leisure demand, are accessed within a 2 mile drive of Downtown Toccoa. Also considered leisure demand, are guests visiting the area for family reunions, sports tournaments, funerals, or patient support at the Stephens County Hospital. These travelers would also benefit from a new, good quality hotel closer to these destinations. Penetration in the leisure segment includes room nights absorbed from displaced guests in the competitive market. The proposed hotel would also initially accommodate room nights from lower quality hotels in Toccoa that are used by default when very close overnight stay is required. Consequently, the proposed Premium Brand Limited-Service hotel is expected to penetrate the leisure segment 100 percent in 2027, increasing to 110 percent in 2028 and throughout the projection period, as marketing efforts are established and leisure room nights currently leaving the market are realized. This segment is projected to account for 37 percent of overall room nights at the proposed hotel.

Room nights achieved at the proposed hotel are reasonable considering the result of demand interviews, which indicate more than 16,000 room nights generated by entities in the Stephens County region. The proposed hotel is expected to achieve its fair share of room nights in its second year of operation. Overall penetration in the competitive market for the proposed Premium Brand Limited-Service hotel ranges from 97 to 100 percent throughout the projection period.

Occupancy

The graph below illustrates the proposed Premium Brand Limited-Service Hotel's occupancy compared to the competitive market over the projection period.



The proposed hotel would be a brand new, premium brand product, convenient to Stephens County demand generators and walkable to downtown restaurants and retail. The proposed hotel is expected to capture room nights that leave the Toccoa market due to current lodging options, however the largest portion of unaccommodated room nights, according to demand interviews, are leisure weekend travelers. The proposed hotel would be slightly larger than competitors and located in a small downtown which is not proximate to a major interstate or at an exit with an abundance of restaurants and shopping. Consequently, the proposed hotel would ramp up to operate at a similar level as the competitive market by 2028 and throughout the projection period.

Average Rate

The table following shows historic and projected average rate ranges at competitive hotels in descending order.

Competitive Hotel Average Rate Projections									
Hotel	2023	2024	2025	2026	2027	2028	2029	2030	2031
Hampton Inn Suites Lavonia	\$155-159	\$160-164	\$165-169	\$170-174	\$175-179	\$180-184	\$185-189	\$190-194	\$195-199
Proposed Hotel					\$160	\$167	\$172	\$177	\$182
Holiday Inn Express Suites Lavonia	\$145-149	\$145-149	\$150-154	\$155-159	\$160-164	\$165-169	\$170-174	\$175-179	\$180-184
Hampton Inn Cornelia	\$120-124	\$120-124	\$125-129	\$130-134	\$135-139	\$135-139	\$140-144	\$145-149	\$150-154

Source: The Highland Group

The proposed hotel is expected to open by 2027 and would initially be positioned at parity with the Holiday Inn Express Lavonia, increasing above that hotel in future years after marketing efforts are realized. Additionally, the proposed hotel would offer 20 to 25 percent suites, which is expected to account for a 20 percent rate premium on standard guestrooms. The proposed hotel would be positioned below the Hampton Inn Suites, which historically leads the market in average rate as a small hotel with a strong brand at an interstate location. The proposed Premium Brand Limited-Service hotel would not be visible to a major interstate and roughly 17 miles from interstate access. According to interviews with Stephens County demand sources, the projected rate for the proposed hotel is in line with rates currently paid by their visitors at hotels in Lavonia and Cornelia.

The table following shows average rate by demand segment for the proposed hotel in Toccoa, Georgia.

Premium Brand Limited Service Hotel Average Rate by Segment					
Segment	2027	2028	2029	2030	2031
<i>Corporate</i>					
Room Nights	13,413	14,083	14,506	14,941	15,389
Rate	\$144	\$145	\$145	\$145	\$145
<i>Leisure</i>					
Room Nights	7,286	8,415	8,667	8,927	9,195
Rate	\$151	\$153	\$153	\$153	\$153
Current Dollar Average Rate	\$147	\$148	\$148	\$148	\$148
Inflation	3%	3%	3%	3%	3%
Inflated Average Rate	\$160	\$167	\$172	\$177	\$182
<i>Source: The Highland Group</i>					

Corporate rates are usually those charged during the week, while leisure rates are largely realized during the weekends. According to STR/Costar, there is a 5 percent variation in average rates for weekend rates compared to weekday rates for hotels within the competitive set. Leisure rates at the proposed hotel are projected at 5 percent more than corporate guests. The proposed hotel is projected at an average rate of \$147 in current 2024 dollars. Average rates are forecast to increase in 2028 as opening discounts are eliminated, marketing efforts are realized, and occupancy increases. Rates are increased by three percent annually for inflation.

Hotel Brand Availability

Listed below are brands available, as of the writing of this report, for the recommended hotel site in Toccoa, GA, and their representative contact information.

- Hilton – Hampton Inn Suites
Gary Finnell, Senior Director SE
Gary.finnell@hilton.com
- Marriott - Fairfield Inn Suites
Chris Dibenedetto, Area Vice President
Chris.Dibenedetto@marriott.com
- IHG – Holiday Inn Express Suites
Sy Simpson, Director Franchise Development
Sy.Simpson@ihg.com