

**- RESTRICTED  
APPRAISAL REPORT -**

**Holiday Inn Beaumont East  
2095 North 11<sup>th</sup> Street  
Beaumont, Texas**

**BY**

**GALBRAITH AND ASSOCIATES, INC.**

**GALBRAITH AND ASSOCIATES, INC.**

*REAL ESTATE APPRAISERS • CONSULTANTS*

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October 23, 2024

Beaumont Medical Center Hotel Inc.  
2095 North 11th Street  
Beaumont, Texas 77703

RE: Restricted Appraisal of the Holiday Inn Beaumont East, 2095 North 11th Street, Beaumont, Texas

Dear Sir:

An appraisal of the property referenced above is submitted for your review. Per your request, the purpose of this appraisal is to develop a supportable opinion of the fee simple interest of the subject property. The value opinion includes the fee simple interest in the real estate, and the contributory value of all furniture, fixtures, and equipment (FF&E).

The results of our investigations, together with the details of methods used in deriving the final value opinions are presented in the accompanying report. Your attention is directed to the assumptions and limiting conditions, which are contained in the body of this report, for a more thorough understanding of prepared with the intent to conform with FIRREA, and the Uniform Standards of Professional Practice (USPAP).

Based on my analysis, it is my opinion that the "as is" estimated value of the subject property, as a "going concern" (including all rights in realty, personalty and intangible business-related assets) subject to competent property management, as of October 16, 2024, was:

**NINETEEN MILLION ONE HUNDRED THOUSAND DOLLARS**

**(\$19,100,000)**

Sincerely,  
Galbraith and Associates, Inc.

*Will Galbraith*

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Will Galbraith, Jr., MAI, SRA  
Texas General Appraisal Certification #1320458G

## SUMMARY OF SALIENT FACTS

Property: Holiday Inn Beaumont East  
Address: 2095 North 11th Street, Beaumont, Texas  
Date of Value Estimate: October 16, 2024  
Date of Property Inspection: October 16, 2024  
Date of Report: October 23, 2024  
Property Rights Appraised: Fee Simple Estate  
Type of Report: Restricted Report

### **PHYSICAL DATA**

Description: 161-unit full-service hotel  
Land Area: 4.3601 acres  
Gross Building Area: 115,571 SF  
Year Built: 1980 (the renovation was completed and the hotel was reopened in April 2018)  
Zoning: GC-MD (General Commercial – Multiple Dwelling Units)

### **Value Indications:**

Income Approach: \$18,890,000  
Sales Comparison Approach: \$19,320,000  
Cost Approach: Not Applicable

**Final Market Value: \$19,100,000**

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### ADDENDA

Certification of Value	
State Certification	
Qualifications of the Appraiser	

## **ASSUMPTIONS AND LIMITING CONDITIONS**

The certification of the Appraisers appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraisers in the report.

1. The Appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the Appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership, competent management, and is appraised as if free and clear of any or all liens or encumbrances.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraisers have made no survey of the property.
3. The Appraisers are not required to give testimony or appear in court because of having made the appraisal reference to the property in question, unless arrangements have been previously made.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structure, which would render it more or less valuable. The Appraisers assume no responsibility for such conditions, or for engineering which might be required to discover such factors.
6. Information, estimates, and opinions furnished to the Appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished to the Appraisers can be assumed by the Appraisers.
7. Disclosure of the contents of this appraisal is governed by the By-laws and Regulations of the Appraisal Institute.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected) shall be disseminated to the public through advertising media, public relations media, news media, or any other public means of communication without the prior written consent and approval of the appraisers.
9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
10. It is assumed that all applicable use regulations and restrictions have been complied with unless non-conformity has been stated, defined, and considered in the appraisal report.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the Appraiser. This report assumes that the property is not affected by hazardous substances. We urge the client to consult an expert in this field. The Appraisers are not qualified to detect such substances. The presence of substances such as radon gas, asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may also affect the value of the property. Our value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.
12. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event, only with proper written qualifications and only in its entirety.
14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraisers have not made a specific compliance survey or analysis of the property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Except where otherwise noted, the appraisers did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
15. It is assumed that the entire bundle of rights to the property is available. This information is assumed to be correct and is the basis of the valuation methodology utilized in this report. Should any of this information be deemed incorrect, this appraisal may need to be amended accordingly.

## **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to develop an opinion of the market value of the fee simple interest of the subject property, on an "as is" basis, as of the date of value.

## **USE/INTENDED USER OF THE APPRAISAL**

The use of this appraisal is for the use of loan underwriting and/or credit decisions. The intended users of this report are Beaumont Medical Center Hotel Inc. and/or affiliates.

## **TYPE OF APPRAISAL REPORT**

This is a Restricted Appraisal Report, defined as a condensed version of a Narrative Appraisal Report that is limited in scope and intended for specific purposes. It is commonly used when a client or intended user has a sufficient level of knowledge about the property being appraised and local market conditions and does not require the level of detail provided in a narrative appraisal report.

## **DATE OF VALUE ESTIMATE**

The date of the "as is" market value estimate rendered herein is October 16, 2024. The date of inspection was also October 16, 2024.

## **DATE OF REPORT**

The date of this report is October 23, 2024.

## **PROPERTY RIGHTS APPRAISED**

The property rights appraised include the fee simple interest of the subject property, "as is", on a "going-concern" basis. Hotels are commonly appraised on a "going-concern" basis because the physical real estate and personal property assets are integrated parts of an on-going business and, as such, market values for the land and building are difficult to segregate. The term "Fee Simple", as presented in the 14th Edition of The Appraisal of Real Estate published by the Appraisal Institute, is defined as:

*"Absolute ownership unencumbered by any other interest or estate subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat."*

## DEFINITION OF MARKET VALUE

"Market value" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. *Buyer and seller are typically motivated;*
2. *Both parties are well informed or well advised, and acting in what they consider their own best interests;*
3. *A reasonable time is allowed for exposure in the open market;*
4. *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
5. *The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."*

This definition of market value is from regulations published by federal regulatory agencies pursuant to Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act (**FIRREA**) of 1989.

## DEFINITION OF "GOING-CONCERN" VALUE

The definition of "Going-Concern" Value, as presented in the 15th Edition of The Appraisal of Real Estate published by the Appraisal Institute, is as follows:

*"Going-concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate. Going-concern value includes an intangible enhancement of the value of the operating business enterprise which is produced by assemblage of the land, building, labor, equipment, and marketing operation. This process leads to an economically viable business that is expected to continue. Going-concern value refers to the total value of a property, including both real property and intangible personal property attributed to business value."*



## **SCOPE OF THE APPRAISAL**

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied, all based upon the purpose of the appraisal and its intended use, as previously outlined.

Galbraith and Associates, Inc. completed the following steps for this assignment:

1. physically identified and inspected both the interior and exterior of the subject property, as well as its surrounding environs; identified and considered those characteristics that may have a legal, economic or physical impact on the subject;
2. physically inspected the micro and/or macro market environments with respect to physical and economic factors relevant to the valuation process; expanded this knowledge through interviews with regional and/or local market participants, available published data and other various resources;
3. conducted regional and/or local research with respect to applicable tax data, zoning requirement, flood zone status, demographics, income and expense data, and comparable listing, sale and rental information;
4. analyzed the data gathered using appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value;
5. correlated and reconciled the results into a reasonable and defensible value conclusion as defined herein; and
6. estimated a reasonable exposure time and marketing time associated with the value estimate presented.

To develop the opinion of value, Galbraith and Associates, Inc. completed an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). In this appraisal, the Income and Sales Comparison approaches to value were completed. Furthermore, the value conclusion reflects all known information about the subject, market condition, and available data.

## **COMPETENCY OF THE APPRAISERS**

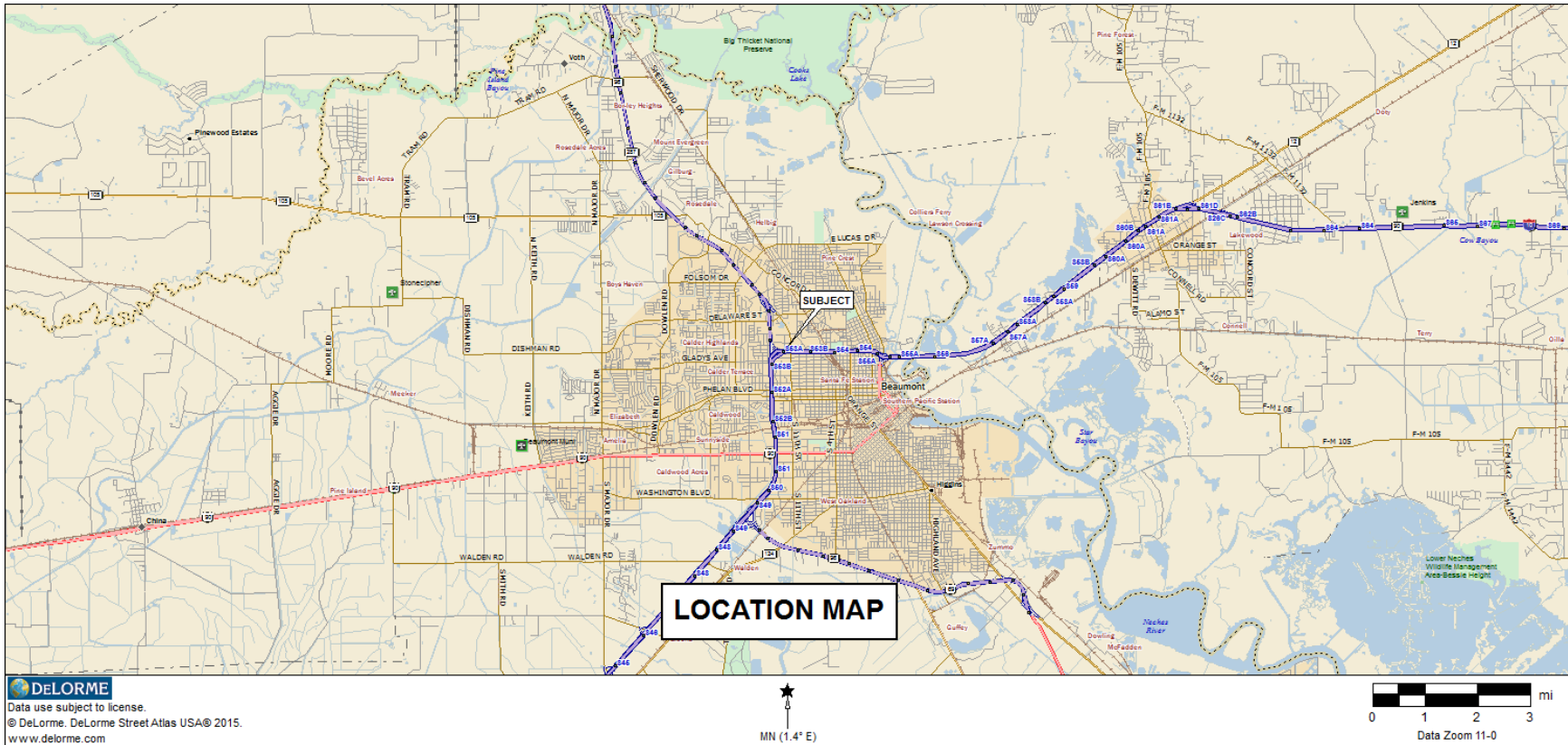
Will Galbraith, Jr., MAI has performed numerous appraisals of lodging facilities, commercial establishments and vacant land. Files are maintained with historical and current data relative to the subject's changing real estate market. During the preparation of this appraisal report, comparable sales transactions have been gathered from reliable sources. Additionally, real estate brokers and others considered knowledgeable of the market were interviewed to obtain attitudes and trends within the local market. Further, local observations were contracted to trends in the national market. The appraiser possesses the knowledge and experience to conduct the inspection and necessary analysis to accurately estimate the value of the subject property. Qualifications of the appraiser are included in the Addenda.

## **IDENTIFICATION OF THE PROPERTY**

As of the effective valuation date of this report, the subject property consisted of a 191-unit, full-service hotel operating as the Holiday Inn Beaumont East, 2095 North 11th Street, Beaumont, Texas. The subject property has a land area of 4.3601 acres and is identified by Jefferson CAD as Parcel No. 034700-000-000500-00000-4. The legal description is included in the Addenda.

## **HISTORY OF THE PROPERTY**

In accordance with standard rule 1-5 (b), of the "Uniform Standards of Professional Practice" of the Appraisal Institute, amended August 27, 1996, a three-year sales history for the subject property shall be included for all non-residential properties. The current owner of record, Beaumont Medical Center Hotel Inc., purchased the property on May 7, 2013 and then renovated the hotel. The construction costs were \$15,046,224 (see Description of the Improvements section). The subject property is not currently listed or under contract for sale. There have been no sales of the subject property in the past three years.



## **REGIONAL AREA ANALYSIS**

### **Introduction**

The value of the subject property is affected by various influences of the surrounding region. Infrastructure, base employment, and overall social, economic, and political conditions in the area form the background against which the property is considered. The subject property is in Beaumont, Jefferson County, Texas.

### **ENVIRONMENTAL FORCES**

#### **Location/Terrain**

The “Golden Triangle” is comprised of Beaumont, Port Arthur, and Orange and is a reference to the geographical positioning of these cities relative to each other along with the economic positioning of these cities through the operation of large petrochemical companies along the Neches and Sabine Rivers. Other cities in the “Golden Triangle” area include Nederland, Groves, Port Neches, Vidor, and Bridge City.

Beaumont is in the eastern portion of Texas, along the Texas/Louisiana border, within Jefferson County. Beaumont is the county seat, the largest City in the County, and is also the economic hub of the County. Beaumont is located on U.S. Highway 69, approximately 15 miles northwest of Port Arthur, 90 miles east of Houston, and 258 miles west of New Orleans.

#### **Climate**

Mild winters and hot summers characterize the area’s climate. Prevailing winds are from the southeast off the Gulf of Mexico, moderating both summer and winter temperatures.

#### **Transportation**

##### Highways

The major traffic carriers in the area include Interstate Highway-10 and U.S. Highways 69, 96, 287, and 90. Interstate Highway-10 traverses the County in a north/south and in an east/west direction, U.S. Highway 69, U.S. Highway 96, and U.S. Highway 287 traverse the County in a northwest/southeast direction and an east/west direction, and U.S. Highway 90 crosses the County in an east/west direction. These highways interconnect with each other to provide adequate access to all areas of Beaumont and Jefferson County.

## Air

Only 90 miles from Bush Intercontinental and Hobby Airports in Houston, the Jack Brooks Regional Airport provides affordable access to world-wide travel, commerce, and recreation. Jack Brooks Regional Airport, formerly Southeast Texas Regional Airport, is a public airport located near Port Arthur, nine miles southeast of the central business district of Beaumont and northeast of Port Arthur. Currently American Eagle operates flights daily to DFW.

## Rail

Southeast Texas is home to three major commercial rail carriers. Union Pacific, Kansas City Southern and Burlington Northern Santa Fe all operate in the regional market. Additionally, Amtrak serves Southeast Texas residents via Sunset Limited service.

## Port of Beaumont

The Port of Beaumont is a world-class intermodal transportation facility that is served by three class one. Located in Southeast Texas, the Port of Beaumont is a political subdivision of the State of Texas and operates as a hybrid (operational and landlord) deep draft port.

Their eight-terminal facility houses 11 berths, more than 100 acres of storage and direct service to three Class I rail carriers. In FY 20/21, the Port of Beaumont's annual tonnage was 4,424,804.

## **Art and Museums**

The City is home to many cultural assets including the Art Museum of Southeast Texas, the Dishman Art Museum, Spindletop-Gladys City Boomtown Museum, the Edison Museum, the Fireman Museum of Texas, the McFaddin-Ward House and Beaumont Botanical Gardens. The City hosts a number of annual events including the Gusher Marathon, the Beaumont Jazz and Blues Festival, and Boomtown Film and Music Festival.

## **Recreation**

Beaumont has all forms of recreational activity; from golfing on one of the area's courses, to picnics at one of the 35 parks, to birding to canoeing, and from hunting to fresh and saltwater fishing. Attractions include the Gulf of Mexico, the East Texas Lake Country, and the biological crossroads of North America – the Big Thicket National Preserve.

There are river rides, swamp tours, canoe expeditions, and camping. Horse racing and casino gaming are also available in nearby Louisiana. With the development of Ford Park and the Crockett Street Entertainment District located downtown, residents and visitors can play by day at Ford Park and enjoy an evening of dining and entertainment by night at one of Crockett Street's many venues.

Beaumont is on two migratory flyways: Central and Mississippi Flyways. Nearly 30 species of ducks and flocks of snow geese migrate to Beaumont between October and March while roseate spoonbills, great and white snowy egrets, white-faced ibis and mottled ducks are year-round fixtures. Local birding hotspots include Cattail Marsh, which comprises 900 acres of wetlands and a new boardwalk, and High Island, known for its unique habitat for migrating birds. Located inside Tyrrell Park, Cattail Marsh is a wildlife refuge for more than 250 species of birds annually. High Island draws thousands of enthusiastic visitors from all over the world each year to enjoy the huge numbers of migrating birds that pass through on their way north to their breeding grounds. North of Beaumont, Big Thicket National Preserve offers another prime bird watching location with over 40 miles of hiking trails that allow visitors to view a variety of different ecosystems found within the Preserve's 108,000 acres. Spring Migration happens March through June while Fall Migration occurs July through October.

The Event Centre is the host to the City's Fourth of July Celebration each year which draws thousands of people to the downtown area. Downtown Beaumont is also host to the City's Annual Jazz & Blues Festival.

## **Education**

Beaumont Independent School District is served by 29 schools.

College and universities in the area include Lamar University, Lamar Institute of Technology, University of Houston, Texas Southern University, San Jacinto College, and Rice University.

## **Health Care**

CHRISTUS Southeast Texas St. Elizabeth is an acute care and trauma center and is a regional leader in spine and orthopedics, cardiology, oncology, general surgery, critical care and trauma, birthing, neonatal care, and bariatrics.

Baptist Hospitals of Southeast Texas provides abundant resources for outpatient services, inpatient services, high-definition imaging, and emergency medical care 24/7 for all those needing services. Additionally, they are the only hospital in Southeast Texas with a pediatric emergency room."

## SOCIAL FORCES

The population estimate of Beaumont-Port Arthur MSA was 395,479 residents as of 2023, a decrease of -0.4 percent from the population estimate recorded in 2020.

## ECONOMIC FORCES

### Income

In 2022 Jefferson County had a per capita personal income (PCPI) of \$48,131, according to the U.S. Bureau of Economic Analysis. The median household income in 2022 for Jefferson County was \$57,294, according to the U.S. Census Bureau.

### Labor Market

**Beaumont – Port Arthur MSA Labor Force Statistics**

	<b>September 2024</b>	<b>August 2024</b>	<b>September 2023</b>
C.L.F.	174,549	174,086	169,322
Emp.	164,139	162,866	159,799
% Rate	10,410	11,220	9,523
Unemp Rate.	6.0%	6.4%	5.6%

Source: Texas Workforce Commission

The unemployment rate in the Beaumont-Port Arthur MSA was 6.0 percent in September 2024, down from a revised 6.4 percent in August 2024, and below the year-ago estimate of 5.6 percent. This compares with an unadjusted unemployment rate of 4.1 percent for Texas and 3.9 percent for the nation during the same period.

After four years of construction, ExxonMobil recently (2023) completed the startup of the Beaumont Light Atmospheric Distillation Expansion project. Commonly referred locally as BLADE, the expansion consisted of adding a third crude unit and distillate hydrotreating at the ExxonMobil Beaumont Refinery complex, increasing production of diesel fuel to bring greater supply to the market. The \$2 billion dollar project increases the Beaumont Refinery’s light crude refining capacity by 250,000 barrels per day.

ExxonMobil’s integrated operations in Beaumont also include chemical, lubricants and polyethylene plants. ExxonMobil has approximately 2,100 employees in the Beaumont area and its operations account for approximately 1 in every 7 jobs in the region.

## **GOVERNMENTAL FORCES**

Jefferson County has four commissioners and a county judge who oversee the County's general business and financial affairs, as well as the County's employees.

The City of Beaumont operates under a council, city-manager form of government. The City Council is comprised of the Mayor and six Councilmembers, of which two serve at-large and four serve in wards.

Beaumont Fire-Rescue Services (BFRS) is an all-hazards career fire department providing 24-hour emergency response services from 12 strategically located fire stations.

The Beaumont Police Department is a large part of the community. They are committed to protecting lives, property, and the rights of our citizens.

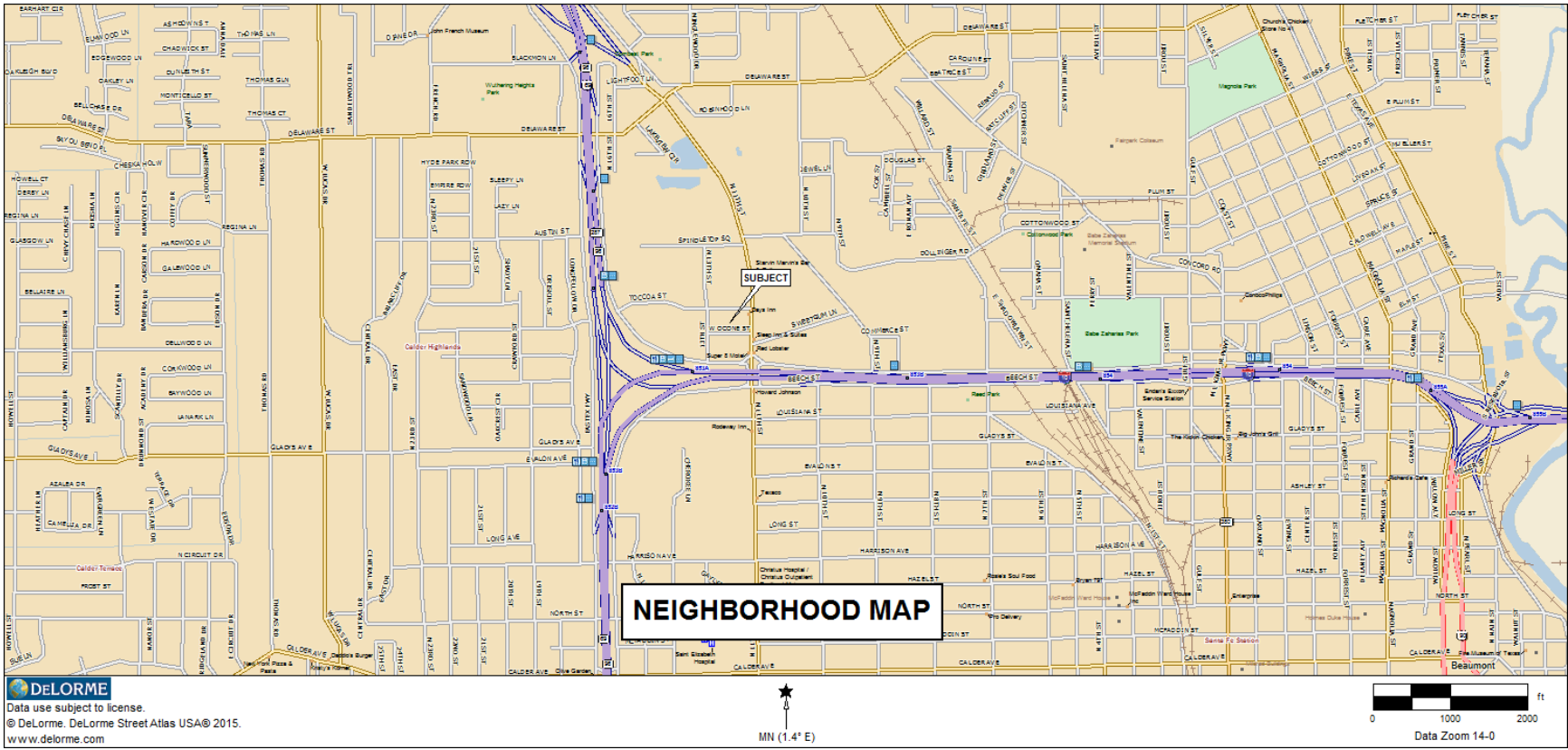
## **Conclusion**

Beaumont - Port Arthur developed into a refining and petrochemical center, drawing on the dominance of energy and mining-related companies, attributable to the presence of two large seaports and proximity to Houston - the nation's energy capital.

## **Beaumont Economic Forecast**

Once again, with a couple of exceptions, most components on the monthly table of economic indicators are down compared to year-ago levels, including general spending and auto spending, construction, including new home construction, and existing home sales. Hotel/motel activity was sharply higher but compared to an unusually low number from a year ago, and the average home sale price was higher. Employment continues to register modest gains and the Beaumont unemployment rate is lower compared to year-ago levels.





## NEIGHBORHOOD ANALYSIS

Neighborhood is defined by The Appraisal of Real Estate, 15<sup>th</sup> Edition, *Appraisal Institute*, as:

*"A group of complementary land uses."*

A neighborhood is a separately identifiable, cohesive area within a community with some interests typically shared by the improvements. Most neighborhoods have recognizable natural or man-made boundaries. While physical boundaries are stipulated to define the neighborhood, they are often less significant than other boundaries of influence. A neighborhood may be further defined as a grouping of complimentary uses affected in a similar manner by social, economic, governmental, and/or environmental factors. In addition to physical boundaries, a neighborhood may be delineated by perceptible changes in land use and the architectural style and condition of the area improvements. Finally, every neighborhood is subject to influence by the surrounding community.

**SUBJECT NEIGHBORHOOD COMPARED TO OTHER NEIGHBORHOODS**

	<b>GOOD</b>	<b>AVG</b>	<b>FAIR</b>	<b>POOR</b>
<b>ACCESS TO:</b>				
<b>NEIGHBORHOOD:</b>	<b>X</b>			
<b>EMPLOYMENT:</b>	<b>X</b>			
<b>RETAIL CENTERS:</b>	<b>X</b>			
<b>STREET PATTERNS AND UPKEEP:</b>		<b>X</b>		
<b>PROPERTY COMPATIBILITY:</b>		<b>X</b>		
<b>POPULATION DENSITY:</b>		<b>X</b>		
<b>SCHOOLS:</b>		<b>X</b>		
<b>INCOME LEVELS:</b>		<b>X</b>		
<b>RENT LEVELS:</b>		<b>X</b>		
<b>VALUE LEVELS:</b>		<b>X</b>		
<b>VACANCY LEVELS:</b>		<b>X</b>		
<b>TAX BURDEN:</b>	<b>X</b>			
<b>FLOOD HAZARDS:</b>			<b>X</b>	

**SUBJECT NEIGHBORHOOD CHARACTERISTICS**

<b>LOCATION</b>		URBAN	<b>X</b>	SMALL METRO		RURAL
<b>% DEVELOPED</b>		OVER 75%	<b>X</b>	25%-75%		UNDER 25%
<b>GROWTH RATE</b>		STEADY	<b>X</b>	STABLE		SLOW
<b>SUPPLY</b>		SHORTAGE	<b>X</b>	IN BALANCE		OVERSUPPLY
<b>MARKETING TIME</b>		< 6 MONTHS	<b>X</b>	6-12 MONTHS		OVER 1 YEAR
<b>% RESIDENTIAL</b>		OVER 75%		25%-50%	<b>X</b>	UNDER 25%
<b>VALUES</b>		INCREASING	<b>X</b>	STABLE		DECLINING

**STAGE OF LIFE CYCLE**

<b>GROWTH</b>	
<b>STABILITY</b>	<b>X</b>
<b>DECLINE</b>	
<b>REVITALIZATION</b>	

The subject property is located on the west side of North 11<sup>th</sup> Street, one block to the north of Interstate-10 in Beaumont, Texas. The neighborhood is bounded by Highway 287/96 on the west, Delaware Street to the north, Concord Road on the east, and Interstate-10 on the south. The Beaumont central business district is approximately five miles to the southeast.

**Access:** The area’s transportation needs are serviced by a highway system, as well as railroad and deep-water barge transportation. The major traffic carriers in the area include Interstate-10 and U.S. Highways 69, 96, 287, and 90. These highways provide adequate access to all areas of Beaumont and Jefferson County. In addition to these major traffic carriers, access is also provided by numerous other thoroughfares and roadways.

**Land Uses:** Land usage near the Interstate-10/11<sup>th</sup> Street intersection is primarily commercial in nature and includes the Holiday Inn (subject property), Studio 6, Heritage Inn, Merit Inn and Suites, Days Inn and Suites, HomeBridge Inn and Suites, Midtown Inn, Scottish Inn, Waffle House, Café Del Rio, Crazy Cajun, Al Basha, BBVA Bank, Luby’s, McDonald’s, Jack in the Box, Red Lobster, Dollar General, Valero Gasoline and Convenience Store, Lucas House Nursing Home, Bicycle Sports Bar, Texas Marine of Beaumont, Southeast Affiliated Credit Union, Advantage Testing, Classic Acura, several churches, and various other commercial businesses.

The Beaumont medical district is located along North 11<sup>th</sup> Street just to the south of Interstate-10. CHRISTUS Dubuis Hospital of Beaumont is a long-term acute care hospital that provides intense, specialized treatment for patients who require service for an extended period of time - often transferring from intensive care units in traditional hospitals. The 260,000 square-foot CHRISTUS Outpatient Pavilion is located on 11th Street between Harrison and North Streets. CHRISTUS Southeast Texas St. Elizabeth, is a 431-bed acute care and trauma center, and is a regional leader in spine and orthopedics, cardiology, oncology, general surgery, critical care and trauma, birthing, neonatal care, and bariatrics.

The subject neighborhood has been in a stable growth pattern over the past several years, a trend expected to continue for the foreseeable future. There are no land uses which have a negative impact on the marketability of real estate.

**Utilities & Services:** All public utilities are available in sufficient quantities to adequately serve the subject neighborhood and include public sewer, water, gas, electricity, fire and police protection, and refuse collection.

**Conclusion:** The neighborhood is well-suited for the development of a hotel. Commercial visitation is provided by nearby commercial and medical development while transient visitation is generated by Interstate-10 and regional tourist attractions. Necessary support services for hotel patrons, such as restaurants and shopping, are in proximity.

## DESCRIPTION OF THE SUBJECT SITE

The subject property is located on the west side of North 11<sup>th</sup> Street, one block to the north of Interstate-10, Beaumont, Texas. The following text summarizes the salient information about the subject site based upon county records, data provided by the owner, and my physical inspection of the property.

Location:	2095 North 11th Street, Beaumont, Texas
Assessor's ID:	Parcel 034700-000-000500-00000-4
Area:	4.3601 acres
Frontage/Access:	The subject site has frontage on the west side of North 11 <sup>th</sup> Street, on the south side of Toccoa Street, and on the east side of North 13 <sup>th</sup> Street.
Topography/Terrain:	Level
Shape:	Irregular
Zoning:	<i>GC-MD (General Commercial – Multiple Dwelling Units)</i> . The GC-MD, district is intended for the conduct of community-wide personal and business services, specialty shops, general highway commercial uses, shopping centers, and multifamily residential development. The need for community-wide accessibility dictates that this district be located ideally at the intersection of two (2) or more streets, along frontage roads adjacent to the interstate, or along selected major streets which have been designated for strip commercial development. Minimum lot width, depth, area, and yard requirements, buffer strips, and landscaping bonus provisions have been established to reduce or modify the harmful impact and negative consequences associated with typical strip commercial development. Multifamily development in this district is permitted to serve as a buffer or transition between commercial and medium density residential development.
Parking:	The subject has 285 asphalt parking spaces (1.8 spaces per room)
Visibility:	The subject site has good visibility from northbound and southbound traffic on North 11 <sup>th</sup> Street.
Drainage, Soil, &	

Sub-Soil Conditions: No soil or sub-soil test was provided.

Utilities: Utilities include natural gas, electricity, telephone, sanitary sewer, and water.

Flood Hazard: According to the National Flood Insurance Rate Map 4854570035C; August 6, 2002, the subject property is in unshaded Flood Zone X, described as “areas determined to be outside of the 500-year flood plain.”

Hazardous Substances: No hazardous substances are known to exist. This report assumes that the property is not affected by hazardous substances. We urge the client to consult an expert in this field.

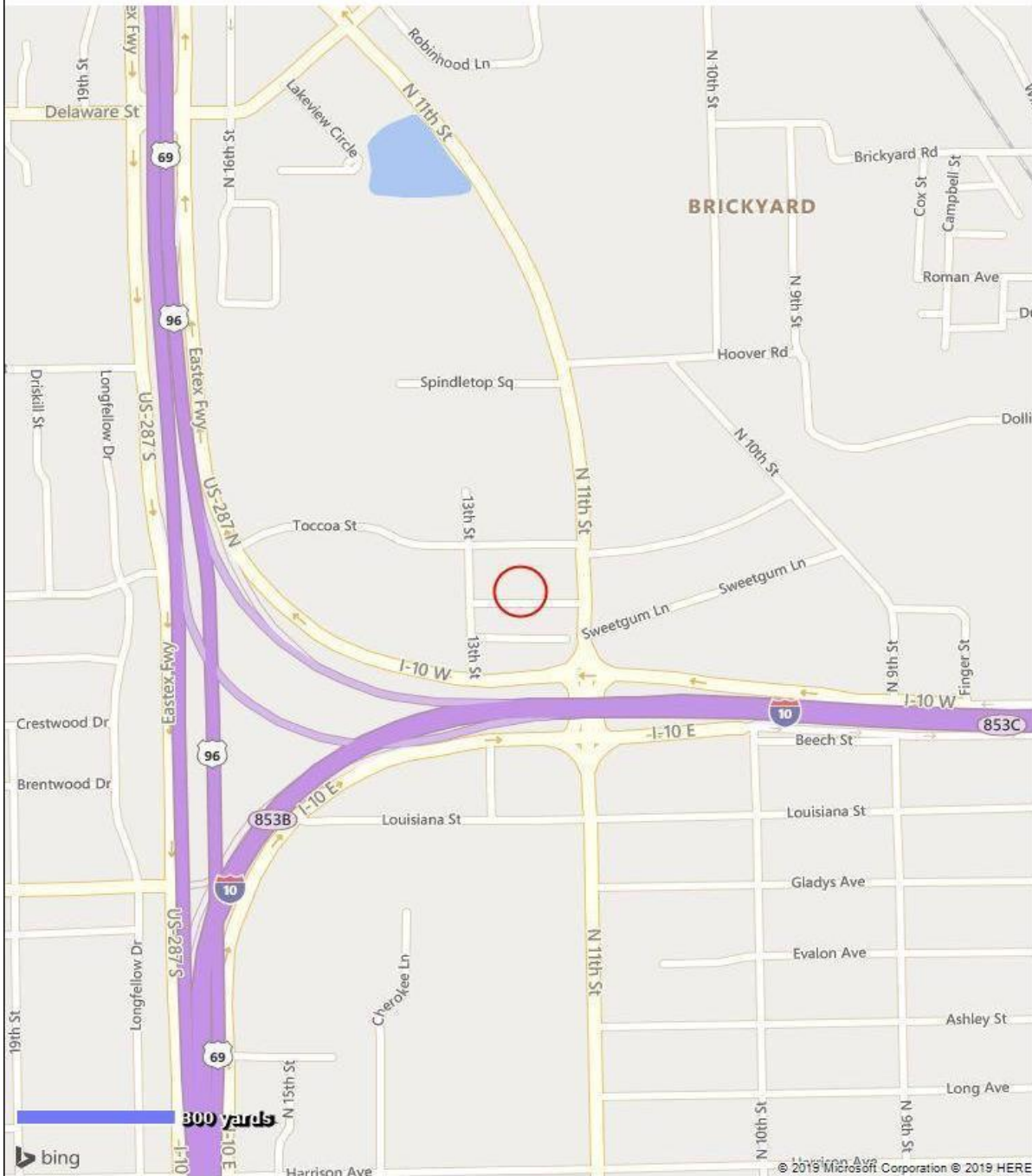
Abutting Properties: Econo Lodge and an office building to the east (across North 11<sup>th</sup> Street), Days Inn and Suites, Golden Tan, a small office building and vacant land to the north (across Toccoa Street), a office development to the west (across North 13<sup>th</sup> Street), and Valero Gasoline and Convenience Store, Waffle House, and Bicycle Sports Bar to the south.

**Conclusion**

Overall, the subject site is well located and functionally suited for improvements. Due to the nature of the surrounding use patterns, coupled with the previous analysis, the site is well suited for use as a lodging facility.













**MAP DATA**

FEMA Special Flood Hazard Area: **No**  
 Map Number: **4854570035C**  
 Zone: **X**  
 Map Date: **August 06, 2002**  
 FIPS: **48245**

**MAP LEGEND**

- |  |   |
|--|---|
|  Areas inundated by 500-year flooding |  Protected Areas |
|  Areas inundated by 100-year flooding |  Floodway        |
|  Velocity Hazard                      |  Subject Area    |

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## DESCRIPTION OF THE IMPROVEMENTS

The subject property is the Holiday Inn Beaumont East, 2095 North 11th Street, Beaumont, Texas. Within the public area, entered through a porte-cochere, are the front desk, a reception area, the Red River Bar & Grille, three meeting rooms, a sundry/convenience store, a fitness room, administrative offices, a guest laundry room, a business center, and public restrooms. An outdoor pool is adjacent to the building. All rooms are accessed from interior corridors.

### **General Description**

Year Constructed:	Built in 1980. The current owner purchased the property on May 7, 2013. At that time the hotel was in poor condition and was closed. The renovation was completed, and the hotel reopened in April 2018.
Effective Age:	Five-years
Remaining Economic Life:	40-years
Condition:	Very good. No items of deferred maintenance were noted or reported.
No. of Rooms:	161
Gross Building Area:	115,571 SF
Building Layout:	One six-story, interior corridor building

### **Construction Detail**

Foundation:	Reinforced concrete slab on grade
Roof Structure:	Built-up
Exterior Walls:	EIFS (Exterior Insulated Finish System), stucco, and stone veneer
Fenestration:	Double paned windows in aluminum frames
Doors:	Wood doors for hotel rooms. Glass doors for entrances to public areas.
Fire Protection:	Smoke alarms in all rooms

Security: Electronic card-key locks, security cameras, and security lighting

Elevators: Two

### **Mechanical Detail**

HVAC: Each of the guest rooms is heated and cooled by an individual self-controlled unit.

Plumbing: Assumed to be per code

Electrical Service: Assumed to be per code

Lighting: Mix of incandescent and fluorescent lighting is typical for public areas; guest rooms are lighted by a mix of direct and indirect lighting.

Laundry Equipment: The laundry room contains commercial grade equipment.

Amenities: Wireless high-speed internet access, on-site guest laundry facilities, and vending machines.

### **Interior Detail**

Floor Covering: Carpeting in the guest rooms; tile in the guest bathrooms; carpet and tile in the lobby area.

Wall Covering: Painted and textured sheetrock and vinyl wall coverings

Ceilings: Painted and textured sheetrock

Baths: A typical guest bathroom papered, sheet rock walls, a ceramic tiled floor, lighting, a granite wainscot, a shower/tub, a sink/mirror, and a commode.

Furniture, Fixtures, & Equipment (FF&E): A detailed inventory of these items was not provided. For the purpose of this analysis, the FF&E inventory and costs of these components have been based on typical costs associated with this type of lodging facility. Also included within this FF&E allocation are items such as smoke alarms, door

restraints, vanity mirrors, cable television, telephone equipment etc. Other items include lobby, restaurant, meeting room, administrative, business center, fitness center, and laundry furnishings and equipment.

Guest Rooms: The hotel features spacious rooms with a large desk with conveniently placed lighting and outlets, an ergonomic chair, and a high-definition television. The rooms have complimentary high-speed Internet access.

General Room Amenities:

- Air conditioning
- Alarm clock
- Coffee maker/tea service
- Individual climate control
- Iron and ironing board
- Mini fridge
- Microwave oven

Room Types: There are 131-kings, 30-double queens, including 30-suites

Restaurant: The Red River Bar and Grille is open for breakfast and dinner.

Meeting Space: Three meeting rooms with a total of 4,695 SF.

Other Site Improvements

Other site improvements include concrete walks and curbs, outdoor lighting, signage, and landscaped areas around the building.

Construction/Renovation Cost

The construction/renovation costs follow:

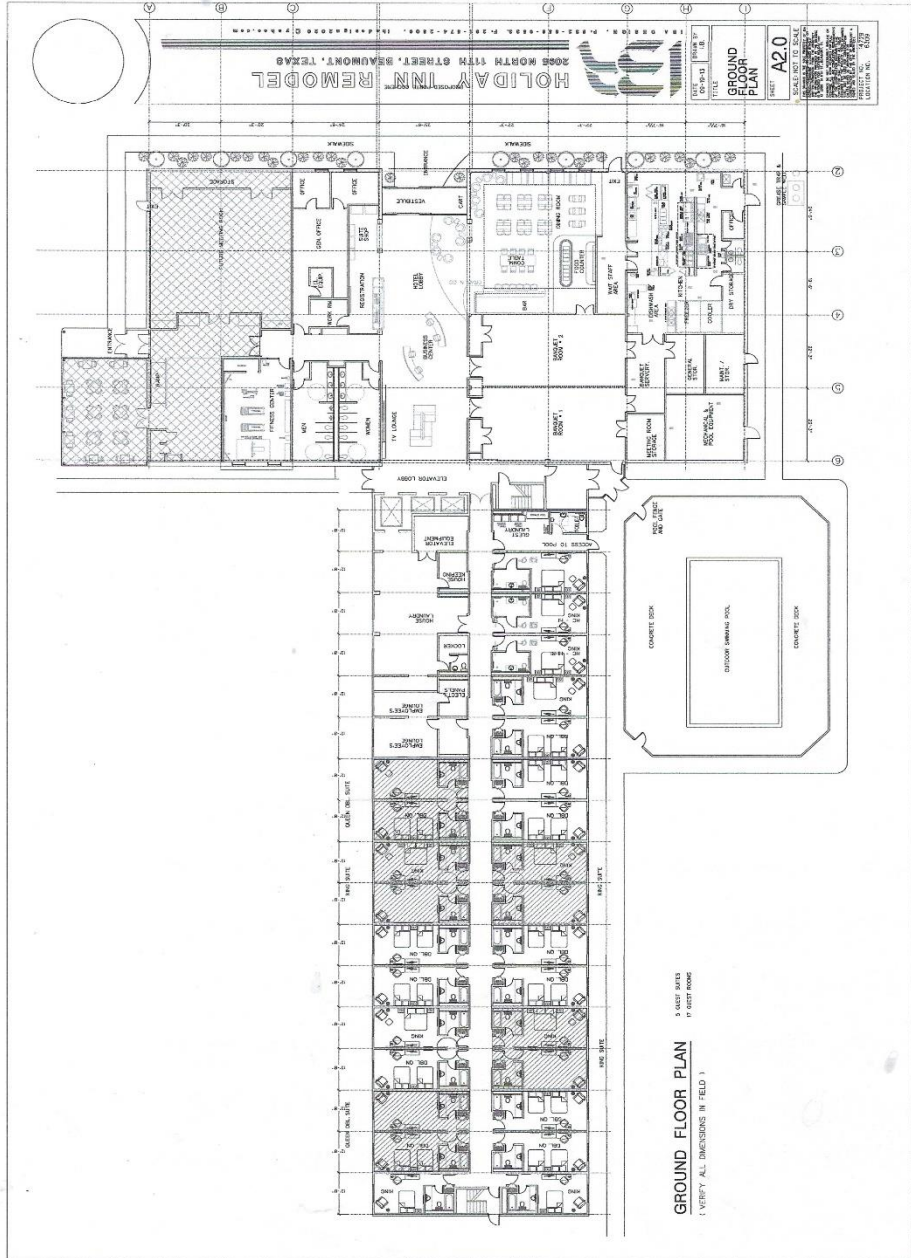
<b>Construction/Renovation Cost</b>	
Original Acquisition	\$2,956,282
Construction/Renovation	7,683,621
Interest Expense	768,106
Insurance Expense	76,408
Property Tax	212,913
Legal Fees	249,474
Furniture	1,364,332
Computer Equipment	16,984
Sign	134,299
Equipment	<u>1,261,042</u>
Total Fixed Assets	\$14,723,461
Other Assets	\$322,763
<b>Total Expenditures</b>	<b>\$15,046,224</b>

## **CONCLUSION**

Based on my physical inspection, the building is structurally sound, and its basic configuration is functional for its current usage. The subject improvements are well-suited for continued use as a full-service hotel.







**PHOTOGRAPHS OF THE SUBJECT PROPERTY**





**EXTERIOR VIEW**

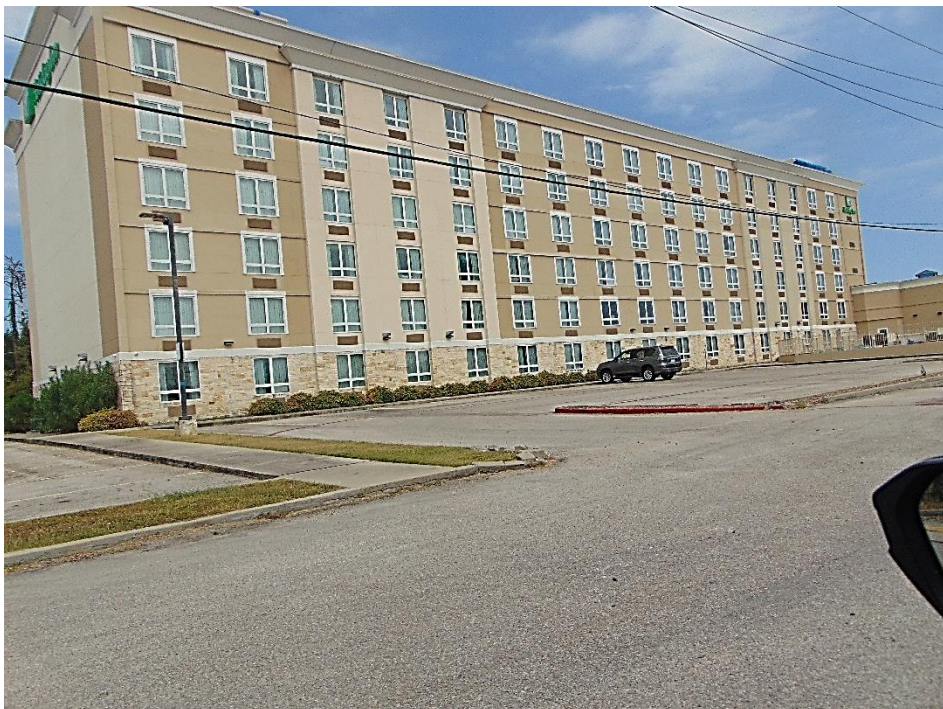


**EXTERIOR VIEW**





**EXTERIOR VIEW**

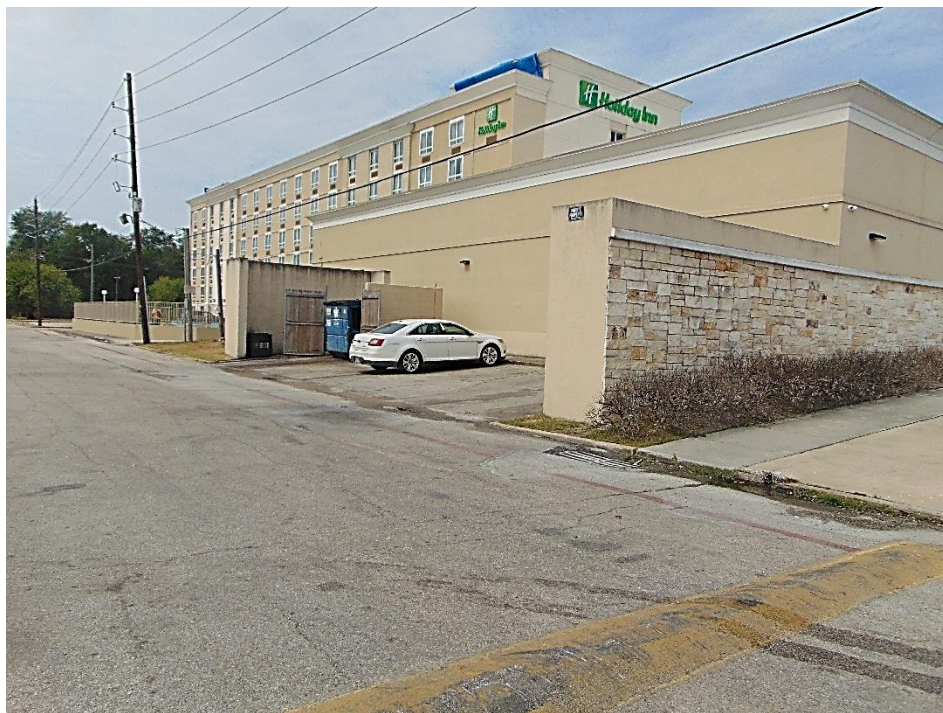


**EXTERIOR VIEW**





**EXTERIOR VIEW**



**EXTERIOR VIEW**





**STREET SCENE – SOUTH ON N 11<sup>TH</sup> ST**



**STREET SCENE – VIEW FROM WEST SIDE OF 11<sup>TH</sup> ST**





**STREET SCENE – NORTH ON NORTH 11<sup>TH</sup> ST**



**STREET SCENE – SOUTH ON NORTH 11<sup>TH</sup> ST**

**PROPERTY TAXES**

The Jefferson County Appraisal District identifies the subject property Parcel No. 034700-000-000500-00000-4. Properties in Jefferson County are revalued annually, based on 100 percent of fair market value. The subject's 2024 real estate market value is \$8,897,922 (\$264,302: land; \$8,633,620: building). The 2024 tax rates for the subject property are as follows:

<b>TAXING ENTITY</b>	<b>TAX RATE</b>	<b>ASSESSED VALUE</b>	<b>TAXES</b>
BEAUMONT ISD	0.964910	\$8,897,922	\$85,856.94
CITY OF BEAUMONT	0.659663	\$8,897,922	\$58,696.30
PORT OF BEAUMONT	0.068253	\$8,897,922	\$6,073.10
SABINE NECHES NAV DIST	0.088000	\$8,897,922	\$7,830.17
DRAINAGE DISTRICT #6	0.184917	\$8,897,922	\$16,453.77
JEFFERSON COUNTY	0.357000	\$8,897,922	\$31,765.58
<b>TOTAL TAX RATE</b>	<b>2.322743</b>		

The 2024 real estate property taxes are **\$206,676**.

## HIGHEST AND BEST USE ANALYSIS

Highest and best use is defined by The Appraisal of Real Estate, 15<sup>th</sup> Edition, Appraisal Institute, as follows:

*"the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."*

The highest and best use analysis is a critical determinant of value. Market value assumes that a potential purchaser will pay no more for a property than the price which reflects their analysis of the most probable use of the land or property as improved. Additionally, the highest and best use conclusions contained in this section provide the foundation for the market value analysis. The Regional Analysis, Neighborhood Analysis, and Site Analysis are of critical importance in arriving to the highest and best use conclusion, as the highest and best use conclusions must be based on motivations evident in the marketplace.

The previously stated definition indicates that there are two types of highest and best use analyses. First, the highest and best use of the land as vacant must be considered. In this section, the site is analyzed as if there were no improvements located on the property. This analysis helps the reader to understand how the current economic forces affect the subject site, as if vacant.

The second method analyzes the subject property "as improved." The existing use may differ from the site's highest and best use. This section will resolve any differences between the highest and best use "as vacant" and the highest and best use "as improved." As the subject site is presently improved with a hotel, both aspects of highest and best use are appropriate.

The highest and best use of the subject property must meet the four criteria outlined below:

1. Physically Possible
2. Legally Permissible
3. Financially Feasible
4. Maximally Productive

### **Highest and Best Use “As Vacant”**

In estimating the highest and best use of the subject site as vacant, and with respect to the four criteria that must be met (physically possible, legally permissible, financially feasible, and maximally productive), a study of the existing properties and surrounding influences within the neighborhood was necessary. The following factors were considered in determining the subject site's highest and best use as vacant:

1. The location of the subject site in relation to existing land use patterns in the immediate area;
2. The accessibility and visibility of the subject site in relation to competing sites;
3. The economic feasibility of the proposed use of the subject site;
4. Alternative uses of the site; and,
5. Existing market performance of such uses in the immediate area of the subject.

**Physically Possible:** The subject site contains 4.3601 acres and is irregular in shape. The site is easily accessible from Interstate-10 and all utilities are available. Based upon the site's physical characteristics, a wide range of uses are physically possible. These uses include most commercial structures, such as retail, hotel, office, motel, restaurant or special purpose building.

**Legally Permissible:** The subject property is located within the *GC-MD (General Commercial-Multiple Dwelling)* zoning district. The subject's hotel use within the district is permitted. There are a number of legally permissible uses allowed by right on the subject site that include a wide variety of commercial uses. Uses permitted within this district include commercial buildings, office buildings, hotels, and motels.

**Financially Feasible:** In regard to financial feasibility, the possible uses which could produce an income in excess of what is needed to satisfy capital amortization and operating expenses, as well as provide a return to the land, were considered. Given the site's good access to Interstate-10 and the medical district, lodging and commercial usage are appropriate. Based on current and projected RevPARs in the local lodging market, hotel development is currently financially feasible. Much of the commercial development along Interstate-10 is owner-user in nature. Commercial usage is in conformity with nearby land uses and is financially feasible.

**Maximally Productive:** The maximally productive and highest and best use of the subject site "as vacant" would be for hotel or commercial development.



### **Highest and Best Use “As Improved”**

The highest and best use of any existing property can be determined by utilizing the "marginal dollar concept." This concept suggests that the improvements on the property are the highest and best use if the existing improvements contribute at least one additional dollar of value over the land value of the subject, as if unimproved. It would not be feasible to raze the improvements unless the value of the site, as vacant and less demolition costs, exceeds the value of the property as improved.

The subject site is currently improved with a 161-room hotel.

The site has easy accessibility from Interstate-10. In terms of the existing improvements, the subject's hotel use is a legal and conforming use. The improvements were constructed in 1980, were renovated in 2018, and are in very good physical condition. Additionally, the improvements are functional for their current use.

In conclusion, the highest and best use of the subject property "as improved" is for continued use as a hotel.

## **DISCUSSION OF THE APPRAISAL PROCESS**

In estimating the Market Value of real estate, motivations and anticipations of the typical purchaser for that type of property must be considered. The Market Value of a property is the most probable sales price of that property, assuming a cash sale within a **reasonable** marketing period. Thus, the price is based on the typical buyer's reaction to the various economic factors in the marketplace, including supply and demand, affecting that property. The highest and best use is the basis for the valuation of the subject property. Additionally, surrounding land use patterns heavily influence the market's perception of value in relation to the property. Typical investor expectations can be quantified through current market data of comparable properties.

The appraisal process is an economic analysis. This process is a program in which the problem is defined, preliminary analysis is performed, data is collected and analyzed, and a final value estimate is determined. The approaches utilized include the cost, sales comparison, and income approach to value. This section of the report explains the rationale and the applicability of these three recognized approaches to value, reviews the work done in the valuation process, and sets forth the reasoning that supports each opinion or conclusion.

### **THE COST APPROACH**

In this approach, the cost to replace the improvements is estimated. A deduction is made for any depreciation, and the result is combined with the estimated value of the underlying land. The approach is applicable when each component is independently measurable and when the sum of all components is believed to reflect market value.

### **THE INCOME APPROACH**

This approach analyzes the property's capacity to generate income (or other monetary benefit) and converts this capacity into an indication of market value. The approach is suitable for properties that have obvious earning power and investment appeal but inappropriate for properties that have no readily discernible income potential.

## **THE SALES COMPARISON APPROACH**

This approach compares the subject property to other properties that have recently sold at known price levels. The approach is most meaningful when there is adequate market data involving comparable properties. Reliability of the approach varies directly with the quantity and quality of available market data.

## **APPLICABILITY**

Two approaches to value will be utilized for the valuation of the subject property. The value indications by the Income and Sales Comparison Approach both represent what a willing purchaser would be willing to pay to obtain the anticipated benefits from the proceeds attributable to the operation of the motel. The Income Approach deals directly with the anticipated net operating income. The Sales Comparison Approach provides a comparison to suitable alternative investments with similar income streams.

The Income Approach is the preferred method of estimating the market value of lodging facilities. The Sales Comparison Approach will measure and discuss the reasonableness of the indicated value by the Income Approach. This approach is typically considered as support for the Income Approach.

Our analysis considered and dismissed the Cost Approach, which derives a value indication based on the cost to reproduce or replace the improvements. The Cost Approach is not typically employed by knowledgeable real estate investors when pricing properties of this type, which are typically purchased for their income potential. Therefore, we have not included a Cost Approach to further support the estimate of value.

## INCOME APPROACH

The Income Approach is defined as "a set of procedures through which an appraiser derives a value indication for an income producing property by converting anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate." (Source: The Dictionary of Real Estate Appraisal, *Appraisal Institute*).

### Steps in the Income Approach

1. Estimate the potential gross income from the property based on historical performance, an analysis of industry trends, and discussions with local hoteliers.
2. Deduct appropriate operating expenses.
3. Capitalize the resultant net operating income by an appropriate capitalization rate to derive an estimated value for the subject.

and/or

4. Project the resultant net operating income over an appropriate holding period and discount the cash flows and reversion (sale price at the end of the holding period) by an appropriate yield rate to derive an estimated value for the subject.

The industry averages for hotels in various categories as reported in the *Host Report*, a nationwide survey of lodging facilities published by *Smith Travel Research* were analyzed. Fundamental to the estimates of operating results is the assumption of competent and efficient management at the subject property. Among the primary responsibilities of management are the maintenance of the quality of the facility, the execution of an adequate marketing effort, and cost-effective operation of the property.

The **Uniform System of Accounts for Hotels**, recommended by the American Hotel and Motel Association and in general use throughout the industry, has been used in the classification of revenues and expenses in this report. In this system of account classification, only direct operating expenses are charged to the operating departments. General overhead items which are applicable to the overall operation of the facility are classified as undistributed operating expenses. Those items which are beyond the control of the property manager are classified as fixed expenses.

## **Competitive Hotels**

We have identified five primary competitors with the subject property. The selection of the competitive supply is based on market orientation, quality and extent of services, facilities and amenities, reputation, franchise affiliation or reservation system, location and accessibility to demand generators. The competitive properties are described on the following pages.

**COMPARABLE RENTAL NO. 1**



Name: MCM Elegante Hotel  
Location: 2355 Interstate-10 South  
Beaumont, Texas 77705

Improvements:

Year Built:	1970
No. of Rooms:	278
Condition:	Average
Restaurant:	Yes (2)
Lounge:	Yes
Amenities:	Flat screen televisions, outdoor pool, business center, fitness center, high-speed internet, day spa, 20,000 SF of meeting space with 18 meeting and banquet rooms
Parking:	Open/adequate
Type of Service:	Full Service

Room Rental Data (per the *Texas Hotel Performance Factbook*)

Average Daily Rate:	\$84.09 (2024, June 30, TTM)
Average Occupancy:	55.5% (2023, June 30, TTM) 59.6% (2024, June 30, TTM)

**COMPARABLE RENTAL NO. 2**



Name: Marriott Courtyard  
Location: 2275 Interstate-10 South  
Beaumont, Texas 77705

Improvements:

Year Built:	1998
No. of Rooms:	78
Condition:	Good
Restaurant:	Yes
Lounge:	Yes
Amenities:	Flat screen televisions, indoor pool, jacuzzi, meeting room, fitness room, convenience store
Parking:	Open/adequate
Type of Service:	Full Service

Room Rental Data (per the Texas Hotel Performance Factbook)

Average Daily Rate:	\$114.96 (2024, June 30, TTM)
Average Occupancy:	65.3% (2023, June 30, TTM) 67.3% (2024, June 30, TTM)

**COMPARABLE RENTAL NO. 3**



Name: Hampton Inn  
Location: 3795 Interstate-10 South  
Beaumont, Texas 77705

Improvements:  
Year Built: 1999, recently renovated  
No. of Rooms: 121  
Condition: Good  
Restaurant: No  
Lounge: No  
Amenities: Flat screen televisions, free breakfast, outdoor pool, jacuzzi, meeting room, fitness room, convenience store  
Parking: Open/adequate  
Type of Service: Limited Service

Room Rental Data (per the Texas Hotel Performance Factbook)

Average Daily Rate: \$90.37 (2024, June 30, TTM)  
Average Occupancy: 58.8% (2023, June 30, TTM)  
54.4% (2024, June 30, TTM)



**COMPARABLE RENTAL NO. 4**



Name: Hilton Garden Inn  
Location: 3755 Interstate-10 South  
Beaumont, Texas 77705

Improvements:

Year Built:	2007
No. of Rooms:	100
Condition:	Good
Restaurant:	Yes
Lounge:	No
Amenities:	Flat screen televisions, outdoor pool, convenience store, business center, meeting room, fitness center, high-speed internet
Parking:	Open/adequate
Type of Service:	Full Service

Room Rental Data (per the Texas Hotel Performance Factbook)

Average Daily Rate:	\$137.57 (2024, June 30, TTM)
Average Occupancy:	74.9% (2023, June 30, TTM) 75.8% (2024, June 30, TTM)

**COMPARABLE RENTAL NO. 5**



Name: Homewood Suites  
Location: 3745 Interstate-10 South  
Beaumont, Texas 77705

Improvements:  
Year Built: 2010  
No. of Rooms: 79  
Condition: Good  
Restaurant: Yes  
Lounge: No  
Amenities: Flat screen televisions, outdoor pool, convenience store, business center, meeting room, fitness center, high-speed internet  
Parking: Open/adequate  
Type of Service: Full Service

Room Rental Data (per the Texas Hotel Performance Factbook)

Average Daily Rate: \$131.09 (2024, June 30, TTM)  
Average Occupancy: 71.1% (2023, June 30, TTM)  
71.7% (2024, June 30, TTM)

## Stabilized Operating Statement

Our stabilized estimates of revenues, expenses and future cash flow prior to debt service and income taxes are presented as follows.

<u>Fiscal Year</u>	<u>FY 2024</u>	
Average Daily Room Rate (\$)	\$100.00	
Occupancy (%)	70.0%	
# of Rooms	161	
	<u>\$</u>	<u>% Rev</u>
Revenues		
Rooms	\$4,113,550	99.70%
Other Operated Departments (Net)	<u>\$12,344</u>	<u>0.30%</u>
Total Revenue	\$4,125,894	100.00%
Departmental Expenses		
Rooms	\$904,981	22.00%
Total Departmental Expenses	\$904,981	21.93%
Departmental Income	\$3,220,913	78.07%
Undistributed Operating Expenses		
Administrative & General	\$330,072	8.00%
Management Fee	\$123,777	3.00%
Marketing (Includes Franchise Fees)	\$329,084	8.00%
Property Operation & Maintenance	\$206,295	5.00%
Energy	<u>\$206,295</u>	<u>5.00%</u>
Total Undistributed Operating Expenses	\$1,195,522	28.98%
Income Before Fixed Charges and Reserves	\$2,025,391	49.09%
Fixed Charges and Reserves		
Property Taxes	\$206,676	5.01%
Property Insurance	\$82,518	2.00%
Replacement Reserves	<u>\$37,031</u>	<u>2.00%</u>
Total Fixed Charges and Reserves	\$326,225	7.91%
<b>Net Income</b>	<b>\$1,699,166</b>	<b>41.18%</b>

**DIRECT CAPITALIZATION**

To complete the valuation of the subject property by the Income Approach, the Direct Capitalization Approach will be applied. A capitalization rate of **9.00%** is appropriate.

<b>Net Operating Income</b>	<b>Overall Rate</b>	<b>Indicated Value</b>
\$1,699,999	9.00%	\$18,888,878
	Estimated Value	\$18,888,878
	Rounded,	\$18,890,000
<b>Value Indicated by the Income Approach</b>		<b>\$18,890,000</b>

## **SALES COMPARISON APPROACH**

The Sales Comparison Approach to Value is a process of comparing market data; that is, the price paid for similar properties, prices asked by owners and offers made by prospective purchasers.

In most cases, the Sales Comparison Approach provides good evidence of value because it represents actions of users and investors. The Sales Comparison Approach is based on the principle of substitution, which states that a prudent person will not pay more for a property than it would cost to acquire a property that is equally desirable.

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc. or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

The comparable hotel sales are included on the following pages.

**COMPARABLE SALE NO. 1**



Name: Hilton Garden Inn  
Location: 3755 Interstate-10 South, Beaumont, TX 77705  
Grantor: Epic Hotel Group LLC  
Grantee: Pineapple Hospitality Group  
Date of Sale: June 7, 2022  
Price: \$14,600,000  
Terms of Sale: First Mortgage of \$10,120,000

Improvements:  
Date Opened: 2007  
No. of Rooms: 100  
Building SF: 57,326 SF  
Stories: 3  
Condition: Good  
Quality: Very Good  
Restaurant: Yes  
Lounge: Yes  
Construction: Interior corridors, stucco exterior, composition roof  
Amenities: Flat screen TVs, free WiFi, business center, outdoor pool, fitness center  
Class: Upscale  
  
Land Size: 2.32 acres

Comparable Sale No. 1, continued

Cash Equivalent Sale Price	\$14,600,000
Occupancy Rate	78%
Average Daily Rate	\$127.51

		<u>Per Room</u>
Room Income	\$3,630,210	\$36,302
Effective Gross Income	<u>4,537,762</u>	<u>\$45,378</u>
Expenses	<u>3,040,301</u>	<u>\$30,403</u>
Net Income	\$1,497,462	\$14,975

Units of Comparison

Overall Rate	10.3%
Room Revenue Multiplier	4.02
Price per Room	\$146,000

Confirmed: *CoSTAR, Texas Hotel Performance Factbook*

## COMPARABLE SALE NO. 2



Name: Residence Inn  
Location: 5380 Clearwater Court, Beaumont, TX 77705  
Grantor: Apple Hospitality REIT Inc.  
Grantee: Flynn Holdings  
Date of Sale: July 22, 2021  
Price: \$20,096,807  
Terms of Sale: Cash to seller

Improvements:

Date Opened:	2008
No. of Rooms:	133
Building SF:	31,914 SF
Stories:	4
Condition:	Good
Quality:	Very Good
Restaurant:	No
Lounge:	No
Construction:	Interior corridors, stucco exterior, composition roof
Amenities:	Flat screen TVs, free WiFi, business center, outdoor pool, fitness center, fully equipped kitchens, meeting space
Class:	Upscale

Land Size: 2.83 acres



Comparable Sale No. 2, continued

Cash Equivalent Sale Price	\$20,006,807
Occupancy Rate	79%
Average Daily Rate	\$112.37

		<u>Per Room</u>
Room Income	\$4,331,271	\$32,566
Effective Gross Income	<u>4,812,524</u>	<u>\$36,184</u>
Expenses	<u>3,152,203</u>	<u>\$23,701</u>
Net Income	\$1,660,321	\$12,484

Units of Comparison

Overall Rate	8.3%
Room Revenue Multiplier	4.62
Price per Room	\$150,427

Confirmed: *CoSTAR, Texas Hotel Performance Factbook*

**COMPARABLE SALE NO. 3**



Name: Hilton Garden Inn  
Location: 2910 South Cowhorn Creek Loop, Texarkana, TX 75503  
Grantor: D Hospitality LLC  
Grantee: DJV Ventures LLC  
Date of Sale: January 13, 2023  
Price: \$19,750,000  
Terms of Sale: First Mortgage of \$10,120,000

Improvements:

Date Opened:	2012
No. of Rooms:	154
Building SF:	57,326 SF
Land Size:	3.01-acres
Stories:	3
Condition:	Good
Quality:	Very Good
Restaurant:	Yes
Lounge:	Yes
Construction:	Interior corridors, stucco exterior, composition roof
Amenities:	Flat screen TVs, free WiFi, business center, outdoor pool, fitness center
Class:	Upscale

Comparable Sale No. 3, continued

Cash Equivalent Sale Price	\$19,750,000
Occupancy Rate	78.6%
Average Daily Rate	\$136.95

		<u>Per Room</u>
Room Income	\$6,050,596	\$39,290
Effective Gross Income	<u>6,174,078</u>	<u>\$40,091</u>
Expenses	<u>4,105,762</u>	<u>\$26,661</u>
Net Income	\$2,068,316	\$13,431

Units of Comparison

Overall Rate	10.5%
Room Revenue Multiplier	3.26
Price per Room	\$128,247
Cash Flow Ratio	33.5%

Confirmed: *CoSTAR, Texas Hotel Performance Factbook*

Certain adjustments are required first to bring all the sales to an equal basis for further comparison; these are, in order, property rights conveyed, financing, conditions of sale, and time of sale, or market conditions.

The following chart is a summary of the previous hotel sales after adjustments.

<b>Element</b>	<b>Sale 1</b>	<b>Sale 3</b>	<b>Sale 3</b>	<b>Subject</b>
Sale Price	\$14,600,000	\$20,006,807	\$19,750,000	
# Rooms	100	133	154	161
Sale Price/Room	\$146,000	\$150,427	\$128,247	
<b>Property Rights</b>	Fee Simple	Fee Simple	Fee Simple	
Adjustment	0%	0%	0%	
Adjusted Sale Price	\$146,000	\$150,427	\$128,247	
<b>Financing</b>	Cash	Cash	Cash	
Adjustment	0%	0%	0%	
Adjusted Sale Price	\$146,000	\$150,427	\$128,247	
<b>Conditions of Sale</b>	Normal	Normal	Normal	
Adjustment	0%	0%	0%	
Adjusted Sale Price	\$146,000	\$150,427	\$128,247	
<b>Market Conditions</b>	Good	Good	Good	Good
Adjustment	0%	0%	0%	
<b>Location</b>	Good	Good	Good	Good
Adjustment	0%	0%	0%	
<b>Accessibility</b>	Good	Good	Good	Good
Adjustment	0%	0%	0%	
<b>Construction Quality/Class</b>	Very Good	Very Good	Very Good	Good
Adjustment	-10%	-10%	-10%	
<b>Age/Condition</b>	Good	Good	Good	Good
Adjustment	0%	0%	0%	
<b>Total Scores</b>	-10%	-10%	-10%	
<b>Adjusted Sale Price/Room</b>	\$131,400	\$135,384	\$115,422	

Average	\$127,402
Minimum	\$115,422
Maximum	\$135,384

An appropriate “as is” market value estimate by the Sales Comparison Approach is **\$120,000** per room or **\$19,320,000**.

## RECONCILIATION AND FINAL VALUE ESTIMATE

Two recognized approaches to value were utilized in estimating the market value of the subject property. The results are as follows:

Income Approach:	\$18,890,000
Sales Comparison Approach:	\$19,320,000
Cost Approach:	Not Applicable

The Income Approach provides the most reliable indication of market value. Market participants are currently analyzing properties based on their income generating capability. Therefore, the Income Approach is a reasonable and substantiated value indicator.

In the Sales Comparison Approach, sales of comparable properties were utilized. The price per room and the room revenue multiplier methods were utilized in determining the value by this technique. The data and analysis cited in this approach also provide a reliable indicator of value.

The Cost Approach was not given great emphasis for the purposes of this appraisal. It is our opinion that knowledgeable purchasers of motels are more concerned with the economics of an investment. Considering its minimal value and the difficulty in quantifying the varying sources of depreciation, we have not relied on the Cost Approach in the final value estimate.

In the final value estimate, equal emphasis was placed on the Income Approach (\$18,890,000) and the Sales Comparison Approach (\$19,320,000).

Based on my analysis, it is my opinion that the "*as is*" estimated value of the subject property, as a "going concern" (including all rights in realty, personalty and intangible business-related assets) subject to competent property management, as of October 16, 2024, was:

**NINETEEN MILLION ONE HUNDRED THOUSAND DOLLARS**  
**(\$19,100,000)**

## MARKETING/EXPOSURE PERIOD ANALYSIS

A distinction between marketing time and exposure time must be made. As defined by the Appraisal Standards Board of the Appraisal Foundation, the following definitions are used.

**Marketing Time:** *An estimate of the amount of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.*

**Exposure Time:** *The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.*

In estimating the subject's anticipated average marketing and exposure time, *PwC Real Estate Investor Survey* (Fourth Quarter, 2023) was researched. The following chart reflects trends for the national select-service lodging market.

SELECT-SERVICE LODGING SEGMENT			
Average Marketing Time (in months)	Current Quarter	Last Quarter	Year Ago
Range	1.00-12.00	1.00-12.00	1.00-8.00
Average	6.8	6.0	4.5

Additionally, various brokers, appraisers, and other individuals found to be knowledgeable of the subject's area were contacted. The marketing time for select-service hotels was 6.8 months. Based upon the value presented herein, the indicated time range is reasonable. Based on this analysis and an analysis of the sales described in the sales comparison approach section of this report and our discussions with sellers of hotel properties, we believe that an exposure period of seven months to be reasonable for the subject property. The marketing period, based on the same analysis, is also estimated to be seven months.

## ALLOCATION OF VALUE

The value is further allocated as follows:

Land and Improvements	\$17,100,000
Furniture Fixtures & Equipment	<u>2,000,000</u>
Total	\$19,100,000

### Furniture, Fixtures and Equipment (Value-in-Use)

The furniture, fixtures, and equipment (FF&E) value has been determined as value in use rather than value in exchange. Value-in-exchange means the price one could sell a hotel's used furniture from the hotel property itself. Use value is the value of specific property under a specific use, as indicated by the productivity of that economic good. The use value of property considers the contributory value to the on-going enterprise. This is the value to the on-going hotel operation of the existing furniture, fixtures and equipment used in producing a profit stream.

The FF&E cost new is estimated to be \$2,380,000 with a depreciated value of \$2,000,000.

### Business Value

The business enterprise value is based on the variance between the value estimate provided by the Cost Approach – which has no inherent business value – and the stabilized value conclusion by the Income Approach (which values the net income associated with the going concern). There is no business enterprise value.

**ADDENDA**



**CERTIFICATION OF VALUE**

## CERTIFICATION OF VALUE

We certify that, to the best of our knowledge and belief:

- 1) The statements of fact contained in this report are true and correct.
- 2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- 3) We have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- 4) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- 5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 6) My compensation for completing this assignment is not contingent upon the developing or reporting of a pre-determined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- 8) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 9) Will Galbraith, MAI made an inspection of the Subject Property as of the effective date of value.
- 10) No one provided significant real property appraisal assistance to the person signing this certification.
- 11) As of the date of this report, Will Galbraith Jr., MAI has completed the continuing education program of the Appraisal Institute.
- 12) I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

*Will Galbraith*

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Will Galbraith, Jr. MAI, SRA

**State Certification**

WILL ARCH GALBRAITH JR  
9817 ANGORA ST  
DALLAS, TX 75218



**Certified General  
Real Estate Appraiser**

Appraiser: **Will Arch Galbraith Jr**  
License #: **TX 1320458 G**

License Expires: **04/30/2025**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Occupations Code, Chapter 1103, authorization is granted to use this title:  
Certified General Real Estate Appraiser

For additional information or to file a complaint please contact TALCB at [www.talcb.texas.gov](http://www.talcb.texas.gov).

  
Chelsea Buchholtz  
Commissioner

**LEGAL DESCRIPTION**



## LOAN POLICY OF TITLE INSURANCE (T-2)

Issued by

Fidelity National Title

### SCHEDULE A

Name and Address of Title Insurance Company:

Jefferson County Title  
80 L.H. 10 North  
Beaumont, TX 77702

File No. 20140079

Policy No. 2744343-92062131

Loan No:

ISSUED SIMULTANEOUS WITH POLICY NO.

Address for Reference Only: 2095 N.11th St-4.3601ac tract in A. Williams Survey Abst 385, Beaumont, TX 77706

Amount of Insurance: \$5,870,000.00

Premium: \$30,154.20

Date of Policy: September 30, 2014

1. Name of Insured:

SPIRIT OF TEXAS BANK, SSB, and each successor in ownership of the indebtedness secured by the insured mortgage, except a successor who is an obligor under the provisions of Section 12(c) of the Conditions.

2. The estate or interest in the Land that is encumbered by the Insured Mortgage is: FEE SIMPLE

3. Title is insured as vested in:

BEAUMONT MEDICAL CENTER HOTEL, LLC

4. The Insured Mortgage, and its assignments, if any, are described as follows:

Deed of Trust and Security Agreement dated September 22, 2014, filed for record in the office of the County Clerk of Jefferson County, Texas, on September 30, 2014, under County Clerk's File No. 2014031421, of the Official Public Records of Real Property of Jefferson County, Texas, from Beaumont Medical Center Hotel, LLC, a Texas limited liability company to Dean O. Hass, Trustee, securing the payment of one certain promissory note of even date therewith in the principal amount of \$5,870,000.00, payable to the order of Spirit of Texas Bank, SSB, as therein provided.

5. The Land referred to in this policy is described as follows:

BEING a 4.3601 acre tract or parcel of land situated in the A. Williams Survey, Abstract No. 385 and being all of the following three tracts of land; (TRACT 1) all of Block 3 of the LAKELAND ADDITION to the City of Beaumont, Jefferson County, Texas, according to the map or plat of said Lakeland Addition recorded in Volume 4, Page 152, Map Records, Jefferson County, Texas, except that part of said Block conveyed to the State of Texas in Deed recorded in Volume 430, Page 544, Deed Records, Jefferson County, Texas, and that part conveyed to the City of Beaumont for road purposes, recorded in Volume 1012, Page 366, Deed Records, Jefferson County, Texas and that part conveyed to Gulf Oil Corporation recorded in Volume 1468, Page 42, Deed Records, Jefferson County, Texas; (TRACT 2) all that certain piece and parcel of land lying and being situated in Jefferson County, Texas, and being a part of the A. Williams Survey and a part of what is designated as Block No. Seven (7) in a certain plat or map filed by the Commissioner's of Partition in Cause No. 4009, styled Mrs. S. E. Wilson, et al. vs. J. B. Langham, Jr., in the 60<sup>th</sup> District Court of Jefferson County, Texas, and being more particularly described as Block No. Two (2) of the LAKELAND ADDITION out of the A. Williams Survey, according to the map or plat of said Lakeland Addition recorded in Volume 4, Page 152, Map Records, Jefferson County, Texas, SAVE and EXCEPT that part of said Block No. Two (2) which has heretofore been conveyed to the State of Texas by Deed recorded in Volume 430, Page 544, Deed Records, Jefferson County, Texas, to which reference is hereby made and SAVE and EXCEPT a tract off of said land conveyed to the City of Beaumont on the 1<sup>st</sup> day of February, 1956, of record in Volume 1012, Page 367, Deed Records, Jefferson County, Texas; and (TRACT 3) all that portion of Oconee Street bordered by the East right-of-way line of 12<sup>th</sup> Street, the West right-of-way line of 11<sup>th</sup> Street, the South line of Block 2, LAKELAND ADDITION and the North line of Block 3 of Lakeland Addition as abandoned by City Ordinance evidenced in Volume 1228, Page 576, Deed Records, Jefferson County, Texas, and said 4.3595 acre tract being all of that certain called found 4.3583 acre tract as described in a "General Warranty Deed" from FelCor Hotel Asset Company, LLC to FHAC Texas Holdings, LP as recorded in Clerk's File No. 9902452, Official Public Records of Real Property, Jefferson County, Texas, and being all of that certain called 4.361 acre tract of land as described in a "Warranty Deed with Vendor's Lien" from Gurbir Cheema to 2095 East Loop, Inc. as recorded in Clerk's File No. 2012027358, Official

Jefferson County Title Company  
T2 Loan Policy of Title Insurance (02-01-10) Schedule A

Fidelity National Title





Public Records of Real Property, Jefferson County, Texas and being all of that certain called 4.361 acre tract of land as described in a "Constable's Deed for Real Property Under Writ of Execution and Notice of Sale" from James E. Trahan, Constable, Precinct No. 4, to Beaumont Medical Center Hotel, LLC as recorded in Clerk's File No. 2013014962, Official Public Records of Real Property, Jefferson County, Texas, said 4.3601 acre tract being more particularly described as follows:

*NOTE: All bearings are based on the South right-of-way line of Taccoa Street and the North line of the tract herein described as NORTH 90°00'00" EAST as recorded in the above referenced Clerk's File No. 2012027358, Official Public Records of Real Property, Jefferson County, Texas.*

BEGINNING at a 1/2" iron rod found for the Northwest corner of the tract herein described, said corner also being the intersection of the South right-of-way line of Taccoa Street (based on a width of 60 feet) and the East right-of-way line of 13<sup>th</sup> Street (called 12<sup>th</sup> Street per plat of Lakeland Addition)(based on a width of 60 feet), the same being the East line of said 30 foot road right-of-way conveyed to the City of Beaumont by C. W. Conn in deed recorded in Volume 1012, Page 367, Deed Records, Jefferson County, Texas;

THENCE NORTH 90°00'00" EAST, along and with the South right-of-way line of Taccoa Street and the North line of the said Block 2, for a distance of 469.16 feet to a 3/4" pinched pipe found for corner, said corner being in the West right-of-way line of 11<sup>th</sup> Street;

THENCE SOUTH 00°42'13" WEST, along and with the West right-of-way line of 11<sup>th</sup> Street, for a distance of 319.57 feet to a scribed "X" in concrete set for corner, said corner also being the Northeast corner of that certain called 0.4510 acre tract of land as described in a "Special Warranty Deed with Vendor's Lien" from Starmart No. 3, Ltd. to Karam Ali as recorded in Clerk's File No. 2009003886, Official Public Records of Real Property, Jefferson County, Texas and in the South right-of-way line of the above referenced abandoned Oconee Street;

THENCE SOUTH 89°57'13" WEST, for the boundary between the tract herein described and the said 0.4510 acre Ali tract, for a distance of 150.02 feet to a 1/2" iron rod found for corner, said corner being the Northwest corner of the said 0.4510 acre Ali tract;

THENCE SOUTH 00°44'36" WEST, for the boundary between the tract herein described and the said 0.4510 acre Ali tract, for a distance of 129.76 feet to a Gulf Oil concrete monument found for corner, said corner being the Southwest corner of the said 0.4510 acre Ali tract and in the North line of that certain called 0.4871 acre tract of land as described in a "Warranty Deed with Vendor's Lien" from Golden Triangle Baptist Association to 2450 IH 10 E., L.L.C. as recorded in Clerk's File No. 2006025072, Official Public Records of Real Property, Jefferson County, Texas and said corner being in the South line of the said Block 3;

THENCE SOUTH 89°56'16" WEST, for the boundary between the tract herein described and the said 0.4871 acre 2450 IH 10 E., L.L.C. tract, that certain called 0.278 acre tract of land as described in a "Warranty Deed" from B D G World Travel, Inc. to Waffle House, Inc. as recorded in Volume 2161, Page 277, Deed Records, Jefferson County, Texas, and that certain called 0.9140 acre tract of land as described in a "General Warranty Deed" from Denny's Realty, Inc. to K. E. OP, Ltd. as recorded in Clerk's File No. 2004000727, Official Public Records of Real Property, Jefferson County, Texas, the same being the South line of the said Block 3, for a distance of 312.40 feet to a 5/8" iron rod found for corner, said corner also being the Northwest corner of the said 0.9140 acre K. E. OP, Ltd. tract and in the East right-of-way line of 13<sup>th</sup> Street, the same being the East line of that certain 30 foot road right-of-way conveyed to the City of Beaumont by M.E. Votaw as recorded in Volume 1012, Page 366, Deed Records, Jefferson County, Texas;

THENCE NORTH 00°08'40" WEST, along and with the East right-of-way line of 13<sup>th</sup> Street, for a distance of 449.76 feet to the POINT OF BEGINNING and containing 4.3601 Acres, more or less.

NOTE: THE TITLE COMPANY DOES NOT REPRESENT THAT THE ABOVE ACREAGE OR SQUARE FOOTAGE CALCULATIONS ARE CORRECT.

## **SUMMARY OF QUALIFICATIONS**

## **SUMMARY OF QUALIFICATIONS**

### **WILL GALBRAITH, JR., MAI, SRA**

9817 Angora Street  
Dallas, Texas 75218

214-543-4967 (office)  
galbraith8@aol.com

42 years of experience in the appraisal of real properties with a specialization in hotel appraisals since 1992. Appraisal experience also includes vacant land, office buildings, town homes, retail, industrial, apartments, and single-family residences.

#### **EMPLOYMENT EXPERIENCE**

1988 to Present: Owner of Galbraith and Associates, Inc.,  
Commercial Real Estate Appraiser

#### **APPRAISAL EDUCATION**

Numerous courses leading to MAI and SRA designations (Appraisal Institute)

#### **BACHELOR OF SCIENCE**

Sam Houston State University (1971)

#### **PROFESSIONAL DESIGNATIONS AND AFFILIATIONS:**

#### **MAI, SRA**

Appraisal Institute (SRA: 1981, MAI: 1985)

#### **CERTIFIED GENERAL REAL ESTATE APPRAISER**

#1320458-G - State of Texas (April, 1991)