



HVS MARKET STUDY RESULTS – SELECTED TABLES

Proposed Boutique Hotel & Spa



56655 MAIN ROAD
SOUTHOLD, NEW YORK

Subject of the Feasibility Study

This analysis pertains to a proposed luxury-caliber boutique hotel to be located at 56655 Main Road, in Southold, New York, on the North Fork of Eastern Long Island. It studies the project's economic potential subject to two separate development scenarios:

- Scenario One – assuming 20 rooms, a 45-seat restaurant, and a 3,000-square-foot spa with at least five treatment rooms, and
- Scenario Two – assuming 40 rooms, a 90-seat restaurant, and the same spa facilities assumed in Scenario One.

Demographic Summary

The following tables summarize key demographic statistics that relate to the proposed subject hotel's economic potential, including population, education, household income, and owned-home values, for three separate radial areas of study: 1) zero to 50 miles; 2) zero to 100 miles; and 3) zero to 150 miles. The majority of the subject property's demand is expected to originate from the geographic area extending over 100 to 150 miles from the subject property.

FIGURE 1 DEMOGRAPHIC SUMMARY

| | 0- to 50-Mile Radius | | 0- to 100-Mile Radius | | 0- to 150-Mile Radius | |
|--|----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | Total | % of Total | Total | % of Total | Total | % of Total |
| 2014 Est. Pop. Age 25+ by Edu. Attainment | 2,302,744 | | 15,989,595 | | 23,674,288 | |
| Less than 9th grade | 107,321 | 4.7 % | 1,194,809 | 7.5 % | 1,500,160 | 6.3 % |
| Some High School, no diploma | 152,258 | 6.6 | 1,246,877 | 7.8 | 1,674,379 | 7.1 |
| High School Graduate (or GED) | 687,085 | 29.8 | 4,263,132 | 26.7 | 6,383,016 | 27.0 |
| Some College, no degree | 420,673 | 18.3 | 2,595,558 | 16.2 | 3,909,151 | 16.5 |
| Associate Degree | 183,906 | 8.0 | 1,103,444 | 6.9 | 1,680,314 | 7.1 |
| Bachelor's Degree | 419,473 | 18.2 | 3,266,708 | 20.4 | 4,974,176 | 21.0 |
| Master's Degree | 244,121 | 10.6 | 1,637,951 | 10.2 | 2,511,306 | 10.6 |
| Professional School Degree | 55,723 | 2.4 | 460,330 | 2.9 | 659,912 | 2.8 |
| Doctorate Degree | 32,183 | 1.4 | 220,786 | 1.4 | 381,875 | 1.6 |
| Total | | 100.0 % | | 100.0 % | | 100.0 % |
| Households | Total | | Total | | Total | |
| 2019 Projection | 1,259,578 | | 8,917,554 | | 13,281,699 | |
| 2014 Estimate | 1,248,391 | | 8,707,529 | | 12,972,828 | |
| 2010 Census | 1,239,711 | | 8,529,140 | | 12,717,629 | |
| 2000 Census | 1,173,298 | | 8,233,399 | | 12,188,454 | |
| Growth 2014-2019 | 0.90% | | 2.41% | | 2.38% | |
| Growth 2010-2014 | 0.70% | | 2.09% | | 2.01% | |
| Growth 2000-2010 | 5.66% | | 3.59% | | 4.34% | |
| | Total | % of Total | Total | % of Total | Total | % of Total |
| 2014 Est. HHs by HH Income | 1,248,391 | | 8,707,529 | | 12,972,828 | |
| CY HHs, Inc < \$15,000 | \$115,541 | 9.3 % | \$1,109,652 | 12.7 % | \$1,522,304 | 11.7 % |
| CY HHs, Inc \$15,000 - \$24,999 | 103,667 | 8.3 | 829,524 | 9.5 | 1,180,896 | 9.1 |
| CY HHs, Inc \$25,000 - \$34,999 | 97,435 | 7.8 | 737,430 | 8.5 | 1,066,216 | 8.2 |
| CY HHs, Inc \$35,000 - \$49,999 | 138,495 | 11.1 | 982,399 | 11.3 | 1,455,787 | 11.2 |
| CY HHs, Inc \$50,000 - \$74,999 | 209,735 | 16.8 | 1,395,170 | 16.0 | 2,108,827 | 16.3 |
| CY HHs, Inc \$75,000 - \$99,999 | 168,222 | 13.5 | 1,041,332 | 12.0 | 1,608,048 | 12.4 |
| CY HHs, Inc \$100,000 - \$124,999 | 131,151 | 10.5 | 777,369 | 8.9 | 1,214,466 | 9.4 |
| CY HHs, Inc \$125,000 - \$149,999 | 88,557 | 7.1 | 520,279 | 6.0 | 816,410 | 6.3 |
| CY HHs, Inc \$150,000 - \$199,999 | 101,445 | 8.1 | 606,819 | 7.0 | 939,056 | 7.2 |
| CY HHs, Inc \$200,000 - \$249,999 | 34,698 | 2.8 | 219,007 | 2.5 | 336,620 | 2.6 |
| CY HHs, Inc \$250,000 - \$499,999 | 43,412 | 3.5 | 320,336 | 3.7 | 486,526 | 3.8 |
| CY HHs, Inc \$500,000+ | 16,034 | 1.3 | 168,211 | 1.9 | 237,674 | 1.8 |
| Total | | 100.0 % | | 100.0 % | | 100.0 % |

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FIGURE 2 DEMOGRAPHIC SUMMARY (CONTINUED)

| | 0- to 50-Mile Radius | | 0- to 100-Mile Radius | | 0- to 150-Mile Radius | |
|--|----------------------|----------------|-----------------------|----------------|-----------------------|----------------|
| | Total | % of Total | Total | % of Total | Total | % of Total |
| 2014 Est. All Owner-Occupied Housing Values | 869,384 | | 4,548,280 | | 7,425,372 | |
| Value Less than \$20,000 | 5,573 | 0.6 % | 29,456 | 0.6 % | 52,832 | 0.7 % |
| Value \$20,000 - \$39,999 | 8,686 | 1.0 | 41,638 | 0.9 | 74,085 | 1.0 |
| Value \$40,000 - \$59,999 | 5,777 | 0.7 | 31,569 | 0.7 | 55,248 | 0.7 |
| Value \$60,000 - \$79,999 | 7,342 | 0.8 | 31,468 | 0.7 | 62,103 | 0.8 |
| Value \$80,000 - \$99,999 | 11,521 | 1.3 | 43,655 | 1.0 | 87,147 | 1.2 |
| Value \$100,000 - \$149,999 | 51,663 | 5.9 | 194,970 | 4.3 | 348,092 | 4.7 |
| Value \$150,000 - \$199,999 | 103,653 | 11.9 | 379,814 | 8.4 | 667,387 | 9.0 |
| Value \$200,000 - \$299,999 | 237,306 | 27.3 | 927,327 | 20.4 | 1,659,317 | 22.3 |
| Value \$300,000 - \$399,999 | 194,382 | 22.4 | 938,018 | 20.6 | 1,577,275 | 21.2 |
| Value \$400,000 - \$499,999 | 106,495 | 12.2 | 657,418 | 14.5 | 1,009,686 | 13.6 |
| Value \$500,000 - \$749,999 | 88,440 | 10.2 | 765,588 | 16.8 | 1,125,397 | 15.2 |
| Value \$750,000 - \$999,999 | 25,020 | 2.9 | 251,138 | 5.5 | 360,357 | 4.9 |
| Value \$1,000,000 or more | 23,527 | 2.7 | 256,222 | 5.6 | 346,447 | 4.7 |
| Total | | 100.0 % | | 100.0 % | | 100.0 % |
| 2014 Est. Median All Owner-Occupied Housing Value | \$301,632 | | \$363,351 | | \$344,791 | |

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Key points associated with the data from the preceding survey follow.

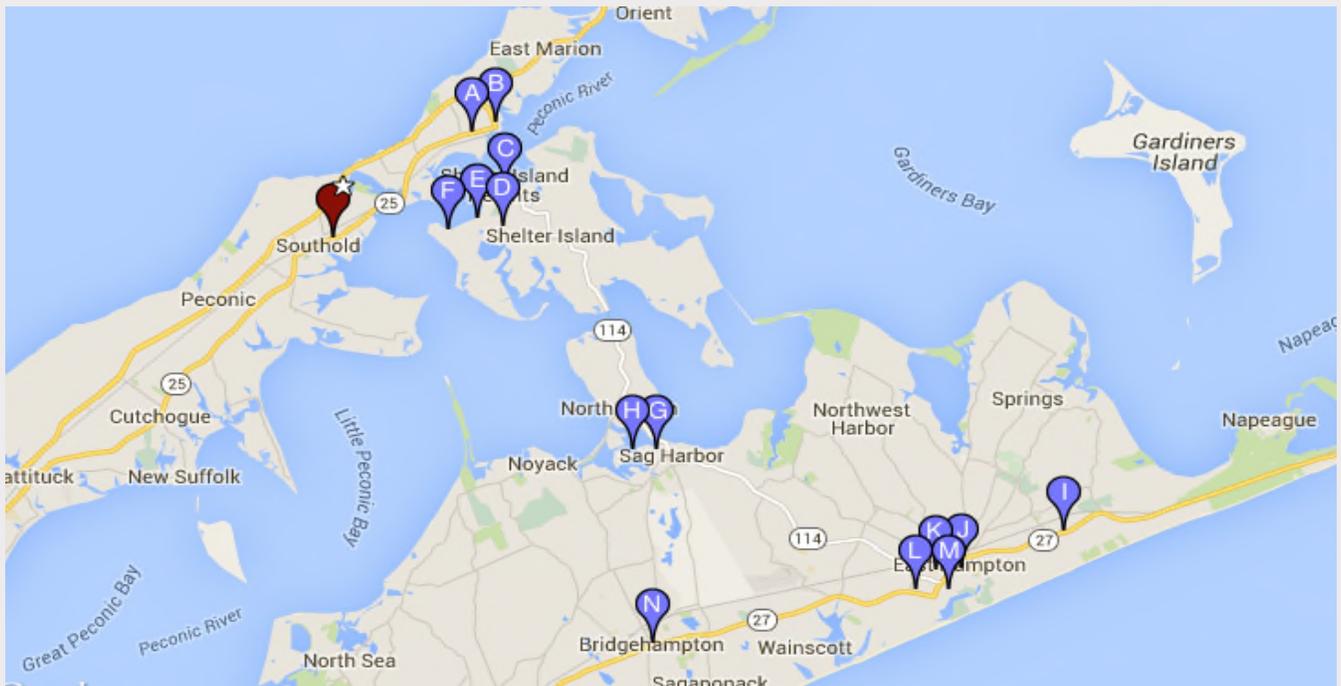
- There are 23.7 million people who are aged 25 and higher within 150 miles of the subject site, and over one-third (36.0%) of these individuals have a bachelor’s degree or higher.
- As of 2014, there were approximately 13.0 million households within 150 miles of the subject site. Of this total, nearly 500,000 of the households had income levels between \$250,000 and \$499,000, and another 238,000 households with income levels in excess of \$500,000.
- As of 2014, there were approximately 7.4 million owner-occupied homes. Of this total, over 1.8 million of the homes (or 24.7% of the total) had values in excess of \$500,000. Nearly 350,000 of the home values exceeded \$1.0 million.

The preceding data illustrates the high level of population within a reasonable drive of the subject site, as well as the high rates of income, education, and wealth associated with this population.

Competitive Market Analysis

The following map identifies the subject site's location relative to that of the lodging facilities it is most likely to compare to and compete with. The properties' facilities and pricing structures are then reviewed on the subsequent tables.

COMPETITION MAP



- | | | | |
|---|--------------------------------|---|---|
|  | Proposed Boutique Hotel |  | Sag Harbor Inn (Primary) |
|  | Greenporter Hotel (Primary) |  | Inn at Windmill Lane (Primary) |
|  | Harborfront Inn (Primary) |  | 1770 House East Hampton (Primary) |
|  | Chequit (Primary) |  | Baker House 1650 East Hampton (Primary) |
|  | Shelter Island House (Primary) |  | Maidstone East Hampton (Primary) |
|  | Sunset Beach (Primary) |  | Hedges Inn East Hampton (Primary) |
|  | Pridwin Hotel (Primary) |  | Topping Rose House (Primary) |
|  | Baron's Cove Inn (Primary) | | |

FIGURE 3 COMPETITOR SURVEY

| Comp | Hotel Name | No. of Rooms | Year Opened | Location | Seasonal | Restaurant | Spa | Rack Rates | | | Facilities |
|------|--|--------------|-------------------------------|------------------------------------|----------|------------|-----|---------------|---------------|---------------|--|
| | | | | | | | | Peak | Shoulder | Off | |
| A | The Greenporter Hotel 326 Front Street Greenport, NY | 30 | 2001 | In-town, Near waterfront | No | Yes | No | \$199 - \$379 | \$169 - \$359 | \$99 - \$179 | Outdoor heated pool and whirlpool, comp breakfast during peak periods, Cuvee restaurant features Indian fusion cuisine |
| B | Harborfront Inn at Greenport 209 Front Street Greenport, NY | 35 | 2004 | In-town, Coastal, No beach | No | No | No | \$309 - \$469 | \$249 - \$339 | \$209 - \$269 | Oversized guestrooms and private balconies, two small meeting rooms, outdoor heated pool, fitness room, comp |
| C | The Chequit 23 Grand Avenue Shelter Island, NY | 36 | 2015 | Inland | No | Yes | No | \$395 - \$595 | \$345 - \$628 | \$245 - \$495 | Opened Jul-2015, Red Maple Rest., White Hill Café (bakery), Wampum (retail), comp breakfast, some rooms are summer-only |
| D | Shelter Island House 11 Stearns Point Road Shelter Island, NY | 11 | 1800s | Inland | No | Yes | No | \$275 - \$425 | \$175 - \$305 | \$175 - \$305 | Outdoor pool, comp breakfast, restaurant and bar, bakery, meeting room, gift shop, Petanque courts, beach services |
| E | Sunset Beach 35 Shore Road Shelter Island, NY | 20 | Renovated Vintage Motel | Coastal, Private beach | Yes | Yes | No | \$530 | \$318 - \$340 | N/Av | Adapted from vintage motel in 1997, Andre Balazs-branded, Petanque court, private beach, each room with private deck |
| F | Pridwin 35 Shore Road Shelter Island, NY | 40 | Historic | Coastal, Private beach | Yes | Yes | No | \$329 - \$379 | \$239 - \$339 | N/Av | On 10 acres, private beach, swimming pool, two docks, three-meal restaurant and bar, mix of rooms and cottages |
| G | Baron's Cove Inn 31 West Water Street Sag Harbor, NY | 67 | 1960s | Near town, Coastal, No beach | Yes | Yes | No | \$434 - \$529 | \$247 - \$289 | \$158 - \$194 | Newly renovated, heated salt-water pool, tennis court, fitness, spa services, three-meal restaurant, across from harbor cove |

FIGURE 4 COMPETITOR SURVEY (CONTINUED)

| No. | Hotel Name | No. of Rooms | Year Opened | Location | Seasonal | Restaurant | Spa | Rack Rates | | | Facilities |
|-----|--|--------------|-------------|------------------------------------|----------|------------|-----|-----------------|-----------------|---------------|---|
| | | | | | | | | Peak | Shoulder | Off | |
| H | Sag Harbor Inn 45 West Water Street Sag Harbor, NY | 42 | 1988 | Near town, Coastal, No beach | No | No | No | \$389 - \$589 | \$229 - \$269 | \$114 - \$164 | Each room with balcony, meeting room, outdoor pool, across from harbor cove |
| I | Inn at Windmill Lane 23 Windmill Lane Sag Harbor, NY | 10 | Historic | Inland | No | No | No | \$635 - \$2,090 | \$550 - \$1,320 | \$375 - \$950 | Ultra-luxury, 24-hour personal service, gourmet breakfast, SUV shuttle to attractions, in-room iPads, full gym, |
| J | 1770 House 143 Main Street East Hampton, NY | 7 | Historic | Inland | No | Yes | No | \$750 - \$850 | \$249 - \$595 | \$225 - \$349 | Six rooms and a carriage house, in the heart of East Hampton, personalized service, Wine Spectator Award of Excellence 2014 |
| K | Baker House 181 Main Street East Hampton, NY | 7 | Historic | Inland | No | No | Yes | \$745 - \$1,045 | \$580 - \$725 | \$375 - \$575 | Spa includes endless swimming pool, steam shower, sauna, soaking Jacuzzi; comp breakfast; the Baker Bar; business center |
| L | The Maidstone 207 Main Street East Hampton, NY | 19 | Historic | Inland | No | Yes | No | \$495 - \$995 | \$435 - \$845 | \$235 - \$675 | Hotel rooms and cottages, continental Scandinavian breakfast buffet, can host meetings for 20 ppl or less |
| M | The Hedges Inn 74 James Lane East Hampton, NY | 12 | Historic | Inland | Yes | No | No | \$500 - \$900 | \$350 - \$550 | N/Av | Newly renovated guestrooms, gardens, front porch with two patios, comp breakfast |
| N | Topping Rose House 1 Bridgehampton-Sag Harbor Tpk Bridgehampton, NY | 22 | Historic | Inland | No | Yes | Yes | \$1,295 | \$695 | \$395 | Ultra-luxury, spa services provided by Townhouse Spa, fitness center, heated outdoor pool, event spaces |

Each of the preceding 14 properties is privately owned and operated. We had limited success in terms of gathering useful indications of historical occupancy and average rate performance. Managers of hotels of this sort are reluctant to discuss performance, particularly with a consultant performing research related to the potential development of a new competitor.

In addition, none of the preceding 14 hotels report their data to STR Global, the lodging industry's key source of market-tailored operating data. In fact, of the 75 lodging facilities located on the North and South forks of Eastern Long Island, only 14 report their data to STR. Of these 14 properties, only four are operated year-round. (Aggregate annual data including seasonally-operated properties is difficult to interpret, and is of limited use considering that the proposed subject hotel is assumed to be operated year-round.)

As such, we have ordered a trend report for those four year-round properties, all of which are located on the South Fork: two in Amagansett, one in East Hampton, and one in Montauk. These four properties are of substantially inferior quality as compared to the proposed subject property and its competitive set. Each property is relative aged, features motel-style improvements, and is owned and operated by Dune Resorts, which controls ten beachfront properties on the South Fork.

SEA CREST ON THE BEACH



WINDWARD SHORES



Despite these limitations, the actual results of these four properties are the most useful source of confirmed historical data, and can serve as a rough measure of the typical occupancy and average rate results in the broader market area.

Unfortunately, because of STR's confidentiality requirements, we were obliged to include additional hotels in the survey request. As such, we included the four

branded hotels located in Riverhead in our survey request. Riverhead contains Long Island’s easternmost node of hotel development. Its demand patterns bear some resemblance to the patterns affecting the subject’s lodging market. The following table details the historical aggregate data for the four Riverhead hotels combined with the four non-Riverhead motel properties on the South Fork. (Note that RevPAR is revenue per available room, the product of occupancy and average rate.)

FIGURE 5 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

| Year | Average Daily | Available Room Nights | | Occupied Room Nights | | Occupancy | Average Rate | | RevPAR | | |
|-----------------------------------|---------------|-----------------------|--------|------------------------|---------|--|--------------|--------|---------|--------|-------|
| | Room Count | Total | Change | Total | Change | | Total | Change | Total | Change | |
| 2003 | 283 | 103,295 | — | 48,151 | — | 46.6 % | \$147.57 | — | \$68.79 | — | |
| 2004 | 283 | 103,295 | 0.0 % | 46,065 | (4.3) % | 44.6 | 156.10 | 5.8 % | 69.61 | 1.2 % | |
| 2005 | 298 | 108,724 | 5.3 | 47,864 | 3.9 | 44.0 | 159.51 | 2.2 | 70.22 | 0.9 | |
| 2006 | 372 | 135,780 | 24.9 | 60,530 | 26.5 | 44.6 | 164.38 | 3.1 | 73.28 | 4.4 | |
| 2007 | 360 | 131,400 | (3.2) | 65,631 | 8.4 | 49.9 | 166.15 | 1.1 | 82.99 | 13.2 | |
| 2008 | 417 | 152,376 | 16.0 | 70,854 | 8.0 | 46.5 | 163.53 | (1.6) | 76.04 | (8.4) | |
| 2009 | 474 | 173,010 | 13.5 | 89,484 | 26.3 | 51.7 | 139.28 | (14.8) | 72.04 | (5.3) | |
| 2010 | 416 | 151,810 | (12.3) | 87,925 | (1.7) | 57.9 | 144.31 | 3.6 | 83.58 | 16.0 | |
| 2011 | 524 | 191,410 | 26.1 | 107,832 | 22.6 | 56.3 | 145.47 | 0.8 | 81.95 | (2.0) | |
| 2012 | 592 | 215,976 | 12.8 | 127,368 | 18.1 | 59.0 | 153.67 | 5.6 | 90.62 | 10.6 | |
| 2013 | 566 | 206,668 | (4.3) | 128,017 | 0.5 | 61.9 | 160.14 | 4.2 | 99.20 | 9.5 | |
| 2014 | 586 | 213,890 | 3.5 | 124,872 | (2.5) | 58.4 | 172.74 | 7.9 | 100.85 | 1.7 | |
| Average Annual Compounded Change: | | | | | | | | | | | |
| 2003-2014 | | | 6.8 % | | | | 9.0 % | | | 1.4 % | 3.5 % |
| Year-to-Date Through June | | | | | | | | | | | |
| 2014 | 586 | 106,066 | — | 53,974 | — | 50.9 % | \$139.68 | — | \$71.08 | — | |
| 2015 | 586 | 106,066 | 0.0 % | 55,582 | 3.0 % | 52.4 | 146.77 | 5.1 % | 76.91 | 8.2 % | |
| Hotel Name | | | | | | | | | | | |
| | | Location | | Number of Rooms | | Year Opened | | | | | |
| Hyatt Place East End | | Riverhead, NY | | 100 | | Jul-2011 | | | | | |
| Holiday Inn Express & Suites | | Riverhead, NY | | 89 | | Nov-2005 | | | | | |
| Hilton Garden Inn | | Riverhead, NY | | 114 | | Jul-2008 | | | | | |
| Hotel Indigo East End | | Riverhead, NY | | 100 | | 1975 renovated and re-branded Aug-2010 | | | | | |
| Windward Shores | | Amagansett, NY | | 45 | | 1983 | | | | | |
| Sea Crest On The Ocean | | Amagansett, NY | | 62 | | 1984 | | | | | |
| East Hampton House Resort | | East Hampton, NY | | 52 | | 1963 | | | | | |
| Born Free Suites By The Sea | | Montauk, NY | | 24 | | N/Av | | | | | |
| Total | | | | 586 | | | | | | | |

Source: STR Global

We were able to isolate the historical aggregate performance of the Riverhead hotels, and therefore we could back-out a trustworthy measure of the actual results of the four non-Riverhead properties. Based on this process, we estimate that the four South Fork motels will finish 2015 with an occupancy rate of approximately 40%-45% and an average rate of \$240-\$250. By comparison, the following table summarizes the “rack rate” schedules for the four properties.

FIGURE 6 RACK RATE SCHEDULES – FOUR SOUTH FORK MOTELS

| Hotel | Rack Rates - 2015 | | |
|-----------------------------|-------------------|---------------|---------------|
| | Peak | Shoulder | Off |
| Windward Shores | \$470 - \$840 | \$160 - \$295 | \$100 - \$200 |
| Sea Crest On The Ocean | \$580 - \$665 | \$135 - \$195 | \$135 - \$165 |
| East Hampton House Resort | \$350 - \$425 | \$180 - \$200 | \$110 - \$115 |
| Born Free Suites By The Sea | \$255 - \$275 | \$105 - \$135 | \$95 - \$110 |

Using the “backed-out” estimate of these properties’ average rate (\$240-\$250) as a kind of key, we can interpret the published rack rates of the 14 hotels in the subject property’s competitive set, and assume that, generally speaking, an individual property’s average rate throughout a typical year will equate to a figure somewhere between the high end of the shoulder-season rack rate and the low end of the peak-season rack rate.

Among the 14 hotels in the subject property’s competitive set, we consider the pricing structures of the following properties to be the most relevant contextual sources:

- **The Greenporter Hotel** has inferior quality, but similar location and room count, and includes a restaurant. The subject’s pricing should be substantially higher. This hotel’s average rate is likely in the range of \$200.

GREENPORTER HOTEL



GREENPORTER HOTEL



- **The Chequit** has no spa or pool, but this just-opened product is modern and high-quality, with two restaurants. The property is not on the water, but it's on Shelter Island. The room count is similar. The pricing structure should result in an average rate of about \$400.

THE CHEQUIT



THE CHEQUIT



- **Baron's Cove Inn** has the advantage of being on Sag Harbor, but there's no spa. It contains the largest room count in survey. The pricing structure should result in an average rate of about \$400.

BARON'S COVE INN



BARON'S COVE INN



- Baker House is one of only two hotels in the subject property's competitive set to offer spa services. However, the property lacks a restaurant and it contains only seven rooms. The pricing structure should result in an average rate of about \$400.

BAKER HOUSE - SPA



BAKER HOUSE – GUESTROOM



- ***The Maidstone*** features a high-quality Scandinavian design and features 19 rooms in a mix of hotel and cottage structures. There is a restaurant. The pricing structure likely results in an average rate of approximately \$500-\$600 throughout the year.

THE MAIDSTONE



THE MAIDSTONE



- *The Topping Rose House* features a highest-quality facilities in the survey, with ultra-luxury amenities and services, including spa services and a restaurant. The pricing structure likely results in an average rate in excess of \$700 throughout the year.

THE TOPPING ROSE HOUSE



THE TOPPING ROSE HOUSE



Average Rate Forecast

Based on the preceding data and in consideration of a) the subject property's location and b) the level of improvement planned by the project developer (in terms of both product quality and scope), we have developed the following average rate forecast, as expressed in current (2015) dollars:

- Scenario One, 20 rooms, 45-seat restaurant, 3,000-sf spa: \$400
- Scenario Two, 40 rooms, 90-seat restaurant, 3,000-sf spa: \$350

The downward adjustment to the Scenario Two average rate reflects the incremental challenge of maximizing rooms revenue through the shoulder and off season periods with twice the inventory to fill.

**Occupancy Rate
Forecast**

As for occupancy rates, the 40%-45% occupancy rate indicated by the four South Fork motels is most likely an atypically low indication of the occupancy rates historically achieved by the hotels in the subject property’s competitive set. These South Fork motel properties are subject to a particularly high degree of seasonality due to their beachfront locations, as well as the fact that they lack other amenities and services that can act as important demand generators in the shoulder and off seasons, such as high-end restaurants, meeting space, and spa services. As such, we conclude that year-round occupancy rates for the hotels in the subject property’s competitive set most likely range between 50% and 60%. Otherwise, recent monthly occupancy, average rate, and RevPAR results for the eight hotels in the STR survey is presented below.

FIGURE 7 MONTHLY OCCUPANCY, ADR, AND REVPAR – STR COMPETITIVE SET

| Month | 2013 | | | 2014 | | | 2015 | | |
|------------------------|---------------|-----------------|----------------|---------------|-----------------|-----------------|---------------|-----------------|----------------|
| | OCC | ADR | RevPAR | OCC | ADR | RevPAR | OCC | ADR | RevPAR |
| January | 50.8 % | \$109.82 | \$55.76 | 38.2 % | \$104.31 | \$39.80 | 34.3 % | \$108.51 | \$37.23 |
| February | 51.3 | 108.11 | 55.48 | 38.0 | 109.73 | 41.68 | 39.3 | 112.66 | 44.22 |
| March | 53.5 | 112.80 | 60.35 | 43.3 | 111.92 | 48.47 | 42.4 | 114.59 | 48.58 |
| April | 50.9 | 121.64 | 61.88 | 50.1 | 120.11 | 60.16 | 58.9 | 124.64 | 73.47 |
| May | 59.6 | 151.83 | 90.56 | 60.8 | 164.54 | 100.07 | 65.4 | 173.21 | 113.27 |
| June | 77.8 | 175.54 | 136.51 | 74.5 | 181.55 | 135.18 | 73.7 | 194.68 | 143.56 |
| July | 86.3 | 216.44 | 186.69 | 88.2 | 238.98 | 210.67 | — | — | — |
| August | 90.3 | 242.37 | 218.84 | 93.6 | 269.09 | 251.81 | — | — | — |
| September | 69.3 | 169.08 | 117.14 | 70.3 | 179.77 | 126.38 | — | — | — |
| October | 60.9 | 146.47 | 89.14 | 59.8 | 152.48 | 91.14 | — | — | — |
| November | 49.1 | 119.09 | 58.51 | 46.9 | 126.96 | 59.53 | — | — | — |
| December | 39.8 | 106.36 | 42.33 | 35.4 | 109.92 | 38.88 | — | — | — |
| Annual Averages | 61.9 % | \$160.14 | \$99.20 | 58.4 % | \$172.74 | \$100.85 | — | — | — |
| YTD June | 57.6 % | \$134.95 | \$77.68 | 50.9 % | \$139.68 | \$71.08 | 52.4 % | \$146.77 | \$76.91 |

For the proposed subject property, we have used the actual monthly results realized by the STR competitive set through calendar-year 2014 as the basis for our forecast, with various penetration factors applied to each month.

FIGURE 8 SUBJECT PROPERTY OCCUPANCY FORECAST – STABILIZED BASIS

| Month | Occupancy Forecast - Scenario One | | | Occupancy Forecast - Scenario Two | | |
|----------------|-----------------------------------|---------------------|-------------------|-----------------------------------|---------------------|-------------------|
| | STR | Subject Penetration | Subject Occupancy | STR | Subject Penetration | Subject Occupancy |
| | Comp Set | Factor | Rate | Comp Set | Factor | Rate |
| January | 38.2 % | 90.0 % | 34.3 % | 38.2 % | 80.0 % | 30.5 % |
| February | 38.0 | 90.0 | 34.2 | 38.0 | 80.0 | 30.4 |
| March | 43.3 | 95.0 | 41.1 | 43.3 | 85.0 | 36.8 |
| April | 50.1 | 95.0 | 47.6 | 50.1 | 85.0 | 42.6 |
| May | 60.8 | 95.0 | 57.8 | 60.8 | 85.0 | 51.7 |
| June | 74.5 | 95.0 | 70.7 | 74.5 | 85.0 | 63.3 |
| July | 88.2 | 105.0 | 92.6 | 88.2 | 100.0 | 88.2 |
| August | 93.6 | 105.0 | 98.3 | 93.6 | 100.0 | 93.6 |
| September | 70.3 | 105.0 | 73.8 | 70.3 | 100.0 | 70.3 |
| October | 59.8 | 95.0 | 56.8 | 59.8 | 85.0 | 50.8 |
| November | 46.9 | 95.0 | 44.5 | 46.9 | 85.0 | 39.9 |
| December | 35.4 | 90.0 | 31.8 | 35.4 | 80.0 | 28.3 |
| Total | 58.4 % | 97.8 % | 57.1 % | 58.4 % | 89.7 % | 52.3 % |
| Rounded | | | 57.0 % | | | 52.0 % |

The STR competitive set data is dominated by the four Riverhead hotels, which have the benefit of a larger component of year-round commercial demand. Although there is a high degree of seasonality of demand in the STR competitive set, the subject property’s seasonality is expected to be more pronounced, due to its location and greater level of dependence upon leisure demand. As such, the subject property is expected to realize its strongest penetration factors in the peak season, and lower penetration factors in the shoulder and off seasons.

Rooms Revenue Forecast

Based on the preceding data, the following table summarizes the occupancy and average rate forecasts, and resulting rooms revenue levels, for the two scenarios, each expressed in base-year 2015 dollars.

FIGURE 9 ROOMS REVENUE FORECAST

| Property | No. of Rooms | Occupancy | ADR | RevPAR | Rooms Revenue |
|--------------|--------------|-----------|----------|----------|---------------|
| Scenario One | 20 | 57 % | \$400.00 | \$228.00 | \$1,664,000 |
| Scenario One | 40 | 52 % | \$350.00 | \$182.00 | \$2,657,000 |

**Food & Beverage
Department Forecast**

The following table identifies the data we referenced in order to forecast revenue and expense for the subject property’s food and beverage department. The data is derived from comparable resorts throughout the broader region. Most of the properties are substantially larger than the subject resort. Converting the revenue levels to a metric based on occupied rooms has the effect of adjusting for the size differential.

FIGURE 10 FOOD & BEVERAGE DEPARTMENT FORECAST

| Comparables | Period | Total Revenue | No. of Occ'd Rms | Revenue POR | Expense Ratio |
|---------------------------------------|---------------|----------------------|-------------------------|--------------------|----------------------|
| 1 | 2013/14 | \$3,739,000 | 18,893 | \$198 | 72.2 % |
| 2 | 2012/13 | 3,064,000 | 13,376 | 229 | 81.2 |
| 3 | 2012/13 | 2,396,000 | 15,941 | 150 | 75.2 |
| 4 | 2012/13 | 3,233,000 | 13,307 | 243 | 87.9 |
| 5 | 2012 | 830,000 | 4,944 | 168 | 89.3 |
| 6 | 2012 | 1,137,000 | 8,976 | 127 | 65.0 |
| 7 | 2014 | 3,224,000 | 14,835 | 217 | 69.5 |
| 8 | 2012 | 1,331,000 | 4,565 | 292 | 82.0 |
| 9 | 2010 | 2,011,000 | 4,179 | 481 | 78.0 |
| <i>HVS-Selected Parameters</i> | | | | | |
| Scenario One | | \$1,040,000 | 4,161 | \$250 | 72.0 % |
| Scenario Two | | 1,708,000 | 7,592 | 225 | 68.0 |

**Spa Department
Forecast**

The following table identifies the data we referenced in order to forecast revenue and expense for the subject property’s spa department. The data is derived from comparable resorts throughout the broader region. The key metric is revenue-per-square-foot.

FIGURE 11 SPA DEPARTMENT FORECAST

| Comparables | Space (sf) | Spa Revenue | | Spa Dept Expense Ratio |
|---------------------------------------|------------|-------------|--------|---------------------------|
| | | Total | Per SF | |
| 1 | 6,000 | \$1,508,000 | \$251 | 65.0 % |
| 2 | 3,000 | 527,000 | 176 | 81.1 |
| 3 | 4,000 | 897,000 | 224 | 61.6 |
| 4 | 5,000 | 893,000 | 179 | 80.6 |
| 5 | 8,500 | 1,469,000 | 173 | 56.3 |
| 6 | 8,000 | 1,819,000 | 227 | 89.2 |
| 7 | 8,000 | 2,262,000 | 283 | 63.8 |
| 8 | 5,700 | 920,000 | 161 | 65.2 |
| 9 | 3,000 | 860,000 | 287 | 61.0 |
| 10 | 4,500 | 1,884,000 | 419 | 68.0 |
| 11 | 10,000 | 1,603,000 | 160 | 86.8 |
| <i>HVS-Selected Parameters</i> | | | | |
| Scenario One | 3,000 | \$600,000 | \$200 | 73.0 % |
| Scenario Two | 3,000 | 750,000 | 250 | 67.0 |

**Other Operated
Departments Forecast**

The following table identifies the data we referenced in order to forecast revenue and expense for the subject property’s other operated departments’ revenue and expense. The data is derived from comparable resorts throughout the broader region. The key metric is revenue-per-occupied-room.

FIGURE 12 OTHER OPERATED DEPARTMENTS FORECAST

| Comparables | Period | Total Revenue | Occupied Rooms | Revenue POR | Expense Ratio |
|---------------------------------------|---------|------------------|-------------------|----------------|------------------|
| 1 | 2014 | \$200,000 | 14,835 | \$13 | 45.0 % |
| 2 | 2012 | 91,000 | 8,976 | 10 | 22.7 |
| 3 | 2012/13 | 583,000 | 13,307 | 44 | 64.7 |
| 4 | 2012 | 210,000 | 4,944 | 42 | 52.9 |
| 5 | 2010 | 243,000 | 4,179 | 58 | 34.2 |
| <i>HVS-Selected Parameters</i> | | | | | |
| Scenario One | | \$166,000 | 4,161 | \$40 | 57.5 % |
| Scenario Two | | 273,000 | 7,592 | 36 | 50.0 |

Operating Expenses

The following tables identifies the data we referenced in order to forecast the various operating expenses. (Note that the departmental expense ratios for the food and beverage, spa, and other operated department forecasts were included above, as part of the revenue forecast).

FIGURE 13 ROOMS DEPARTMENT EXPENSE

| Comparables | Period | # Rooms | Actual | % of Dept. Revenue | POR |
|---------------------------------------|---------|---------|-------------|--------------------|-------|
| 1 | 2014 | 67 | \$1,598,000 | 22.0 % | \$108 |
| 2 | 2012 | 95 | 371,000 | 13.6 | 41 |
| 3 | 2012/13 | 57 | 1,840,000 | 51.5 | 138 |
| 4 | 2012 | 33 | 724,000 | 33.5 | 147 |
| 5 | 2010 | 18 | 462,000 | 46.4 | 111 |
| <i>HVS-Selected Parameters</i> | | | | | |
| Scenario One | | 20 | \$499,000 | 30.0 % | \$120 |
| Scenario Two | | 40 | \$717,000 | 27.0 % | \$95 |

FIGURE 14 ADMINISTRATIVE & GENERAL EXPENSE

| Comparables | Period | # Rooms | Actual | % of Ttl Revenue | PAR |
|---------------------------------------|---------|---------|-----------|------------------|----------|
| 1 | 2014 | 67 | \$962,000 | 9.0 % | \$14,358 |
| 2 | 2012 | 95 | 454,000 | 11.5 | 4,779 |
| 3 | 2012/13 | 57 | 1,470,000 | 10.6 | 25,789 |
| 4 | 2012 | 33 | 287,000 | 9.0 | 8,697 |
| 5 | 2010 | 18 | 221,000 | 6.8 | 12,278 |
| <i>HVS-Selected Parameters</i> | | | | | |
| Scenario One | | 20 | \$330,000 | 9.5 % | \$16,488 |
| Scenario Two | | 40 | \$485,000 | 9.0 % | \$12,125 |

FIGURE 15 MARKETING EXPENSE

| <u>Comparables</u> | <u>Period</u> | <u># Rooms</u> | <u>Actual</u> | <u>% of Ttl Revenue</u> | <u>PAR</u> |
|---------------------------------------|---------------|----------------|---------------|-----------------------------|------------|
| 1 | 2014 | 67 | \$566,000 | 5.3 % | \$8,448 |
| 2 | 2012 | 95 | 141,000 | 3.6 | 1,484 |
| 3 | 2012/13 | 57 | 840,000 | 6.1 | 14,737 |
| 4 | 2012 | 33 | 217,000 | 6.8 | 6,576 |
| 5 | 2010 | 18 | 68,000 | 2.1 | 3,778 |
| <u>HVS-Selected Parameters</u> | | | | | |
| Scenario One | | 20 | \$174,000 | 5.0 % | \$8,678 |
| Scenario Two | | 40 | \$232,000 | 4.3 % | \$5,793 |

FIGURE 16 PROPERTY OPERATIONS & MAINTENANCE EXPENSE

| <u>Comparables</u> | <u>Period</u> | <u># Rooms</u> | <u>Actual</u> | <u>% of Ttl Revenue</u> | <u>PAR</u> |
|---------------------------------------|---------------|----------------|---------------|-----------------------------|------------|
| 1 | 2014 | 67 | \$406,000 | 3.8 % | \$6,060 |
| 2 | 2012 | 95 | 337,000 | 8.5 | 3,547 |
| 3 | 2012/13 | 57 | 591,000 | 4.3 | 10,368 |
| 4 | 2012 | 33 | 182,000 | 5.7 | 5,515 |
| 5 | 2010 | 18 | 166,000 | 5.1 | 9,222 |
| <u>HVS-Selected Parameters</u> | | | | | |
| Scenario One | | 20 | \$174,000 | 5.0 % | \$8,678 |
| Scenario Two | | 40 | \$232,000 | 4.3 % | \$5,793 |

FIGURE 17 UTILITIES EXPENSE

| <u>Comparables</u> | <u>Period</u> | <u># Rooms</u> | <u>Actual</u> | <u>% of Ttl Revenue</u> | <u>PAR</u> |
|---------------------------------------|---------------|----------------|---------------|-----------------------------|------------|
| 1 | 2014 | 67 | \$481,000 | 4.5 % | \$7,179 |
| 2 | 2012 | 95 | 115,000 | 2.9 | 1,211 |
| 3 | 2012/13 | 57 | 572,000 | 4.1 | 10,035 |
| 4 | 2012 | 33 | 162,000 | 5.1 | 4,909 |
| 5 | 2010 | 18 | 133,000 | 4.4 | 7,389 |
| <u>HVS-Selected Parameters</u> | | | | | |
| Scenario One | | 20 | \$139,000 | 4.0 % | \$6,942 |
| Scenario Two | | 40 | \$178,000 | 3.3 % | \$4,446 |

FIGURE 18 PROPERTY TAXES

| Hotel Name | No. of Rooms | Assessed Value | | Tax Rate | Tax Expense | |
|--------------------------------|--------------|----------------|-----------|----------|-------------|----------|
| | | Value | Per Room | | Total | Per Room |
| The Greenporter Hotel | 30 | \$2,227,273 | \$74,242 | 368.277 | \$82,025 | \$2,734 |
| Harborfront Inn at Greenport | 35 | \$4,681,818 | \$133,766 | 368.277 | \$172,421 | \$4,926 |
| <u>Subject Property</u> | | | | | | |
| Scenario One | 20 | | | | \$150,000 | \$7,500 |
| Scenario Two | 40 | | | | 220,000 | \$5,500 |

FIGURE 19 INSURANCE EXPENSE

| Comparables | Period | # Rooms | Actual | % of Ttl Revenue | PAR |
|---------------------------------------|---------|---------|----------|------------------|---------|
| 1 | 2014 | 67 | \$85,000 | 0.8 % | \$1,269 |
| 2 | 2012 | 95 | 218,000 | 5.5 | 2,295 |
| 3 | 2012/13 | 57 | 139,000 | 1.0 | 2,439 |
| 4 | 2012 | 33 | 79,000 | 2.5 | 2,394 |
| 5 | 2010 | 18 | 79,000 | 2.4 | 4,389 |
| <u>HVS-Selected Parameters</u> | | | | | |
| Scenario One | | 20 | \$59,000 | 1.7 % | \$2,950 |
| Scenario Two | | 40 | \$81,000 | 1.5 % | \$2,025 |

Income & Expense Forecast

The following table details the forecast of income and expense for the two scenarios.

FIGURE 20 FORECAST OF INCOME & EXPENSE – TWO SCENARIOS

| | Scenario One | | | | Scenario Two | | | |
|---|-----------------|---------------|-----------------|-----------------|-----------------|---------------|-----------------|---------------|
| | Total (000s) | %Gross | PAR | POR | Total (000s) | %Gross | PAR | POR |
| Number of Rooms: | 20 | | | | 40 | | | |
| Occupancy: | 57% | | | | 52% | | | |
| Average Rate: | \$400.00 | | | | \$350.00 | | | |
| RevPAR: | \$228 | | | | \$182 | | | |
| Days Open: | 365 | | | | 365 | | | |
| Occupied Rooms: | 4,161 | | | | 7,592 | | | |
| REVENUE | | | | | | | | |
| Rooms | \$1,664 | 48.0 % | \$83,220 | \$400.00 | \$2,657 | 49.3 % | \$66,430 | \$350.00 |
| Food & Beverage | 1,040 | 30.0 | 52,013 | 250.00 | 1,708 | 31.7 | 42,705 | 225.00 |
| Spa | 600 | 17.3 | 30,000 | 144.20 | 750 | 13.9 | 18,750 | 98.79 |
| Other Operated Depts | 166 | 4.8 | 8,322 | 40.00 | 273 | 5.1 | 6,833 | 36.00 |
| Total Revenues | 3,471 | 100.0 | 173,555 | 834.20 | 5,389 | 100.0 | 134,718 | 709.79 |
| DEPARTMENTAL EXPENSES * | | | | | | | | |
| Rooms | 499 | 30.0 | 24,966 | 120.00 | 717 | 27.0 | 17,936 | 94.50 |
| Food & Beverage | 749 | 72.0 | 37,449 | 180.00 | 1,162 | 68.0 | 29,039 | 153.00 |
| Spa | 438 | 73.0 | 21,900 | 105.26 | 503 | 67.0 | 12,563 | 66.19 |
| Other Operated Depts | 96 | 57.5 | 4,785 | 23.00 | 137 | 50.0 | 3,416 | 18.00 |
| Total Dept Expenses | 1,782 | 51.3 | 89,100 | 428.26 | 2,518 | 46.7 | 62,954 | 331.69 |
| DEPARTMENTAL INCOME | 1,689 | 48.7 | 84,454 | 405.93 | 2,871 | 53.3 | 71,763 | 378.10 |
| UNDISTRIBUTED OPERATING EXPENSES | | | | | | | | |
| Administrative & General | 330 | 9.5 | 16,488 | 79.25 | 485 | 9.0 | 12,125 | 63.88 |
| Marketing | 174 | 5.0 | 8,678 | 41.71 | 232 | 4.3 | 5,793 | 30.52 |
| Prop. Operations & Maint. | 174 | 5.0 | 8,678 | 41.71 | 232 | 4.3 | 5,793 | 30.52 |
| Utilities | 139 | 4.0 | 6,942 | 33.37 | 178 | 3.3 | 4,446 | 23.42 |
| Total UDOE | 816 | 23.5 | 40,785 | 196.04 | 1,126 | 20.9 | 28,156 | 148.35 |
| HOUSE PROFIT | 873 | 25.2 | 43,669 | 209.90 | 1,744 | 32.4 | 43,607 | 229.75 |
| Management Fee | 104 | 3.0 | 5,207 | 25.03 | 162 | 3.0 | 4,042 | 21.29 |
| INCOME BEFORE FIXED CHGS | 769 | 22.2 | 38,462 | 184.87 | 1,583 | 29.4 | 39,566 | 208.46 |
| FIXED EXPENSES | | | | | | | | |
| Property Taxes | 150 | 4.3 | 7,500 | 36.05 | 220 | 4.1 | 5,500 | 28.98 |
| Insurance | 59 | 1.7 | 2,950 | 14.18 | 81 | 1.5 | 2,021 | 10.65 |
| Reserve for Replacement | 139 | 4.0 | 6,942 | 33.37 | 216 | 4.0 | 5,389 | 28.39 |
| Total Fixed Charges | 348 | 10.0 | 17,393 | 83.60 | 516 | 9.6 | 12,909 | 68.02 |
| NET INCOME | \$421 | 12.1 % | \$21,070 | \$101.27 | \$1,066 | 19.8 % | \$26,656 | 140.44 |

* Departmental expenses are expressed as a percentage of departmental revenues

FIGURE 21 ECONOMICALLY-SUPPORTED CONSTRUCTION COSTS

| | <u>Scenario One</u> | <u>Scenario Two</u> |
|--|--|---|
| Net Income | \$421,000 | \$1,066,000 |
| Capitalization Rate | <u>6.0%</u> | <u>6.0%</u> |
| Economically-Supported Construction Cost Per Room | \$7,000,000 \$350,000 | \$17,800,000 \$445,000 |

Kevin W. Webster, Chairman
Charles J. Sanders, Assessor
Richard L. Caggiano, Assessor



Southold Town Hall, 53095 Route 25
P.O. Box 1179
Southold, NY 11971-0959

**BOARD OF ASSESSORS
TOWN OF SOUTHOLD**

January 3, 2019

Charles Cuddy, Esq
445 Griffing Ave #2
Riverhead, NY 11901

Re: Enclaves Project
SCTM# 1000-63.-3-15

Dear Mr. Cuddy,

We have reviewed the site plans for the Enclaves Project that you have provided. Based on our review the estimated assessment would be as follows:

| | |
|-------------|--------|
| Land | 4,000 |
| Improvement | 87,700 |
| Total | 91,700 |

The 2018-19 tax rate for the above-referenced parcel is \$1346.587. I have attached a breakdown of what the taxes would be at this rate.

This is an estimate of assessment and is subject to change based on a more detailed description of the project.

Please feel free to contact me with any questions.

Sincerely,

Richard L. Caggiano
Assessor

Enclosure

RLC/cg

