

**Holiday Inn Express and Suites, by IHG  
Santa Maria, CA**

**93 rooms**

**Estimated Project Construction Cost:**

	<b>Total Cost</b>	<b>Cost per Room</b>
Land	\$ 1,300,000.00	\$ 13,978.49
Architect, MEP, Structural	\$ 300,000.00	\$ 3,225.81
Civil, Landscape, Traffic Study	\$ 100,000.00	\$ 1,075.27
City fees, permits	\$ 585,000.00	\$ 6,290.32
Franchise Fees	\$ 50,000.00	\$ 537.63
Cost of Construction	\$ 13,300,000.00	\$ 143,010.75
Security During Construction	\$ 41,000.00	\$ 440.86
Special Inspections and Prof Fees	\$ 120,000.00	\$ 1,290.32
Development Fee *	\$ 350,000.00	\$ 3,763.44
Preopening and Accounting Fee *	\$ 70,000.00	\$ 752.69
FF&E	\$ 950,000.00	\$ 10,215.05
PMS	\$ 87,000.00	\$ 935.48
Exterior Signage	\$ 40,000.00	\$ 430.11
Telephone/Data/wiring/TV	\$ 185,000.00	\$ 1,989.25
Breakfast Equipment	\$ 68,000.00	\$ 731.18
Washer and Dryer (back of house and guest)	\$ 60,090.00	\$ 646.13
Exercise Room Equipment	\$ 40,000.00	\$ 430.11
Linen and Supplies	\$ 200,000.00	\$ 2,150.54
Back office / break room furniture and printer	\$ 2,500.00	\$ 26.88
Business Center computer/printer	\$ 9,000.00	\$ 96.77
Security System	\$ 25,000.00	\$ 268.82
Installation of FF&E	\$ 73,000.00	\$ 708.00
Installation of Carpet	\$ 82,000.00	\$ 885.00
Corner Market Equipment/Cabinet	\$ 70,000.00	\$ 752.69
Preopening Expenses	\$ 190,000.00	\$ 2,043.01
Title, Escrow, Other Fees	\$ 40,000.00	\$ 430.11
Cost of Funding	\$ 322,000.00	\$ 3,462.37
Interest	\$ 950,000.00	\$ 10,215.05
Insurance and Taxes	\$ 180,000.00	\$ 1,935.48
Contingency - 7.5% of hard cost	\$ 997,500.00	\$ 10,725.81
<b>Total Estimated Construction Cost:</b>	<b>\$ 20,787,090.00</b>	<b>\$ 223,517.10</b>

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**Annual Revenue Projection:**

Rooms Available: 93

<u>Month</u>	<u>Days</u>	<u>Rooms Available</u>	<u>Occup %</u>	<u>Rooms Sold</u>	<u>ADR \$</u>	<u>Room Revenue (99%)</u>	<u>Other Income (1%)</u>	<u>Parking Income**</u>	<u>Total Revenue (100%)</u>
January	31	2,883	60.0%	1,730	\$130.00	\$224,874	\$2,271	\$11,244	\$227,145
February	28	2,604	65.0%	1,693	\$132.00	\$223,423	\$2,257	\$11,002	\$225,680
March	31	2,883	69.0%	1,989	\$139.00	\$276,509	\$2,793	\$12,930	\$279,302
April	30	2,790	73.0%	2,037	\$142.00	\$289,211	\$2,921	\$13,239	\$292,133
May	31	2,883	76.0%	2,191	\$144.00	\$315,516	\$3,187	\$14,242	\$318,703
June	30	2,790	81.0%	2,260	\$151.00	\$341,245	\$3,447	\$14,689	\$344,692
July	31	2,883	87.0%	2,508	\$155.00	\$388,773	\$3,927	\$16,303	\$392,700
August	31	2,883	89.0%	2,566	\$157.00	\$402,842	\$4,069	\$16,678	\$406,911
September	30	2,790	87.0%	2,427	\$153.00	\$371,377	\$3,751	\$15,777	\$375,128
October	31	2,883	82.0%	2,364	\$148.00	\$349,881	\$3,534	\$15,366	\$353,415
November	30	2,790	74.0%	2,065	\$146.00	\$301,432	\$3,045	\$13,420	\$304,476
December	31	2,883	65.0%	1,874	\$135.00	\$252,983	\$2,555	\$12,181	\$255,539
<b>Totals:</b>	<b>365</b>	<b>33,945</b>	<b>75.7%</b>	<b>25,703</b>	<b>\$144.33</b>	<b>\$3,738,064</b>	<b>\$37,758</b>	<b>\$167,072</b>	<b>\$3,775,823</b>

Add parking Income

**5-Year Revenue Projection:**

Add Other Income, Plus parking

<u>Year</u>	<u>Occupancy</u>	<u>ADR \$</u>	<u>Room Revenue</u>	<u>Other Income Plus Parking</u>	<u>Total Revenue (100%)</u>	<u>Operating Expense</u>	<u>Operating Profit</u>
1	75.7%	\$144	\$3,738,064	\$204,830	\$3,775,823	\$2,424,585	\$1,351,237
2	77.0%	\$145	\$3,776,890	\$205,222	\$3,982,113	\$2,499,436	\$1,482,677
3	78.5%	\$147	\$3,903,760	\$206,504	\$4,110,263	\$2,576,422	\$1,533,842
4	80.0%	\$149	\$4,032,666	\$207,806	\$4,240,472	\$2,655,368	\$1,585,103
5	81.5%	\$151	\$4,177,441	\$209,268.09	\$4,386,710	\$2,740,982	\$1,645,727

**Loan Payment and Valuation**

<u>Year</u>	<u>Principal Pymt</u>	<u>Interest Pymt</u>	<u>Principal Balance</u>	<u>Value (Rm Rev x 5)</u>	<u>Value Cap Rate (6%)</u>	<u>Average Value</u>
1	\$143,971.67	\$968,486.53	\$14,040,007.33	\$18,690,321.60	\$22,520,623.63	\$20,605,472.61
2	\$393,466.12	\$718,992.07	\$13,646,541.21	\$18,884,452.13	\$24,711,282.36	\$21,797,867.24
3	\$413,615.61	\$698,842.58	\$13,232,925.60	\$19,518,799.31	\$25,564,025.19	\$22,541,412.25
4	\$434,796.97	\$677,661.23	\$12,798,128.63	\$20,163,330.00	\$26,418,387.56	\$23,290,858.78
5	\$457,063.02	\$655,395.17	\$12,341,065.61	\$20,887,207.13	\$27,428,791.54	\$24,157,999.33

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**93 rooms**

		<b>YEAR</b>					
		<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	
<b><u>Total Revenue:</u></b>	<b>100%</b>	<b>\$3,775,823</b>	<b>\$3,982,113</b>	<b>\$4,110,263</b>	<b>\$4,240,472</b>	<b>\$4,386,710</b>	
	<b>ADR</b>	\$144.33	\$144.50	\$146.50	\$148.50	\$151.00	
	<b>OCC</b>	75.7%	77.0%	78.5%	80.0%	81.5%	
<b><u>Expenses</u></b>							
<i>Payroll</i>							
	Manager	2.25%	\$85,000	\$87,125	\$89,303	\$91,536	\$93,824
	Assistant / Sales	1.03%	\$39,021	\$40,192	\$41,397	\$42,639	\$43,918
	Front Desk	6.08%	\$229,600	\$236,488	\$243,583	\$250,890	\$258,417
	Housekeeping / Laundry	7.77%	\$293,437	\$307,566	\$322,964	\$339,009	\$355,727
	Breakfast	1.43%	\$54,000	\$56,160	\$58,406	\$60,743	\$63,172
	Maint & Landscaping	1.59%	\$59,900	\$62,296	\$64,788	\$67,379	\$70,075
	Payroll Fees + EPLI	0.77%	\$29,000	\$30,450	\$31,973	\$33,571	\$35,250
	Workers Comp	0.77%	\$29,124	\$30,289	\$31,501	\$32,761	\$34,071
	<b>Total Payroll Expense:</b>	<b>21.69%</b>	<b>\$819,082</b>	<b>\$850,565</b>	<b>\$883,914</b>	<b>\$918,528</b>	<b>\$954,454</b>
<i>Supplies</i>							
	Breakfast Food & Supplies	3.00%	\$113,275	\$119,463	\$123,308	\$127,214	\$131,601
	Guest Room	1.40%	\$52,862	\$55,750	\$57,544	\$59,367	\$61,414
	Laundry and Linen	1.20%	\$45,310	\$47,785	\$49,323	\$50,886	\$52,641
	Pool and Spa	0.29%	\$10,950	\$11,064	\$11,179	\$11,295	\$11,413
	<b>Total Supplies Expense:</b>	<b>5.89%</b>	<b>\$222,396</b>	<b>\$234,062</b>	<b>\$241,354</b>	<b>\$248,762</b>	<b>\$257,068</b>
<i>General Expense</i>							
	Contract Labor and Training	0.30%	\$11,327	\$11,946	\$12,331	\$12,721	\$13,160
	Travel Agent Commission	1.00%	\$37,758	\$39,821	\$41,103	\$42,405	\$43,867
	Marketing & Advertising	1.40%	\$52,862	\$53,411	\$53,967	\$54,528	\$55,095
	Licenses & Permits / Dues	0.43%	\$16,236	\$16,404	\$16,574	\$16,745	\$16,919
	Bad Debt and Bank Charges	0.15%	\$5,664	\$5,722	\$5,780	\$5,840	\$5,900
	Credit Card Fees	2.65%	\$100,059	\$105,526	\$108,922	\$112,373	\$116,248
	Property Insurance	1.55%	\$58,525	\$61,723	\$63,709	\$65,727	\$67,994
	Property Taxes	6.61%	\$249,445	\$249,445	\$249,445	\$249,445	\$249,445
	Repairs and Maint	1.50%	\$56,637	\$59,732	\$61,654	\$63,607	\$65,801
	Utilities including Phone / Cable	5.70%	\$215,222	\$226,980	\$234,285	\$241,707	\$250,042
	Legal and Professional	0.20%	\$7,552	\$7,964	\$8,221	\$8,481	\$8,773
	Management Fees	4.00%	\$151,033	\$151,076	\$156,150	\$161,307	\$167,098
	Accounting Fee	0.25%	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
	Franchise Fees	11.00%	\$411,187	\$415,458	\$429,414	\$443,593	\$459,519
	<b>Total General Expense:</b>	<b>36.74%</b>	<b>\$1,383,107</b>	<b>\$1,414,808</b>	<b>\$1,451,154</b>	<b>\$1,488,079</b>	<b>\$1,529,460</b>
<b><u>Total Expense:</u></b>	<b>64.32%</b>	<b>\$2,424,585</b>	<b>\$2,499,436</b>	<b>\$2,576,422</b>	<b>\$2,655,368</b>	<b>\$2,740,982</b>	
<b><u>Operating Profit:</u></b>	<b>35.68%</b>	<b>\$1,351,237</b>	<b>\$1,482,677</b>	<b>\$1,533,842</b>	<b>\$1,585,103</b>	<b>\$1,645,727</b>	
Mortgage & Interest Payment		\$1,112,458	\$1,112,458	\$1,112,458	\$1,112,458	\$1,112,458	
<b><u>Net Cash Flow:</u></b>		<b><u>\$238,779</u></b>	<b><u>\$370,219</u></b>	<b><u>\$421,383</u></b>	<b><u>\$472,645</u></b>	<b><u>\$533,269</u></b>	
Cap Rate		6.50%	7.13%	7.38%	7.63%	7.92%	
Fixed Charge Coverage Ratio (FCCR)		1.21	1.33	1.38	1.42	1.48	
Cash-on-Cash Return		5.80%	11.57%	12.65%	13.74%	15.00%	

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**Funds Breakdown**

Cost of Project	\$	20,787,090.00	100.00%
Loan Amount	\$	14,183,979.00	68.23%
Equity Injection	\$	6,603,111.00	31.77%

**Combined Loans**

Interest Rate		6.83%
Terms		30
Total Loan Balance	\$	14,149,772.16
Monthly Payment		\$92,704.85
Annual Payment		\$1,112,458.20
Amortization		30 years

**Bank Loan Payment at Take Out**

Interest Rate		7.11%
Terms		30
Bank Loan Balance	\$	10,393,545.00 73.28%
Monthly Payment		\$69,918.04
Annual Payment		\$839,016.49
Amortization		30 years

**SBA Loan Payment at Take Out**

Interest Rate		6.11%
Terms		30
SBA Loan Balance	\$	3,756,227.16 26.48%
Monthly Payment		\$22,786.81
Annual Payment		\$273,441.71
Amortization		30 years

**First Year Financial Summary**

Room Revenue	\$3,738,064.32
Other Income	\$204,829.94
Total Revenue	\$3,775,822.55
Operating Expense	\$2,424,585.13
Operating Profit	\$1,351,237.42
FCCR	1.21
Cap Rate	6.50%

At the end of 5 years, if the property is sold for: \$24,157,999 after paying brokerage fees of 4%, the IRR is:

IRR:	9.91%
CF0 \$	(20,787,090.00)
CF1	\$1,351,237.42
CF2	\$1,482,676.94
CF3	\$1,533,841.51
CF4	\$1,585,103.25
CF5	\$25,803,726.83

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Investment Amount	Equity %	ROR YR 1	ROR YR 2	ROR YR 3	ROR YR 4	ROR YR 5	Total at end of year 5	Cash on Cash ROR YR 1	Cash on Cash ROR YR 5	5-year Sale	Amount @ 5-yrns above principal
\$ 75,000.00	1.10%	\$ 2,630.76	\$ 4,078.90	\$ 4,642.61	\$ 5,207.38	\$ 5,875.31	\$ 22,434.96	\$ 4,216.97	\$ 10,911.02	\$ 130,193.47	\$ 77,628.43
\$ 150,000.00	2.20%	\$ 5,261.52	\$ 8,157.80	\$ 9,285.21	\$ 10,414.77	\$ 11,750.63	\$ 44,869.91	\$ 8,433.94	\$ 21,822.04	\$ 260,386.94	\$ 155,256.85
\$ 200,000.00	2.94%	\$ 7,015.36	\$ 10,877.06	\$ 12,380.28	\$ 13,886.35	\$ 15,667.50	\$ 59,826.55	\$ 11,245.26	\$ 29,096.05	\$ 347,182.58	\$ 207,009.13
\$ 250,000.00	3.67%	\$ 8,769.19	\$ 13,596.33	\$ 15,475.35	\$ 17,357.94	\$ 19,584.38	\$ 74,783.19	\$ 14,056.57	\$ 36,370.07	\$ 433,978.23	\$ 258,761.42
\$ 500,000.00	7.35%	\$ 17,538.39	\$ 27,192.65	\$ 30,950.70	\$ 34,715.89	\$ 39,168.75	\$ 149,566.38	\$ 28,113.14	\$ 72,740.13	\$ 867,956.46	\$ 517,522.84

\$24M

Add to spreadsheet over 10 yrs

Add Capital gain from sale of Property after 5yr, 10yr