

## 4. Risk Factors

### General Real Estate Development Risks

- **Construction and Development**
  - Potential delays: weather, labor shortages, material supply issues
  - Cost overruns: unforeseen circumstances, market fluctuations
  - Conservative 50% leverage and substantial contingency in budget
- **Market and Economic Conditions**
  - Subject to market cycles and economic conditions
  - Impact of interest rates, inflation, and general economic conditions
  - Projections based on conservative assumptions
- **Regulatory Environment**
  - Requires numerous governmental approvals and permits
  - Potential changes in zoning laws, building codes, or regulations
  - Initial approvals secured, but additional permits may be needed

### Specific Project Risks

- **Location-Specific Factors**
  - Dependence on Vandenberg Air Force Base and aerospace industry growth
  - Economic impact projections: \$1.7B to \$3.5B
  - Potential impact from government funding priorities or space industry dynamics
- **Brand and Franchise**
  - Maintaining IHG's strict brand standards
  - Regular quality inspections
  - Extensive experience with IHG properties
- **Competition and Market Share**
  - Only Holiday Inn Express within a 20-mile radius
  - Potential new competitive properties
  - Impact of changes in travel patterns, especially government or aerospace industry travel
- **Operational Risks**
  - Fluctuations in travel demand
  - Changes in operating costs (labor, utilities)
  - Natural disasters or force majeure events
  - Cybersecurity threats
  - Changes in minimum wage laws or employment regulations
- **Financial Structure**
  - 50% leverage requiring debt service payments
  - Projected returns dependent on occupancy and rate targets
  - Need for adequate working capital during ramp-up period

