

*Development Driven by Data*

# Town of Corte Madera Hotel Market Study

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## Introduction

HdL ECONSolutions was engaged by the Town of Corte Madera, California to evaluate the hotel market and make recommendations for potential hotel development on three locations the Town is marketing to the hotel industry. In addition to assessing the demand and need for a hotel, the occupancy and average daily rates are projected for possible new hotels.

## Scope of Work

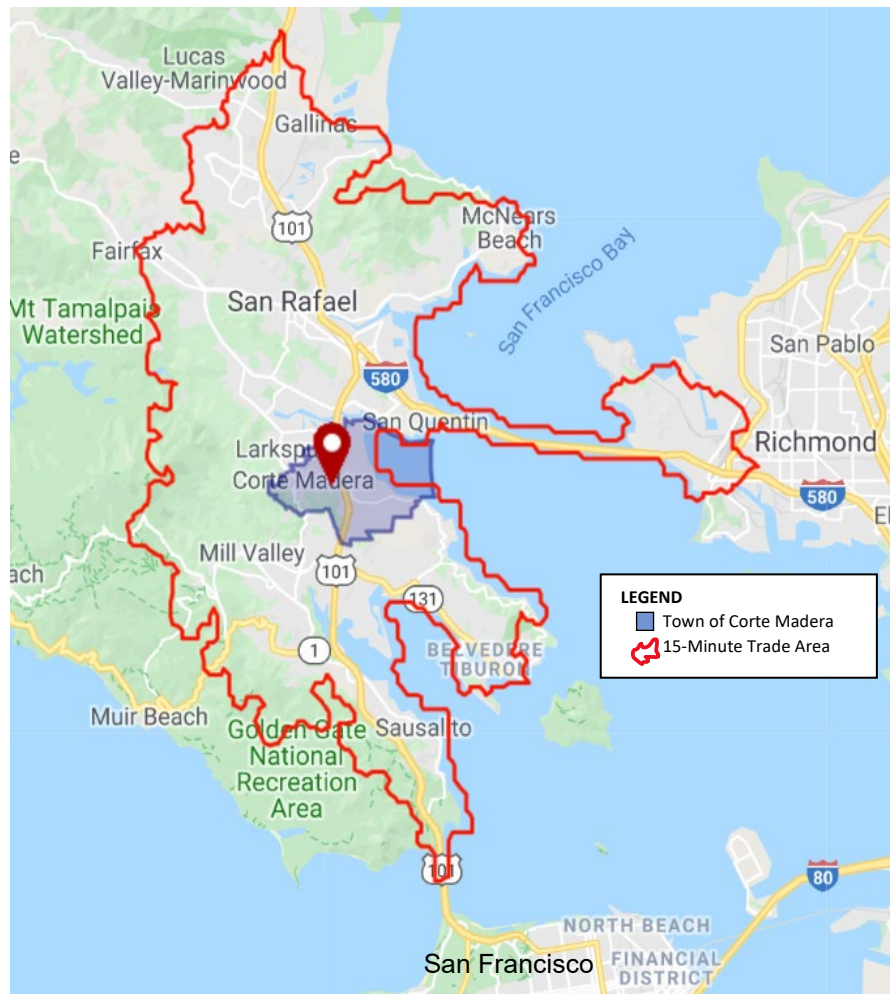
The data used in this report has been confirmed to the extent possible, unless otherwise expressly noted. The general information used in this analysis was obtained from a variety of sources including via local government sources, secondary data contained in HdL's sales & property tax databases, information from Smith Travel Research (STR) as well as CBRE Hotels, along with interviews with local and regional real estate professionals. Specific information regarding the proposed sites profiled in this report was obtained from the Town of Corte Madera. Market data was secured through information obtained from STR, CoStar, as well as interviews/research on the competitive market hotels.

During the preparation of this market study, the following scope of work was undertaken by HdL ECONSolutions:

- Discussed the proposed sites with the client (the Town of Corte Madera) in order to clearly understand the development possibilities for the study area and inquiry for any hotel related developments.
- Conducted an evaluation of the potential sites and possible surrounding developments in order to assess the suitability of any site for any proposed hotel development, as well as to assess the competitive advantages and disadvantages.
- Analyze relevant economic trends, general market conditions, and the state of the specific market factors having a direct impact on hotel demand within Corte Madera/Marin County competitive marketplace, including trends related to the area employment, demographics, and the various attractions and amenities of the Marin Peninsula area.

The scope of work evaluates the demand for new hotels in light of demand generators, including existing hotel competition, performance of existing hotel marketplace and growth of the marketplace in population and business development, including increased tourism in the region.

## Market Area Analysis



The relative success of a hotel is influenced by the interaction of various basic forces including government, social trends and economic conditions. The purpose of this section is to identify factual data regarding these forces within the market area and to analyze their impacts on real property performance levels – in particular, that of the proposed/potential hotel property. Primary sources of data include SiteSeer Technologies, the U.S. Bureau of Census, U.S. Bureau of Labor, CoStar, STR and CBRE Hotels.

Strong economic development efforts and proper planning has helped position Corte Madera as a prosperous market area for hotel development during the wave of economic expansion being witnessed in the region, along with much of the San Francisco Bay Area. As the region continues to see success with a healthy retail marketplace, quality development areas have become scarce, necessitating developers to seek opportunities for redevelopment projects, including the development of new hotels.

Corte Madera and the proposed hotel sites are approximately 27 miles north of San Francisco International Airport, 15 miles from Union Square in San Francisco, 17 miles from the new NBA Golden State Warriors Chase Center arena, 23 miles from Downtown Oakland, and 31 miles northwest of Oakland International Airport.

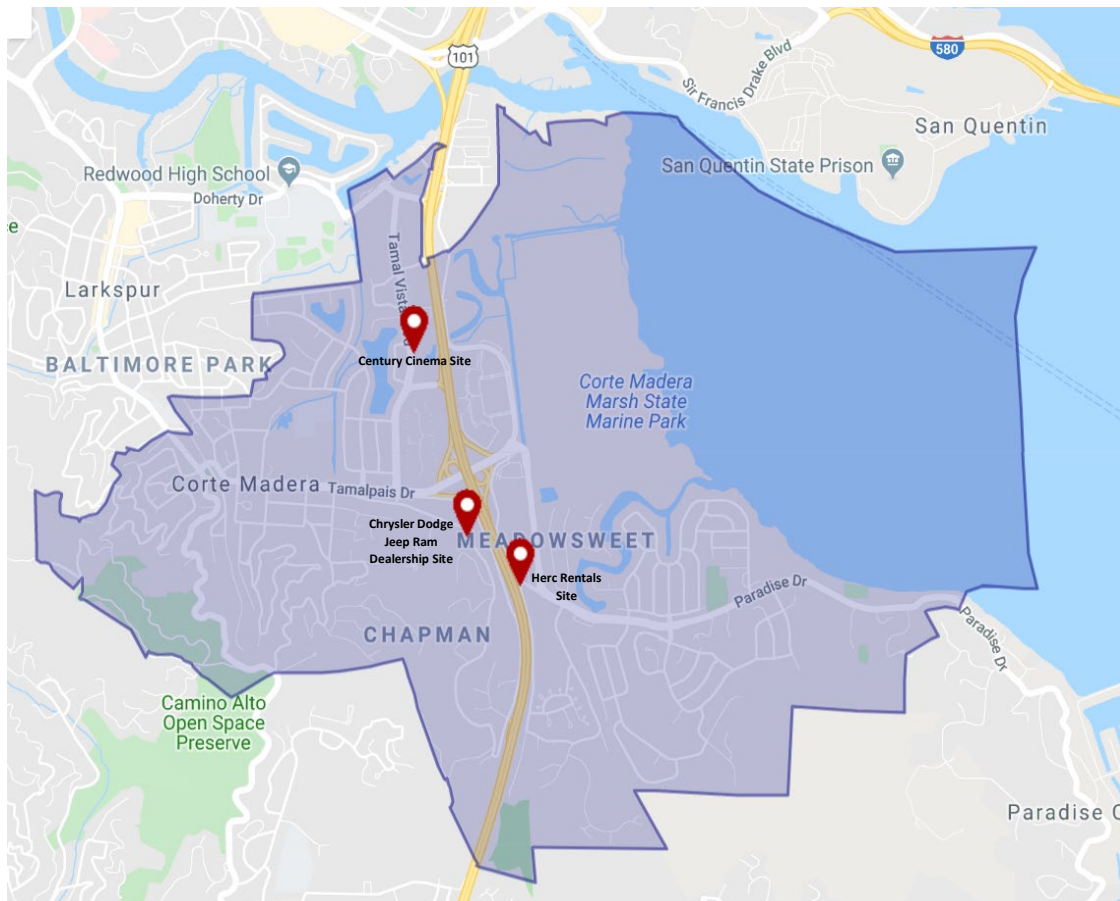
Visitors to the area can easily access the sites via the regional freeway system including Interstate 580 and 880 freeways both prominent routes running east/west and north/south through the San Francisco Bay

Area, and U.S. Highway 101, which serves as a major coastal north/south link along the Pacific coast from Tumwater, Washington to Los Angeles.

The analysis that follows will profile three separate sites in the Town of Corte Madera:

- 41 Tamal Vista Blvd.
- 201 Casa Buena Ave.
- 5750 Paradise Dr.

The sections following will provide addition details of the basic market analysis within the 15-minute drive time trade area of each hotel site, as well as the Town of Corte Madera in its entirety.



## Overview

The Town of Corte Madera California, a community of 3.2-square miles with just under 10,000 residents, is devoted to preserving its rich history and maintaining today's unique quality of life, while carefully planning for its future. Corte Madera is strategically located at the southern end of Marin County with easy access to San Rafael, San Francisco, Oakland and the greater Bay Area, along with having a trade area population of over 160,000 within a 15-minute drive. Corte Madera offers two premier shopping experiences through the Village at Corte Madera and Town Center Corte Madera.

Both these U.S. 101 situated centers offer open-air lifestyle environments with highly desired retail brands such as Nordstrom, RH, Macy's, Barnes & Noble, Apple Store, Lululemon, Crate & Barrel, Pottery Barn, Urban Outfitters, Williams-Sonoma, and REI, along with popular restaurants including Cheesecake Factory, Pacific Catch, Il Fornaio, Blue Barn Gourmet, Veggie Grill, and The Counter. Through its friendly neighborhoods and quality shopping areas, along with vast open space and rolling hillsides with spectacular vistas of Mt. Tamalpais, Corte Madera is a community that offers a variety of housing stock, employment opportunities, recreation and entertainment possibilities and quality public services.

## Demographics, Economic, And Employment

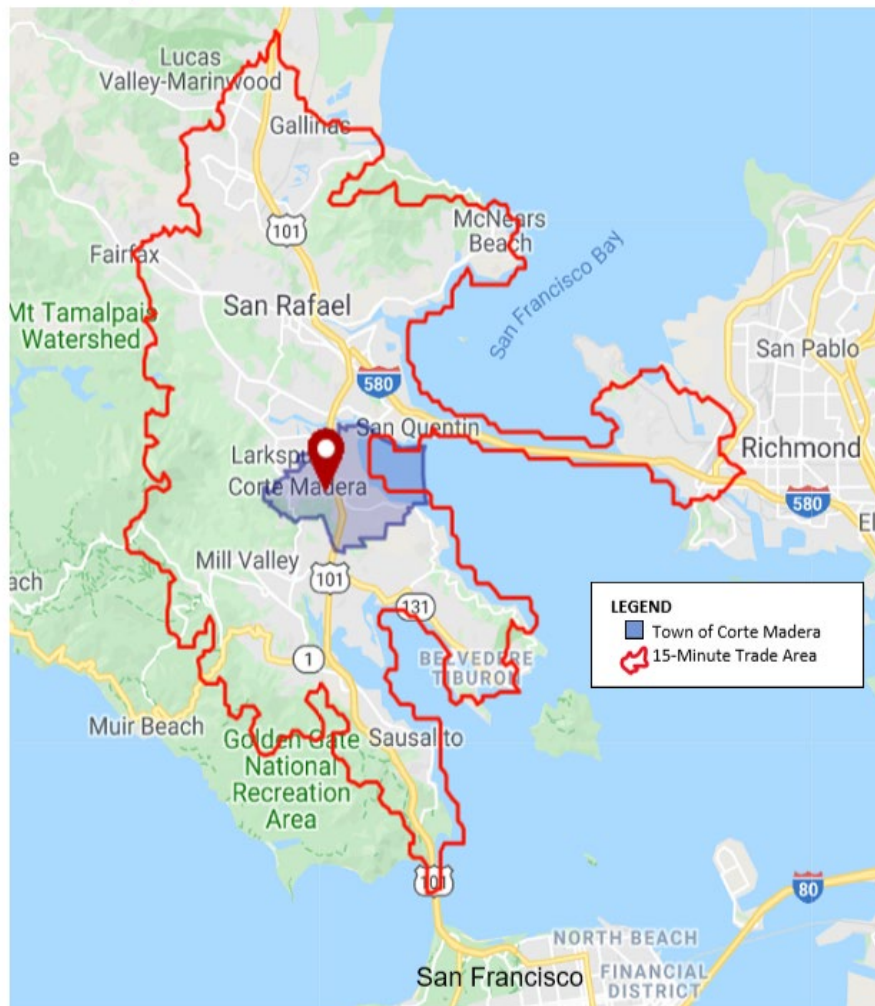
The following table illustrates the recent population and household data for a 15-minute drive-time from all three proposed hotel sites, as well as for the Town of Corte Madera.

|                               | Town of Corte Madera | 15-minute Drive-Time Trade Area – Site 1: Century Cinema, 41 Tamal Vista Blvd. | 15-minute Drive-Time Trade Area – Site 2: Chrysler Dodge Jeep Ram Dealership, 201 Casa Buena Ave. | 15-minute Drive-Time Trade Area – Site 3: Herc Rentals, 5750 Paradise Dr. |
|-------------------------------|----------------------|--|---|---|
| Population                    | 9,620                | 169,420  | 165,177   | 159,290   |
| 5-Year Pop Projection         | 10,175               | 175,817  | 171,387   | 165,254   |
| Households                    | 3,963                | 69,719   | 67,998  | 65,452  |
| 5-Year HH Projection          | 4,183                | 72,447   | 70,648  | 67,990  |
| Average HH Income             | \$181,985            | \$181,586  | \$182,969   | \$184,304   |
| Average Age                   | 43.4                 | 44.1   | 44.1  | 44  |
| Source: SiteSeer Technologies |                      |  |   |   |

Highlights of the market area include:

- The Town of Corda Madera is within close proximity and easily accessible to populations that can exceed 160,000.
- Household growth for the entire area is projected to increase by at least 3.8% over the next five years.
- Corte Madera and its trade area have a high Average Household Income level which exceeds \$181,000.
- All the general trends (including employment and income) are expected to be positive for all the geographic areas studied.





### Employment and Economic Base

The following table illustrates the employment profile for a 15-minute drive-time from each proposed hotel sites and the Town of Corte Madera.

|  | Town of Corte Madera | 15-minute Drive-Time Trade Area – Site 1: Century Cinema, 41 Tamal Vista Blvd. | 15-minute Drive-Time Trade Area – Site 2: Chrysler Dodge Jeep Ram Dealership, 201 Casa Buena Ave. | 15-minute Drive-Time Trade Area – Site 3: Herc Rentals, 5750 Paradise Dr. |
|--|----------------------|--|---|---|
| Daytime Population                       | 11,569               | 193,932  | 190,000   | 184,348   |
| Avg Employee Salary                      | \$65,204             | \$64,850   | \$64,810  | \$64,878  |
| Total Area Employees                     | 6,998                | 87,016   | 85,687  | 83,324  |
| Total Area Businesses                    | 524                  | 8,026  | 7,981   | 7,827   |
| Source: SiteSeer Technologies - PopStats |                      |  |   |   |

The following highlights some of the data presented in the above table.

- Employees working in the Town of Corte Madera have an average salary that is slightly higher than each of the three 15-minute drive time trade areas.
- Within a 15-mile radius of each proposed hotel site there is a dramatic increase in the daytime population numbers reaching areas of Point Richmond to the east and the Presidio of San Francisco to the south, a popular tourist attraction.
- All the general trends (including employment and income) are expected to be positive for all geographical areas studied.

### Top Sales Tax Producers

The Town's largest revenue sources continue to be property tax and sales tax. Corte Madera features two premier shopping experiences through the Village at Corte Madera and Town Center Corte Madera.

Both properties are conveniently located along Highway 101 and offer a highly desired retail mix, including Nordstrom, Macy's, RH, Barnes & Noble, Apple Store, Lululemon, Crate & Barrel, Pottery Barn, Urban Outfitters, Williams-Sonoma, and REI. Popular restaurants and eateries include Cheesecake Factory, Pacific Catch, Il Fornaio, Blue Barn Gourmet, Veggie Grill, and The Counter.

Many tenants from these shopping centers are top sales tax producers for the Town of Corte Madera.

| The Town of Corte Madera –Top 25 Sales Tax Producers (in alpha order) |   |
|---|---|
| Business  |   |
| Anthropologie   | Lululemon Athletica                           |
| Apple   | Macy's  |
| Athleta   | Marin Acura                                   |
| Banana Republic   | Microsoft                                     |
| Barnes & Noble  | Mini of Marin                                 |
| Cheesecake Factory  | Nordstrom                                     |
| Chevron   | Pottery Barn                                  |
| Container Store   | REI   |
| Crate & Barrel  | Safeway                                       |
| Ethan Allen   | South County of Marin Chrysler Dodge Jeep Ram |
| Gap   | Tamalpais Paint & Color                       |
| JP Morgan Chase Bank  | Tesla Motors                                  |
| Land Rover Marin  |   |
| Source: Town of Corte Madera – HdL Q2 2019 Sales Tax Update           |   |



## Transportation

The Town of Corte Madera's location at the southern end of Marin County provides easy access to San Rafael, San Francisco, Oakland and the greater Bay Area utilizing several modes of regional transportation including automotive, and nearby ferry terminals and BART services. The Larkspur Ferry Terminal, Tiburon Ferry Terminal, and Sausalito Ferry Terminal are all within a 7-mile drive providing direct ferry access to San Francisco.

Bicycling for transportation and recreation is a significant mode of transportation within Marin County, and there is a large network of connected bicycle routes in Corte Madera. This network consists of Class I (off-street bike paths), Class II (on-street bike lanes), and Class III (on-street signed routes) facilities.

## Roads and Highways

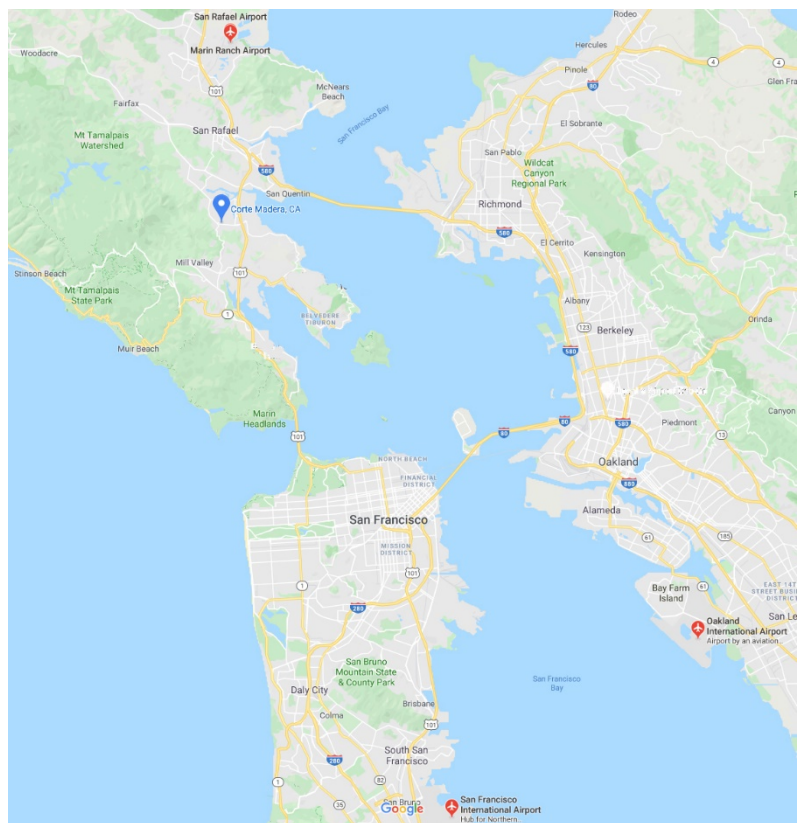
The Town of Corte Madera is the third town across the Golden Gate Bridge, and borders Mill Valley and Tiburon on the south and Larkspur to the north, with U.S. Highway 101 (Highway 101) running north/south through the Town. Highway 101 is an eight-lane freeway that bisects the Town of Corte Madera on a north-south axis. Several interchanges with Highway 101 provide access to the Town of Corte Madera: a full interchange at Tamalpais Drive, a partial interchange along southbound ramps east to and from Madera Boulevard (adjacent to the project site), and partial interchanges at Fifer Avenue (southbound ramps), Industrial Way (northbound ramps), and Casa Buena Drive (southbound on-ramp).

Tamalpais Drive is a major thoroughfare connecting Corte Madera to its neighbors in the west, and Paradise Drive connects the Town to cities on the east.

## Airports

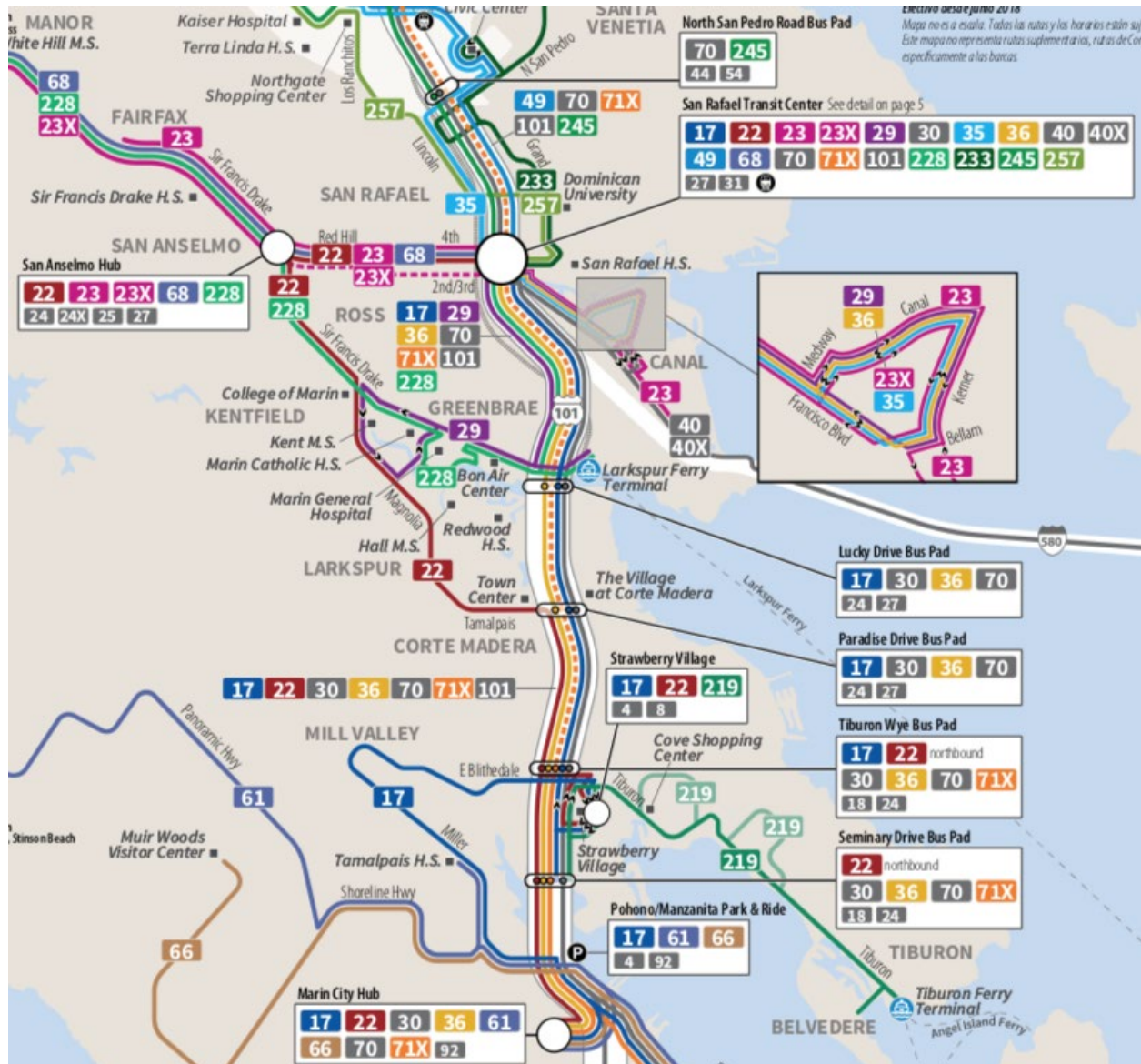
The Town of Corte Madera is serviced by two major international airports, as well as two small executive airports. San Francisco International (SFO) Airport, the largest airport in the Bay Area and the second busiest in California, after LAX is located 27 miles away. In 2017, it was the seventh-busiest airport in the United States and the 24th-busiest in the world by passenger count. It is the fifth-largest hub for United Airlines and functions as United's primary transpacific gateway. It also serves as a secondary hub for Alaska Airlines. Oakland International Airport is located 33 miles away from Corte Madera.

Within a 10-mile drive travelers can access two private executive airports – San Rafael Airport and Marin Ranch Airport.



## Public Transportation

Corte Madera is served by Marin Transit which provides connections through the Town and express service south to Mill Valley and north to the areas of Ignacio and Hamilton in southern Novato. There are multiple bus lines for easy transportation within Corte Madera and to its neighboring cities and communities.





*View from Ring Mountain Trail. Photo courtesy of AllTrails.com*

## Tourism

Corte Madera's location within its natural landscape surroundings along the Marin Peninsula makes it a tourist attraction throughout the year. There is easy access to legendary Mount Tamalpais and a number of creeks fed by the San Francisco Bay. Visitors come for the beautiful views of the bay and pastoral hillsides. At the southeastern edge of town is the Ring Mountain Preserve, a gorgeous open space overlooking the San Francisco Bay with wide-open hiking trails and views of San Francisco.

Corte Madera Ecological Reserve, which provides feeding and nesting areas for migrating meadowlarks, great egrets, snowy egrets, avocets, and sandpipers, attracts nature lovers and birdwatchers. Just north of The Village Shopping Center is Shorebird Marsh, a thirty-one-acre wildlife habitat, also a prime spot for bird watching.

Corte Madera is also home to two of Marin County's finest outdoor retail centers—The Town Center and The Village at Corte Madera. Both destination centers have a variety of high-performing boutiques and restaurants. The downtown area also has its share of outstanding restaurants, including Marin Joe's, a Marin County institution for fifty years.



*The Town Center*







*The Village at Corte Madera*

### Marin County Key Industries

Economic indicators for Marin County are positive. Marin remains ranked among the top counties in the state for a low unemployment rate and high personal income. The housing market is strong, particularly in terms of median home sales prices, and Marin continues to be one of the healthiest counties in the state for its economy.

Unemployment rates in both the State and Marin County have declined steadily over the past few years. By October 2018, the County's unemployment rate was 2.3% (not seasonally adjusted), which continues to be lower than the State's rate of 4.1% and the national rate of 3.9%.

In Inc. Magazine's 2019 annual report Marin County had six companies recognized in the top 5,000 fastest-growing privately owned companies in the nation. These six were part of only 713 companies located in California:

- Waggl #151 (Sausalito)
- Advisory Cloud #615 (Novato)
- GIR #1,232 (Novato)
- Merrimak Capital Company #3,574 (Novato)
- EO Products #3,722 (San Rafael)
- Equator Coffees #4,515 (San Rafael)

Major employers in Marin County include:

- Autodesk Inc
- Bay Equity
- BioMarin Pharmaceutical Inc
- Bradley Real Estate
- Brayton Purcell LLP
- Cagwin & Dorward Landscape
- California Alpine Club
- CA Dept of Corrections and Rehabilitation (San Quentin)
- College of Marin
- Community Action Marin
- Glassdoor Inc
- Kaiser Permanente San Rafael
- Macy's
- Managed Health Network Inc
- Marin County Sheriff's Dept
- Marin Independent Journal
- Marin General Hospital
- Nordstrom
- Novato Medical
- RH
- City of San Rafael
- Sutter Care At Home
- Township Building Svc Inc
- Westamerica Bancorporation
- Y YMCA San Francisco

## Demand Generators

The San Francisco Metropolitan Area, otherwise referred to as the San Francisco–Oakland–Berkeley, CA Metropolitan Statistical Area (MSA), includes the five counties of San Francisco, Alameda, Marin, Contra Costa, and San Mateo. This region had a 2018 census-estimated population of 4,729,484 with a land area of 2,474 square miles, and the MSA has an average population density of 1,912 people per square mile.

The San Francisco–Oakland–Berkeley, CA (MSA) is part of the Bay Area region, which includes the San Jose–Sunnyvale–Santa Clara, San Francisco–Oakland–Hayward, Napa, Santa Rosa, and Vallejo–Fairfield MSAs. Based on 2017 Nominal GDP the Bay Area is the 19<sup>th</sup> largest economy in the world with a GDP of \$748 billion.

The region is home to Silicon Valley (which is mostly located within Santa Clara County), and thus has a large number of workers employed in high technology-related manufacturing and services industries. It also has a large number of jobs in varied services industries relating to engineering, management consulting, and law. It is a major center for banking and retail trade, and it has a large number of workers employed in tourism-related and international trade-related businesses. The Bay Area is also home to a number of newly emerging industries such as biotechnology and multimedia.

## Marin County Submarket

The major economy drivers in Marin County include biosciences/biotech research linked to health and wellness, along with tourism, hospitality, food and beverage categories. With tourism providing a steady flow of visitors throughout the week the beverage and hospitality sector still has room to grow.

Forecasts indicate Marin County employers will hire 11,215 people between 2017 and 2024, and 16,800 more workers are estimated to be needed across all occupations in the county by 2024. However, Marin's hiring growth rate of 0.8 percent is slowing down.

State of California Employment Development Department (EDD) forecasts Industry Employment, which includes self-employment, private household workers, farm, and nonfarm employment in Marin County, is expected to reach 137,700 by 2024, an increase of 13.5 percent over the 10-year projection period. The largest industries in Marin County are Professional, Scientific, & Technical Services (20,351 people), Health Care & Social Assistance (17,137 people), and Educational Services 10,807 people), and

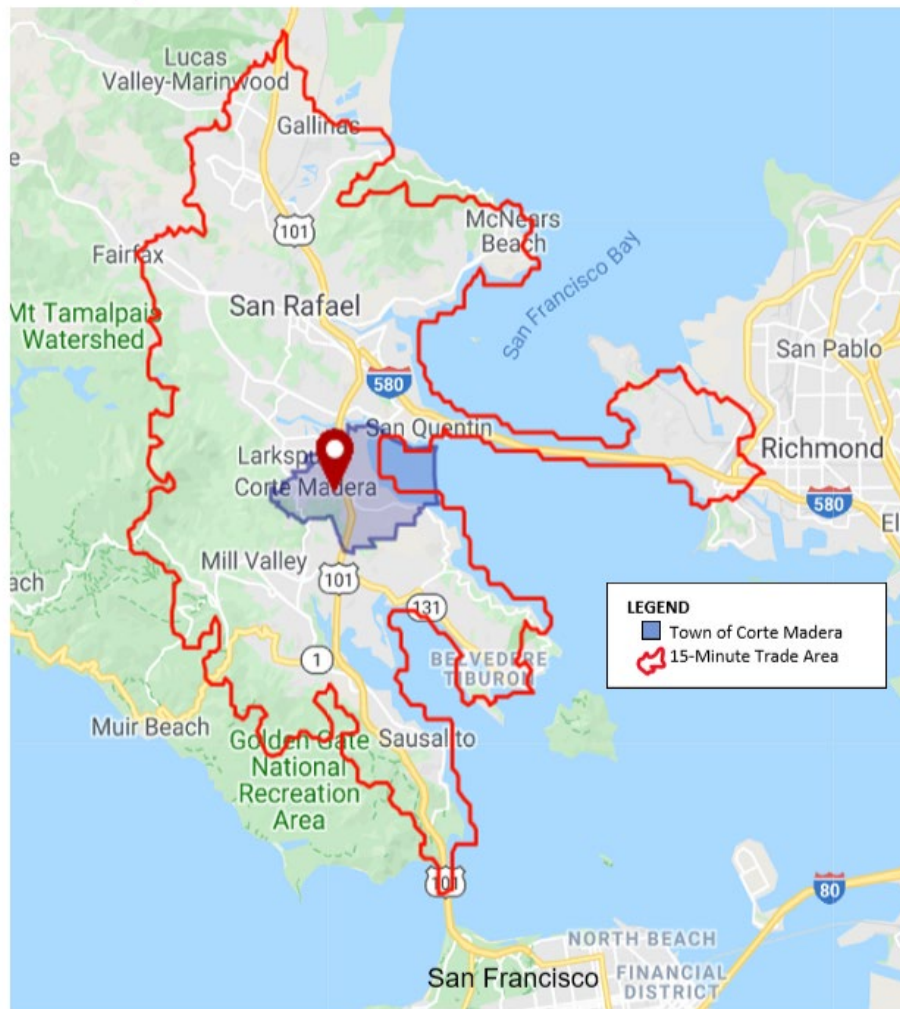
the highest paying industries are Finance & Insurance (\$151,322), Finance & Insurance, & Real Estate & Rental & Leasing (\$120,925), and Information (\$111,802).

Export-based employment for Marin County is in second place behind the Bay Area as a whole, followed by California and the U.S. showing the growth potential for this trade sector.

### Trade Area Hotel Sample

From analysis of the demand emanating from the Town of Corte Madera, it is our opinion that any proposed hotel sites in the Town would compete primarily for demand generating from a large drive-time radius of larger than that of 15-minutes.

The San Francisco Bay Area region typically acts as an excellent barometer for the performance of the greater Northern California lodging market. As the largest and most diverse of the major Northern California markets, individual hotel performance often greatly varies. However, when taken as a whole, the growing pains and opportunities of the Bay Area often reflect those seen in other areas of Northern California.





The below list represents a sampling of hotels within the Marin County/Marin Peninsula Submarket based on information from STR (Smith Travel Research) databases. It is not an exhaustive list, but inclusive and reflective of the hotels that are within the submarket. This market has an exceptionally large number of independent hotel properties – 14 of the 28 sample hotels in the immediate area are Independent hotel properties.

| Trade Area Hotel Market Sample |   |              |             |              |
|--------------------------------|---|--------------|-------------|--------------|
| Chain Scale                    | Hotel Name  | City         | Total Rooms | Year Opened  |
| Independent                    | Budget Inn  | Corte Madera | 18          |              |
| Midscale                       | Best Western Corte Madera Inn                             | Corte Madera | 110         | June 1976    |
| Economy                        | America's Best Value Inn Corte Madera San Francisco       | Corte Madera | 18          | 1948         |
| Independent                    | Marin Suites Hotel  | Corte Madera | 101         | June 1963    |
| Upscale                        | Courtyard San Francisco Larkspur Landing                  | Larkspur     | 146         | July 1987    |
| Economy                        | Travelodge San Francisco Mill Valley Sausalito            | Mill Valley  | 57          | June 1964    |
| Independent                    | Tamalpais Motel   | Mill Valley  | 22          |              |
| Independent                    | Acqua Hotel   | Mill Valley  | 49          | June 1999    |
| Upper Midscale                 | Holiday Inn Express Mill Valley San Francisco Area        | Mill Valley  | 100         | June 1970    |
| Independent                    | Muir Wood Lodge   | Mill Valley  | 27          | June 1981    |
| Independent                    | San Anselmo Inn   | San Anselmo  | 15          | June 1902    |
| Economy                        | Extended Stay America San Rafael Francisco Boulevard East | San Rafael   | 112         | April 2007   |
| Independent                    | North Bay Inn   | San Rafael   | 19          | June 2005    |
| Economy                        | Motel 6 San Rafael  | San Rafael   | 68          | June 1958    |
| Economy                        | Travelodge San Rafael                                     | San Rafael   | 32          | June 1978    |
| Independent                    | Marin Lodge   | San Rafael   | 17          | January 1947 |
| Independent                    | Villa Inn   | San Rafael   | 60          | June 1955    |
| Upper Upscale                  | Embassy Suites by Hilton San Rafael Marin County          | San Rafael   | 236         | October 1990 |
| Upscale                        | Four Points by Sheraton San Rafael Marin County           | San Rafael   | 235         | June 1970    |
| Independent                    | Alta Mira Bed & Breakfast                                 | Sausalito    | 23          | June 1925    |
| Independent                    | Gables Inn Sausalito                                      | Sausalito    | 15          |              |
| Independent                    | Hotel Sausalito   | Sausalito    | 16          | June 1915    |
| Independent                    | The Lodge At Tiburon                                      | Tiburon      | 103         | June 1977    |
| Economy                        | SureStay Plus Hotel Point Richmond                        | Richmond     | 108         | June 1975    |
| Upper Midscale                 | Best Western Plus Novato Oaks Inn                         | Novato       | 108         | April 1987   |
| Independent                    | Marinwood Inn & Suites                                    | Novato       | 47          | January 1958 |
| Upscale                        | Courtyard Novato Marin Sonoma                             | Novato       | 136         | May 1999     |
| Upscale                        | Ascend Collection Inn Marin & Suites                      | Novato       | 69          | June 1949    |

Additionally, in April 2019 the City of San Rafael approved development plans for a 140-room AC Hotel by Marriott in its downtown district. A dual-branded 184-room Home2 Suites and Hampton Inn & Suites by Hilton is being proposed on Francisco Blvd E.

The San Francisco Bay Area continues to be one of the strongest lodging markets in the U.S. due to its robust economy, designation as a top-tier travel destination, and limited supply growth. The Bay Area's

diversified economy has been led by the technology sector, which is prevalent throughout the Bay Area, driving continued employment gains. GDP increased by a robust 5.2% in 2016, more than three times the national average. Additionally, more venture capital has been attracted to the San Francisco Metropolitan Area than any other metro in the U.S. in recent years.

Convention and tourism demand have also reached record levels. RevPAR has increased exponentially over the past several years, mainly driven by double-digit average rate gains. In 2016, occupancy remained flat and average rate grew at a more modest pace, registering the lowest growth rates realized since 2009. Year-to-date data through 2018 reflect a continued softening in occupancy, but improvements in average rate.

Based on August 2019 data from STR, hotel occupancy in Marin County was 87.8%, a 3.2% increase from a year earlier. With the exception of Napa, Marin County was the only other North Bay county of the four in STR's figures that reported positive occupancy numbers in the same time frame.

#### **MARIN COUNTY**

Occupancy: 87.8%, up 3.2%

Average daily rate: \$209.07, down 1.6%

Revenue: \$14.4 million, up 1.6%

Revenue year to date: \$94.8 million, up 3.4%

Survey size: 2,536 rooms

For August 2019, compared with one year prior.  
Source: STR, Inc.

Marin's average daily rate, however, was down 1.6% from a year ago, at \$209.07. Revenue was \$14.5 million, up 1.6% compared with August 2018.

In the March 2018 edition of **Hotel Horizons**, CBRE is forecasting the demand for U.S. hotels to increase by approximately 2.0 percent each year through 2022. This implies that economic indicators such as income and employment will continue to remain healthy and generate lodging demand.

**FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS – YEAR-TO-DATE DATA**

|                    | Occupancy - YTD September |        |          | ADR - YTD September |          |          | RevPAR - YTD September |          |          | Percent Change |           |
|--------------------|---------------------------|--------|----------|---------------------|----------|----------|------------------------|----------|----------|----------------|-----------|
|                    | 2017                      | 2018   | % Change | 2017                | 2018     | % Change | 2017                   | 2018     | % Change | Rms. Avail.    | Rms. Sold |
| United States      | 67.3 %                    | 67.7 % | 0.5 %    | \$127.13            | \$130.37 | 2.5 %    | \$85.60                | \$88.22  | 3.1 %    | 2.0 %          | 2.5 %     |
| <b>Region</b>      |                           |        |          |                     |          |          |                        |          |          |                |           |
| New England        | 65.6 %                    | 67.0 % | 2.0 %    | \$156.10            | \$158.44 | 1.5 %    | \$102.44               | \$106.11 | 3.6 %    | 2.0 %          | 4.1 %     |
| Middle Atlantic    | 69.0                      | 70.8   | 2.7      | 157.73              | 161.28   | 2.2      | 108.83                 | 114.25   | 5.0      | 2.4            | 5.1       |
| South Atlantic     | 69.1                      | 69.2   | 0.2      | 124.56              | 127.90   | 2.7      | 86.11                  | 88.56    | 2.8      | 1.7            | 1.9       |
| E. North Central   | 63.1                      | 63.4   | 0.5      | 110.14              | 112.90   | 2.5      | 69.49                  | 71.57    | 3.0      | 2.0            | 2.5       |
| E. South Central   | 63.0                      | 63.0   | 0.0      | 98.20               | 100.87   | 2.7      | 61.82                  | 63.53    | 2.8      | 2.1            | 2.1       |
| W. North Central   | 59.8                      | 59.6   | (0.4)    | 98.48               | 100.21   | 1.7      | 58.93                  | 59.70    | 1.3      | 2.1            | 1.7       |
| W. South Central   | 63.1                      | 64.0   | 1.4      | 100.05              | 102.83   | 2.8      | 63.09                  | 65.77    | 4.3      | 2.7            | 4.1       |
| Mountain           | 68.3                      | 68.2   | (0.1)    | 119.84              | 120.72   | 0.7      | 81.82                  | 82.33    | 0.6      | 1.6            | 1.5       |
| Pacific            | 75.7                      | 75.5   | (0.3)    | 164.40              | 170.54   | 3.7      | 124.52                 | 128.84   | 3.5      | 1.9            | 1.6       |
| <b>Class</b>       |                           |        |          |                     |          |          |                        |          |          |                |           |
| Luxury             | 72.0 %                    | 72.7 % | 1.0 %    | \$283.80            | \$291.40 | 2.7 %    | \$204.21               | \$211.82 | 3.7 %    | 2.3 %          | 3.4 %     |
| Upper-Upscale      | 74.2                      | 74.2   | 0.1      | 181.62              | 185.28   | 2.0      | 134.78                 | 137.57   | 2.1      | 2.3            | 2.3       |
| Upscale            | 73.7                      | 73.8   | 0.4      | 141.90              | 144.76   | 2.0      | 104.61                 | 106.82   | 2.1      | 4.5            | 4.6       |
| Upper-Midscale     | 69.2                      | 69.4   | 0.2      | 116.34              | 118.36   | 1.7      | 80.55                  | 82.15    | 2.0      | 3.8            | 4.1       |
| Midscale           | 62.2                      | 62.5   | 0.4      | 94.60               | 96.92    | 2.4      | 58.86                  | 60.52    | 2.8      | 0.4            | 0.8       |
| Economy            | 59.9                      | 60.4   | 0.7      | 72.07               | 74.11    | 2.8      | 43.20                  | 44.76    | 3.6      | (0.4)          | 0.3       |
| <b>Location</b>    |                           |        |          |                     |          |          |                        |          |          |                |           |
| Urban              | 74.6 %                    | 74.6 % | 0.0 %    | \$176.36            | \$180.90 | 2.6 %    | \$131.60               | \$135.01 | 2.6 %    | 3.2 %          | 3.2 %     |
| Suburban           | 68.4                      | 68.5   | 0.1      | 108.94              | 111.44   | 2.3      | 74.47                  | 76.28    | 2.4      | 2.3            | 2.5       |
| Airport            | 74.9                      | 75.3   | 0.5      | 116.81              | 119.29   | 2.1      | 87.51                  | 89.85    | 2.7      | 1.6            | 2.2       |
| Interstate         | 58.6                      | 59.3   | 1.2      | 85.62               | 87.55    | 2.3      | 50.19                  | 51.93    | 3.5      | 1.6            | 2.8       |
| Resort             | 71.5                      | 72.0   | 0.7      | 175.07              | 181.43   | 3.6      | 125.11                 | 130.56   | 4.4      | 1.0            | 1.7       |
| Small Town         | 58.9                      | 59.6   | 1.1      | 104.13              | 106.21   | 2.0      | 61.34                  | 63.27    | 3.1      | 1.4            | 2.5       |
| <b>Chain Scale</b> |                           |        |          |                     |          |          |                        |          |          |                |           |
| Luxury             | 74.6 %                    | 75.5 % | 1.1 %    | \$320.16            | \$332.19 | 3.8 %    | \$239.00               | \$250.76 | 4.9 %    | 2.1 %          | 3.3 %     |
| Upper-Upscale      | 75.5                      | 75.5   | 0.0      | 182.12              | 185.97   | 2.1      | 137.56                 | 140.48   | 2.1      | 2.5            | 2.5       |
| Upscale            | 75.1                      | 75.0   | (0.1)    | 140.72              | 143.52   | 2.0      | 105.63                 | 107.64   | 1.9      | 5.5            | 5.4       |
| Upper-Midscale     | 69.4                      | 69.4   | 0.1      | 113.92              | 115.82   | 1.7      | 79.05                  | 80.42    | 1.7      | 4.1            | 4.2       |
| Midscale           | 61.5                      | 61.7   | 0.3      | 87.91               | 89.83    | 2.2      | 54.08                  | 55.44    | 2.5      | 0.9            | 1.2       |
| Economy            | 59.4                      | 59.8   | 0.6      | 63.01               | 64.59    | 2.5      | 37.44                  | 38.63    | 3.2      | (0.4)          | 0.2       |
| Independents       | 64.3                      | 64.9   | 0.8      | 127.08              | 130.47   | 2.7      | 81.77                  | 84.63    | 3.5      | 0.4            | 1.2       |

Source: STR - September 2018 Lodging Review

**STATISTICS AND TRENDS OF HOTEL-MOTEL BUSINESS  
NORTHERN CALIFORNIA MONTHLY TRENDS  
FOUR MONTHS ENDED APRIL**

**REPORT OF ROOMS BUSINESS BY LOCATION**

|                           | AVERAGE DAILY ROOM RATE |          |       | OCCUPANCY PERCENT |       |       | REVENUE PER AVAILABLE ROOM |          |       |
|---------------------------|-------------------------|----------|-------|-------------------|-------|-------|----------------------------|----------|-------|
|                           | 2018                    | 2017     | VAR   | 2018              | 2017  | VAR   | 2018                       | 2017     | VAR   |
| SAN FRANCISCO             | \$286.41                | \$275.31 | 4.0%  | 82.3%             | 82.0% | 0.4%  | \$235.74                   | \$225.70 | 4.4%  |
| SAN FRANCISCO AIRPORT     | 197.77                  | 194.20   | 1.8%  | 85.5%             | 82.7% | 3.4%  | 169.17                     | 160.62   | 5.3%  |
| SAN JOSE/PENINSULA        | 214.18                  | 202.19   | 5.9%  | 78.5%             | 77.2% | 1.7%  | 168.09                     | 156.08   | 7.7%  |
| OAKLAND/EAST BAY          | 150.94                  | 146.56   | 3.0%  | 76.0%             | 75.9% | 0.0%  | 114.68                     | 111.31   | 3.0%  |
| MONTEREY/CARMEL           | 276.94                  | 263.21   | 5.2%  | 67.5%             | 64.8% | 4.1%  | 186.82                     | 170.49   | 9.6%  |
| CENTRAL VALLEY            | 94.41                   | 91.38    | 3.3%  | 70.7%             | 71.0% | -0.4% | 66.75                      | 64.84    | 2.9%  |
| SACRAMENTO                | 125.01                  | 119.18   | 4.9%  | 74.9%             | 74.5% | 0.6%  | 93.61                      | 88.75    | 5.5%  |
| MARIN COUNTY              | 157.26                  | 164.23   | -4.2% | 79.5%             | 77.7% | 2.3%  | 124.98                     | 127.54   | -2.0% |
| NAPA COUNTY               | 213.41                  | 214.06   | -0.3% | 74.7%             | 72.4% | 3.1%  | 159.34                     | 154.97   | 2.8%  |
| SONOMA COUNTY             | 166.53                  | 150.48   | 10.7% | 79.9%             | 74.4% | 7.4%  | 133.04                     | 111.93   | 18.9% |
| OTHER NORTHERN CALIFORNIA | 103.41                  | 101.21   | 2.2%  | 61.9%             | 65.7% | -5.8% | 63.97                      | 66.46    | -3.8% |
| OVERALL AVERAGE           | \$198.56                | \$189.86 | 4.6%  | 76.7%             | 76.1% | 0.8%  | \$152.33                   | \$144.56 | 5.4%  |

**REPORT OF ROOMS BUSINESS BY AVERAGE DAILY RATE**

|                      | AVERAGE DAILY ROOM RATE |          |      | OCCUPANCY PERCENT |       |       | REVENUE PER AVAILABLE ROOM |          |       |
|----------------------|-------------------------|----------|------|-------------------|-------|-------|----------------------------|----------|-------|
|                      | 2018                    | 2017     | VAR  | 2018              | 2017  | VAR   | 2018                       | 2017     | VAR   |
| OVER \$175.00        | \$256.50                | \$246.78 | 3.9% | 80.7%             | 79.4% | 1.6%  | \$206.93                   | \$195.94 | 5.6%  |
| \$125.00 TO \$175.00 | 146.04                  | 140.15   | 4.2% | 75.7%             | 74.9% | 1.0%  | 110.49                     | 104.94   | 5.3%  |
| \$75.00 TO \$125.00  | 96.81                   | 93.88    | 3.1% | 72.5%             | 72.7% | -0.3% | 70.20                      | 68.25    | 2.9%  |
| UNDER \$75.00        | 60.62                   | 58.36    | 3.9% | 63.1%             | 65.6% | -3.9% | 38.25                      | 38.31    | -0.2% |
| OVERALL AVERAGE      | \$198.56                | \$189.86 | 4.6% | 76.7%             | 76.1% | 0.8%  | \$152.33                   | \$144.56 | 5.4%  |

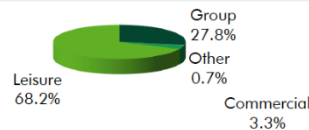
**REPORT OF ROOMS BUSINESS BY SIZE OF PROPERTY**

|                  | AVERAGE DAILY ROOM RATE |          |      | OCCUPANCY PERCENT |       |       | REVENUE PER AVAILABLE ROOM |          |      |
|------------------|-------------------------|----------|------|-------------------|-------|-------|----------------------------|----------|------|
|                  | 2018                    | 2017     | VAR  | 2018              | 2017  | VAR   | 2018                       | 2017     | VAR  |
| OVER 400 ROOMS   | \$258.89                | \$252.14 | 2.7% | 81.7%             | 80.3% | 1.8%  | \$211.59                   | \$202.53 | 4.5% |
| 250 TO 400 ROOMS | 240.78                  | 230.25   | 4.6% | 78.5%             | 79.2% | -1.0% | 188.95                     | 182.47   | 3.6% |
| 150 TO 250 ROOMS | 201.07                  | 189.71   | 6.0% | 77.5%             | 75.6% | 2.4%  | 155.74                     | 143.43   | 8.6% |
| UNDER 150 ROOMS  | 131.45                  | 125.16   | 5.0% | 72.3%             | 72.3% | 0.0%  | 95.06                      | 90.47    | 5.1% |
| OVERALL AVERAGE  | \$198.56                | \$189.86 | 4.6% | 76.7%             | 76.1% | 0.8%  | \$152.33                   | \$144.56 | 5.4% |

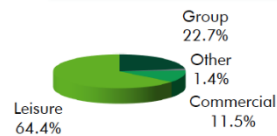
SOURCE: CBRE HOTELS

**MARKET MIX – APRIL 2018**

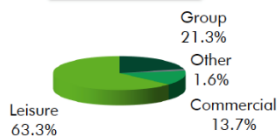
**Northern California (Not including San Francisco)**



**Northern California (Overall)**

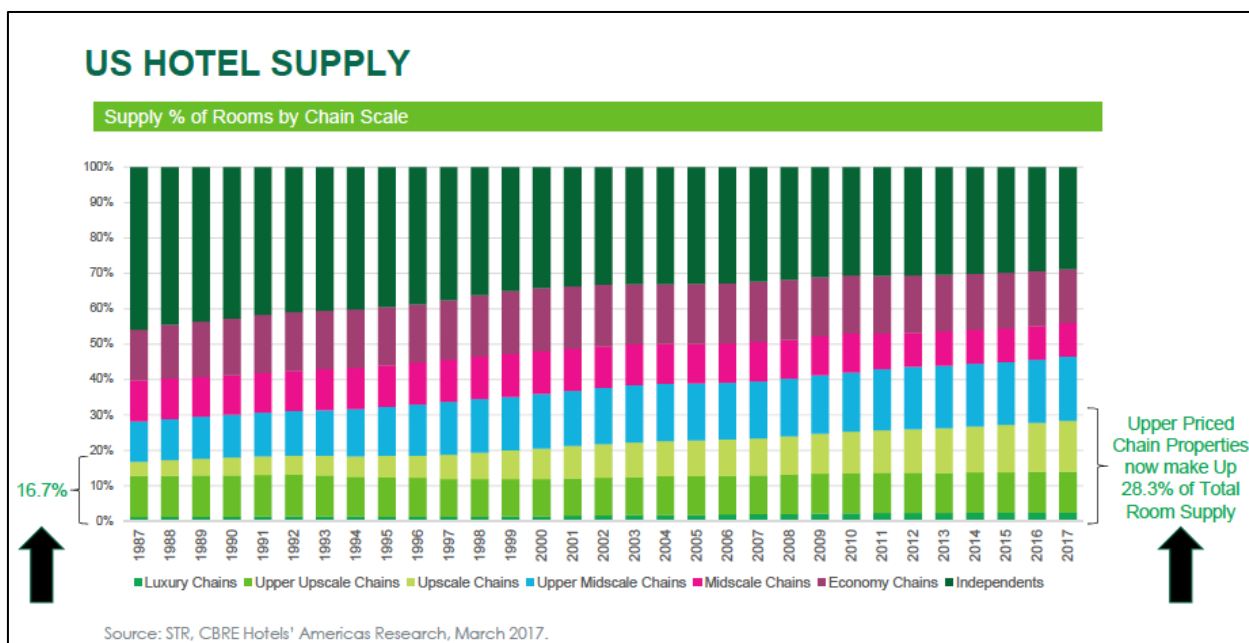
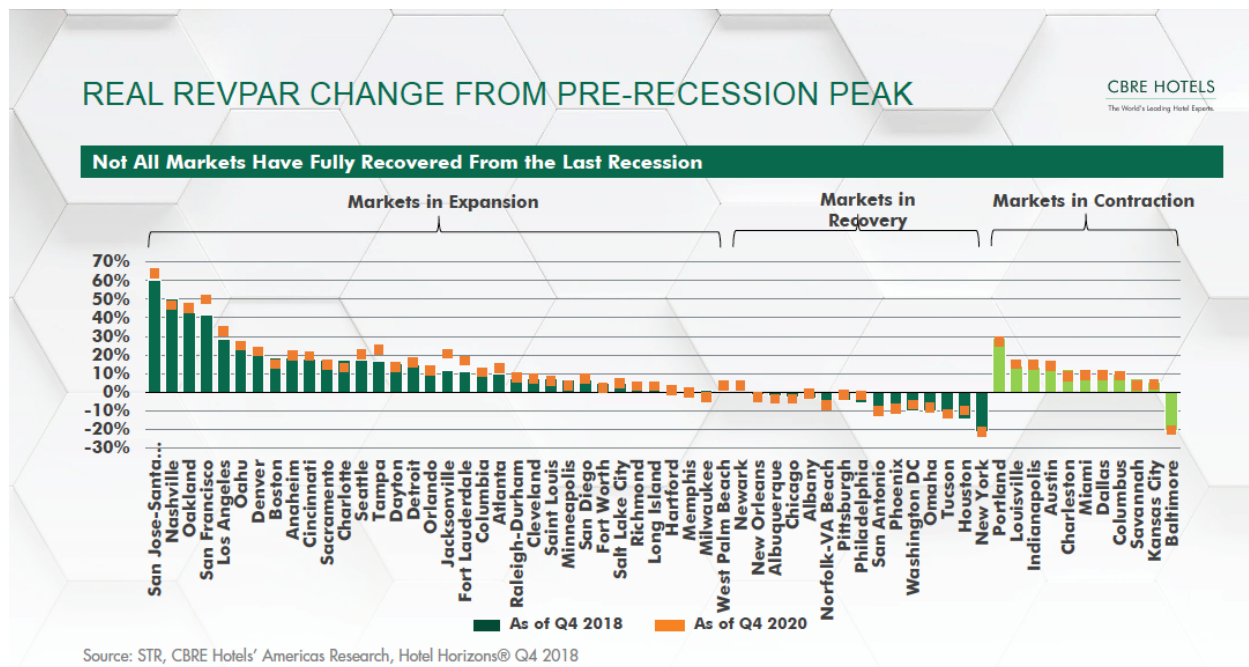


**San Francisco**



U.S. lodging industry performance in 2019 exemplifies the new marketplace. The CBRE forecast for the change in lodging demand during the year has improved from a 1.8 percent gain in the September 2019 edition of *Hotel Horizons*®, to a 2 percent increase in the current edition. The updated outlook calls for the national occupancy rate to remain at the 66.1 percent record level achieved in 2018. This marks the 10th consecutive year without a national occupancy decline.

While supply and demand appear to be balanced, room rate growth potential remains limited. CBRE now is forecasting the annual ADR for U.S. hotels in 2019 to be \$131.08, just 0.9 percent over the \$129.97 national average in 2018. The net result is a RevPAR increase of only 0.8 percent for the year.



### Summary of Trade Area Hotel Sample

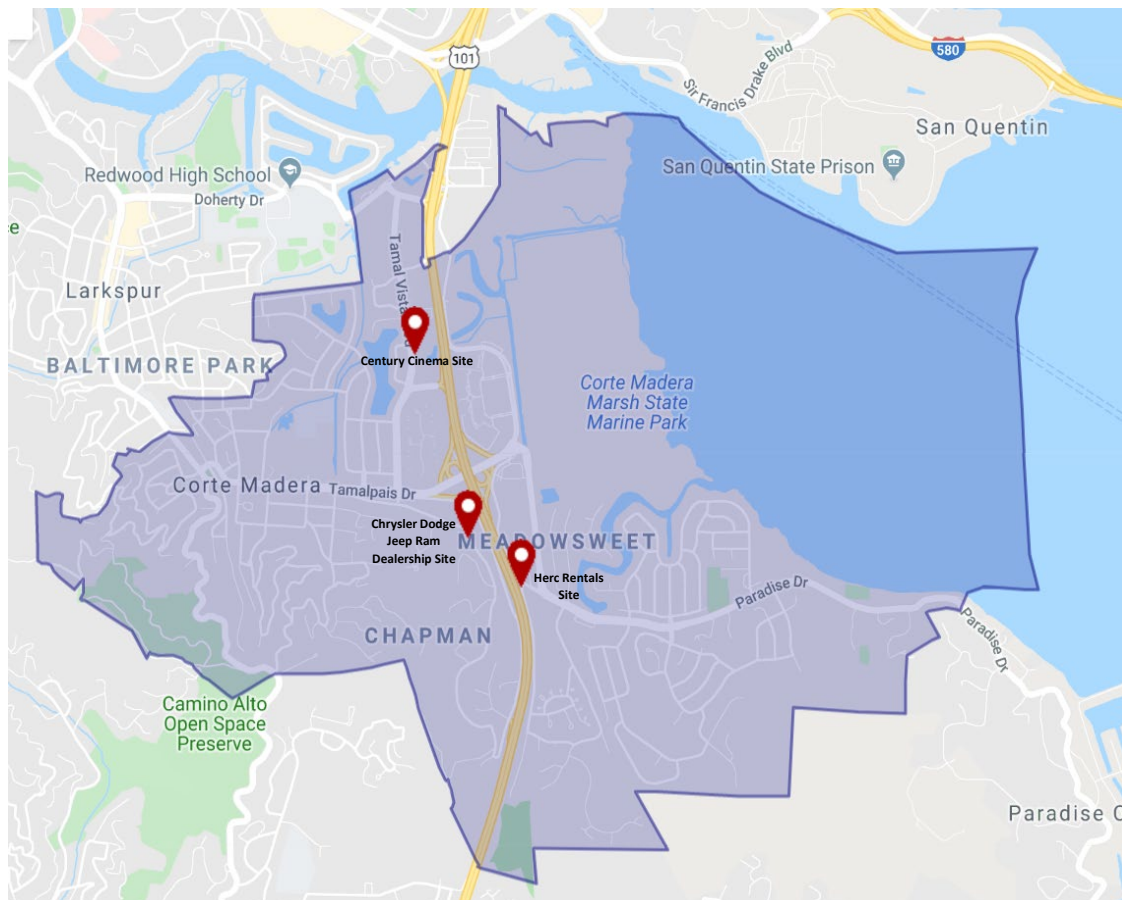
- The total competitive hotel market sampling paints the aggregated picture of the regional market area and has experienced moderate supply growth over the long run.
- Within the sample hotel market area, there are few extended stay concepts.
- Independent lodging is highly prevalent in the immediate area featuring smaller formats and older construction and concepts.

### Site Evaluation

The following areas within the Town of Corte Madera have been identified as possible sites for hotel development. According to CBRE Hotels and STR (Smith Travel Research), overall the submarket has exhibited growth and healthy economic conditions.

#### Locations

The Town is considering three sites to be evaluated as future hotel development sites. It is important to note that while the Town does not own these properties, they are able to work with the property owners and potentially participate in facilitating development at these locations. Further analysis will need to be conducted by the hotel developer. For this analysis however, we have provided a revenue analysis and hotel proforma for a prototypical hotel development that could be developed within the Town of Corte Madera. The below sites are discussed in more detail.





### Century Cinema Site



The approximately 2.11-acre movie theater site has frontage along Tamal Vista Blvd. with excellent visibility and exposure from Highway 101 with an exit .3 mile away. The site is located between the existing Best Western Corte Madera Inn (Midscale) and Marin Suites (Independent), and down the street from the successful Town Center retail plaza.

The average daily traffic volume along Tamal Vista Blvd. exceeds 7,100 cars with 5,000 vehicles exiting the Madera Blvd. exit from Highway 101. There are more than 173,000 vehicles that pass the

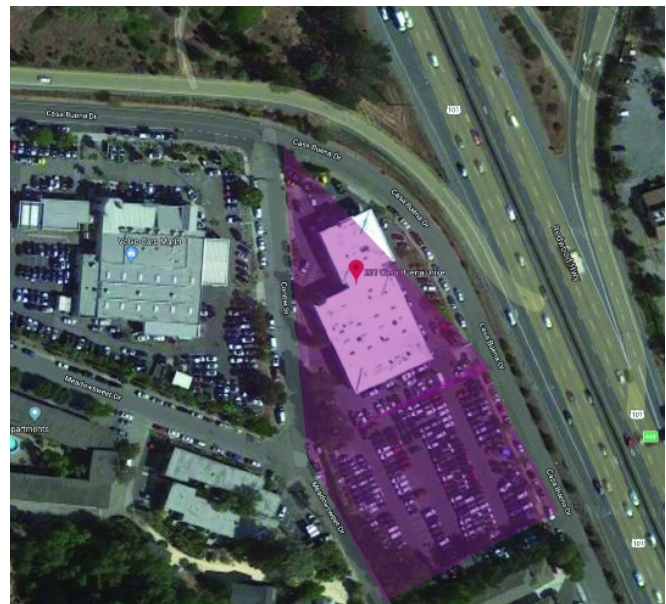
Century Cinema site on Highway 101 on a daily basis. Viable hotel concepts at this location include; Upper Midscale concepts including Marriott Fairfield Inn, Holiday Inn Express, and Hampton Inn.

### Chrysler Dodge Jeep Ram Dealership Site

The potential site is approximately 1.26 acres on a corner lot and was formerly a Chrysler Dodge Jeep Ram car dealership. The site is adjacent to the Volvo Cars of Marin dealership and the existing America's Best Value Inn Corte Madera San Francisco (Economy). Additionally, the site is east of the existing Budget Inn (Independent) and on the same block as Marin Joe's, a popular Italian American cuisine restaurant.

The site has excellent visibility and exposure from Highway 101 with an exit .3 mile away.

The average daily traffic volume on Highway 101 at this location exceeds 172,000 vehicles on a daily basis. The nearby intersection of Tamalpais Dr. has an average daily traffic volume ranging from 13,000 to 18,800 vehicles per day.



The site would prove successful due to its visibility from Highway 101. Viable hotel concepts at this location include Extended Stay concepts, by Hilton, Marriott, InterContinental Hotel Group (IHG), and Choice Hotels.



## Herc Rentals Site



The approximately 1-acre Herc Rentals site is a corner lot with frontage along Paradise Dr. near the busy intersection of San Clemente Dr. It has excellent visibility and exposure from Highway 101. The site is located in a light industrial area with a mix of nearby businesses that include bicycle sales and rentals, CPA office, fitness training center, and mini storage.

The average daily traffic volume along San Clemente Dr. exceeds 15,700 vehicles. There are more than 172,000 vehicles that pass the Herc Rentals site on Highway 101 on a daily basis. Viable hotel concepts at this location include Extended Stay concepts by Hilton, Marriott, InterContinental Hotel Group (IHG), La Quinta, Wyndham, and Choice Hotels.

## Facility Recommendations

Based on an evaluation of the sites and analysis of the trade area market hotels, along with consideration of market dynamics observed, it is recommended that the Corte Madera market area can absorb two new hotels with a total of approximately 180-200 rooms, with one hotel in the near term -1 year, and another to follow within 1-3 years.

| Recommended Hotel Facilities – Near Term (1 to 3 years)                                     |                        |                    |
|---|------------------------|--------------------|
| Type of Hotel   | Limited Service Option |                    |
| Guest Rooms   |                        |                    |
| King  | 78                     |                    |
| Queen   | 96                     |                    |
| Executive Suites  | 4                      |                    |
| Hospitality Suites  | 2                      |                    |
| Number of Guest Rooms   | 180                    |                    |
|   |                        |                    |
| Hotel Meeting Space   |                        |                    |
| Meeting Rooms   | 5,000                  | SQFT 8 to 10 rooms |
| Total   | 5,000                  | SQFT               |
|   |                        |                    |
| Food & Beverage   |                        |                    |
| These amenities should be located nearby the hotel development within an easy drive or walk | Restaurant 3-Meals     |                    |
|   | Lounge & Bar           |                    |
|   | Breakfast/Coffee Shop  |                    |
|   |                        |                    |
| Amenities   |                        |                    |
|   | Business Center        |                    |
|   | Fitness Center         |                    |
|   | Gift Shop              |                    |

|                    |                              |                              |           |
|--------------------|------------------------------|------------------------------|-----------|
|                    | Wireless/High Speed Internet |                              |           |
|                    | On-Site/Adjacent Parking     |                              |           |
|                    | Indoor/Outdoor Pool          |                              |           |
|                    |                              |                              |           |
| Potential Concepts |                              |                              |           |
| (representative)   | Hilton                       | Marriott                     | Hyatt     |
|                    | Choice Hotels                | InterContinental Hotel (IHG) | La Quinta |

The recommended facilities are based on several factors including the demand and potential demand created within the 15-minute drive time trade area and the lack of Upper Midscale and Extended Stay hotel product within a 10-minute drive time trade area from the Town of Corte Madera. Research identified the potential hotel needs for small groups, leisure and business travelers. The recommended facilities will appeal to all segments, while affording the potential sites a competitive advantage in the area hotel market.

Marin County has not had a new major hotel built in over a decade. Based on CBRE data occupancy in the submarket has been above 78% since 2004, and in the last six years demand for rooms has increased 2% annually while the average daily rate has increased more than 6% annually.

New residential, office/industrial development and business growth continues in the greater 15-minute trade area. For this and other reasons, it is recommended that two hotels (Upper Midscale and Extended Stay) can be developed in the near-term (1 to 3 years) with a total combined room count of 180-200 rooms within the Town of Corte Madera.

In the near-term a 100-room Upper Midscale hotel concept and a 90-room Extended Stay hotel concept would successfully meet the hotel demand needs within the Corte Madera trade area while conservatively planning for future growth in the Town.

## Hotel Valuation

Below is the estimated building valuation for the proposed hotel sites in Corte Madera. The valuation is based on market information derived from various sources including commercial real estate professionals, as well as the commercial development community.

| Projected Property Valuation |       |                    |                     |                      |
|------------------------------|-------|--------------------|---------------------|----------------------|
| Hotel Scale Class            | Rooms | Building Cost/Room | Total Building Cost | Property Tax Revenue |
| Upper Midscale               | 100   | \$180,000          | \$18,000,000        | \$24,948             |
| Extended Stay                | 90    | \$185,000          | \$16,650,000        | \$23,076             |

The Town of Corte Madera's share of the 1% property tax rate is approximately 13.86%.

## Transient Occupancy Revenue

There is a 12% Transient Occupancy Tax (TOT) rate in Corte Madera. Guest who stay up to thirty (30) consecutive days are considered transient for that time and subject to the transient occupancy tax. After the 31<sup>st</sup> day and consecutive days following, a hotel guest is no longer considered transient and not subject to the tax.

Occupancy in the Marin County submarket has been above 78% since 2004 based on CBRE data. While 78% occupancy will be used for the overall hotel industry within the trade area, as it relates to extended stay hotel facilities, 64% of those stays are subjected to TOT\*.

| Projected Property Valuation |           |                    |                |                    |
|------------------------------|-----------|--------------------|----------------|--------------------|
| Hotel Scale Class            | Occupancy | Average Daily Rate | Annual Revenue | Annual TOT Revenue |
| Upper Midscale               | 78%       | \$185              | \$5,266,950    | \$632,034          |
| Extended Stay                | 78%       | \$180              | \$4,612,140    | \$454,118*         |

Corte Madera's TOT rate is comparable to other cities in Marin County – the majority having a TOT of 10% with the exception of Corte Madera, Sausalito, and Novato, which have a TOT of 12%. San Francisco has a 14% TOT rate.

## Concluding Remarks

What makes some hotels more successful than others? The selection of a site, market area, brand, and management team are important to the success of a hotel property. However, the reasons that hotels are built are as varied as the people that make these decisions. The best reason to build a hotel is very simple, one is needed to satisfy market demand. With Corte Madera's convenient location at the southern end of Marin County with easy access to San Rafael, San Francisco, and Richmond the sites profiled in this report are ideal locations to capture those traveling along the Marin Peninsula and San Francisco Bay Area for tourism, business and general travel purposes.

The sites profiled in this report are viable options that have interested landowners with parcels suitable for hotel development. Since HdL ECONsolutions profiled three sites, for the purposes of this analysis we have also considered the general 15-minute drive time trade area to sufficiently understand the breadth of the existing competitive facilities. The most viable site to tackle initially within the near-term (1 year) would be the Century Cinema site on Tamal Vista Blvd, due to its location adjacent to the Highway 101 and with great freeway visibility along with easy ingress/egress from Highway 101 via Madera Blvd. Additionally, the property is large (over 2-acres) and regularly shaped. The site is situated between the existing Best Western Corte Madera (Midscale) and Marin Suites (Independent) hotels and down the street from the successful Town Center retail plaza. While both hotel sites are viable options to capture area visitors, the Century Cinema location is a site that we identified as the best for near-term construction and/or buildout.

- Further study is recommended should the developments in this report move forward. Once a development concept is solidified for the site, we recommend:
  - *An Economic Impact Study* – to determine the potential benefit the development will have on the local community.
  - *A Feasibility and Financial GAP Analysis* to outline the feasibility of the project in terms of the type project, along with any possible financial assistance necessary for a developer to achieve reasonable return on investment.

## Recommendations

Based on economic drivers, market growth in various industries and analysis of hotel market demand in the trade area, along with considerations for the three possible locations for new hotel developments in the Town of Corte Madera, HdL ECONSolutions believes that there is market demand for at least two new hotels in the near-term (1 to 3 years) in the Town of Corte Madera. To that end, it is recommended that the primary location for a new hotel in Corte Madera be at the Century Cinema site on Tamal Vista Blvd. At this site we recommend an Upper Midscale hotel concept (Marriot Fairfield Inn, Holiday Inn Express, Hampton Inn, and Best Western Plus) and believe this would provide a much-needed amenity to traveling tourists visiting Marin County and its adjacent communities. Additionally, another hotel should be considered for the Chrysler Dodge Jeep Ram Dealership/Casa Buena Ave site. At this site we recommend an Extended Stay hotel concept (Townplace Suites, Homewood Suites, Staybridge Suites, Candlewood Suites, and Cambria Suites) catering to business travelers.

| Recommended Hotel Concepts                             |                |   |
|--|----------------|---|
| Location   | Chain Scale    | Concept   |
| Century Cinema Site                                    | Upper Midscale | Marriott Fairfield Inn, Holiday Inn Express, Hampton Inn, Comfort Inn                   |
| Chrysler Dodge Jeep Ram Dealership/Casa Buena Ave Site | Extended Stay  | Townplace Suites, Homewood Suites, Staybridge Suites, Candlewood Suites, Cambria Suites |

## Assumptions & Limiting Conditions

The following standard conditions apply to market studies, feasibility projections and recommendations by ECONSolutions:

- **Economic and Social Trends** - The consultant assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical, or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The consultant is not obligated to predict future political, economic or social trends.
- **Information Furnished by Others** - In preparing the report, the consultant relied on information furnished by other individuals or found in previously existing records and/or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either express or implied, is given by the consultant for the accuracy of such information and the consultant assumes no responsibility for information relied upon later found to have been inaccurate. The consultant reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
- **Title** - No opinion as to the title of the subject property is rendered. The property is evaluated assuming it to be under responsible ownership and competent management.
- **Hidden Conditions** - The consultant assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject more or less valuable. No responsibility is assumed for arranging for engineering, geologic or environmental studies that may be required to discover such hidden or unapparent conditions.
- **Zoning and Land Use** - Unless otherwise stated, the subject property is evaluated assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
- **Licenses and Permits** - Unless otherwise stated, the property is evaluated assuming that all required licenses, permits, certificates, consents or other legislative and/or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the analysis contained in this report is based.
- **Engineering Survey** - No engineering survey has been made by the consultant. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
- **Maps, Plats and Exhibits** - Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.