



January 20, 2009

Mr. John Stibal, Director of Development  
City of West Allis  
7525 W. Greenfield Ave.  
West Allis, WI 53214

Dear John:

I am pleased to present the Updated Phase II Comprehensive Market Study Report for West Allis, Wisconsin, originally completed May, 2005. It was a pleasure working with you on this report; and I look forward to reviewing it with you in the near future.

Management  
Research  
Marketing

Attached is the PDF copy of the updated report. If printed reports are required, we can provide up to three (3) printed, bound originals and will provide additional copies at a nominal charge (\$35.00 per report) for copying and mailing.

This Phase II Comprehensive Market Study Report Update and Addendum are intended for internal as well as external use purposes. In a lender, investment group, or yourself has any questions or requires additional research, I would be glad to discuss this with you. Typically we are able to work with the present report up the completion of the 1<sup>st</sup> quarter of a new calendar year. Please let me know if you need any extra research done on this project.

John, again, it was a pleasure working with you on this report. I will contact you soon to answer any questions you may have. Thank you.

Gregory R. Hanis, ISHC  
President

Member of



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Hotel Service Network

Sincerely,  
HOSPITALITY MARKETERS INTERNATIONAL, INC.

*Gregory R. Hanis*

Gregory R. Hanis, ISHC  
President



**UPDATE TO THE  
PHASE II COMPREHENSIVE  
MARKET STUDY REPORT  
FOR THE CITY OF WEST ALLIS  
Originally Dated May, 2005**

**West Allis, Wisconsin  
January, 2009**

Management  
Research  
Marketing

**Prepared Exclusively For:**

**Mr. John Stibal, Director of Development  
City of West Allis**

**Gregory R. Hanis, ISHC**  
President

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**Prepared By:**

**Hospitality Marketers International, Inc.**

**Gregory R. Hanis, ISHC  
President**

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**West Allis, Wisconsin**

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EXHIBIT 2: Geographic Relationship of Subject Market Area to the To the State of Wisconsin Highlighting the Primary Metropolitan Immediate Market Area

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- A. Preferred Subject Site Plan. Site 1
- B. Subject Site Identified for Potential Development of the Proposed Hotel Development. Site 2
- C. Site identified for Potential Development of the Proposed Hotel Development. Site 3

**Exhibit 1 - Geographic Relationship of the Subject Market to the Greater United States**  
**Also Highlighting the Regional Market from which the West Allis Market Will Draw Especially for Social/Leisure Demand**

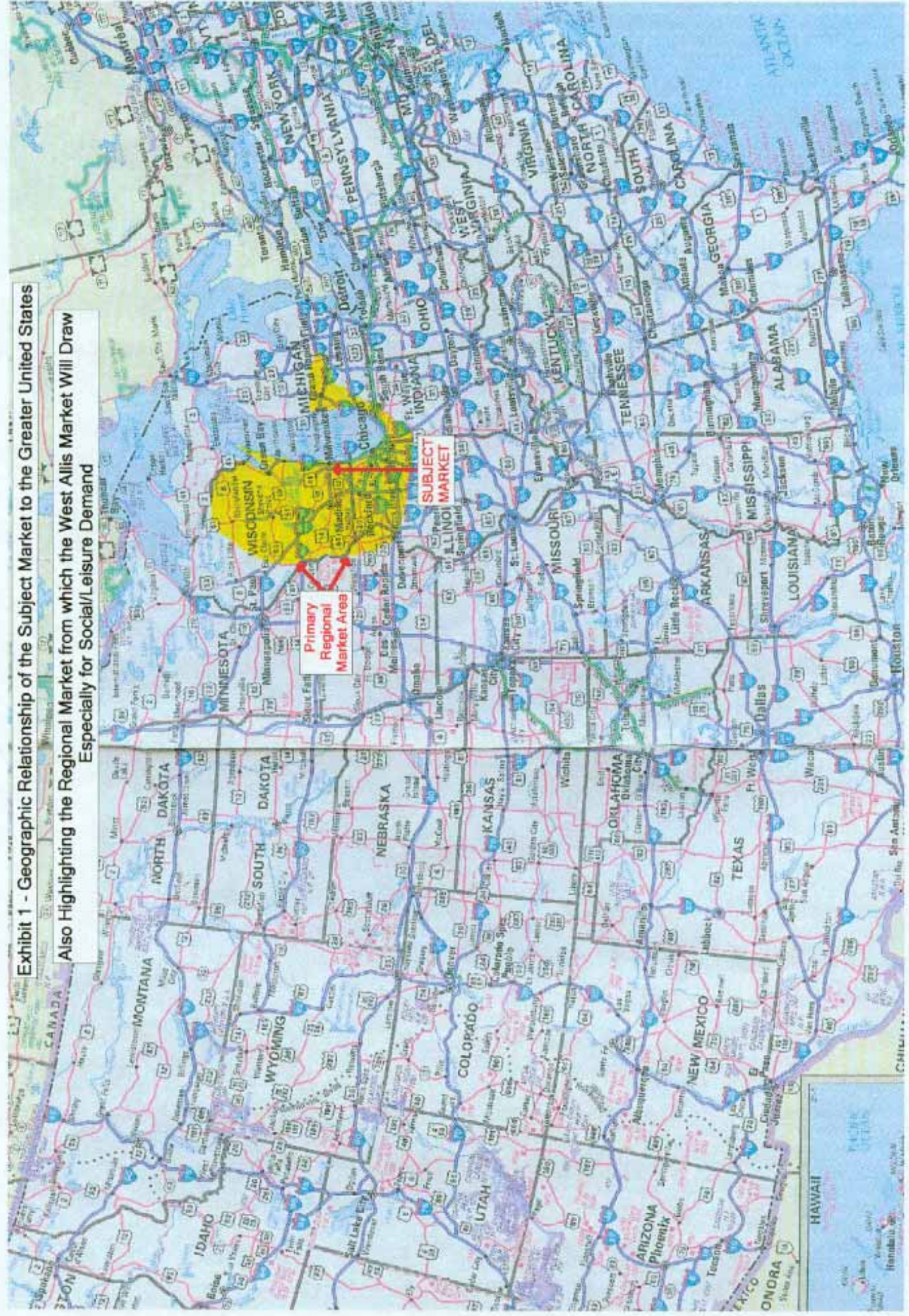
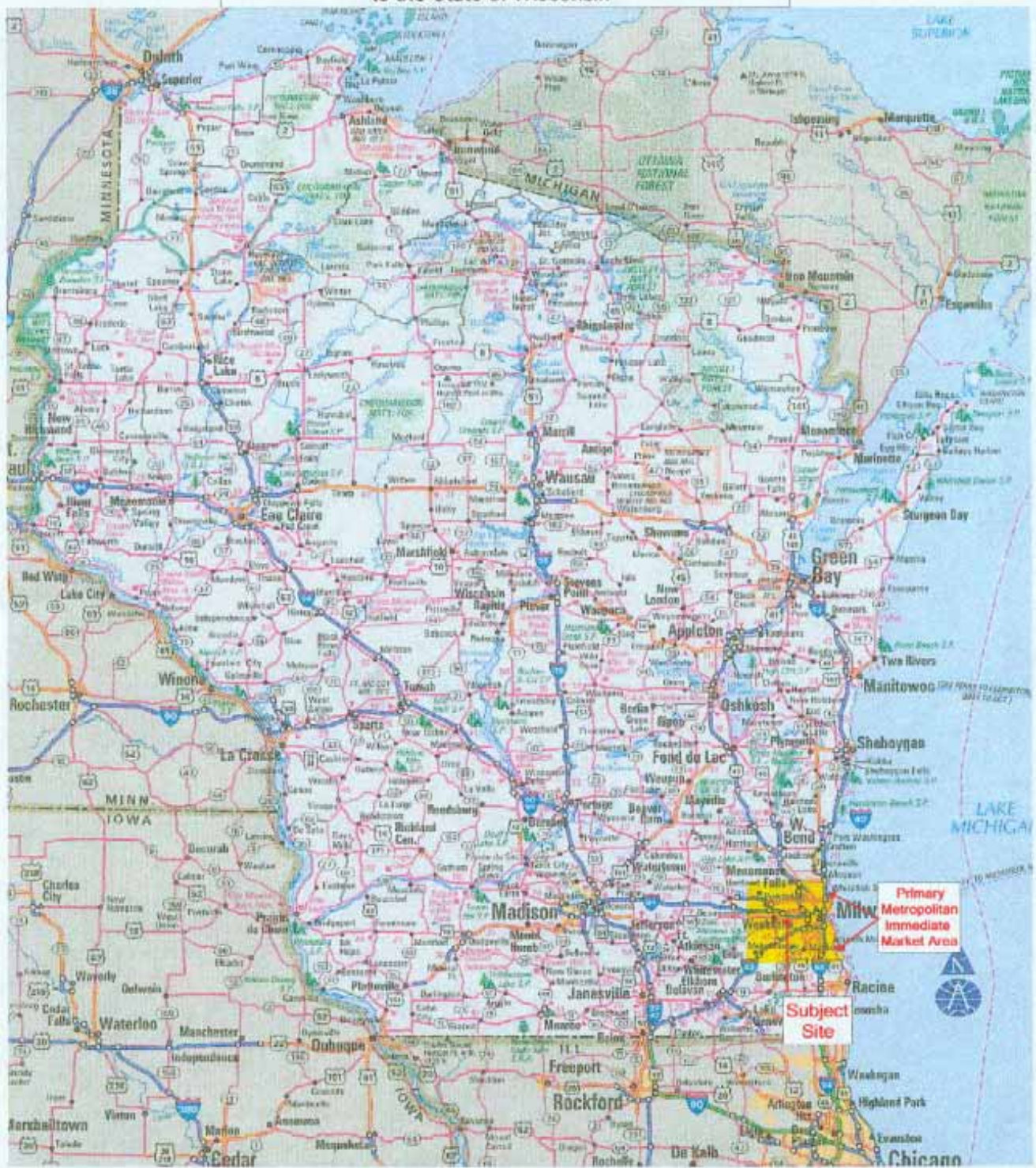


Exhibit 2 - Geographic Relationship of Subject Market Area to the State of Wisconsin



**Exhibit 3 - Geographic Location of the Subject Site in Relation to the Metropolitan Milwaukee Market Also Showing the Primary Competitive Hotels**

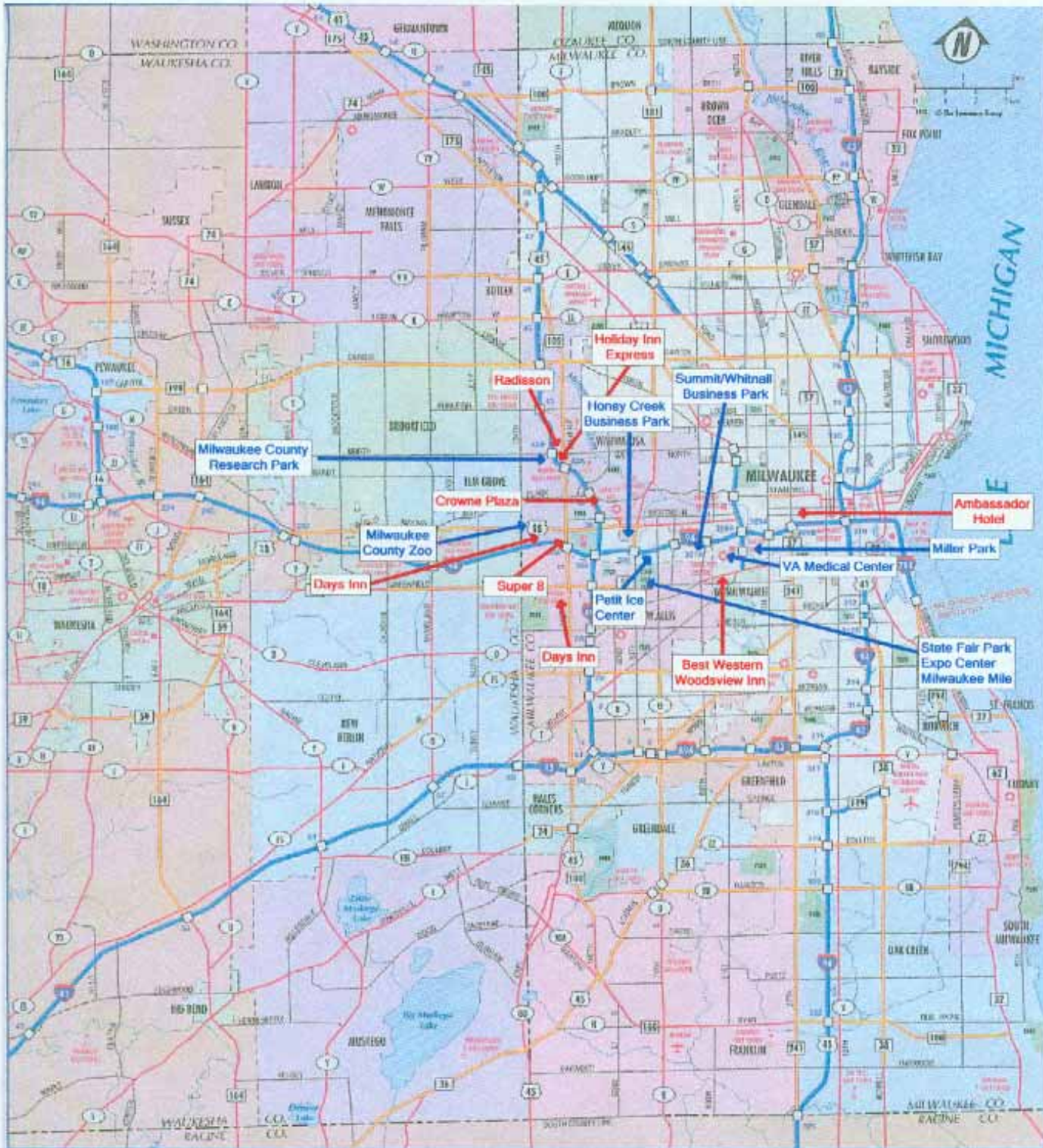
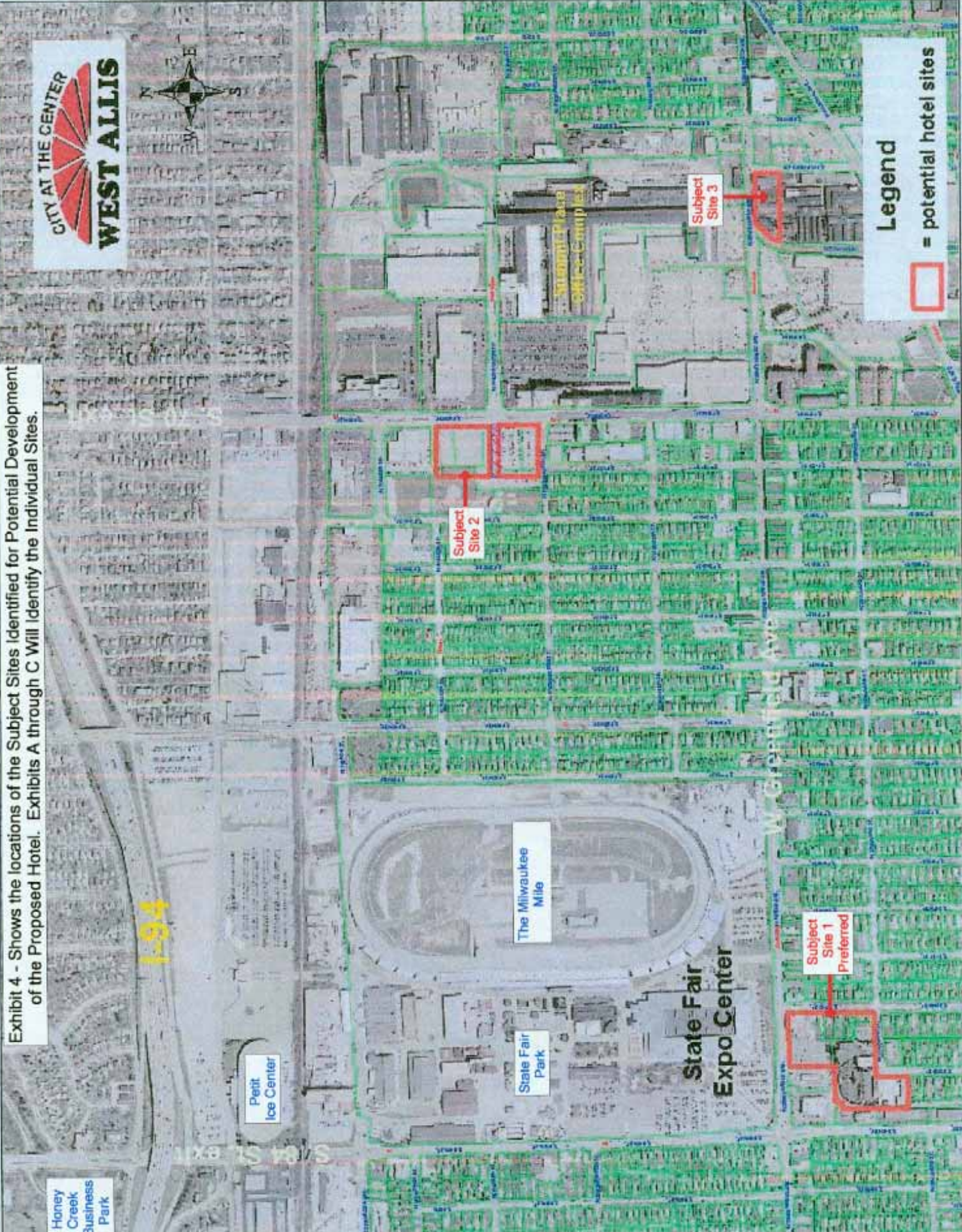


Exhibit 4 - Shows the locations of the Subject Sites identified for Potential Development of the Proposed Hotel. Exhibits A through C Will identify the Individual Sites.



**Legend**


 = potential hotel sites

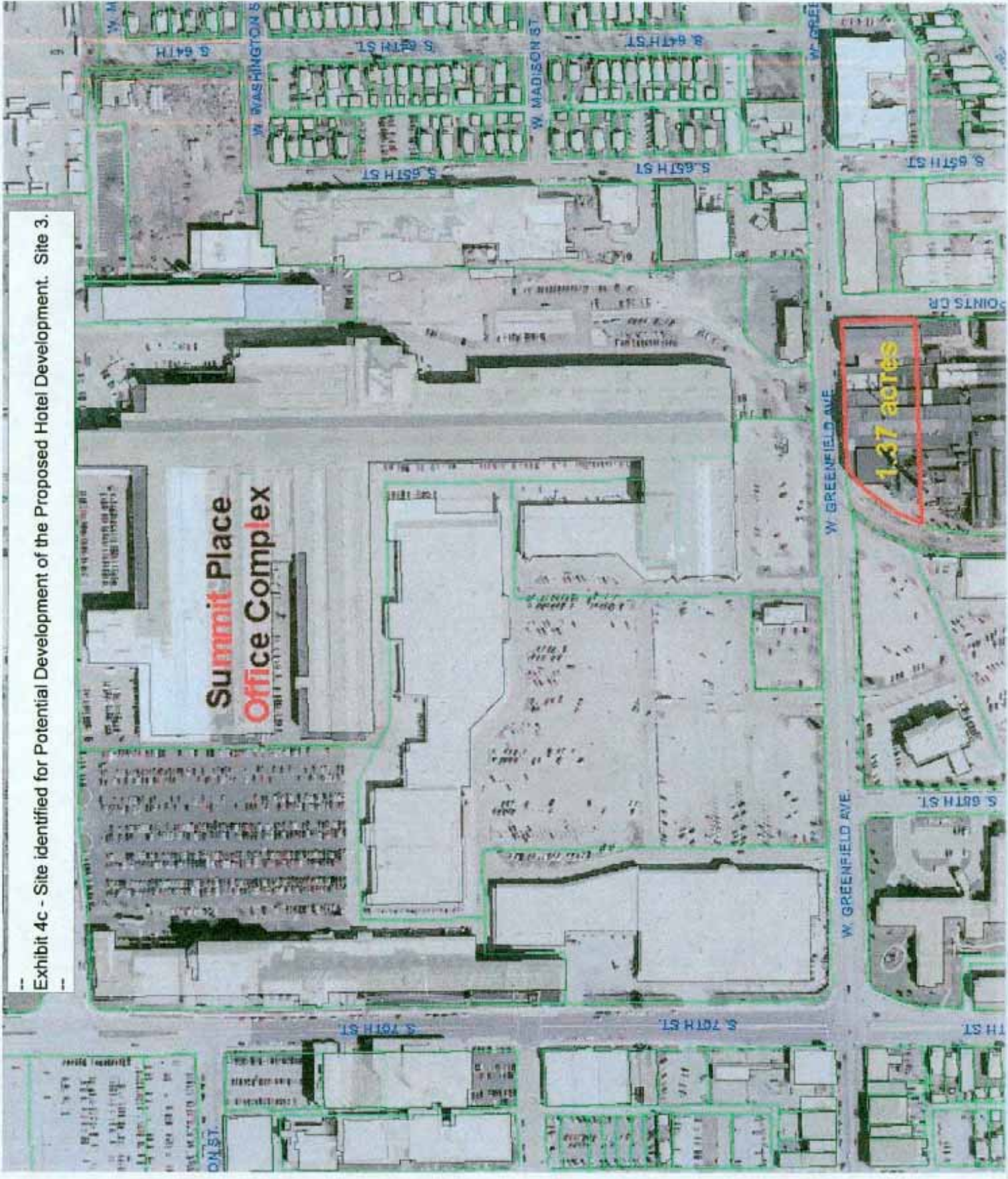
Exhibit 4a - Preferred Subject Site Plan. Site 1



Exhibit 4b - Subject Site Identified for Potential Development of the Proposed Hotel Development. Site 2.



Exhibit 4c - Site identified for Potential Development of the Proposed Hotel Development. Site 3.



## **INTRODUCTION/OBJECTIVE**

Hospitality Marketers International, Inc., (HMI) has been engaged to provide this Phase II Comprehensive Market Study Analysis of the West Allis, Wisconsin, area. This Market Study will use the West Allis/State Fair Park Hotel Feasibility Study, completed by HMI in June, 2005, as the foundation of this report. HMI has updated that study and completed a new report. This report will address the specific development of a select-service or similar type hotel product at the identified sites in the greater West Allis market area.

Several potential sites were identified for the development of a hotel project. These sites will be evaluated and recommendations will be provided for the suitability of these sites to support hotel development. The potential sites will be identified in this report.

This report will provide information concerning the West Allis area and the market factors that would affect the possible development of a hotel facility in this community.

In this report, the focus will be on the development of an upscale, select-service or similar style hotel facility at the recommended site. The type of facility researched reviewed the potential of developing an upper mid-priced to upscale select-service hotel facility. At this time, the projections in this report reflect the performance of a select-service hotel property. This will have modified food and beverage facilities. There is the potential to have some meeting and banquet facilities in the hotel, or adjacent in a separate facility, to support the market and hotel. Recommendations for this type of facility will be addressed in this report.

The scope of this market study will focus on the hotel rooms and the select-service, food and beverage components of this facility. The impact of the meeting and banquet space will be addressed as it relates to hotel room sales and to catering food and beverage revenue. Additional and specialized research would need to be performed for more expanded food and beverage and meeting and banquet services. This report will address these amenities with recommendations for their expansion, if needed, to support the hotel and food and beverage facilities.

Comprehensive research was performed and reviewed regarding the community's economic indicators, competitive Lodging Supply, and Lodging Demand generators. HMI conducted field research to determine the relationship between the community and the proposed facility's Lodging Supply competitors and Lodging Demand generators. Economic indicators were studied to determine the stability and future growth of the general market area.

Multiple-year Occupancy, Average Daily Room Rate, and Sales Revenue projections for the hotel were based upon a detailed review of the field research data. Facility recommendations as to product type, size, brand affiliation and amenities were based upon the market demand research for the proposed facility. Recommendations for the site location will also be provided. Again, these recommendations will focus on a Hilton Garden or similar type hotel product. The research that was conducted focused on macro- and micro-market analysis of the West Allis market area to determine the viability of this market to support the proposed hotel.

This is a comprehensive Market Study prepared for the developer to determine the preliminary potential for this type of hotel in this community. Based upon the results of this research, this report could be used by the prospective developer to pursue a specific hotel development in this community. The report may require updating for a specific hotel project. This could occur after specific type, size, features, amenities and brand are identified for the hotel. HMI can provide amendments to this market study to address a specific hotel development. A more specific market study report should be acceptable for internal as well as external investment and lending purposes. If, at any time, there are questions regarding this research, or this report needs to provide specific information regarding this hotel development, HMI will be available to address the required information.

## **GENERAL MARKET DESCRIPTION**

### **GENERAL MARKET CHARACTERISTICS**

The general market for this proposed hotel facility will focus on the West Allis and western Milwaukee metropolitan area. This will be the primary area where the majority of the Lodging Demand for this hotel will be generated. While the Lodging Demand will come from regional, national and international markets, the reasons why visitors are coming to this area will be for the diversity of venues located within it.

Major access to this market area is via highways that intersect just west of West Allis. Interstate 94 is the main east/west highway serving this region. On the west side of West Allis is Interstate 894, which is the southern and western bypass route around the City of Milwaukee. This highway is also Highway 45, which proceeds north of I-94 into the northwest suburbs of metropolitan Milwaukee. These highways are heavily traveled commuter routes as well as entry routes into the greater Milwaukee market area.

The West Allis market is an older, residential area with older, commercial development that supports the residential market. Many years ago, West Allis was a major industrial manufacturing suburb of Milwaukee. The Allis Chalmers plant was the main employer in the area. This plant closed many years ago; and for a period of time, its facilities were left vacant. There is a redevelopment of the front plant area into commercial and office development. This development is called Summit Place; and it houses a substantial variety of companies in various industries. The commercial development is supporting the residential market in the area; and is bringing new and larger brand name retailers to the market. The office development is bringing a range of activities from governmental agencies to relocating corporate activity. The redevelopment of this area is extensive and is bringing new economic life to an older suburban area of metropolitan Milwaukee.

The Wisconsin State Fair Park is another major catalyst in this area. This facility has been in this area for decades. In recent years, there has been a major renovation occurring in many areas of the Fair Park. New buildings and facilities have developed. For ten days, normally in early August, over 900,000 people attend the annual State Fair. However, during the remainder of the year, venues such as the Pettit Ice Center, Milwaukee Mile Race Track, Wisconsin Exposition Center, and the other exposition facilities on the fair grounds generate numerous events. These events bring visitors to the fair grounds for consumer trade shows, major auto races, regional, national and international ice competitions, horse shows, etc. Most of this business is weekend oriented.

West Allis is also convenient to serve the Clement Zablocki VA Medical Center, just to the east of the community. Also, in the same area is Miller Park, home to the major league Milwaukee Brewers National League baseball team. This venue attracted over three million fans in 2008.

To the immediate north of the West Allis area, in Wauwatosa, is a Corporate park development, Honey Creek Corporate Park. This park has various sized companies located in it. They range from professional services to district and regional sales offices for larger companies. Also, the large Milwaukee County Research Park, consisting of numerous small, medium and large-scale corporations, is just northwest of the West Allis area at Highway 45 and Watertown Plank Road. GE Medical has developed a large 500,000 square foot Corporate office at this location, which houses several thousand employees in this facility. Other companies, located in this park, range from small to mid-sized companies in comparison to the GE operation.

The Milwaukee County Regional Medical Complex is next to the Milwaukee County Research Park on the east side of Highway 45. This complex consists of many large medical facilities which bring patients, doctors, nurses and administrators from a broad geographic area. This complex is in the process of adding another one million square feet of space to its medical facilities. Additional expansion is expected. The key facilities are Froedtert Hospital, Children's Hospital and the Eye Institute.

A small, private liberal arts college, Wisconsin Lutheran College, is located just north of the Fair Park on Bluemound Road. This is a liberal arts college with housing. Its athletic fields are located north of the campus.

In this same area is one of Wisconsin's largest tourist attractions, the Milwaukee County Zoo. This nationally known zoological facility brings many visitors to the area including some research activity.

The remaining areas surrounding the subject market are mainly well developed, older residential neighborhoods. Within these residential areas are local, residential, retail and support service activities. Overall, this subject market area is the first major suburban market area west of the City of Milwaukee. As a result, it is a hub of economic activity that supports this metropolitan region. While it is an older, fully developed market area, it is stable with redevelopment occurring to maintain its economic health.

## EXHIBITS

- Exhibit 1 of this report shows the geographic location of the West Allis market area within the United States. Also highlighted is the regional market from which the West Allis market will draw, especially for the Social/Leisure demand.
- Exhibit 2 of this report shows the geographic location of the West Allis market within the State of Wisconsin also highlighting the primary metropolitan immediate market area.
- Exhibit 3 shows the geographic location of the subject site in relation to the metropolitan Milwaukee market. The primary competitive hotels in the subject market area are also highlighted.
- Exhibit 4 shows the locations of the subject sites identified for potential development of the proposed hotel. Exhibits A through C will identify the individual sites.

## **SITE ANALYSIS**

This section of the report will review the geographic subject sites identified for the proposed hotel. Key elements of the site analysis will be discussed, including visibility, accessibility, support services, and competitive position. There were three site areas identified for the hotel. Exhibit 4 of this report will highlight the location of the three sites.

## **SUBJECT SITE DESCRIPTION**

The following will recap the three subject sites for potential hotel development. The recommendation for the preferred site will be given with associated reasons. The focus of this section will be on the preferred site.

### **Subject Site – 1**

This subject site is the preferred site. It is located at the intersection of Greenfield Avenue and 84<sup>th</sup> Street. It is on a vacated restaurant site and is across from the southern end of State Fair Park and the Wisconsin Exposition Center. This site is the preferred site as it has support services (restaurants and retail) located nearby. It is also located across from one of the largest and major demand generators in the area. It is removed from I-94 and from the Corporate/Commercial market in the area. This site is a 6.72 acre site and could easily accommodate hotel development. The vacated restaurant facility could be converted into functional meeting and banquet facilities. Additional reasons will be highlighted later in this section of the report.

### **Subject Site – 2**

This site is located just west of the Summit Place Office Complex at the intersection of 70<sup>th</sup> Street and Washington Street. It is a combined 4.36 acre site. This site would have reasonable access to I-94; however, the area lacks support services (restaurants, retail and highway traveler support). These facilities are in the area' but removed from the site to the south. The site would be large enough to support hotel development. Meeting and banquet facilities would have to be built at this site. This site would have good activity from the Summit Place Office Complex during the week; however, on weekends, there is little to draw the Social/Leisure market.

### **Subject Site – 3**

The third subject site is located just south of the Summit Place Office Complex around 67<sup>th</sup> Street and Greenfield Avenue. This small 1.37 acre site would not support hotel development well. This limited-size site would not have space for meeting and banquet facilities. It is also removed from I-94. Support services are in

the area at the retail development on the south side of Summit Place. Big box and strip mall retail is located in the area. Restaurants are in this area as well.

PREFERRED SUBJECT SITE: SUBJECT SITE 1

As a result, this section will focus on developing the hotel at the Subject Site 1 location.

Zoning

Zoning of the site would allow for commercial development. The restaurant at the site is zoned commercial. The southern section is a manufacturing plant, West Allis Gray Iron, which would require re-zoning.

The manufacturing facility would require demolition and may require environmental testing. Possible environmental remediation may be required. The demolition and environmental testing would require time.

The overall preferred site area is level and appears to be suitable for development of the proposed hotel.

Architectural Controls

Architectural Controls are expected to be within normal requirements in this area. No unusual controls were identified. The developer would need to comply with the plan approval process in effect within the City of West Allis. Architectural compatibility with the surrounding area would be suggested.

Preparation

Preparation for the preferred site, being mostly located in the current parking lot areas of the vacated restaurant, is ready for development. Demolition of the West Allis Gray Iron manufacturing plant would be required.

Topography

The topography of the site is generally flat with few variations in elevations. No clearing of trees or ground cover would be necessary. Grading, fill and additional land preparation would be minimal.

Environmental Concerns

Environmental concerns were not addressed within the scope of this report. Formal environmental testing of the site may be required. This would address toxic waste and the general condition of the site for development. In addition, water seepage and drainage was not formally reviewed within the scope of this report. This would also

depend upon the actual location of the hotel on the site. At this time, there does not appear to be any associated environmental concerns with any of the sites. Previous

use of the restaurant site has been low impact. More extensive environmental testing may be required regarding the demolition of the West Allis Gray Iron manufacturing site.

#### Utilities

Utilities are in place at the site area. Being an urban site location, all major utilities including water, sewer, electrical, telephone, gas, cable television and high speed Internet are in place to serve this site.

#### Visibility

The *visibility* of the site is a major concern to the highway access for the hotel. Most travelers would enter the hotel from the 84<sup>th</sup> Street access route. This is the most direct route from I-94, the major highway serving this area. A secondary access route would be along Greenfield Avenue, which connects with I-894 about two miles west of the site locations. Neither access route provides visibility to the hotel from the highways.

It was reported that potential I-94 signage may be allowed on the State Fair land along this route. This would improve awareness of a hotel in the area.

Directional signage will be required for travelers to find this hotel. Frequent travelers will be aware of the hotel after their first visit.

#### Accessibility

*Accessibility* to the subject site would be via 84<sup>th</sup> Street from I-94 or Greenfield Avenue, east or west. Direct access to the site would be via Greenfield Avenue.

A major reconstruction of the Zoo Interchange that connects I-94, I-894 and Highway 45 is planned just west of the current 84<sup>th</sup> Street exit. This reconstruction will create several factors for the hotel.

- 1) During construction, the 84<sup>th</sup> Street exit may have disruptions. This could range from closures to redirection of the exit.

2) The actual design of the reconstruction of the 84<sup>th</sup> Street exit has yet to be finalized by the Wisconsin Department of Transportation. The exit will be retained, but its actual traffic pattern needs to be finalized. Updates to the interchange and 84<sup>th</sup> Street exit plans can be reviewed on the Wisconsin Department of Transportation, Zoo Interchange, Web Site at [www.dot.wisconsin.gov/projects/sefreeways/zoomap.htm](http://www.dot.wisconsin.gov/projects/sefreeways/zoomap.htm).

#### Support Services

*Support services* for this hotel are present in the immediate market area. They may be somewhat limited but restaurants, retail and residential services are in the area. Having select-service food and beverage services, the hotel will offer travelers additional support services.

In the immediate area are various local residential support services. This includes a Walgreen's Pharmacy, McDonald's Restaurant, and other small, local restaurants and retail support services.

Major support services are located about three miles west at 108th Street and Greenfield Avenue. There are additional support services located in the redevelopment occurring at 70th Street and Greenfield Avenue. Both of these areas are beyond walking distance from the hotel.

Limited casual and fine dining options, typically desired by travelers, are offered in the immediate area.

Major destination retail options are located about five miles north at Mayfair Mall. This is a major regional, upscale and specialty shopping/entertainment mall in the metropolitan Milwaukee area. Access to this mall is somewhat inconvenient to the subject site.

Entertainment options are also limited in the area for travelers. This includes traditional tourist-type activities such as movie theaters, sightseeing tours, miniature golf, bowling, etc.

Being an urban location, recreational options are not available in the area. The hotel could provide some recreational facilities such as an indoor pool and fitness center for its guests.

The competitive position of the subject site would be excellent. This site would serve the State Fair Park well. Site 1, being located across from the Expo Center, would serve this venue the best. It would also serve the Milwaukee Mile Race Track venue.

The site is removed from the north end of the Fair Park where the Pettit Ice Center is located. However, access to the Ice Center could be via 84<sup>th</sup> Street and the Fair Park grounds. It would be the closest hotel to serve this venue.

In regard to serving the West Allis market area, there are some limitations of the site due to the fact that it is considerably off the main highways and lacks direct visibility to them. However, marketing of the hotel would be critical. It would be hopeful that

once guests were made aware of the hotel location, a repeat corporate market could be developed.

Support services for travelers will also be a factor that needs to be addressed. The present limitation of these services does not make this an attractive location for travelers.

## **ECONOMIC OVERVIEW**

This section of the report provides a composite analysis of the economic environment in which the proposed hotel would operate. This economic analysis does not conclusively determine how successful the proposed facility will be in the West Allis market, however, it offers valuable insight into the economic stability and growth potential of the market. It will directly affect the conclusions formulated later in this report.

The economics of this area are supported by various factors. The West Allis market is a well developed and established residential area. Therefore, the residential Population and the supporting commercial base is key to the economic strength of the area. West Allis is also centrally located to serve a broad economic market that includes many surrounding communities. It supports Wauwatosa to the north, West Milwaukee to the east, and eastern New Berlin. This broader area brings more economic diversity to the overall market. Corporate, light industrial, more diverse Commercial, and retail is also brought to the economy in a larger geographic area. West Allis serves the greater metropolitan area along the I-94 and I-894 corridors. This includes access to the downtown and west sides of the City of Milwaukee.

The West Allis market is also at a major crossroads of primary highways that serve the broader metropolitan area of Milwaukee. Access to the entire metropolitan market is excellent from this geographic location. Highways I-94, I-894 and 45 provide this access to the metropolitan area.

Redevelopment of this area is also occurring in areas that have seen change in recent years. The most noticeable is the former Allis Chalmers Plant location along 70th Street on the east side of the City of West Allis. The redevelopment is occurring between I-94 to the north and Greenfield Avenue to the south. This major redevelopment is bringing new retail, office and light industrial to this vacated area. Summit Place is the new corporate development within this area.

## **POPULATION**

The following chart highlights the *Population* growth of the subject market area.

POPULATION							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	59,300	58,430	-1.5%	-0.1%	N/A	N/A	N/A
City of Wauwatosa	46,100	44,519	-3.4%	-0.3%	N/A	N/A	N/A
City of Milwaukee	610,000	571,788	-6.3%	-0.6%	N/A	N/A	N/A
Milwaukee County	921,000	914,799	-0.7%	-0.1%	N/A	N/A	N/A
State of WI	5,180,900	5,597,312	8.0%	0.8%	N/A	N/A	N/A
EN Ctrl Region	43,810,000	46,480,455	6.1%	0.6%	47,190,017	1.5%	0.3%
United States	267,540,600	304,141,549	13.7%	1.4%	319,161,431	4.9%	1.0%
POPULATION - Number of Households							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	25,200	27,104	7.6%	0.8%	N/A	N/A	N/A
City of Wauwatosa	18,600	19,765	6.3%	0.6%	N/A	N/A	N/A
City of Milwaukee	234,400	226,690	-3.3%	-0.3%	N/A	N/A	N/A
Milwaukee County	358,700	375,727	4.7%	0.5%	N/A	N/A	N/A
State of WI	1,938,000	2,233,105	15.2%	1.5%	N/A	N/A	N/A
EN Ctrl Region	16,310,000	17,994,558	10.3%	1.0%	18,426,405	2.4%	0.5%
United States	98,635,500	114,694,201	16.3%	1.6%	120,741,378	5.3%	1.1%

Source: Sales and Marketing Management Annual Survey of Buying Power

- As indicated in the above chart, the City of West Allis is seeing a decline in Population of (-.1%). This trend is lower than the cities of Milwaukee and Wauwatosa, but similar to the trend seen in the Milwaukee County area.
- The trend in Population is lower than the state, region and United States. Older, more established urban centers are seeing a decline in Population. The only areas that will see an increase would be in urban redevelopment areas. This brings new apartments, condominiums and townhomes to the area. West Allis has yet to see this redevelopment bringing new residents to the area. The aging of the Population is decreasing household size, hence reducing Population.
- In the area of Households, West Allis is seeing a trend that is the opposite of what is occurring in Population. In Households, West Allis is seeing an increase that is ahead of the county and the surrounding areas of Wauwatosa and Milwaukee. This data shows that West Allis is aging in Population. Families are leaving the Population base and older couples and singles may be moving into the area.
- In 2007, West Allis accounted for 6.4% of the Population of Milwaukee County, compared to 6.4% in 1997. West Allis accounted for 7.2% of the county's Households in 2007, compared to 7.0% in 1997.

**EFFECTIVE BUYING INCOME**

The *Effective Buying Income* measures the economic health of the residents in the West Allis market area. There should be a steady growth in Effective Buying Income that surpasses the rate of inflation for the same time period. This would indicate that the area has a potentially strong employment base. The most effective measures are the per capita Effective Buying Income patterns in the market. The following chart highlights the Effective Buying Income for the West Allis market area.

EFFECTIVE BUYING INCOME							
	1997	2007	% CHG.	ANN. %	5-YEAR PROJ.	% CHG.	ANN. %
City of West Allis	\$950,561	\$1,107,967	16.6%	1.7%	N/A	N/A	N/A
City of Wauwatosa	\$968,930	\$1,161,692	19.9%	2.0%	N/A	N/A	N/A
City of Milwaukee	\$7,802,594	\$8,286,820	6.2%	0.6%	N/A	N/A	N/A
Milwaukee County	\$13,940,227	\$16,493,930	18.3%	1.8%	N/A	N/A	N/A
State of WI	\$78,011,605	\$110,700,516	41.9%	4.2%	N/A	N/A	N/A
EN Ctrl Region	\$696,226,285	\$933,368,107	34.1%	3.4%	\$1,039,263,101	11.3%	2.3%
United States	\$4,161,512,384	\$6,300,794,040	51.4%	5.1%	\$7,383,192,701	17.2%	3.4%
EFFECTIVE BUYING INCOME - PER CAPITA							
	1997	2007	% CHG.	ANN. %	5-YEAR PROJ.	% CHG.	ANN. %
City of West Allis	\$16,030	\$18,962	18.3%	1.8%	N/A	N/A	N/A
City of Wauwatosa	\$21,018	\$26,094	24.2%	2.4%	N/A	N/A	N/A
City of Milwaukee	\$12,791	\$14,493	13.3%	1.3%	N/A	N/A	N/A
Milwaukee County	\$15,136	\$18,030	19.1%	1.9%	N/A	N/A	N/A
State of WI	\$15,058	\$19,777	31.3%	3.1%	N/A	N/A	N/A
EN Ctrl Region	\$15,892	\$20,081	26.4%	2.6%	\$22,023	9.7%	1.9%
United States	\$15,555	\$20,717	33.2%	3.3%	\$23,133	11.7%	2.3%

*Source: Sales and Marketing Management Annual Survey of Buying Power*

- In the chart above, the per capita Effective Buying Income in West Allis has shown faster growth than the City of Milwaukee. However, the rate of growth is behind the rate of growth in Wauwatosa, Milwaukee County, the State of Wisconsin, the region, and the United States.
- In actual dollars, West Allis lags behind the Wauwatosa area. It is ahead of the City of Milwaukee and Milwaukee County. In 2007, Effective Buying Income yielded 105.2% to the County. This is down slightly to its yield in 1997, when the Effective Buying Income was at 105.9% of the county's level.
- West Allis has weaker demographic performance in this area compared to Wauwatosa just to the north. Wauwatosa is more diversely and economically solid in this economic category than West Allis.

- Overall, the West Allis market is showing that it is a consistent middle income community that is stable with its Effective Buying Income figures. It lags in some areas but is ahead in others. The overall economic success of West Allis does require that the surrounding communities support its economic base.

### RETAIL SALES

*Retail Sales* is an economic factor that may indicate the influence of outside economic sources bringing revenue to the area. Regional shopping districts typically draw external economic sources that will demonstrate the additional health of the economy. Retail Sales also provide some indication of the potential for Lodging Demand in the market. It is desirable for Retail Sales to exceed the rate of Effective Buying Income in order to demonstrate this external economic factor. Again, per capita Retail Sales are the most effective measure of this area.

The following chart highlights the Retail Sales for the market region.

RETAIL SALES							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	\$871,822	\$1,124,948	29.0%	2.9%	N/A	N/A	N/A
City of Wauwatosa	\$850,295	\$1,360,054	60.0%	6.0%	N/A	N/A	N/A
City of Milwaukee	\$3,952,982	\$5,051,703	27.8%	2.8%	N/A	N/A	N/A
Milwaukee County	\$8,213,034	\$11,185,200	36.2%	3.6%	N/A	N/A	N/A
State of WI	\$51,825,002	\$86,668,457	67.2%	6.7%	N/A	N/A	N/A
EN Ctrl Region	\$418,035,846	\$691,240,652	65.4%	6.5%	\$735,191,751	6.4%	1.3%
United States	\$2,465,147,126	\$4,980,406,870	102.0%	10.2%	\$5,811,121,345	16.7%	3.3%
RETAIL SALES - PER CAPITA							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	\$14,702	\$19,253	31.0%	3.1%	N/A	N/A	N/A
City of Wauwatosa	\$18,445	\$30,550	65.6%	6.6%	N/A	N/A	N/A
City of Milwaukee	\$6,480	\$8,835	36.3%	3.6%	N/A	N/A	N/A
Milwaukee County	\$8,918	\$12,227	37.1%	3.7%	N/A	N/A	N/A
State of WI	\$10,003	\$15,484	54.8%	5.5%	N/A	N/A	N/A
EN Ctrl Region	\$9,542	\$14,872	55.9%	5.6%	\$15,579	4.8%	1.0%
United States	\$9,214	\$16,375	77.7%	7.8%	\$18,207	11.2%	2.2%

*Source: Sales and Marketing Management Annual Survey of Buying Power*

- The chart above indicates slightly below average rates of growth of Retail Sales in West Allis when compared to the City of Milwaukee and Milwaukee County. It is substantially behind in growth compared to Wauwatosa. The upscale destination Mayfair Mall drives Wauwatosa's Retail Sales.

- In actual Retail Sales dollars, West Allis is doing quite well. Wauwatosa leads the group with significant sales generated around the Mayfair Mall area. This is a major destination retail area. However, West Allis is doing well on its own. Retail Sales rates of growth are ahead of the rates of growth for Effective Buying Income at 3.1% compared to 1.8%. Actual Retail Sales dollars are substantially higher than the City of Milwaukee and the overall county.
- West Allis is seeing its Retail Sales being generated along a healthy Highway 100 (108th Street) corridor and at the redevelopment of the 70th Street corridor. The Greenfield retail area also appears to be holding its own.
- In observing the Retail Sales pattern for West Allis, unlike Wauwatosa, which has destination retail patterns, most of West Allis retail activity is designed to support the residential base in the surrounding market area. Therefore, external destination retail activity is not expected. However, the developed retail sector in this area will support vendors, suppliers and corporate administrative activity at these facilities.
- The retail actual dollars are showing a higher than 100% absorption rate of EBI per capita dollars. This does support external dollars coming in to the area. These are not destination dollars but seem to be nearby suburban residential areas coming to West Allis.

#### EATING AND DRINKING PLACE SALES

Similar to Retail Sales, *Eating and Drinking Place Sales* can also be an indicator of external economic factors bringing revenue to the area; and, more specifically, Lodging Demand. It is preferable that growth in Eating and Drinking Place Sales exceeds the rate of Effective Buying Income growth. Again, per capita Eating and Drinking Place Sales is the best measure of this activity.

The following chart highlights the Eating and Drinking Place Sales for the market area.

<b>EATING AND DRINKING PLACE SALES</b>							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	\$79,956	\$86,620	8.3%	0.8%	N/A	N/A	N/A
City of Wauwatosa	\$65,895	\$141,705	115.0%	11.5%	N/A	N/A	N/A
City of Milwaukee	\$569,083	\$751,916	32.1%	3.2%	N/A	N/A	N/A
Milwaukee County	\$919,441	\$1,353,928	47.3%	4.7%	N/A	N/A	N/A
State of WI	\$5,119,201	\$7,571,511	47.9%	4.8%	N/A	N/A	N/A
EN Ctrl Region	\$43,490,096	\$80,222,423	84.5%	8.4%	N/A	N/A	N/A
United States	\$243,842,859	\$604,553,851	147.9%	14.8%	N/A	N/A	N/A
<b>EATING AND DRINKING PLACE SALES - PER CAPITA</b>							
	1997	2007	% CHG.	ANN. % CHG.	5-YEAR PROJ.	% CHG.	ANN. % CHG.
City of West Allis	\$1,348	\$1,482	9.9%	1.0%	N/A	N/A	N/A
City of Wauwatosa	\$1,429	\$3,183	122.7%	12.3%	N/A	N/A	N/A
City of Milwaukee	\$933	\$1,315	41.0%	4.1%	N/A	N/A	N/A
Milwaukee County	\$998	\$1,480	48.3%	4.8%	N/A	N/A	N/A
State of WI	\$988	\$1,353	36.9%	3.7%	N/A	N/A	N/A
EN Ctrl Region	\$993	\$1,726	73.9%	7.4%	N/A	N/A	N/A
United States	\$911	\$1,988	118.1%	11.8%	N/A	N/A	N/A

Source: Sales and Marketing Management Annual Survey of Buying Power

- The West Allis market has seen the lowest improvement in per capita Eating and Drinking Places Sales of all regions researched. In 1997, the Eating and Drinking Place Sales in West Allis yielded 135.0% to the county. In 2007, this yield was 100.0%. The most substantial growth was in the Wauwatosa area with new Eating and Drinking Place Sales venues opening around Mayfair Mall. This further supports this area as a destination economic area.
- The need for new restaurants and entertainment venues is apparent from this research. The existing options are aging. The most recent development area for restaurants is around the Summit Place complex with some new, fast food and casual dining options.
- The existing Eating and Drinking Place Sales options are supporting the area residents. It is clear that West Allis requires more and newer options to further support its residents and potential travelers. Having food and beverage options in the proposed hotel will be required to support its travelers.
- In actual dollars, West Allis is trailing behind the Wauwatosa market in sales. However, the well developed Mayfair Mall area, with many destination dining establishments, is the reason for this difference. It is ahead of the City of Milwaukee in actual per capita dollar sales.

WORKFORCE CHARACTERISTICS

The following chart highlights the distribution of the labor force within the West Allis and Milwaukee County market area.

<b>EMPLOYMENT BY INDUSTRY</b>		
<b>West Allis, West Milwaukee, Wauwatosa Combined</b>		
TYPE OF EMPLOYMENT	NUMBER OF PERSONS EMPLOYED	PERCENT OF PERSONS EMPLOYED
Agriculture, Forestry, Fishing & Mining	75	0.1%
Construction	2,699	4.6%
<b>Manufacturing</b>	<b>10,292</b>	<b>17.6%</b>
Wholesale Trade	2,343	4.0%
<b>Retail Trade</b>	<b>6,813</b>	<b>11.6%</b>
Transportation and Public Utilities	2,475	4.2%
Information	1,978	3.4%
Finance, Insurance, and Real Estate	4,925	8.4%
Services	26,992	46.1%
- Business/Professional	5,982	10.2%
- <b>Health, Education &amp; Social Services</b>	<b>12,337</b>	<b>21.1%</b>
- Entertainment, Recreation, Hotels & Food Services	3,933	6.7%
- Other	2,982	5.1%
- Government	1,758	3.0%
<b>TOTAL</b>	<b>58,592</b>	<b>100.0%</b>
<i>Source: U.S. Census</i>		

- *Workforce Distribution* shows that the top three industries, Health, Education & Social Services, Manufacturing and Retail Trade comprise 50.3% of the employment in the micro-region around West Allis. This is about average for the top three industries and supports diversity of industry in the micro-regional market area.
- Health, Education and Social Services is the highest employment base in West Allis and micro-regional market area. West Allis Memorial Hospital is located just south of the subject site, and it is a regional care facility for the surrounding community. In addition, the large Milwaukee County

Regional Medical Complex is located just north of West Allis by less than two miles. This complex has extensive medical facilities in numerous components. The Wisconsin Heart Hospital is also located just north of the subject market. The Clement J. Zablocki VA Medical Center Woods Veteran Hospital is just east of West Allis in West Milwaukee.

- Educational services are mostly public in nature. There is no college or university located in the community. In this area, West Allis is significantly behind the county's employment. However, in Wauwatosa and just north of the subject site is the Wisconsin Lutheran College complex. This private liberal arts college is the closest higher educational facility in this area. Wisconsin Medical College is located at the Milwaukee County Regional Medical Complex.
- Wisconsin Medical College is located at the Milwaukee County Regional Medical Complex. The four large medical centers and education facilities, which comprise this complex, generate over one-fifth of the overall employment in the area.
- Manufacturing has the second largest percentage of any one sector employment with 17.6% in the regional micro-market area. Manufacturing is located throughout the regional micro-market area.
- Retail Trade represents 11.6% of the micro-regional employment base in the area. A significant amount of this employment is concentrated around the Mayfair Mall Shopping Center. This would be the largest employer in this segment. There would be additional employment along the Highway 100 corridor and now in the Summit Place area.

#### UNEMPLOYMENT RATES

The following chart highlights the Unemployment Rates in the market area. The Unemployment base shows various figures in the immediate market area. Employment in this market will be drawn from a broad area. Therefore, the availability of employment will be affected by the Unemployment in the micro-regional market area.

STATE OF WISCONSIN Historical Unemployment Rates					
YEAR	CITY OF WEST ALLIS	CITY OF WAUWATOSA	CITY OF MILWAUKEE	MILWAUKEE COUNTY	STATE OF WISCONSIN
2008 - YTD	5.2%	3.8%	7.0%	5.8%	4.9%
2007	5.0%	3.8%	7.2%	5.9%	4.9%
2006	5.0%	3.7%	7.0%	5.7%	4.7%
2005	5.0%	3.7%	7.2%	5.8%	4.8%
2004	5.5%	4.0%	7.8%	6.3%	5.0%
2003	6.0%	4.3%	8.7%	7.0%	5.6%
2002	5.5%	4.3%	8.2%	6.6%	5.3%
2001	4.2%	3.5%	6.7%	5.3%	4.4%
2000	3.2%	2.7%	5.3%	4.2%	3.4%
1999	2.8%	2.1%	5.5%	3.8%	3.1%
1998	2.3%	1.9%	5.1%	3.8%	3.3%

Source: U.S. Bureau of Labor Statistics

- *Unemployment* in the West Allis area is similar to the State of Wisconsin. The average Unemployment is 4.45% in both areas. This is higher than the Unemployment in Wauwatosa which averages 3.4%. However, it is lower than Milwaukee County averaging 5.44%, and the City of Milwaukee averaging 6.87%.

#### LABOR SUPPLY AND WAGES

At this time, no Labor Supply problems were reported in any employment area. This market will draw employment from a broad, regional area consisting of the surrounding communities and throughout the metropolitan area. West Allis is served with adequate regional transportation, both private and public. Access to this market is excellent.

Wage pressures, at this time, seem to be normal for the service-related industries. Competitive wages will be required to attract adequate service personnel to the proposed hotel. Wages will need to be competitive with retail, financial and other service industries.

#### TRANSPORTATION

*Transportation* to the area is generally via the highways. Travelers will also enter the market via the Milwaukee airport, but will then rent cars and arrive via the highways.

The following chart highlights the traffic volume identified in this area.

TRAFFIC COUNTS West Allis, Wisconsin			
LOCATION	YEAR	COUNT	CHANGE
<b>On I-94</b>			
West of 84th Street	2007	144,000	-4.6%
	2005	151,000	-1.2%
	2001	152,800	--
- Eastbound exiting to 84th St.	2007	7,100	-7.8%
	2004	7,700	-4.9%
	2001	8,100	--
- Exiting 84th St. to Eastbound I-94	2007	6,500	-1.5%
	2004	6,600	-5.7%
	2001	7,000	--
- Westbound exiting to 84th St.	2007	6,100	-11.6%
	2004	6,900	-1.4%
	2001	7,000	--
- Exiting 84th St. to Westbound I-94	2007	8,300	10.7%
	2004	7,500	-1.3%
	2001	7,600	--
<i>Source: Wisconsin Department of Transportation</i>			

I-94 is the major highway that will access the Wisconsin State Fair Park. It provides direct access, eastbound and westbound, through the metropolitan area. As indicated in this chart, traffic counts have been decreasing. The traffic volume is declining at a rate of (-1.0%) per year. The reasons for this decline are uncertain.

There is considerable local, residential commuter traffic in these numbers. Therefore, true highway traffic volume, as it affects Lodging Demand, is difficult to assess.

The exiting volume from I-94 to 84<sup>th</sup> Street is also declining. The eastbound exiting traffic is declining at a rate of (-2.1%) per year. The westbound exiting traffic is declining at a similar rate of (-2.1%) per year.

*Commercial air service* is provided at Milwaukee's General Mitchell International Airport, located about fifteen minutes or ten miles to the southeast of the subject site. This airport serves major domestic markets with a well developed air service. Major United States carriers serve the airport. Midwest Airlines has its major national hub at this airport. Northwest Airlines is developing a mini-hub with increasing, non-stop services to major US destinations. Northwest and Delta have just merged. The future impact on service, from these two carriers, to Milwaukee has not been determined. Airtran is an airline with increasing service from Milwaukee. Limited international service is also provided. There are scheduled flights to Canada from Milwaukee and charter service provides Social/Leisure flights to various locations.

Some travelers would arrive via the airport. Traveling business-oriented Lodging Demand would fly into the airport. Most would rent cars or use taxis to get to the hotel. Providing airport transportation may not be required. Access to airport limousine service would be required for guests.

The airport traffic counts are as follows:

<b>GENERAL MITCHELL INTERNATIONAL AIRPORT Passenger Counts</b>		
OCT, 2007 YEAR-TO-DATE	OCT, 2008 YEAR-TO-DATE	CHANGE
6,513,419	6,887,724	5.7%
YEAR	COUNT	CHANGE
2007	7,713,144	5.7%
2006	7,299,294	0.4%
2005	7,268,000	9.1%
2004	6,661,105	8.4%
2003	6,142,124	9.9%
2002	5,589,127	--
<i>Source: General Mitchell International Airport</i>		

The air passenger traffic in Milwaukee is showing a steady increase over the years analyzed. This airport is seeing on-going improvement in service. Also, it is positioning itself to service the northern suburbs of Chicago as a more convenient airport to use. There is less congestion and better on-time performance for flights than at Chicago's O'Hare International Airport.

## **FOOD & BEVERAGE**

Food & Beverage services at this hotel are planned to be a select-service style of presentation. This type of service rests between limited-service, which provides a basic to enhanced, continental breakfast to a full-service operation serving breakfast, and lunch and dinner in a traditional restaurant environment. A select-service format will feature a limited continental to fully cooked breakfast and a limited dinner menu. The design of the food and beverage options will be to service the in-house hotel guests. It is not designed to attract local or destination diners to its facilities. There may be some local diners attracted, but this is not the focus, and it would be very limited.

In addition to the select-service format of the food and beverage services, there is the possibility of the hotel operating a meeting and banquet center in the abandoned restaurant on the preferred subject site. It should be noted that Subject Site 2, by the Summit Place Office Complex, would also be able to support a new meeting and banquet facility. It should have enough space to accommodate this type of facility, but it would have to be newly constructed with the hotel. Subject Site 3, however, would not be large enough to support this type of facility.

The renovation of the former restaurant facility on Subject Site 1 would be possible. Necessary structural, mechanical and environmental inspections would need to be completed to ensure the integrity of the facility to support renovation. This inspection and testing was beyond the scope of this report. This facility would have a total Occupancy space of nearly 20,000 square feet. Its kitchen is about 4,200 square feet. Seating capacity for the former restaurant and banquet area was reported to be 221 in the restaurant and 668 in the banquet area. If this function space was combined to offer a meeting and banquet facility, the total capacity would be 889 people. This capacity relates more for fire codes, and actual banquet space may be more limited. It also probably relates to maximum numbers with limited seating. For a new meeting and banquet facility, pre-function space would also have to be allocated. This facility should be able to be designed to hold at least 400 people for a banquet.

Catering was assumed, for this report, to be handled by the hotel operation. A separate catering kitchen facility could be developed and operated in the renovated restaurant facility. This could be in the space being used by the existing kitchen. With this scenario, the hotel would capture the sleeping room usage and catering revenue generated from the facility. The projections in this report depict this scenario.

Another option would be to renovate the facility and out-source the catering to area caterers. This option was not factored into this report. The hotel would capture the

sleeping room usage but it would not capture much of the catering revenue. In this scenario, the hotel may receive a commission (possibly 10%) of the out-sourced catering revenue. It may have to charge room rentals for the use of the room. Normally, this limits the competitiveness of the facility with other facilities that will provide complimentary function space for banquets. Only if the facility was a unique venue, or if there was limited competition from other sources, would this allow for competitive room rental fees to be charged. It is not expected that this type of facility would be developed.

This section of the report will highlight the potential food and beverage revenue and sleeping room usage that could be generated by operating a select-service hotel and a meeting and banquet facility.

#### SELECT-SERVICE FOOD AND BEVERAGE

As stated, the select-service hotel would cater to the in-house guest. Only very limited usage by area residents and businesses would be expected. No destination dining is expected.

For this report, the following usage factors were used to project potential food and beverage revenue from this operation.

- Breakfast - A \$15.00 average check was used with an in-house usage factor of 65.0%. This generated an average per room breakfast factor of \$9.75.
- Lunch - No revenue was factored for lunch. At this time, the restaurant facilities would be closed at lunch due to limited demand. This could be an area where the hotel could experience additional revenue if demand for food and beverage services was justified.
- Dinner - A \$25.00 average check was used with an in-house usage factor of 20.0%. This generated an average per room dinner factor of \$5.00. Dinner would serve in-house guests not going out to an area restaurant in West Allis, Wauwatosa or greater Milwaukee. There are many destination dining options offered in the regional area. Retaining in-house guests would be difficult. Late arriving guests or those not desiring to leave the hotel would be served. As a result, the per check factor was high but the usage factor was low. At 20%, this is above average for a select-service hotel. The lack of other dining options in the immediate area is limited and a slightly higher percentage of in-house guests would be expected to use the restaurant.

- Lounge - A \$15.00 average check was used with an in-house usage factor of 15.0%. This generated an average per room breakfast factor of \$2.25. This facility would accommodate a select number of in-house guests.
- Based upon these projections, the select-service food and beverage option should generate revenue around \$495,598 from in-house guests. This is based upon a 100-room hotel being built at the site and is for the third year of operation. A local revenue factor of 5% was added to these projections, which would generate an additional \$24,780 in estimated revenue by the third year. Combined in-house and local revenue would generate an estimated \$421,258 the first year, \$470,815 the second year and \$520,378 the third year.

#### Group Food & Beverage Service

Having a large meeting and banquet facility adjacent to the hotel and having the Wisconsin Exposition Center located on the State Fair grounds, immediately across Greenfield Avenue from the proposed hotel, offers a substantial opportunity to capture group demand for sleeping rooms and food and beverage. The potential is so strong that there is the possibility to maximize a 100-room hotel with just group sleeping room business. The following chart will highlight the demand opportunities identified for this market.

PROJECTED MEETING/BANQUET AND SLEEPING ROOM USAGE							
MARKET	# OF FUNCTIONS	% OF BUSINESS	TOTAL # OF ATTENDEES	% OF BUSINESS	PROJ. F & B REV.	# OF SLEEPING ROOMS	% OF BUSINESS
<u>Business Markets</u>							
<i>Corporate</i>	50	18.5%	1,500	5.9%	\$135,000	2,250	7.2%
(Average = 30 people for 1.0 days at \$60/person/day F&B, Rooms for 1.5 nights)							
- Small Meetings							
<i>Expo Group Events</i>	55	20.4%	8,250	32.6%	\$0	20,625	66.5%
(Average = 50 people for 3.0 days - No F&B, Rooms for 2.5 nights)							
- Exhibitors							
- Corporate Attendees							
<i>Government Meetings</i>	10	3.7%	150	0.6%	\$4,500	225	0.7%
(Average = 15 people for 1.0 days at \$30/person/day F&B, Rooms for 1.5 nights)							
- State/Federal							
- Conference/Seminars							
- Training							
<i>Association Markets</i>	15	5.6%	675	2.7%	\$40,500	203	0.7%
(Average = 30 people for 1.5 days at \$40/person/day F&B, Rooms for 1.25 nights)							
- State Associations							
- Conference/Seminars							
- Training							
<b>SUB TOTAL</b>	<b>130</b>	<b>48.1%</b>	<b>10,575</b>	<b>41.8%</b>	<b>\$180,000</b>	<b>23,303</b>	<b>75.1%</b>
<u>Social/Leisure Markets</u>							
<i>Weddings @ Hotel</i>	35	13.0%	7,000	27.7%	\$420,000	933	3.0%
(Average = 200 people for wedding at \$60/person F&B, Rooms - 20% require rooms for 1.5 nights)							
<i>State Fair Group Events</i>	30	11.1%	1,200	4.7%	\$0	1,200	3.9%
(Average = 40 people for each group- No F&B, Rooms - for 1.5 nights)							
- Petit Ice Center							
- State Fair Events							
<i>Exposition Events</i>	55	20.4%	5,500	21.8%	\$0	5,500	17.7%
(Average = 50 people for 2.0 days - No F&B, Rooms for 2.0 nights)							
- Petit Ice Center							
- McCormick Place							
<i>Youth/Amateur Sports</i>	0	0.0%	0	0.0%	\$0	0	0.0%
(Average = None)							
<i>Other Functions</i>	20	7.4%	1,000	4.0%	\$40,000	100	0.3%
(Average = 50 people for function at \$40/person F&B, Rooms - 10.0% require rooms for 1.0 nights)							
- Charity Events							
- Family Reunions							
- Retirement Parties							
- Holiday Season Events							
- Social Leisure Events							
- Showers, Birthdays, Anniversaries, etc.							
<b>SUB TOTAL</b>	<b>140</b>	<b>51.9%</b>	<b>14,700</b>	<b>58.2%</b>	<b>\$460,000</b>	<b>7,733</b>	<b>24.9%</b>
<b>TOTALS</b>	<b>270</b>	<b>100.0%</b>	<b>25,275</b>	<b>100.0%</b>	<b>\$640,000</b>	<b>31,036</b>	<b>100.0%</b>
Source: HMI							

As indicated in the chart above, there is the potential to generate 31,036 rooms from the group demand identified in this market area. For a 100-room hotel, this would

generate 95.0% Occupancy. Not all of these groups may use the hotel. Rate positioning will be critical.

Of the 31,036 room nights that could potentially be generated, it was further estimated that 10,272 would be a realistic number to use for the hotel. This would include all the group rooms for Business Meetings, Government Meetings, Association Meetings, Weddings, and Other Events. It was further estimated that 25% of the Exposition and State Fair Park Event rooms would be captured. Given the size of the hotel estimated at 100 rooms, this would give an Occupancy base of 28.1% for the property. This Market Segmentation could account for as much as 25.8% of the total rooms sold at the hotel. Of this, about 25% would be generated from the Social/Leisure market and 75% from the Business markets.

These groups will generate around \$640,000 in catering food and beverage revenue for the hotel. Of this, 72% would be generated from the Group Social/Leisure markets and 28% from the Group Business markets. As indicated, the Group Business markets will generate more sleeping room potential and the Group Social/Leisure markets will generate more catering revenue. This revenue will ramp up from the first to the third year. In the first year, the capture rate will be 80%. In the second year, the capture rate will be 90%, and finally 100% by the third year.

The Exposition Center at the State Fair Grounds estimates between 50 and 60 events per year with 1.5 to 2.0 million attendees. These events bring exhibitors and attendees. Many are consumer shows and would generate business for the weekends. Only a handful of the shows are longer than a period of Thursday through Sunday, although there are several events that are ten days in length.

The Milwaukee Mile generates five to six major auto racing events per year. These events are held on weekends from mid-May through early September. These events will have the potential of using the hotel for race teams, officials, sponsors and attendees. Group functions and room blocks could be associated with these events.

The wedding market would be a substantial catering revenue generator. The following charts highlight the number of potential weddings in the West Allis, Wauwatosa and West Milwaukee market area. This would be the immediate area where weddings would be generated.

<b>POPULATION WEDDING-AGED RESIDENTS - FEMALE</b>				
AREA	10-19 YRS.	20-24 YRS.	25-34 YRS.	TOTAL
West Allis	3,836.8	1,954.4	4,868.7	10,660
Wauwatosa	3,154.3	982.0	3,675.8	7,812
West Milwaukee	246.0	160.0	351.6	758
<b>TOTAL</b>	<b>7,237.1</b>	<b>3,096.4</b>	<b>8,896.1</b>	<b>19,229.6</b>
<i>Source: U.S. Census (2000)</i>				

<b>WEDDING MARKET POTENTIAL</b>			
	AGE GROUP		
	10-24 YEARS	25-34 YEARS	TOTAL
Female Population	10,333.5	8,896.1	19,229.6
Wedding Population @ 80.0%	8,266.8	7,116.9	15,383.7
Wedding Potential @ 80.0%	6,613.4	5,693.5	12,306.9
<b>NUMBER OF WEDDINGS PER YEAR</b>			
10-Year Forecast-Number of Weddings (Per Year)	661.3	569.4	1,230.7
- Market Share	NA	NA	2.84%
<i>Source: HMI</i>			

As indicated, the hotel and its banquet facility could expect 35 weddings per year. The average sized wedding was estimated at 200 people. These weddings generate about 13 weddings during the peak summer months of June through August. There may be some weekends with multiple weddings on Saturdays, Fridays and Sundays. Another 8 weddings could be expected during the fall months of September and October. April and May would generate about 4 weddings. The period of November through March would be the quietest with 10 weddings during this 22-week period.

Generating 35 weddings against an estimated 1,230.7 weddings held in this area per year would generate a market share of 2.84%. That would indicate that there would have to be 35.2 other comparable competitive facilities to service these weddings. In the immediate area, this is unlikely. In the regional and metropolitan area of Milwaukee, this is possible. However, a 2.84% market share was felt to be reasonable, if not light, for the hotel and its banquet facility.

The Wedding market will generate 65.6% of the overall catering revenue for the facility. This market is followed by the Corporate meeting market which would generate an additional 21.1% of the catering revenue. Combined, these two markets would generate 86.7% of the total catering revenue.

#### FOOD AND BEVERAGE PROJECTIONS

The combined food and beverage revenue projection indicates that there will be \$933,258 the first year, \$1,046,818 the second year and \$1,160,378 the third year. This includes the select-service restaurant and catering revenues.

The build up of this revenue was estimated at 80% the first year for group Food and Beverage. This increases to 90% in the second year and 100% by the third year.

For the select-service Restaurant/Lounge revenue, the build up is a bit quicker. It is 85% the first year, 95% the second year and 105% the third year. The additional 5% in each year represents external dining revenue.

The industry averages for food and beverage revenue, compared to total revenue, is 27.77% of all revenue. For this hotel, the first year food and beverage revenue represents 30.1% for a yield of 108.4%. The second year food and beverage is 26.4% with a yield of 95.1%. The third year food and beverage revenue is 24.1% for a yield of 86.3%. The reason why the percentage of sales declines is that sleeping room revenue increases each year. As the sleeping room revenue improves, less impact is from food and beverage sales. Typically, select-service hotels will underperform industry averages due to the fact that they do not command as much in-house food and beverage sales. The average spending by in-house guests at this hotel is \$17.00 per room compared to an estimated \$55.00 per room at a full-service hotel. This is a yield of 30.9% in potential revenue. The group catering revenue compensates for this reduction and increases total food and beverage substantially.

#### FOOD AND BEVERAGE RECOMMENDATIONS

The following are recommendations for the food and beverage areas.

##### Restaurant/Lounge Area

- This area should be developed within the guidelines established by the hotel brand chosen for the hotel. It should service the in-house guest with very limited additional space for external market dining.

### Meeting/Banquet Area

- The renovation of the restaurant should include the following:
  - Developing a large meeting/banquet room for large functions. The ideal size would be to accommodate a wedding of 300 to 350 people. It appears that a maximum sized room to accommodate 400 people is possible given the space available in the former restaurant facility.
  - The large room should be sub-dividable for smaller groups. This space should accommodate several break-out rooms of 50 to 75 people in size.
  - The function space should be multi-functional with good lighting and audio/visual for meetings and banquets.
  - A separate catering kitchen may need to be developed to service the functions. Being separated from the hotel, the logistics of expediting food and beverages to the function space needs to be considered.

**LODGING DEMAND**

This section of the report will identify Lodging Demand sources for the proposed hotel facility. This section of the report will identify the Primary and Secondary Market Areas that will be serviced by the proposed hotel in West Allis on a year-round basis.

**MARKET SEGMENTATION**

The first area to be identified in describing the Lodging Demand Potential for the market is the *Market Segmentation* that exists in the area. The following chart highlights the Market Segmentation projections for this proposed hotel development.

MARKET SEGMENTATION					
	SUBJECT MARKET PROBABLE PERCENT OF MARKET	RANGE	PROPOSED PROPERTY PROBABLE MARKET	MARKET PENET.	RANGE
Individual Travel Markets	80.0%	59.5%-64.5%	65.0%	81.3%	49.5%-54.5%
Corporate/Commercial	45.0%	30%-35%	35.0%	77.8%	30%-35%
Social/Leisure	35.0%	27%-32%	30.0%	85.7%	17%-22%
Group Markets	20.0%	35.5%-40.5%	35.0%	175.0%	45.5%-50.5%
Business Related	12.5%	25.5%-30.5%	20.0%	160.0%	37%-42%
Social/Leisure Related	7.5%	7.5%-12.5%	15.0%	200.0%	6%-11%
TOTAL	100.0%		100.0%		
Source: HMI					

This proposed hotel will generate a different Lodging Demand pattern than the overall market, especially in the Group Market Segment. The Group market potential will be stronger at the proposed hotel due to the activity at the Expo Center. This increased Group-generated demand will reduce the dependence on the Individual Travel Market Segments, especially Corporate/Commercial. The Corporate/Commercial market would be the more difficult market to attract to this location as the hotel would be removed from the main demand generators in this segment.

The Expo Center will be the main single demand generator for the proposed hotel. Other activities at State Fair Park will also contribute to this demand potential. The Fair Grounds, including the Expo Center, Pettit Ice Center, Milwaukee Mile Race Track, and the Fair Grounds activities (including the Wisconsin State Fair), will all generate considerable Lodging Demand for this facility. As indicated above, these activities will contribute directly to the Group business-related demand potential.

Group Social/Leisure Lodging Demand will also be generated by the Expo Center and its associated space for these types of functions. The Expo Center has several smaller rooms more suitable for hosting banquets for weddings, reunions, and other social functions. The hotel may also have support meeting and banquet space to host some of these functions.

The Individual Social/Leisure travelers will be associated with the Fair Park events. Consumer trade shows and other events at the various venues at the Fair Park will generate Lodging Demand Potential. Also, the proposed hotel will be conveniently located near greater Milwaukee attractions and venues to accommodate travelers to the greater metropolitan area.

As previously stated, the Individual Corporate/Commercial traveler will be the more difficult to lure to the hotel. However, this market will not be impossible to attract to the hotel as the location of the facility will be the closest to venues such as Summit Place and Honey Creek Corporate Park. The lack of a strong Corporate/Commercial base in the immediate State Fair Park area and the hotel's location on the south end of State Fair Park, away from I-94, will limit this market. The hotel is located to serve nearby Corporate/Commercial centers such as the Milwaukee County Research Park, Milwaukee County Regional Medical Center, Mayfair Mall, Summit Place and the Honey Creek Corporate Park. However, some of these Corporate/Commercial markets are far enough away from the proposed hotel that they will be competitive with other primary competitive hotels located closer to them. These hotels will be perceived to be better positioned to service these markets than the proposed hotel at State Fair Park.

The proposed hotel is located well to service the developing Corporate/Commercial base at the former Allis Chalmers Plant on 70th Street, Summit Place and the Honey Creek Corporate Park to the north at 84<sup>th</sup> Street and I-94. As these areas develop with new Corporate/Commercial business, especially at Summit Place, the proposed hotel could pursue this market aggressively. At the present time, there is Lodging Demand Potential being generated to support the hotel. More diversity and numbers of demand sources need to be generated.

There is a potential Individual Corporate/Commercial demand source from suppliers and vendors servicing this market. Present hotels in the area are not conducive to accommodate these travelers. While this market does not produce a single large demand generator, collectively, this market can be significant and could be pursued by the proposed hotel.

To further define the Market Segmentation of the area, profiles for each Market

Segment were defined. The following outline provides Market Segmentation Profiles

MARKET SEGMENTATION PROFILES		
	Demand Potential	
	Transient = T Extended= E Group= G	Subject Property Potential
Corporate/Commercial Markets		
Area Companies		
Honey Creek Corporate Park	T, G, E	Above
Summit Place Corporate Park	T, G, E	Above
Milwaukee County Research Park	T, G, E	Below
Milwaukee County Regional Medical Complex		
Froedtert Hospital	T, E	Below
Medical College	T, E	Below
Children's Hospital	T, E	Below
Behavioral Health	T, E	Below
Eye Institute	T, E	Below
Woods Veteran Hospital		
Administration	T, G, E	Average
Visiting Patients & Family	T	Below
Human Resources	T, E	Below
West Allis Memorial Hospital		
Administration	T, G, E	Average
Visiting Patients & Family	T	Average
Human Resources	T, E	Average
Wisconsin Heart Hospital		
Administration	T, G, E	Average
Visiting Patients & Family	T	Below
Human Resources	T, E	Below
Product Transportation	T	Below
Wisconsin Lutheran College		
Administration	T	Average
Admissions	T	Average
Business Oriented	T	Average
Wisconsin State Fair Park		
Administration	T	Above
Vendors & Suppliers to Local Market	T	Average
Expo Center Events		
Consumer Trade Shows		
Exhibitors	G	Average
Industrial Trade Shows		
Exhibitors	T, G	Above
Attendees	T, G	Above
Meetings and Seminars		
Corporate	G	Average
Association	G	Average
Government	G	Below
Training Groups	G	Average
Inventory and Auditing Companies	G, E	Below
	<b>Potential</b>	<b>Average</b>
Social/Leisure Markets		
Visiting Friends & Relatives	T	Average
Interstate 94 Travelers	T	Below
Milwaukee Area Attractions		
Milwaukee County Zoo	T	Average
Miller Park	T, G	Average
Wisconsin State Fair Park Events		
Expo Center	T, G	Above
Milwaukee Mile Events	T, G	Above
Pettit Ice Center Events	T	Above
Wisconsin State Fair	T	Above
Wisconsin Lutheran College		
Parent Weekends	T	Average
Graduation	T	Average
Relocation-Real Estate	T, E	Below
Distressed Social-Interim Housing	T, E	Below
Motorcoach Tours	G	Below
Expo Center Events		
Consumer Trade Shows		
Attendees	T	Above
Social, Military, Educational, Religious, Fraternal (S.M.E.R.F.) Groups		
Weddings	G	Above
Reunions	G	Above
Other	G	Average
Association	G	Below
Pettit Ice Center Activities		
Youth Sports Competitions	T, G	Average
National/International Competitions	T	Above
Camps and Clinics	T	Below
State Fair Park Events		
Horse Shows and Competitions	T	Average
Youth Sports		
Visiting Teams	G	Below
	<b>Potential</b>	<b>Average</b>
	<b>Overall Potential</b>	<b>Average</b>

Source: HMI

In defining the Market Segmentation Profiles for this proposed hotel, there is a clear diversity of Lodging Demand that potentially exists for the property. The largest single source is clearly the Wisconsin State Fair Park venues that will generate a large share of the Lodging Demand. However, there are numerous other demand sources that could be tapped into for bringing travelers to this hotel.

The Wisconsin State Fair Park venues consist of the Expo Center, Pettit Ice Center, Milwaukee Mile, Wisconsin State Fair and other events associated with the park. These venues all have the potential of being major users of the proposed hotel for their events.

The Expo Center will be the single largest contributor of Lodging Demand. It will be immediately adjacent to the proposed hotel. In 2008, there were thirty-two events with nearly 500,000 attendees accounted for, based upon information received from the Expo Center. Most of these functions were consumer trade shows and events. There were only a few corporate or industrial oriented events held at the facility.

The consumer events will generate exhibitors and attendees as potential users of the hotel facilities. These shows are mainly weekend oriented with exhibitors moving in on Thursday and out on Sunday, with the shows running Friday through Sunday. There are several shows that are held over a time span of two weekends, such as the Sports Show, Home Improvement Shows, RV Shows, and Boat Shows, which hold potential for business for up to ten days. This group of events generates about 470,000 attendees.

The next largest event base was the business/industrial trade show market with fourteen shows and about 30,000 attendees. These are mid-week shows with move-ins on Sundays or Mondays, with the actual shows held through Thursday or Friday.

The Wisconsin State Fair, normally held late from July and into August, generated around 900,000 attendees in 2008.

The Milwaukee Mile could generate potential demand from several major and secondary events scheduled for 2009 from May through mid- September. Race teams, sponsors, officials, race administration and spectators are all possible sources for the proposed hotel. The lodging potential can develop several dates prior to the race with teams, pre-event sponsors, race officials, and administration.

In addition, the Milwaukee Mile estimates about 30-40 additional days of testing that occurs on the track each season. Each testing by a team or car equipment company will have the potential of requiring sleeping rooms for company/team members during

the testing period. The testing period could range from one day to several days in length.

There are other events that bring potential Lodging Demand to the Milwaukee Mile. The chart below will highlight the various events scheduled at the Milwaukee Mile during 2009. Guests for these events are most frequently referred to area hotels during the summer when the track is open.

The "oval" is a one-mile paved course at the Mile which hosts world class auto racing events such as NASCAR and IndyCar Series. Various teams utilize this track for various reasons including driver testing, testing specific chassis and brake components as well as preparing for other tracks which are similar in shape to the oval.

The Road Course is a 36-foot wide course that offers a variety of car clubs and enthusiasts a challenging course. Options of use include the entire 1.8-mile (infield and oval) or the 0.8-mile (infield course only) track. A portion of the infield road course named the "Mini Mile" is a 3/8th-mile modified oval for the Summer Shootout Series.

The most frequent hotel used by the Milwaukee Mile administration is the Best Western Midway Hotel in Brookfield as its central hotel source. This hotel is a sponsor of the Mile. The Milwaukee Mile primarily refers individual families to this hotel in which they have an established corporate rate with, however the actual rate was not specified. A mid-priced, suite-style hotel is preferred by families which tend to be rate sensitive. It was also found that these guests have been pleased with their current hotel accommodations, but would be willing to explore other hotel options located within the immediate area. Actual room usage was not available, but it was thought to be significant. No special amenities were specified as being required for overnight guests.

PROJECTED 2009 MILWAUKEE MILE EVENTS			
Event	Date	Day	Demand Potential
Midwest Enduro	May 2, 2009	Saturday	Average
Drive the Mile	May 3, 2009	Sunday	Below Average
ASA Late Model Series	May 16, 2009	Saturday	Average
IndyCar/Firestone Indy Lights Race	May 31, 2009	Sunday	Above Average
MC 200	June 12, 2009	Friday	Below Average
NASCAR Truck Series	June 19, 2009	Friday	Above Average
NASCAR Nationwide Series	June 20, 2009	Saturday	Above Average
Victory Lane Motorsports Racing Experience	June 27-28, 2009	Sat-Sun	Below Average
Harry A. Miller Club- Miller Meet	July 10-11, 2009	Fri-Sat	Average
The Racing School	July 25-26, 2009	Sat-Sun	Average
FAASST Racing School	August 21, 2009	Friday	Average
Sports Car Club of America (SCCA)	August 22-23, 2009	Sat-Sun	Above Average
Wisconsin All-Star 100	August 29, 2009	Saturday	Average
The Midwestern Council	September 4-6, 2009	Fri-Sun	Average
The Racing School	September 11-13, 2009	Fri-Sun	Average

Source: milwaukeeemile.com

The Pettit Ice Center also holds many events from late October through March of each year. These events include a variety of Speed Skating, Figure Skating and Hockey competitions. Most events are regional in orientation. However, being only one of two national ice facilities in the United States, there are several national and international competitions held annually. There are events nearly every weekend during the late fall to early spring. As indicated in discussions with the facility's Executive Director, these attendees presently use a variety of hotels located within the area, although these hotels were not directly specified. Preferred rates have been established with these hotels for guests traveling to the facility. It was also stated that these guests have been pleased with their current hotel accommodations, but would be willing to explore other hotel options located within the immediate area. Actual room usage was not available, but it was thought to be significant. Hotel guests like suite-style rooms to accommodate families, which tend to be Rate Sensitive. No special amenities were specified as being required for overnight guests.

<b>PROJECTED 2008-2009 EVENTS AT PETTIT NATIONAL ICE CENTER</b>	
<b>MONTH</b>	<b>EVENT</b>
<b>November 2008</b>	Gold Cup Speedskating Championships Holidazzle
<b>December 2008</b>	1-94 Sprints Long Track Pack Meet Holiday Classic Holidazzle US LT Speedskating Championships
<b>January 2009</b>	Great Lakes Long Track Championships Hockey Holiday Face-Off Indoor Marathon National LT Speedskating Championships US Masters Sprint
<b>February 2009</b>	Masters International Meet
<b>March 2009</b>	Shamrock Shootout
<i>Source: www.thepettit.com</i>	

State Fair Park also holds other events in some of its facilities. These include events such as dog, cat and horse shows. Some of these attendees and administrators may require hotel facilities. For the dog and cat shows, accepting pets at the hotel would be required. Many horse show participants have extended trailers with housing. Use of hotel facilities from these types of shows could be limited.

Summit Place Corporate Park is located at 70<sup>th</sup> Street between Greenfield Avenue and I-94. This developing commercial, corporate and retail center has grown rapidly in recent years. A questionnaire was developed to research the demand from this facility. The results showed that the main use would be for sleeping rooms with minimal usage for meetings and other events. The companies have lodging needs for administration, customers and training. The volume of usage varies from only a few times per year to several rooms per month. There did not appear to be a single, large sleeping room generator in this complex. Hotels that are used are from

Brookfield, which is to the west, Wauwatosa, and downtown Milwaukee. Other hotel facilities are used as far west as Waukesha and at the Milwaukee Airport. No single, major hotel competitor was identified as business seems to be spread around rather evenly from mid-priced, limited-service hotels to upscale, full-service hotels. All respondents indicated a need for hotels in West Allis. If they used hotels, they would use a hotel in West Allis. The types of hotels they would prefer were mid-priced hotels with limited- to full-service facilities. They would like to see rates in the \$80 to \$125 range. Food service was important at the hotel or in the area.

The Honey Creek Corporate Park is located just on the northwest side of I-94 from the State Fair Park. This facility is fully developed. A similar questionnaire was distributed to these tenants. The results were remarkably similar to the Summit Place responses. There were no real differences in the overall desires of these users.

Overall, the corporate market at Summit Place or in the Honey Creek Corporate Park appear to be small users with no large, single demand source identified. Uses will require accommodating a variety of types of users for infrequent stays. However, combining the overall usage provides a good base for Corporate/Commercial demand.

After the Wisconsin State Fair Park venues and events, there are limited, major, single-source Lodging Demand generators in the areas. Companies in the former Allis Chalmers plant area are potential demand generators. There are rumors that a large, single employer is looking at relocating to this area. This company could be a potential major hotel user if it does locate in this area. Until that develops, there are many smaller companies from which limited demand could be produced. The suppliers and vendors to the area companies as well as commercial businesses could also be another potential source for demand.

The following chart will highlight the major employers in this West Allis market area.

WEST ALLIS TOP EMPLOYERS		
COMPANY	SERVICE OR PRODUCT	TOTAL EMPLOYEES
West Allis Memorial Hospital	Regional Hospital	1,658
Quad Graphics	Commercial Printer	976
West Allis School District	Elementary/Secondary Education	932
Anthem Blue Cross**	Health Insurance	520
City of West Allis	Municipal Government	515
Visiting Nurse Assn. Of Milwaukee/Aurora	Social Service Agency	432
Village at Manor Park	Nursing Home & Retirement Facility	365
Covenant Health Systems	Health Care Services	326
Brookdale Senior Living**	Assisted Care Health Provider	322
Metal Technologies (WA Ductile Iron)	Foundry	294
Sullivan/Schein Dental Products	Dental Equipment Distributor	257
US Bank	Banking Services	248
Motor Castings Company	Foundry	225
MATC (Milwaukee Area Technical College)	Technical College	214
Mitchell Manor/Meadowmere Campus	Assisted Living	212
C & H Distributors	Industrial Products Direct Marketer	205
Grebe's Bakery	Commercial Bakery	200
Wilde Toyota	Auto Dealership	197
Chr. Hansen Lab, Inc.	Food Additive Manufacturer	196
Rogers Memorial Hospital	Psychiatric Hospital	173
Poblocki & Sons	Custom Electrical Signs	162
HM Graphics	Advertising/Marketing	153
International Autos	Auto Dealership	137
Unit Drop Forge Company	Iron, Steel Forgings	136
Colder's Furniture Showplace	Furniture/Appliance Dealership	132
Gordon Flesch Company	Office Machines Sales/Service	130
Home Depot	Retail Hardware	127
ReGENco	Fabrication/Appliance Dealership	125
Poblocki Paving Corp.	Paving Contractor	125
Managed Health Services	Healthcare	123
Langer Roofing	Roofing/Construction	120
Graybar Electric, Inc.	Electrical Supplier	106
WDJT Television Channel 58	Television Station	102
Ikon Office Solutions**	Office Products/Sales & Service	100
<i>KEY: ** Indicates Company Is Located In Summit Place</i>		
<i>Source: City of West Allis</i>		

The location of the hotel at State Fair Park will leave it somewhat vulnerable to other hotels located near other major demand generating areas to the north. These hotels

will be better located to directly service the Milwaukee County Regional Medical Center and the Milwaukee County Research Park. However, there is potential for the West Allis hotel to be positioned to compete from demand from the Milwaukee County Zoo and Wisconsin Lutheran College. It will also be well positioned to accommodate the Miller Park demand from the Milwaukee Brewers and from the Clement Zablocki VA Hospital, both located to the east of the hotel. Also, West Allis Memorial Hospital could be another demand source for this facility.

**SEASONALITY OF LODGING DEMAND**

*Seasonality of Lodging Demand* was again reviewed for the subject market area. This analysis shows, in various formats, the market’s potential to attract Lodging Demand during various seasons. It will help to determine the strengths and weaknesses during the operational year for the proposed property.

The following chart shows the most current information related to the deviation from total demand for the subject market area.

<b>SEASONALITY OF LODGING DEMAND</b>			
<b>Deviation From Average Monthly Demand</b>			
MONTH	DEMAND	ADR	REVPAR
January	79.4%	95.6%	74.6%
February	79.7%	96.1%	83.4%
March	97.6%	96.0%	87.5%
April	98.6%	99.6%	94.5%
May	104.4%	104.4%	101.5%
June	121.7%	110.3%	<b>129.1%</b>
July	131.9%	110.9%	<b>136.2%</b>
August	135.4%	120.4%	<b>151.8%</b>
September	111.6%	104.6%	<b>112.4%</b>
October	105.7%	97.1%	100.6%
November	88.8%	94.8%	85.3%
December	76.0%	92.6%	69.0%
<i>ITALICS = RevPAR Exceeds at Least One Factor</i>			
<b>BOLD = RevPAR Exceeds Both Factors</b>			
<i>Source: Smith Travel Research and HMI</i>			

In analyzing the seasonality of demand in this market, as is typical with the upper-Midwest region, this market is performing better in the May through October period than in the other half of the year. The market sees a strong increase in demand

during the summer. However, rates, due to the Corporate/Commercial nature of the overall market, seem to be more flat than the demand cycle.

- August is the strongest month with 11.3% of the annual demand, or a yield of 136.1%. This is above average for a suburban, Corporate/Commercial oriented market such as this. Some of this demand is clearly associated with the State Fair that occurs in early August. It is clear that this hotel would be booked during this ten-day period and potential a few days on either side of the Fair.
- The summer season of June to August generates 32.4% of the annual demand. This is a yield factor of 129.6% of the annual demand. This also shows average demand and the substantial strength of the market during this season.
- The period from May to October also produces an above average seasonality with 59.2% of the annual demand, for a yield of 118.4%. The strength of this period is balanced between May and September/October. September is stronger than May and October.
- The slowest period is from December to February, generating 19.5% of the annual demand, or a yield of 78.0%. Unlike the overall market, this is the area where the events at the Expo Center and the Pettit Ice Center will assist the proposed hotel. The proposed hotel may not experience as sharp of a drop in demand due to the weekend and week-long events during this period occurring at these venues. The proposed hotel will have a captive market of this group-oriented demand.
- There were no real surprises in the demand seasonality of this market. It supported the fact that Milwaukee draws very good tourist demand during the summer, the Corporate/Commercial base is diverse in the broader market area, and the winter is a difficult season to bring Lodging Demand to the broader market. This is where the State Fair Park venues will assist the proposed hotel. Also, the developing Corporate/Commercial demand at Summit Place will assist in expanding the demand potential for the hotel.
- In regard to rates, the yield ranges from 120.4% in August to a low of 92.6% in December. This is a rate yield range of 27.8 points, which is about average. However, it also could be dictated by some of the Corporate/Commercial accounts and Social/Leisure events in the market year-round.

- Demand moderates from a high of 135.6% in August to 76.0% in December. This is a significant demand swing of 59.6 yield points. There could be a modification of this swing at the proposed hotel with the events that could develop Lodging Demand at the State Fair Park venues. This group demand could flatten the yield swing at the proposed hotel.
- Overall, the market appears to adjust rates fairly well for the seasonal demand. In four months of the year, the market maximizes rates well with RevPAR exceeding both demand and ADR yields factors. In an additional three months, the market is also adjusting rates well with RevPAR exceeding at least one of the two factors. The surprise was in February, when the market has strong RevPAR performance. At the proposed hotel, this performance could be due to group events in the first quarter of the year. However, in the broader market, this performance is unidentified as to its specific reason.

In regard to the weekday seasonality, Tuesday and Wednesday are the strongest nights. The Corporate/Commercial base has generated considerable demand on those nights. The Overall market struggles on Friday and Saturday nights on average. The only exception is in June, July and August, when Saturday nights compete with the weeknights for Occupancy. Friday night is traditionally the weaker of the two weekend nights.

On a three-year average, Monday through Thursday averages 67.7% and Friday and Saturday nights average 60.7%. The events at State Fair Park, with most being held over the weekends, should modify this Occupancy pattern at the proposed hotel. Further analysis of this pattern showed Friday and Saturday nights average 86.7% in June through August. This is compared to 75.9% for Monday through Thursday nights during this same period.

In looking at rates over the week, there is a general flatness from weekdays to weekends. This changes in the summer months when ADR on Saturday is averaging \$100.38 compared to \$98.85 on Monday through Thursday nights. On a yearly average, ADR's on Friday and Saturday are averaging \$85.33 compared to \$89.75 on weekdays. This is a more flat rate differential between the weekdays and weekends than would be typically seen in this type of market.

#### LODGING DEMAND POTENTIAL INDEX

The Lodging Demand Potential for the subject property was also re-analyzed via the *Lodging Demand Potential Index*. This relates Lodging Demand Potential to the

Market Segmentation previously projected for the subject property and the industry distribution in the area. This is a rating based on a scale of 0 to 5, with 5 indicating excellent Lodging Demand Potential and 2.5 indicating average Lodging Demand Potential. The following chart shows the results of this new analysis.

<b>LODGING DEMAND POTENTIAL INDEX</b>		
<b>MARKET SEGMENTATION</b>	<b>PERCENT OF MARKET</b>	<b>LODGING DEMAND POTENTIAL INDEX</b>
Individual Travel Markets		
- Corporate/Commercial Markets	35.0%	2.5
- Social/Leisure Markets	30.0%	2.5
Group Markets		
- Business Related	20.0%	3.5
- Social Leisure Related	15.0%	3.5
<b>TOTAL</b>	<b>100.0%</b>	<b>2.9</b>
<b>INDUSTRY DISTRIBUTION</b>	<b>PERCENT OF MARKET</b>	<b>LODGING DEMAND POTENTIAL INDEX</b>
Agriculture, Forestry, Fishing, Mining	0.1%	1.0
Construction	4.6%	2.0
Manufacturing	17.6%	3.0
Wholesale Trade	4.0%	1.0
Retail Trade	11.6%	2.5
Transportation and Public Utilities	4.2%	1.0
Information	3.4%	3.0
Finance, Insurance & Real Estate	8.4%	3.0
Services		
- Business/Professional	10.2%	2.5
- Health, Education & Social Services	21.1%	3.0
- Entertainment, Recreation, Hotel & Food Service	6.7%	1.5
- Other	5.1%	2.5
- Government	3.0%	2.0
<b>TOTAL</b>	<b>100.0%</b>	<b>2.5</b>
<i>Source: HMI</i>		

In analyzing the Lodging Demand Potential Index, the strength of the market will be in the Group Market segments. This will be due to the increased demand from these segments due to the location near the Expo Center and the potential group function space located at the hotel itself. As indicated in the *Food & Beverage* Section of this report, the potential group rooms nearly matches the potential available rooms at a 100-room hotel. However, capturing all of these group rooms would not be possible. Mixing in the Individual Lodging Demand will also take place. However, the potential for capturing a strong market share of group demand is definitely possible. As a result, the Group Lodging demand for both Business and Social/Leisure Market Segments should be stronger than average. Some rate sensitivity from exhibitors and some consumer attendees will restrict some demand potential.

The Individual Corporate/Commercial and Social/Leisure market will be about average. Marketing to the area Corporate/Commercial venues at Summit Place and the Honey Creek Corporate Park will generate a core of demand from these sectors. The State Fair Park venues and the location of the hotel serve the greater Milwaukee tourist venues (Milwaukee County Zoo, Miller Park, Wisconsin Lutheran College, Downtown Milwaukee, etc.) should be able to generate average market demand from these sectors.

In all sectors, Group, Individual Corporate/Commercial and Social/Leisure markets will require marketing to create awareness of the hotel in this market.

#### RATE SENSITIVITY

Similar to the Lodging Demand Potential Index, a *Rate Sensitivity* analysis was also performed. This ranks the Market Segmentation planned for the proposed property and the anticipated Rate Sensitivity within the Market Segments. It utilizes a 5-point scale, with 5 indicating extreme sensitivity and 2.5 being average. The following chart shows the results of this analysis.

RATE SENSITIVITY FACTOR		
Market Segmentation	% of Market	Rate Sensitivity Factor
Individual Travel Markets		
- Corporate/Commercial	35.0%	2.0
- Social/Leisure	30.0%	2.2
Group Markets		
- Business Related	20.0%	2.0
- Social/Leisure Related	15.0%	2.2
TOTAL	100.0%	2.1
<i>Source: HMI</i>		

This market will see below average Rate Sensitivity from all Market Segments. The average 12-month ADR is \$87.92. The current average low, single rate in the market is \$74.67. This indicates that the market generates an ADR that is higher than the low single rate. Therefore, the market is generating a higher rate than the rate structure is indicating.

This result is holding true in both the Corporate/Commercial and Social/Leisure Market Segments. The Corporate/Commercial, Weekday ADR is averaging \$89.75 and the Social/Leisure, Weekend ADR is averaging \$85.33. Both of these are above the low single rate of \$74.67. Again, this indicates that these Market Segments are generating an ADR that is higher than the low single rate.

The Social/Leisure market will be slightly more rate sensitive. This would be expected as the Corporate/Commercial market typically could be less rate sensitive. As noted above, there is little rate separation between the Weekday and Weekend ADR figures. Weekday ADR is only 105.2% higher than the Weekend ADR.

The Group Business segment should be average in Rate Sensitivity. The facilities at the Expo Center should be an attractive location for these functions. Having a hotel to accommodate these companies next to the facility should be an advantage. Rates should be able to be competitive with other venues that are of similar nature at this hotel.

#### FEEDER MARKETS

*Feeder Markets* for this subject market will be defined as Primary Market Areas, both regional and immediate metropolitan market areas, as highlighted in Exhibits 1 and 2

of this report. These areas are where the majority of the Lodging Demand Potential will come from for most Market Segments. As indicated, this will be mainly from the upper Midwest area. However, national and international demand potential is also possible. However, the upper Midwest area, especially from Wisconsin and northern Illinois, is the primary area where attendees tend to come from. The Primary Milwaukee Metropolitan Market Area, located near West Allis, is where the other potential companies and demand venues are located that will have the potential to use this hotel and the adjacent Expo Center facilities. These companies that are using the facility may also bring in national and international guests for the hotel. However, the need to use the facility will be generated from a local or regional base of companies.

The Social/Leisure markets will be attracted from the local West Allis area for group functions such as weddings. However, the consumer shows at the Expo Center, State Fair Park Events, Pettit Ice Center, Milwaukee Mile and Miller Park will all bring Lodging Demand from a broader market area. This will include Wisconsin and northern Illinois.

#### UNACCOMMODATED LODGING DEMAND

*Unaccommodated Lodging Demand* is described as Lodging Demand that prefers to stay in the market area but currently uses hotels in other locations. This definition is especially true for the Expo Center and other State Fair Park venue events. There is no hotel at the Fair Park at this time. The Corporate/Commercial demand being generated by Summit Place and the Honey Creek Corporate Park also have no hotels in the West Allis area to serve their demand potential. As a result, Lodging Demand associated with these events is staying in a broad geographic area from Brookfield to Wauwatosa and even to downtown Milwaukee. Having a hotel at the State Fair Park, and especially near the Expo Center, would allow the hotel to capture this lost demand potential.

The secondary definition of Unaccommodated Lodging Demand is Lodging Demand that is currently staying in the existing market area but prefers hotel accommodations in other hotel markets. This type of Unaccommodated Lodging Demand does not appear to apply to the West Allis market at this time. There are limited hotel options in the immediate area to choose from. The available rooms currently offered are closely tied to the economy lodging Market Segments.

In this market there are 95 nights when the competitive set averages over 70% Occupancy. This is typically the point where newer and better hotels will be near capacity. This represents 25.2% of the year. The strength of these nights is seen mainly during the week, which supports the strength of the Corporate/Commercial

market. In May through October, Tuesday and Wednesday nights are over 70% Occupancy. Additional weekday strength is seen on Mondays in July, August and October. Thursdays nights in June and August are also over 70%.

Weekend strength is seen on Saturdays in June through August. Fridays are strong in August.

A further indicator is that the market sees Occupancy over 80% on 25 nights during the year. Again, Tuesdays and Wednesdays in June are strong. Wednesdays in August and Mondays in July are over 80%. On the weekends, Saturdays in July and August are over 80% Occupancy.

### **LODGING SUPPLY**

This section of the report describes the primary competitive Lodging Supply that will affect the subject property, particularly for hotel room demand usage.

### **COMPETITIVE SUPPLY**

The competitive hotel set for the proposed hotel is actually quite limited in the general area of the State Fair Park. There are no current competitive hotels. The closest competitive hotel is in western West Allis along Highway 100 (108<sup>th</sup> Street). The older Days Inn facility is located in this area.

Within a radius of nearly three to five miles, mostly in Wauwatosa, is where any competitive hotels would be located. The only hotel outside this area is in the West Milwaukee area. This is again an older hotel, the Best Western Woods View Inn.

The Wauwatosa hotels are mostly in an area along the Highway 100 (Mayfair Road area) north of I-94 to the North Avenue corridor. These hotels include the new Crowne Plaza Hotel, the older Holiday Inn Express and the Radisson Hotel. There is also the oldest hotel in the area located here, the Days Inn, located west of Highway 100 on Bluemound Road. These hotel rooms are mainly serving the western Wauwatosa area, the Mayfair Mall area with corporate and commercial activity, the Milwaukee County Research and Corporate Park, and the Milwaukee County Medical Complex as their main demand generators. Servicing the State Fair Park area is a remote market for them. They do receive Lodging Demand from the area, but only because there are no other hotels directly serving the State Fair Park.

One additional hotel, not felt to be competitive, is a Super 8 at the I-94 and Mayfair Road exit. That hotel is 122 rooms and is thirty-eight years old.

With no direct competitive hotels located close to State Fair Park, this leaves the market largely under-served.

A more distant cluster of hotels is actually the most accessible to State Fair Park, and is about six miles west on I-94 in Brookfield. This suburban area is a major corporate and retail suburb of Milwaukee. The hotels in this area primarily serve the base of demand generated in Brookfield. They could also service any potential demand currently generated by the West Allis market, but this demand is highly open to using a competitive property in the West Allis market. In Brookfield, there are four hotels located at the I-94 and Moorland Road interchange, which is the closest to West Allis. These hotels are the Embassy Suites with 203 rooms, the Best Western Midway Hotel with 125 rooms, the Country Inn & Suites with 149 rooms, and the Sheraton Hotel with 389 rooms. Combined, there are 866 rooms. Again, these rooms mainly

serve the Brookfield market. All of these hotels are basically full-service hotels with food and beverage facilities connected with them. The Country Inn & Suites is a limited-service hotel, but it has the Champs Sports Bar and Outback Steakhouse adjacent to it, making it appear a full-service hotel facility.

As further reference, the Lodging Demand from some of the Lodging Demand generators identified in this report, such as Miller Park, may also be staying in the downtown Milwaukee area. This urban center has a variety of hotels, mostly all full-service, mid-priced to upscale hotels. This hotel base is over five miles to the east on I-94. The congestion and general nature of the urban city center hotels make them limited competition for a proposed hotel facility in West Allis.

The following chart will highlight the competitive hotels identified to most closely serve the West Allis and State Fair Park area.

<b>PRIMARY COMPETITIVE HOTELS</b>				
Number of Hotels:		6		
Number of Hotel Rooms:		742		
Chain Related:	Hotels:	6	% Overall Market	100.0%
	Rooms:	742	% Overall Market	100.0%
Non-Chain Related:	Hotels:	0	% Overall Market	0.0%
	Rooms:	0	% Overall Market	0.0%
<b>PRODUCT DIFFERENTIATION ANALYSIS</b>				
CATEGORY	NUMBER OF HOTELS	PERCENT OF MARKET	NUMBER OF ROOMS	PERCENT OF MARKET
Budget	0	0.0%	0	0.0%
Economy <i>(Days Inn Wauwatosa - 127 rms., Days Inn Milwaukee West Allis - 85 rms.)</i>	2	33.3%	212	28.6%
Economy Suite	0	0.0%	0	0.0%
Mid-Priced (Limited-Service) <i>(Holiday Inn Express Milwaukee West Medical Center - 121 rms.)</i>	1	16.7%	121	16.3%
Mid-Priced (Full-Service) <i>(Best Western Woods View Inn - 61 rms.)</i>	1	16.7%	61	8.2%
Mid-Priced Suite (Limited-Service)	0	0.0%	0	0.0%
Mid-Priced Extended Stay	0	0.0%	0	0.0%
Upscale (Select-Service)	0	0.0%	0	0.0%
Upscale (Full-service) <i>(Radisson Hotel Milwaukee West - 150 rms., Crowne Plaza Milwaukee Wauwatosa - 198 rms.)</i>	2	33.3%	348	46.9%
Upscale (Boutique)	0	0.0%	0	0.0%
Upscale Suite (Full-Service)	0	0.0%	0	0.0%
Upscale Extended-Stay	0	0.0%	0	0.0%
<b>TOTALS</b>	<b>6</b>	<b>100.0%</b>	<b>742</b>	<b>100.0%</b>
<b>Average Room Size:</b>			<b>123.7</b>	
<i>Source: HMI</i>				

The Best Western Woods View hotel was listed as a full-service, mid-priced hotel. It does have a restaurant facility associated with it, and this would position it in this category. In reality, it is more of a mid-price, limited-service hotel.

As indicated, there is a distribution of rooms that skew toward the upscale hotel sector. The mid-priced hotel sector appears to be slightly under-served and is actually lower in available room count than the economy hotel sector. It appears that the solid, mid-priced hotel is needed in this market. A hotel that serves the upper-mid-priced to lower-upscale segment, perhaps with a select service food and beverage facility, is also lacking in the market area.

**PROJECTED COMPETITIVE AVERAGE DAILY ROOM RATES AND OCCUPANCY PERFORMANCE**

To attempt to develop a performance level for the proposed hotel, the following chart was developed to highlight the rate performance of the hotels identified. This chart will assist in rate positioning the proposed hotel within the broader, western metropolitan Milwaukee market area. Exhibit 3 will highlight the geographic locations of these hotels in relationship to the subject site.

<b>COMPETITIVE HOTEL OCCUPANCY &amp; RATES</b>						
PROPERTY	Occ. Perform.	RATE ANALYSIS				PROJECTED ADR
		SINGLE	DOUBLE	WEEKEND	CORP.	
<u>Milwaukee</u>						
BW Woods View Inn	Average	\$58-\$107	\$58-\$107	\$58-\$107	Same	\$66.00
<u>Wauwatosa</u>						
Crowne Plaza	Average	\$99-\$121	\$99-\$121	\$99-\$121	Same	\$99.00
Days Inn	Average	\$47-\$69	\$47-\$69	\$47-\$69	Same	\$46.40
Holiday Inn Express	Average	\$104-\$142	\$104-\$142	\$104-\$142	Same	\$104.55
Radisson Hotel	Average	\$89-\$209	\$89-\$209	\$89-\$209	Same	\$134.10
<u>West Allis</u>						
Days Inn	Average	\$51-\$70	\$51-\$70	\$51-\$70	Same	\$48.40
COMPETITIVE MARKET AVERAGE DAILY ROOM RATE (ADR):						\$89.49
<i>Source: HMI</i>						

As indicated in the above chart, the leading property in the competitive set is the Radisson Hotel. This has long been the rate leader in this market as it has offered the most upscale hotel facilities. The new Crowne Plaza is still positioning itself in the market. It should become more competitive with the Radisson as its introductory period is completed. Its rate structure is still lagging behind the Holiday Inn Express,

and that should change in the next few years. Actually, at this time, it is unusual for an upscale, full-service Crowne Plaza to be rate positioned below the mid-priced, limited-service Holiday Inn Express. Heavy corporate rate discounting could be occurring with GE Medical, companies in the research park and the regional medical center.

Basically, the tiers in rate include the Radisson in the highest level. This is followed by the Crowne Plaza and Holiday Inn Express. The Best Western and the two Days Inn properties are in the lower tier of rates.

For potential rate positioning the following chart was developed. Initial rate positioning would suggest being competitive with the Radisson, Crowne Plaza and the Holiday inn Express. These are also the hotels expected to be performing above average to the market.

COMPETITIVE HOTEL OCCUPANCY & RATES						
PROPERTY	Occ. Perform.	RATE ANALYSIS				PROJECTED ADR
		SINGLE	DOUBLE	WEEKEND	CORP.	
Holiday Inn Express	Above	\$104-\$142	\$104-\$142	\$104-\$142	Same	\$104.55
Radisson Hotel	Above	\$89-\$209	\$89-\$209	\$89-\$209	Same	\$134.10
Crowne Plaza	Above	\$99-\$121	\$99-\$121	\$99-\$121	Same	\$99.00
COMPETITIVE MARKET AVERAGE DAILY ROOM RATE (ADR):						\$107.90
<i>Source: HMI</i>						

This rate positioning suggests a 120.6% yield to the competitive set. Realizing that the Crowne Plaza should improve its rate performance, the potential yield could be closer to 124.8% in the future. This would position the hotel between the current rate positioning of the Radisson and Crowne Plaza Hotel. For this report, a projected yield of 122.7% was used for the proposed West Allis hotel.

**COMPETITIVE FACTOR ANALYSIS**

Further analyzing these hotels, a *Competitive Factor Analysis* was performed. This analysis is based upon a scale of 0 to 5, with 5 indicating strong competitive factors and 2.5 being average. The following chart highlights the analysis of the identified primary competitive hotels in the categories of *Rate, Facility, Brand, Location, and Market Segmentation*. It also highlights the overall competitive factor for each property and the subject market area. This report will provide an overview of the respective competitive position each hotel occupies within the market.

COMPETITIVE FACTOR ANALYSIS									
PROPERTY NAME	AGE (Yrs.)	# OF ROOMS	AAA RATING	RATE	FACILITY	BRAND	LOCAT.	MKT. SEG.	COMP. FACTOR
<u>Milwaukee</u>									
BW Woods View Inn	42	61	2	3.4	1.5	2.0	2.0	1.0	<b>2.0</b>
<u>Wauwatosa</u>									
Crowne Plaza	1	198	NR	2.3	4.0	4.0	2.0	3.0	<b>3.1</b>
Days Inn	50	127	NR	4.8	1.0	1.5	2.0	1.0	<b>2.1</b>
Holiday Inn Express	24	24	2	2.1	3.0	4.0	1.5	2.5	<b>2.6</b>
Radisson Hotel	34	150	3	1.7	3.5	3.5	1.5	3.0	<b>2.6</b>
<u>West Allis</u>									
Days Inn	38	85	NR	4.6	1.0	1.5	2.0	1.0	<b>2.0</b>
<b>COMBINED RATING</b>	<b>31.5</b>		<b>2.3</b>	<b>3.2</b>	<b>2.3</b>	<b>2.8</b>	<b>1.8</b>	<b>1.9</b>	<b>2.4</b>
Source: HMI									

However, the rate positioning identified the competitive potential positioning for the proposed hotel. Therefore, the following chart further breaks down the competitive set to the actual hotels the proposed hotel would be positioned against.

COMPETITIVE FACTOR ANALYSIS									
PROPERTY NAME	AGE (Yrs.)	# OF ROOMS	AAA RATING	RATE	FACILITY	BRAND	LOCAT.	MKT. SEG.	COMP. FACTOR
Crowne Plaza	1	198	NR	2.3	4.0	4.0	2.0	3.0	<b>3.1</b>
Holiday Inn Express	24	121	2	2.1	3.0	4.0	1.5	2.5	<b>2.6</b>
Radisson Hotel	34	150	3	1.7	3.5	3.5	1.5	3.0	<b>2.6</b>
<b>COMBINED RATING</b>	<b>19.7</b>		<b>2.5</b>	<b>2.0</b>	<b>3.5</b>	<b>3.8</b>	<b>1.7</b>	<b>2.8</b>	<b>2.8</b>
Source: HMI									

In this area, the primary competitive hotels are slightly above average overall in competitive factors. This is led by Brand, Facility and Market Segmentation factors. In Rate and Location they are below average.

It would appear that a strong brand would be suggested. This would compete best with the identified hotels. Also, this strong brand would assist any location concerns raised for the proposed hotel. Having a strong brand with a productive reservation system, frequent traveler program, quality assurance program and brand recognition will assist in positioning the hotel in the market.

Having a strong brand will bring high standards for quality assurance. Facilities should be highly competitive with today's hotel markets. A new hotel should be able to compete well in this area.

Along with facilities, only the Crowne Plaza is a new hotel. The Radisson and Holiday Inn Express are well past their second major renovation periods of 12 to 15 years old.

Therefore, they require on-going renovation to remain competitive. Both hotels have accomplished this well. However, a new and fresh hotel property would be received well in the market.

Market Segmentation will be competitive, but location will mitigate this considerably. The hotels will serve similar demand characteristics. Their location, as indicated in the chart, will be removed from directly serving the West Allis market. Some overlap of markets will exist.

**COMPETITIVE LODGING PERFORMANCE**

The following section highlights the competitive Lodging Performance for the subject market area. This lodging performance is based upon primary competitive resorts and hotels identified in this report. The competitive Lodging Performance of Occupancy, Lodging Demand Growth, Lodging Supply Growth, Average Daily Room Rate, and Revenue Per Available Room (RevPAR) will be analyzed.

Lodging Supply Growth

The following chart reflects the *Lodging Supply Growth* that occurred in the market.

COMPETITIVE LODGING PERFORMANCE								
Lodging Supply Growth								
	2002	2003	2004	2005	2006	2007	YTD 2007	YTD 2008
Primary Competitive Lodging Supply - Percentage Change	N/A	1.7%	0.5%	0.0%	0.0%	0.0%	0.0%	28.5%
2003-2007 - Annualized Growth Rate:								0.4%
<i>Source: Smith Travel Research &amp; HMI</i>								

Lodging Supply in the competitive set was impacted in 2008 by the introduction of the new Crowne Plaza Hotel. The 198-room hotel added 28.5% new rooms to the competitive set in 2008. Some slight increase in room supply will occur in early 2009 until March. This will be due to the completion of the first year when the Crowne Plaza opened. This will add another 4.5% increase to room supply in 2009.

It should be noted that prior to the introduction of the Crowne Plaza Hotel, the Wauwatosa market had seen a loss of 60.0% of its hotel rooms. The Best Western Midway Hotel and the Westward Hotel (originally a Holiday Inn property) have been torn down for a medical facility. Both of these hotels were of considerable age. The

Westward Hotel had deteriorated considerably. The Best Western Midway Hotel was still competitive but was a dated hotel product. These hotels have not been replaced; and with the demand growth in the Wauwatosa market area, this has left the travelers to this market under-served with hotel accommodations.

Proposed Properties

At this time no other new hotels were announced for the West Allis or Wauwatosa area. Therefore, no additional supply growth was factored into the projections for this report.

At the time of this report, there was only one other possibility for new hotel accommodations in the Wauwatosa area. However, this property is still being considered and is in the initial stages of planning. Many infra-structure challenges face this project, and development in the near term is unlikely. The actual development and timing of any new hotel project needs to be monitored as they could have impact on the proposed hotel at State Fair Park.

- The Milwaukee County Zoo has been looking at a full-service conference center hotel to be built along the western part of the zoo. This project is still active and could be open for Request For Proposal bidding in the near future. The size of this property could be in the 150- to 300-room range.

Lodging Demand Growth

The following chart highlights *Lodging Demand Growth* that has occurred in the market.

COMPETITIVE LODGING PERFORMANCE								
Lodging Demand Growth								
	2002	2003	2004	2005	2006	2007	YTD 2007	YTD 2008
Primary Competitive Lodging Demand - Percentage Change	N/A	-1.1%	1.7%	-1.0%	8.4%	-2.9%	-2.3%	19.2%
2003-2007 - Annualized Growth Rate:								1.0%
Source: Smith Travel Research & HMI								

Lodging Demand in the broad market has seen excellent growth in 2006. However, this growth faded in 2007. The introduction of the new Crowne Plaza, the opening of the GE Medical Corporate Headquarters, and continual growth of the regional

medical facility seem to have prompted considerable demand growth in 2008. Through 2007, the market experienced an average annual growth of 1.0%. With the growth in 2008, the average annual growth increased to 4.3%. It appears that the market enjoyed having a new hotel and the additional rooms it brought to the market in 2008. This hotel brought a fresh hotel product to an area served by older hotel facilities.

For this report, in light of the current United States and world recession, demand growth was modified to a modest 1.08% in 2009. This increases but does not return to 2008 average level growth levels until 2012. For 2010, demand growth of 2.15% was factored and for 2011, it was factored at 3.3%.

Occupancy

The following chart depicts the competitive Lodging Performance of the subject market's *Occupancy*.

COMPETITIVE LODGING PERFORMANCE								
Occupancy								
	2002	2003	2004	2005	2006	2007	YTD 2007	YTD 2008
Primary Competitive Hotels	60.9%	59.2%	59.8%	59.3%	64.2%	62.4%	65.0%	60.3%

*Source: Smith Travel Research & HMI*

This chart shows the Occupancy performance of the hotels in the broader market area. With the positive trend in demand growth, and with new supply growth, Occupancy dipped slightly in 2008. However, the strong demand growth held up Occupancy performance well. This market seems to operate in the low 60% range for average Occupancy. A new hotel should out-perform the market. For this report, the proposed hotel should stabilize with an Occupancy performance yield of 110.0% to the market. However, with the State Fair group room potential identified, an exclusive market to the proposed hotel, the actual yield to the competitive set could be as high as 143.8% by its stabilized year.

Average Daily Room Rates

The following chart highlights the competitive Lodging Performance for the *Average Daily Room Rates*.

COMPETITIVE LODGING PERFORMANCE								
Average Daily Room Rates								
	2002	2003	2004	2005	2006	2007	YTD 2007	YTD 2008
Primary Competitive Average Daily Room Rates	\$68.89	\$68.36	\$67.25	\$70.94	\$75.88	\$79.50	\$79.93	\$90.29
Percentage Change	N/A	-0.8%	-1.6%	5.5%	7.0%	4.8%	4.5%	12.9%
2003-2007 - Annualized Growth Rate:								3.0%
Source: Smith Travel Research & HMI								

The ADR in the broad market has been growing at a rate of 3.0% per year. In 2008, there was an increase in rates that exceeded the overall market. The Crowne Plaza could be a contributing factor to this increase.

As stated in the rate positioning suggested for the proposed hotel, the ADR should achieve a yield of 122.7% by its stabilized third year. This will increase from 105.2% the first year and to 115.2% by the second year. This is positioning the hotel in the upper-mid-priced to lower-upscale hotel sector, with at, least select-service food and beverage facilities.

#### Revenue Per Available Room (RevPAR)

The following chart shows the *Revenue Per Available Room* that occurred in the market.

COMPETITIVE LODGING PERFORMANCE								
Revenue Per Available Room								
	2002	2003	2004	2005	2006	2007	YTD 2007	YTD 2008
Primary Competitive Average Daily Room Rates	\$41.93	\$40.44	\$40.24	\$42.04	\$48.75	\$49.61	\$51.94	\$54.43
Percentage Change	N/A	-3.5%	-0.5%	4.5%	16.0%	1.8%	2.0%	4.8%
2003-2007 - Annualized Growth Rate:								3.6%
Source: Smith Travel Research & HMI								

RevPAR is showing good performance with limited supply growth and good demand growth. Even 2008, with high supply growth, achieved good RevPAR performance. This is due to good demand growth to accompany the supply growth.

## **ISSUES AND RISKS**

The following section of the report deals with topics that should be addressed when developing a lodging project such as the one studied in this report. Many of these topics are common to hotel development and are addressed here as a matter of due diligence in evaluating the subject market and subject site for the proposed hotel. Also highlighted in this section are any concerns which have arisen during the research portion of this report that would have a direct effect on the hotel development. These may require additional research by the developer when pursuing the development of the property.

## **COMPETITIVE PRICING PRESSURES**

The research of this market indicated that Rate Sensitivity will be minimal. The present market rate structure is generating ADR that is above the low-end single rate. This is true for both the Corporate/Commercial and Social/Leisure markets. The Rate Sensitivity will be slightly higher in the Social/Leisure market.

Rate positioning of the hotel is suggested to be in line with the Radisson, Holiday inn Express and the new Crowne Plaza. Preliminary rate positioning appears to suggest ADR that will yield in the 122.7% range.

Premium rates could be charged during peak demand periods such as during the Wisconsin State Fair and Milwaukee Mile races. However, these rates will be moderated during the consumer trade shows and the Pettit Ice Center events, as these attendees and exhibitors are more Rate Sensitive.

## **GROWTH IN LODGING SUPPLY**

The market has just seen new hotel growth with the introduction of the Crowne Plaza. This new hotel brought a 30.5% increase in supply in 2008. Another 4.5% is projected for 2009.

At present, no other new hotels have been announced for the general market area. As a result, no other supply growth was factored into the projections for the near term.

## **GROWTH IN LODGING DEMAND**

Lodging Demand, with the growth in Lodging Supply, saw a 20.0% increase in 2008. Future growth, with the impact of a United States recession, is difficult to project. The historic growth in the market has averaged 1.0% per year from 2002 to 2007. The growth in 2008 increased that average to 4.3%. With a recession impacting the lodging market, growth of 1.0% was factored for 2009 and will increase to 4.3% by 2012.

Diversity in Lodging Demand in the broad market is positive, and future growth is a distinct possibility once the recessionary impact passes.

There could be growth in the Social/Leisure Group market. This is a market that has not been aggressively pursued in the past. Social functions such as weddings could be better marketed at the Expo Center with a hotel facility available to accommodate guests.

#### PROPERTY TAXES

A detailed analysis of the *Property Tax* structure in the West Allis area was not conducted within the scope of this report. The developer should analyze the property tax structure within the West Allis and Milwaukee County areas accordingly.

#### POLITICAL CLIMATE

The *Political Climate* and attitude of the West Allis community and State Fair Park was defined as being pro-growth. There appears to be strong interest in developing a hotel by both the City and State Fair Park in this immediate area. The benefits to the City of West Allis and to State Fair Park are significant. All entities appear prepared to assist with the approval process for this proposed hotel.

The potential exists for some incentives for development. Establishment of a Tax Incremental Funding (TIF) District could be developed for the hotel. The City could also review other options to assist with the development of the hotel.

#### ZONING AND ARCHITECTURAL CONTROLS

At this time, *Zoning* in the subject site areas was felt to support commercial development. Likewise, *Architectural Controls* of the subject site should support the development of the planned hotel property. The developer should investigate any specific requirements of the City of West Allis or State Fair Park to ensure their plans concur with the community. It is expected that no unusual Architectural controls are required for the subject site, although there could be conformity requirements with State Fair Park. Again, the developer should verify any specific requirements for the subject site.

#### ENVIRONMENTAL CONCERNS

*Environmental Concerns* were reported to not be a concern for the development of the subject site. The prime site area was currently developed with a restaurant facility. This facility will be used for potential group function space, mainly for Social/Leisure functions.

The developer may want to review the environmental stability of the site. Water drainage, seepage and wetland issues were not addressed at this time; however, it

does not appear to be a problem at the prime site. The subject site does not appear to be in a flood plain. However, an underground stream was reported in the subject site area. Toxic waste issues were not directly addressed within the scope of this study. This could be a factor if any of the manufacturing facility is used for the proposed hotel. At this time, no ground waste problems were identified for the site. The previous use of the manufacturing site may have contributed to some environmental issues. The developer should conduct necessary environmental impact testing to make sure the subject site is within compliance with ordinances and regulations for the area.

#### LABOR MARKET, SUPPLY AND WAGES

At this time, no *Labor Supply* problems were affecting the West Allis market. Available supply exists in the Service and Retail areas. As a result, *Wage Scales* can be competitive. This hotel has the potential of drawing employees from a broader region than just the West Allis community. There is easy access for workers from the broader Metropolitan Milwaukee area. However, most Service level employees will be from the immediate area around the hotel.

#### AREA OF FRANCHISE PROTECTION

An *Area of Franchise Protection* is advisable to ensure that there is no encroachment by a similar brand property in the market area. This will require negotiating with the proposed franchise brand to ensure adequate protection. Areas of Franchise Protection should be established to cover the primary market area around the West Allis market. Protection in the West Allis, Wauwatosa, and western Milwaukee area (to downtown) is advised.

#### EFFECTIVE MARKETING AND MARKET POSITIONING

This hotel will have to market itself beyond the State Fair Park potential. While the State Fair Park potential is considerable, overall success of the hotel will require effective marketing to the surrounding market area. Attracting diverse Lodging Demand is critical. The location of the hotel, away from other major Lodging Demand generators and on the south side of the Fair Park, will require aggressive marketing to make, and keep, the market aware of the hotel facility.

**CONCLUSIONS**

The following conclusions will project the performance for the subject property and are based upon the analysis of the research performed for this market study in relationship to the construction of an upper-mid-priced, full-service to upscale, select-service, 100-room hotel project at the identified preferred subject site. These projections are provided for the consideration of the developer in determining the potential size of the property to be developed at the subject site. Effects of Occupancy, Revenue, and Maximum Allowable Development Costs will be reported accordingly. More details about the proposed hotel type and size of the hotel are outlined in more detail in the *Property Recommendations* section of this report.

**PROJECTED PROPERTY PERFORMANCE**

The following series of charts will show the projected property performance, specifically Occupancy, Average Daily Room Rates, and Projected Revenue.

**Occupancy**

The following chart shows the *Projected Occupancy* of the subject, 100-room, upper-mid-price, full-service to upscale, select-service hotel property.

PROJECTED OCCUPANCY							
YEAR	PROJECTED MARKET OCCUPANCY			PROJ. MKT. PENET.	PROJECTED HOTEL OCCUPANCY		
	Low	Probable	High		Low	Probable	High
2010	47.5%	<b>50.0%</b>	52.5%	<b>118.8%</b>	56.4%	<b>59.3%</b>	62.3%
2011	49.0%	<b>51.6%</b>	54.2%	<b>133.8%</b>	65.6%	<b>69.0%</b>	72.5%
2012	51.1%	<b>53.8%</b>	56.5%	<b>143.8%</b>	73.5%	<b>77.4%</b>	81.3%

*\*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*

In developing these projections, it was estimated that the market area will grow by a modest 1.0% in 2009. This is down from the average growth of 5.4% from 2002 through 2008. The Crowne Plaza brought significant new demand growth to the market. The reduction in demand growth is the result of the current United States recession. This is a 75% drop in historic demand rate of growth for the market. It will translate into a 3.3% cutback in Occupancy with the addition of the remaining Crowne Plaza rooms in early 2009.

Demand will increase back to historic levels by 2012. It was projected to be a modest and steady increase in demand. Growth in 2010 was projected at 2.15%, in 2011 at 3.3% and then 4.3% in 2012. This would be a compounded growth of 3.35%, again below the historic 4.3% growth rate.

No new supply growth was factored into these projections as no new hotels have been identified for this market. The Crowne Plaza will add 4.5% new supply in early 2009 as it completes its first full year.

The hotel is projected to have strong Occupancy yield performance due to the potential group rooms generated in the market, mainly from the Expo Center and State Fair Park venue events. Without these groups, yield would be in the 110.0% range by the stabilized year. However, the abundant group room potential identified supports these higher yield factors. As indicated, the hotel should open with a 118.8% yield (around 92.5% without the group rooms). In the second year the yield should be around 133.8% (or 102.5% without the group rooms). By the third year the yield will be 143.8% (about 110.0% without the group rooms).

The yield factors were developed based upon the research conducted for this report. The proposed hotel will have excellent Lodging Demand Potential generated from the State Fair Park events including those at the Expo Center. There will be some difficulty capturing the broader markets identified due to general location. Proper marketing should be able to mitigate this factor. It is expected that the hotel will perform close to the market averages. Due to the built-in State Fair Park demand, this would achieve 105% yield by the third year. Again, this relies on proper marketing of the hotel to capture the other Lodging Demand base identified.

Given the preceding assumptions, the proposed hotel should perform within the projected Occupancy levels developed in the previous chart.

#### Average Daily Room Rate

The following chart highlights the *Projected Average Daily Room Rate* for the proposed upper-mid-priced, full-service to upscale, select-service hotel property.

<b>PROJECTED AVERAGE DAILY ROOM RATE</b>			
<b>YEAR PROBABLE</b>	<b>PROJECTED MARKET ADR</b>	<b>PROJECTED MARKET YIELD</b>	<b>PROJECTED SUBJECT PROPERTY ADR*</b>
High <b>2010</b> Low	\$95.88 <b>\$91.32</b> \$86.75	<b>105.2%</b>	\$100.87 <b>\$96.06</b> \$91.26
High <b>2011</b> Low	\$97.80 <b>\$93.14</b> \$88.49	<b>115.2%</b>	\$112.67 <b>\$107.30</b> \$101.94
High <b>2012</b> Low	\$100.73 <b>\$95.94</b> \$91.14	<b>122.7%</b>	\$123.60 <b>\$117.71</b> \$111.83
<p>* Net ADR equals room revenue plus restaurant, lounge, meeting &amp; 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.</p>			
Source: HMI			

ADR grew at 12.6% in 2008 with the introduction of the Crowne Plaza. This produced an average ADR growth of 5.2% from 2002 through 2008. Again, with the United States recession, future ADR growth was discounted in 2009. The Crowne Plaza will still have a slight impact, and ADR was factored to grow by only 1.0% in 2009. ADR is typically slow to recover in a recession. Occupancy will improve first, and then operators will be willing to increase rate. As a result, only a 1.0% growth rate was factored into 2010, 2.0% in 2011 and 3.0% by 2012. The 3.0% growth rate was the historic rate of growth prior to the Crowne Plaza entering the market in 2008.

This property, if positioned with the Radisson, Crowne Plaza and Holiday Inn Express, should achieve a rate position around 122.7%, by the third or stabilized year, based upon present rate structures in the market. This will improve from 105.2% in the first year to 115.2% in the second year.

As with the Occupancy projections, effective marketing of the hotel, including rate management, will be critical to achieving these projections. The hotel will need to be knowledgeable of periods of time and types of markets that are Rate Sensitive to capture the business. Also, the hotel will need to project peak demand dates and maximize rates as much as possible to capture revenue. As a result, rate positioning and flexibility will be critical to the hotel's success.

Projected Sales Revenue

The following chart depicts the *Projected Sales Revenue* based upon the Occupancy and Average Daily Room Rates established in this report.

PROJECTED TOTAL REVENUE					
YEAR	PROBABLE ROOM REVENUE	TOTAL FOOD & BEVERAGE	TOTAL REVENUE	NET ADR	NET RevPAR
2010	\$2,081,024	\$920,233	\$3,001,256	\$138.54	\$82.23
2011	\$2,704,294	\$1,032,260	\$3,736,554	\$148.26	\$102.37
2012	\$3,325,602	\$1,144,288	\$4,469,890	\$158.22	\$122.46
* Projected performance is +/- 5 percentage points and will be affected by changes in Projected Occupancy or Projected ADR.					
Source: HMI					

The above chart includes the revenue projections for food and beverage. A Net ADR and Net RevPAR factor was developed.

PROPERTY RECOMMENDATIONS

The following *Property Recommendations* were based upon the research conducted in this report.

Property Type

The subject of this report was to develop an upscale, select-service hotel product at this site. Given the research conducted and the results of that research, it is recommended that an upper-mid-priced, full-service hotel to an upscale, select-service hotel be developed at this site. This type of hotel appears to be supported by the research. Developing a hotel without a restaurant, full-service or select-service would not be advised due to the current lack of this type of support service in this area.

This market requires a hotel that is somewhat flexible to adjust to various market profiles. It should be able to maximize rates during peak demand periods. It must also be able to meet Rate Sensitivity during other times and attract a broader based Lodging Demand market.

Therefore, the recommendations and projections contained in this report indicate that an upper-mid-priced, full-service to an upscale, select-service hotel would be best suited for this hotel development.

#### Property Size

The *Property Size* used in this report was factored at 100 guest rooms. The maximum size hotel at this site should not exceed 150 guest rooms. Approximately, for each additional 11 guest rooms, Occupancy would be reduced by about one percentage point. At 150 rooms the occupancy would 73.1% verses 77.4% for a 100-room hotel.

#### Property Amenities

Recommended *Property Amenities* should be compatible with the product type and service levels planned for the property. These amenities must support the rate structure positioning planned for the hotel.

Key property amenities and services that must be required are as follows:

- The hotel should be accessible to the Expo Center, across Greenfield Avenue, from the preferred site. It would allow for the most convenient connection with the main single Lodging Demand generator for the hotel. Perhaps a pedestrian overpass or cross-walk could be placed to access the hotel and the Expo Center.
- Addressing a select-service to full-service food and beverage option could be a factor. Minimally providing an enhanced hot breakfast option along with an abbreviated dinner option should be considered. The lack of nearby traveler-oriented restaurants is limiting. Also, the nature of the business using the facility may require having a limited food and beverage option. A full-service food and beverage operation with a mid-priced hotel could be more casual in design. A full-service food and beverage component with an upscale hotel may be positioned too high for the market.
- Ideally, attracting a free-standing, national or regional, casual dining chain restaurant to develop in the immediate area should be pursued. This would reduce the dependence upon the hotel to provide additional food and beverage services.
- The architectural design of the hotel should be compatible with the Expo Center, State Fair Park and the immediate West Allis area.

- Providing a complimentary shuttle within the State Fair Park facility should be offered. This should include the Expo Center and the Pettit Ice Center. This shuttle could also be used to serve the Lodging Demand from the Honey Creek and Summit Place Corporate Parks. Additional use of the shuttle for the guests to the Regional Medical Center, Research Park, Mayfair Mall, County Zoo, Wisconsin Lutheran College, Clement Zablocki VA Medical Center, West Allis Memorial Hospital and Miller Park could also enhance the marketability of the hotel.
- Recreational aspects should be addressed. Due to the high percentage of the Social/Leisure market in the area, providing an enhanced indoor pool area should be considered. This could be used as a marketing tool to attract a more broad-based Social/Leisure market to the hotel.
- The Corporate/Commercial travelers will require a fitness center at the property. This does not need to be large, but it should accommodate the Corporate/Commercial traveler needs.
- Providing guest room suites will address the existing need by Social/Leisure travelers. This is for the State Fair Park market as well as attracting the broader-based Milwaukee Social/Leisure market.
- A small business center with high-speed Internet, copy machine, and fax machine may be required by the Corporate/Commercial market.
- Adequate hotel signage identifying the hotel's location and providing directions will be critical. This signage needs to be visible from I-94.
- Providing meeting and banquet facilities at the hotel needs to be researched. These should be coordinated with the existing facilities in the Expo Center. Presently, the Expo Center has four under-utilized meeting and banquet rooms on the second level above the northern, main entrance. These rooms can accommodate up to 240 people for a banquet function. Use of the existing abandoned restaurant facility as a banquet/meeting facility would also enhance the group potential for the hotel.

#### Sleeping Room Configuration

The recommended *Sleeping Room Configuration* should be compatible with the overall Market Segmentation for the area for this property. Given the fact that the property will be strong in the Social/Leisure market, this would require a distribution of more double-queen bedded rooms. The Corporate/Commercial markets typically

prefer king-bedded rooms, and this will have to balance when pursuing these markets. However, the recommended room configuration would be to accommodate the needs of the Social/Leisure markets as the priority room type.

Offering an allotment of upgraded suites should also be considered. These suites would be attractive to all Market Segments identified. Social/Leisure families are currently using these facilities as reported by the Pettit Ice Center. The Expo Center exhibitor, Milwaukee Mile sponsors, and area Corporate/Commercial travelers would be a market for these rooms. It is recommended that at least 20% of the guest rooms be allocated to this room type.

#### Brand Affiliation

The scope of this report was to focus on the potential to develop an upper-mid-priced, full-service to upscale, select-service hotel product at this site.

Strong national brand recognition is advised. This would assist in capturing the Lodging Demand Potential highlighted in this report. Strong regional brand affiliation would also be good as much of the Lodging Demand Potential comes from a regional market base. Operating this hotel without brand affiliation is not advised.

HMI can assist the city or a perspective developer with identifying strong brands that would address the characteristics of this market.

#### Rate Strategy

As previously stated, the rate positioning would be needed to be flexible to meet the Rate Sensitivity of the market. Positioning rates with the Radisson, Holiday inn Express and the new Crowne Plaza was suggested. This will generate an ADR yield that is 122.7% above the market average.

#### Opening Date

A recommended *Opening Date*, based upon the Seasonality of Lodging Demand, would indicate that an opening at almost any time of the year would be possible. Each season has different demand source patterns that would generate demand for the hotel. The summer season is the strongest, broad market season. However, many of the weekend trade shows and Pettit Ice Center events occur in late fall to early spring. The recommended opening time may be in late spring for the summer season. This would allow the hotel time to market to the fall to early spring markets effectively for the first year. It would also allow for the hotel market, to the broader based Corporate/Commercial markets, and the seasonal Social/Leisure markets in the area.

**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 feels the information and decisions presented herein are sound and reliable.

It must be noted that on September 11, 2001, the United States was attacked by terrorists. The results of that attack had significant affects on the economy and social attitudes of the United States. These attacks also significantly altered normal travel patterns by various market segments generating potential lodging demand. At the time of the writing of this report, the United States travel industry, and specifically, the hotel industry are still recovering from these events. The actual long-term results are still uncertain. There are expectations that the United States will ultimately recover from these events and their affects on the economy and society. There are further expectations that some travel patterns will be changed indefinitely. This report will look at historical trends prior to these significant events. Performance since September 11th to the time of this report will also be reviewed and will attempt to factor the effects of these events into the future projections and conclusions presented in this report. Given the present state of uncertainty, HMI is not responsible for affects that occur from future political, economic or social events that ultimately alter these projections.

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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 January, 2009.

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 inter 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 study act in accordance with its recommendations. Any deviation from these recommendations is solely the responsibility of those receiving this report.

Further questions concerning this report should be directed to HMI.

Sincerely,  
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