

## DESK-TOP OVERVIEW REPORT

### VILLAGE OF BETHALTO, ILLINOIS

JANUARY, 2018

The following Desk-Top Overview Report provides a Preliminary Overview of the Projected Performance Level for this 90-room hotel in Bethalto, Illinois. This proposed hotel will be an upper-mid-priced to upscale, select-service hotel in this market.

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As a preliminary presentation of the Projected Operational Performance of this proposed hotel, it should be reviewed accordingly. In a more expanded Field Research Analysis Report or Comprehensive Hotel Market Study, the preliminary Operational Performance could be modified with additional research.

Management

Research

Marketing

Gregory R. Hanis, ISHC  
President

[ghanis@hospitalitymarketers.com](mailto:ghanis@hospitalitymarketers.com)  
262-490-5063

Member of



*Professionally Serving the  
United States & Canada  
Since 1982*

*Offices in  
Milwaukee, Wisconsin and  
Fort Myers, Florida*

5415 S. Majors Drive  
New Berlin, WI 53146

10014 Majestic Avenue  
Fort Myers, FL 33913

DIRECT: 262-490-5063

TOLL FREE: 800-657-0835

Fax: 239-245-8161

[hmi@hospitalitymarketers.com](mailto:hmi@hospitalitymarketers.com)  
[www.hospitalitymarketers.com](http://www.hospitalitymarketers.com)

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### PROPOSED HOTEL

The proposed hotel to be developed was identified as the following:

- PRODUCT TYPE/STYLE:
  - o Select-Service
  - o Upper Mid-Priced to Upscale
  - o Traditional and Suite Style Hotel
  
- PROPERTY SIZE: 90 Rooms
  - o Traditional Rooms
  - o Suite Style Rooms
    - Typically, the Preliminary Suggested Breakdown of these rooms would be as follows:
      - Traditional Rooms- 70% to 80%
      - Suite Style Rooms- 20% to 30%
        - o Double Queen-Bedded Rooms- 60% to 70%
        - o King-Bedded Rooms- 30% to 40%
  
- PROPOSED BRAND AFFILIATION:
  - o To be Determined
  
- PROPERTY AMENITIES and SERVICES
  - o Traditional Property Amenities and Services Associated with the Proposed Brand
  - o Café Bistro Type Food & Beverage Facilities
    - Café- Serving Light Menu Items for Breakfast, Lunch and Dinner.
    - Casual Lounge
  - o Meeting/Banquet Facilities
    - 2,000 to 3,000 Square Feet
    - Sub-Dividable
      - Three to Four Sections

## **SUBJECT SITE**

At the time of this report, no specific Subject Site was identified for the proposed hotel.

- In speaking with the Economic Development contact for the market, there were several potential Subject Sites available for the potential hotel.
- The area around Highway 255 and the St. Louis Regional Airport was cited as a potential development area.
- Map of Bethalto and Regional Area.



- In speaking with the City, the Subject Site is within a Business District and an Enterprise Zone. The Business District collects a 1% Sales Tax to be used for infrastructure improvements, façade grants, etc. The Enterprise Zone offers tax advantages for new development.

## **SUBJECT MARKET OVERVIEW**

- Bethalto is a suburban market in the greater St. Louis, Missouri metropolitan area.
- It is located about 30 miles north of downtown St. Louis.
- It was defined as a middle-class community with a mix of white collar and blue-collar employment but leaning toward blue collar.
- It was defined as a stable market with slow growth.
- DEMAND- Corporate/Commercial Market
  - Retail is located around Highways 255 and 111 and the St. Louis Regional Airport area.
  - St. Louis Regional Airport Area:
    - Light Manufacturing
    - Office- Professional Services
    - Aviation Services- West Star Aviation
      - Repair Services- (30-50 Planes per Year)
      - Pilot Housing-(1,500 -2,000 Rooms per Year- Possible Stay- 6 days to 12 Weeks)

- Real Estate- New Housing in the area- Single & Multi-Family, mid-market style is developing.
- In Regional Area:
  - Refineries
  - Southern Illinois University- Edwardsville, Illinois
  - Lewis & Clark Community College- Collinsville, Illinois
- DEMAND- Social/Leisure Market
  - This market is growing.
  - Mississippi River to the west generates recreational activity- Boating, Fishing, Kayaking, Water Sports, Etc.
  - Eco-Tourism- Along the River
  - Amateur/Youth Sports- Baseball, Soft Ball, Soccer, Ice Hockey (Alton Area), Etc. (2017- Over 4,500 Participants in all events held in Bethalto.)
  - Visiting Friends & Relatives- Weddings, Reunions, Funerals, etc.
  - Regional Market- St. Louis, Kansas City, Chicago, Indianapolis
  - Festivals and Events- Two Major Events occur in January and July

### **COMPETITIVE SET CHARACTERISTICS**

The following are the hotels identified for the proposed hotel's Competitive Set.

#### - COMPETITIVE SET HOTELS

- Economy- 1 Hotel
  - Super 8 Alton- 62 rooms- 28 years old
- Upper Mid-Priced- 4 Hotels
  - Best Western Plus- Parkway- 72 rooms- 6 years old
  - Comfort Inn- Alton- 62 rooms- 28 years old
  - Hampton Inn & Suites- Alton- 85 rooms- 1 years old
  - Holiday Inn Express & Suites- Edwardsville- 101 rooms- 3 years old
- Upscale- 1 Hotel
  - Best Western Premier- Alton/St. Louis- 135 rooms- 35 years old
- Characteristics
  - Economy- 1 hotel- 62 rooms- 12.0%
  - Upper Mid-Priced- 4 hotels- 320 rooms- 61.7%
  - Upscale- 1 hotel- 136 rooms- 26.3%
    - Total Rooms- 518 rooms
- Average Size- 86.3 rooms
- Average Age- 16 years old
  - New- (Under 5 years old)- 2 hotels
  - First Renovation Period- (5-7 years- Soft Goods)- 1 hotel
  - Between the First and Second Renovation Period- NONE
  - Second Renovation Period- (12-15 years- Soft Goods, Hard Goods, Mechanical, Exteriors, etc.)- NONE
  - On-Going Renovation Period- (Over 15 year)- 3 hotels
- Competitive Set Performance:
  - 2016 Occupancy was 58.9%.
    - 2017 Occupancy Projected at 56.4%
  - 2016 ADR was \$86.94.
    - ADR grew by 2.2% in 2016.
    - 2017 ADR projected at \$92.34.
    - Historic ADR growth was 3.5% per year.

- 2016 Revenue per Available Room (RevPAR) was \$51.24.
  - RevPAR grew by 3.4% in 2016.
  - 2017 RevPAR projected at \$52.10.
  - Historic RevPAR growth was 3.5%.
  
- 2016 Lodging Supply Growth was 3.3%.
  - 2017 Lodging Supply Growth projected at 16.0%.
  - Historic Lodging Supply Growth was 11.9% per year.
  
- 2016 Lodging Demand Growth was 4.5%.
  - 2017 Lodging Demand Growth Projected at 11.1%
  - Historic Lodging Demand Growth was 11.2%.
  
- Unaccommodated Lodging Demand indicated an estimated 59.5 (16.3%) nights with over 70.0% Occupancy.
  
- Three-Year Averages:
  - Occupancy was 55.4% on Weekdays and 70.7% on Weekends.
  - ADR was \$86.88 on Weekdays and \$91.77 on Weekends.
  - RevPAR was \$48.14 on Weekdays and \$64.91 on Weekends.
  - Sunday Nights:
    - Occupancy- 40.6%
    - ADR- \$81.82
    - RevPAR- \$33.22

**PROPOSED NEW HOTELS AND MAJOR RENOVATIONS IN SUBJECT SITE AREA**

- At the time of this report, no new hotels were identified in the abbreviated research conducted. The reader of this report should do more research to identify any potential new hotels entering the Competitive Set market area.

**PROJECTED PERFORMANCE**

The following are the preliminary Operational Performance Projections for the proposed hotel. Being preliminary operational projections, when additional research is performed for a Field Research Analysis Report or for a Comprehensive Hotel Market Study, these preliminary operational projections may be modified accordingly.

**PROJECTED OCCUPANCY**

PROJECTED OCCUPANCY							
YEAR	PROJECTED MARKET OCCUPANCY			PROJ. MKT. PENET.	PROJECTED HOTEL OCCUPANCY		
	Low	Probable	High		Low	Probable	High
2019	56.5%	<b>59.5%</b>	62.4%	<b>94.7%</b>	53.5%	<b>56.3%</b>	59.1%
2020	61.2%	<b>64.4%</b>	67.6%	<b>105.2%</b>	64.4%	<b>67.8%</b>	71.2%
2021	66.3%	<b>69.8%</b>	73.3%	<b>110.8%</b>	73.4%	<b>77.3%</b>	81.2%

*\*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

Notes:

- Projected for 90 Rooms
- Positioned as an Upper Mid-Priced to Upscale, Select-Service Hotel
- Proposed Hotel would Impact the Competitive Set at 74.1%
  - o Remove Super 8 and Best Western Parkway from Competitive Set due to rate structure.
- No new Lodging Supply was identified as entering the Competitive Set, at this time.
  - o If the Proposed Hotel was developed, the Competitive Set Lodging Supply will increase 17.3% in the first three years.
  - o With the Impact Factor defined above, the Competitive Set Lodging Supply would increase by 11.1%. This will equate to 3.7% per year.
- Lodging Demand is projected to grow 11.1% in 2017.
  - o The Historic Lodging Demand Growth is 11.2% per year.
  - o Lodging Demand was estimated to grow 8.3% per year in these projected projections.
- A 10.0% Occupancy Premium was added for the new hotel. The Average Age of the Competitive Set is 16 years old. (This would normally justify up to a 10.0% Occupancy Premium.) Also, a 5% Group Room Premium was added.
- Occupancy Performance was scaled back from the third year to the first in order to establish the proposed hotel in the market. It may be possible for this hotel to ramp up Occupancy performance sooner.

PROJECTED AVERAGE DAILY ROOM RATE (ADR)

PROJECTED AVERAGE DAILY ROOM RATE			
YEAR PROBABLE	PROJECTED MARKET ADR	PROJECTED MARKET YIELD	PROJECTED SUBJECT PROPERTY ADR*
High <b>2019</b> Low	\$103.84 <b>\$98.90</b> \$93.95	<b>115.2%</b>	\$119.64 <b>\$113.94</b> \$108.24
High <b>2020</b> Low	\$107.47 <b>\$102.35</b> \$97.23	<b>128.0%</b>	\$137.57 <b>\$131.02</b> \$124.47
High <b>2021</b> Low	\$111.22 <b>\$105.92</b> \$100.62	<b>134.8%</b>	\$149.86 <b>\$142.73</b> \$135.59
* Net ADR equals room revenue plus restaurant, lounge, meeting & conference revenue. ** 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.			
Source: HMI			

Notes:

- The proposed hotel was Rate Positioned at 122.5% to the Competitive Set.

- The Hampton Inn & Suites and the Holiday Inn & Suites were used for this Rate Positioning.
- A 10.0% Rate Premium was added to the proposed hotel's Rate Positioning for it being a Select-Service Hotel and for its newness compared to the Competitive Set.
- Historic ADR growth was 3.5% per year.
  - ADR was estimated to grow in 2017 by 6.2%
  - 3.5% ADR growth was factored into the future years in these projections.

**PROJECTED ROOM REVENUE**

PROJECTED ROOM REVENUE			
YEAR	PROBABLE ROOM REVENUE	PROJECTED RevPAR	MARKET RevPAR YIELD
2019	\$2,107,980	\$64.17	109.1%
2020	\$2,917,484	\$88.81	134.7%
2021	\$3,624,001	\$110.32	149.3%
* Projected performance is +/- 5 percentage points and will be affected by changes in Projected Occupancy or Projected ADR.			
Source: HMI			

**PROJECTED FOOD & BEVERAGE REVENUE**

PROJECTED FOOD & BEVERAGE REVENUE						
YEAR	PERCENT OF HOTEL SALES	PROBABLE F&B YIELD	TOTAL FOOD & BEVERAGE	FOOD	BEVERAGE	OTHER
2019	28.0%	109.3%	\$819,173	\$580,145	\$160,197	\$78,830
2020	24.8%	97.0%	\$963,720	\$689,984	\$190,527	\$83,210
2021	23.4%	91.4%	\$1,106,561	\$798,485	\$220,487	\$87,589
* Projected performance is +/- 5 percentage points and will be affected by changes in Projected Occupancy or Projected ADR.						
Source: HMI						

- With Meeting and Banquet Facilities suggested to be part of this Select-Service Hotel, a preliminary estimate of \$40,000 per month in Event Revenue was a factor. This would generate an estimated \$480,000 per year.
- Café and Lounge would generate revenue based upon the following preliminary projections:
  - Average Check:
    - Breakfast- \$7.50 at 50% Usage= \$3.75
    - Lunch- \$7.50 at 25% Usage= \$1.88
    - Dinner- \$15.00 @ 25% Usage= \$3.75
    - Lounge- \$7.50 @ 50% Usage= \$3.75

- Total Average Check- \$13.13
- Average Number of Persons Per Room- 1.25
- Food & Beverage Inflation Per Year- 1.5%

- External Food & Beverage Estimates
  - o First Year- 10.0% of Total Food and Beverage Revenue
  - o Second Year- 15.0% of Total Food and Beverage Revenue
  - o Third Year- 20.0% of Total Food and Beverage Revenue

**PROJECTED TOTAL REVENUE**

<b>PROJECTED TOTAL REVENUE</b>					
YEAR	PROBABLE ROOM REVENUE	TOTAL FOOD & BEVERAGE	TOTAL REVENUE	NET ADR	NET RevPAR
2019	\$2,107,980	\$819,173	\$2,927,152	\$158.22	\$89.11
2020	\$2,917,484	\$963,720	\$3,881,204	\$174.30	\$118.15
2021	\$3,624,001	\$1,106,561	\$4,730,563	\$186.31	\$144.00
* Projected performance is +/- 5 percentage points and will be affected by changes in Projected Occupancy or Projected ADR.					
Source: HMI					

**ABBREVIATED OPERATIONAL PROFORMA**

<b>PRELIMINARY OPERATIONAL PROFORMA</b>			
	2019	2020	2021
<b>Revenue</b>	\$3,289,545	\$4,317,384	\$5,227,923
<b>Departmental Expenses</b>	\$1,566,481	\$2,055,938	\$2,489,537
<b>Undistributed Operating Expenses</b>	\$1,019,101	\$1,337,526	\$1,619,611
<b>Gross Profit</b>	<b>\$1,361,872</b>	<b>\$1,787,397</b>	<b>\$2,164,360</b>
*Note: GOP is before Fixed Costs of P&I, Real Estate Tax, Insurance, Management Fees, Franchise Fees & Reserve for Replacement.			
Source: HMI			

Notes:

- The above are based upon the Preliminary Occupancy and ADR Projections presented.
- The above are based upon the Preliminary Food and Beverage Projections presented.

- Based upon the Operational Revenue projection, the above is the estimated Operational Proforma for the proposed hotel.
- This Operational Proforma was developed based upon a model for US Hotels, Chain Affiliated in the East Central US. Also, these were developed for an Upper Mid-Priced Hotel, in a Highway and Suburban Location.

### **BENCHMARK DEVELOPMENT COST**

<b>BENCHMARK DEVELOPMENT COSTS</b>		
	ALLOWABLE PER ROOM*	ALLOWABLE TOTAL PROJECT COST*
<b>90 Rooms</b>	<b>\$147,068</b>	<b>\$13,236,139</b>
<i>*These projections will be affected by changes in Projected Occupancy or Projected ADR.</i>		
<i>Source: HMI</i>		

Notes:

- The Benchmark Development Cost (BDC) is a Preliminary Measure to determine the viability of the proposed hotel. Ideally, the BDC should not exceed these levels. The BDC includes all associated developmental costs to the stabilized year of the above Preliminary Operational Projections.
- The BDC was calculated based upon a 25% Equity Investment.
- The IRR of the Equity Investment was calculated at a 15% return.
- *It should be noted that adjusting the Equity Investment or the desired IRR would modify the BDC above.*



## 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 believes the information and decisions presented herein to be sound and reliable.

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 the date of this report.

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 take into account its recommendations. Any deviation from these recommendations is solely the responsibility of those receiving and acting upon this report.

Further questions concerning this report should be directed to HMI.

Sincerely,  
HOSPITALITY MARKETERS INTERNATIONAL, INC.

*Gregory R. Hanis*

Gregory R. Hanis, ISHC  
President