

EXCLUSIVE LISTING

OFFERING MEMORANDUM

THE DOHERTY HOTEL AND
CONFERENCE CENTER

Fine Dining

Irish Pub

604 N McEwan Street

Clare, MI 48617

Marcus & Millichap



NON-ENDORSEMENT & DISCLAIMER NOTICE

NON-ENDORSEMENT NOTICE

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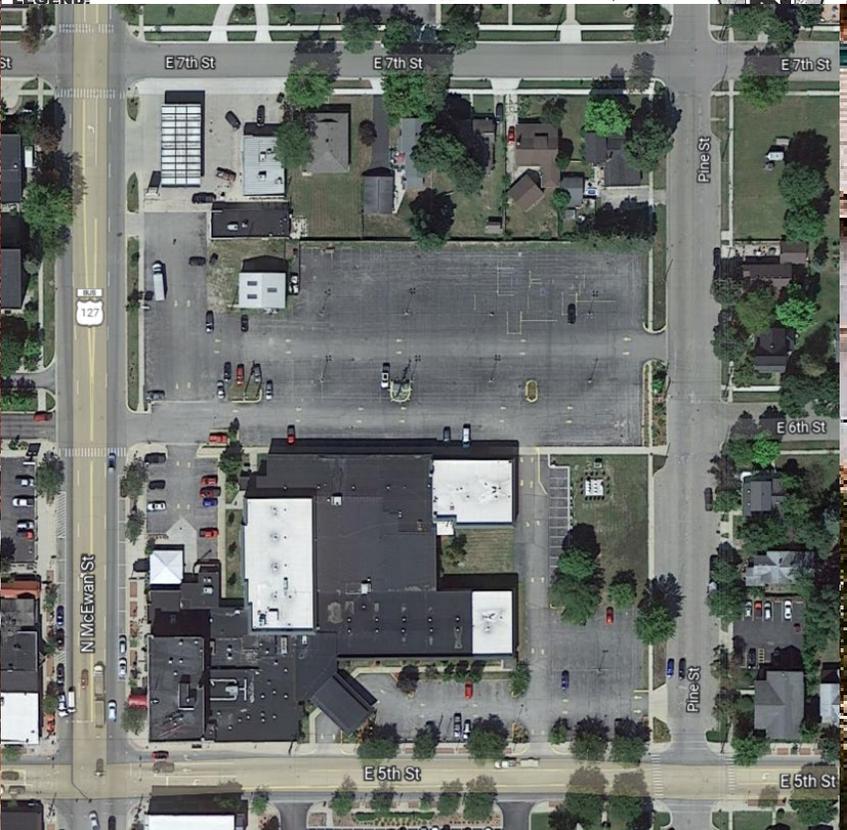
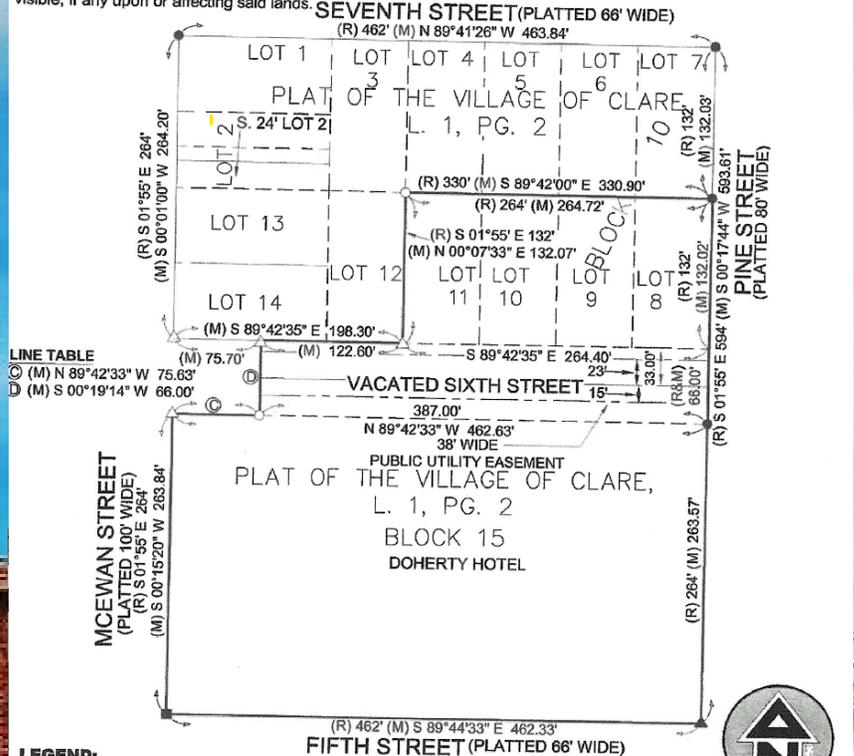
INVENTORY &
COMPETITION



SITE OVERVIEW



Property Description:
 Block 15 AND Lot 8, Lot 9, Lot 10, Lot 11, of Block 10, CITY OF CLARE, as recorded in Liber 1 of Plats on Page 2, Clare County, Michigan Public Records. AND that part of Vacated Sixth Street in said plat described as: Beginning at the Northeast corner of Block 15 of said Plat; thence N00°17'44"W, along the West Right of Way line of Platted Pine Street, 66.00 feet to the Southeast Corner of Block 10 of said Plat; thence N89°42'35"W, along the South line of said Block 10 and the North Right of Way line of said Sixth Street, 387.00 feet; thence S00°19'14"W, 66.00 feet to the North line of said Block 15 and the South Right of Way line of Sixth Street; thence S89°42'33"E, along the North line of Block 15 and the South Right of Way line of Sixth Street, 387.00 feet back to the Place of beginning. This property is subject to an easement for the installation and maintenance of public utilities and being subject to restrictions, reservations, easements, rights of way, zoning, governmental regulations and matters visible, if any upon or affecting said lands.



INVESTMENT OVERVIEW

Marcus & Millichap is pleased to present the Doherty Hotel and Conference Center Located in Clare, Michigan.

Property Description - Once home to a speakeasy during prohibition, this amenity-rich hotel includes 157-guest rooms, an Irish Pub, with banquet & conference facilities. Notable facility amenities include an indoor heated pool & jacuzzi and electric vehicle charging stations. Located in the heart of golf country and only 20 minutes from Soaring Eagle Casino, the property sits on 3.45 acres. There are exceptional revenues with major upside potential for new ownership to increase bottom line. **The Doherty Hotel and Conference Center operates on a Seasonal Business Year starting on Oct. 1 and ending on Sept. 30.**



STR Report - Referenced Smith Travel Research (STR) Analysis data within the subject property's market to comprehensively analyze performance.



Market Trends- Analyzed micro and macro level market trends relevant to the Subject Property to determine outcomes that may impact property's adversity and overall ability to perform.



Sales History - Gathered information on past sales in order to understand market conditions and accurately perform an analysis based on the provided financials and estimates of forecasts.



OFFERING SUMMARY

Pricing:	\$6,250,000
Number of Rooms:	157
Year Built:	1924
Lot Size:	3.45 Acres
Number of Stories:	Mix. Up to 4
Corridor:	Interior
Class:	Upper Midscale

CURRENT OPERATING STATS

ADR:	\$102.39
Occupancy:	26.90%
RevPAR:	\$28.26
Revenue:	\$2,713,251
NOI:	\$598,559
Cap Rate:	9.57%
Price per Key:	\$39,808.92

AMENITIES

- Indoor Heated Pool and Jacuzzi
- Banquet Facilities
- Cocktail Lounge
- Conference Center
- High Speed Wireless Internet
- Electric Vehicle Charging Stations

*Please note operational statistics are based on seasonal business fiscal year of Oct. 1 to Sept. 30.

LOCAL SIGNIFICANCE

HISTORY

On April 11, 1924, Senator Alfred James Doherty I opened the Hotel Doherty to the public. The location of Clare was chosen as the Senator had strong beliefs that the automobile would become standard transportation. Mr. Doherty had built a grand hotel, with all the modern features of the time such as hot and cold water, radios, and an Otis Elevator. Over the years the hotel has seen a many additions and redesigns – building from 60 rooms to 157. The hotel once included a group of cottages for rent behind the main building, and even a full-service motel and swimming pool. The lobbies were also once home to barber shops, a soda shop, and the town’s library.



LOCAL DEMAND GENERATORS

Soaring Eagle Casino:

The Soaring Eagle Casino & Resort is the Midwest’s premier AAA Four Diamond gaming destination with over 210,000 square feet offering top-name entertainment year-round, award-winning dining, high stakes bingo and a full-service spa.

Snow Snake Ski & Golf:

Snow Snake Ski & Golf offers a variety of activities to guests through out the year. From snow tubing all the way to golfing lessons. The picturesque golf course is mesmerizing to guests who golf all 18-holes. The establishment also host events year-round and offers a zip line tour as well.

Pere Marquette Rail-Trail and Green Pine Lake Pathway:

The Pere Marquette Rail-Trail is a 30-mile paved trail for hikers, bikers, rollerbladers and cross-country skiers. Green Pine Lake pathway spans 11-miles long and sees visitors ranging from skiers, snowshoers, and hikers. Both outdoor activity trails and pathways allow for visitors to enjoy the outdoors in a safe environment.

Clare County Historical Museum Complex:

Since its establishment, the Clare County Historical Museum has serviced many of the residence and travelers passing through the county. With special events coordinated by the Museum, it has been opened to the public at no charge for over 50 years.



GENERAL OVERVIEW

In the following sections, the Subject Property will be dissected and analyzed in more detail. Below is a general overview of each section.

Valuation & Methodology:

For the purpose of this Offering Memorandum, Marcus & Millichap completed the following tasks:

- Reviewed the provided due diligence information
- Utilized M&M Hotel Research Reports
- Received guidance from experienced Lenders to evaluate financing availability.
- Utilized recent comparable transactions & valuation multiples

	2019	2020	2021
ADR	\$102.55	\$103.43	\$102.39
Occupancy	28.0%	19.0%	26.9%
RevPAR	\$28.72	\$19.69	\$27.56
Room Rev	\$1,523,134	\$1,038,420	\$1,339,382

*Metrics have been used based on Fiscal Year beg. Oct. – Sept.. Revenue Figures.

Sales Comparables Summary: On average the comparable sales Price per Room was \$30,288.25. Data was compiled and analyzed using past sales ranging from primarily 3-5 years. Amenities, Room Count, and Location were all taken into consideration based on the subject property’s characteristics.

Market Summary: The occupancy rate in the Michigan North Central Area submarket came in at 34.2 percent in January, within a few percentage points of the low observed in April 2020 at the height of COVID-19's impact on the hospitality sector. Things aren't quite as bad as this would indicate: The lower occupancy rate, partially reflects the fact that temporarily closed hotels have reopened their doors—there are more available rooms. This can be seen in room demand, which came in at 130,000 rooms for the month of January, easily exceeding the 40,000 rooms sold in April of 2020.

Performance Summary: The Doherty Hotel and Conference Center has seen great recovery in terms of performance metrics in 2021. Occupancy, ADR, and RevPAR have been the strongest when compared to prior two years. This property’s performance has shown to be highest during the summer months June-September, with occupancy jumping to mid-40 percent and then tapering off as the warmer days come to an end.

Operating Summary: The Doherty Hotel and Conference Center has rebounded quite strongly when looking at prior year financials. Current management has operated the building efficiently by decreasing Repairs and Maintenance expenses by nearly half from 2019 to 2021 due to improvements made during the slow COVID-19 season. A notable decrease in Admin & General expenses prove that the current operators have found leaks in the cracks and fixed them diligently. Current operating statistics are confidently forecasted to have consistent growth as the 2022 year is just getting started.



SCOT ANALYSIS

- **Building History** - The Subject Property sets itself apart from surrounding lodging facilities by being a unique and historical part of the community.
- **Location** - The property is conveniently a 20-minute drive from Soaring Eagle Casino, Central Michigan University, and Firefly Golf Links Course.
- **Diverse Income Generators** – The hotel, Irish Pub, Banquet Facilities, and Conference Center allow for a variety of income resources.
- **Performance** - The occupancy in Michigan North Central Area is relatively stable at 40 percent year-round. The Subject Property struggles with attracting visitors in off summer seasons.
- **Group Demand** - Overall demand is growing, but group demand has not yet recovered back to normal. This is likely due to the Omicron Variant holding groups back but as COVID-19 is in our rear-view mirror, group travel is expected to increase in 2022.



- **Franchise Consideration** - The Subject Property has potential to increase overall performance by adopting a flag that has brand recognition. Page 19 dives deeper into franchise options.
- **Increased Travel** - As travel restrictions are now being lifted there has been an increase of travelers to Northern Michigan by vehicle which gives the subject property the opportunity to attract more guests.
- **Increased Uncertainty** - The hospitality market has started to recover, but with recent surge in cases there is an uncertainty with some investors. This uncertainty will play a factor in their underwriting.
- **Capital Markets Risk** - Uncertainty of lending terms reduces the availability of debt in the market. Which, consequently, reduces the number of investors. This could still have an affect on pricing down the road.

ADDITIONS & IMPROVEMENTS

Initial 39 rooms built with 13 per floor with **38** rooms and 1 office.

1924

Additional 30 rooms introduced while enclosing motel with hotel. Totaling room count to **90**.

1990

1958

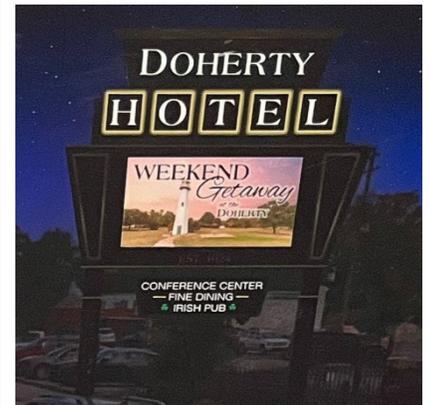
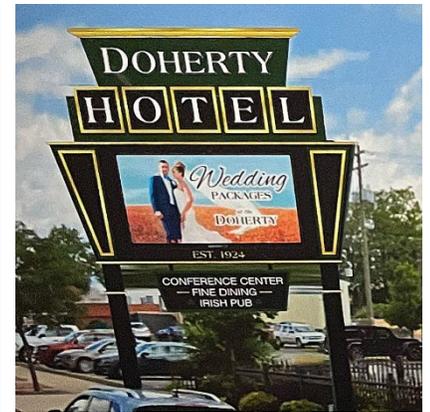
Added 21 rooms and removed 6-7 cabins bringing the total room count to **60**.

2000

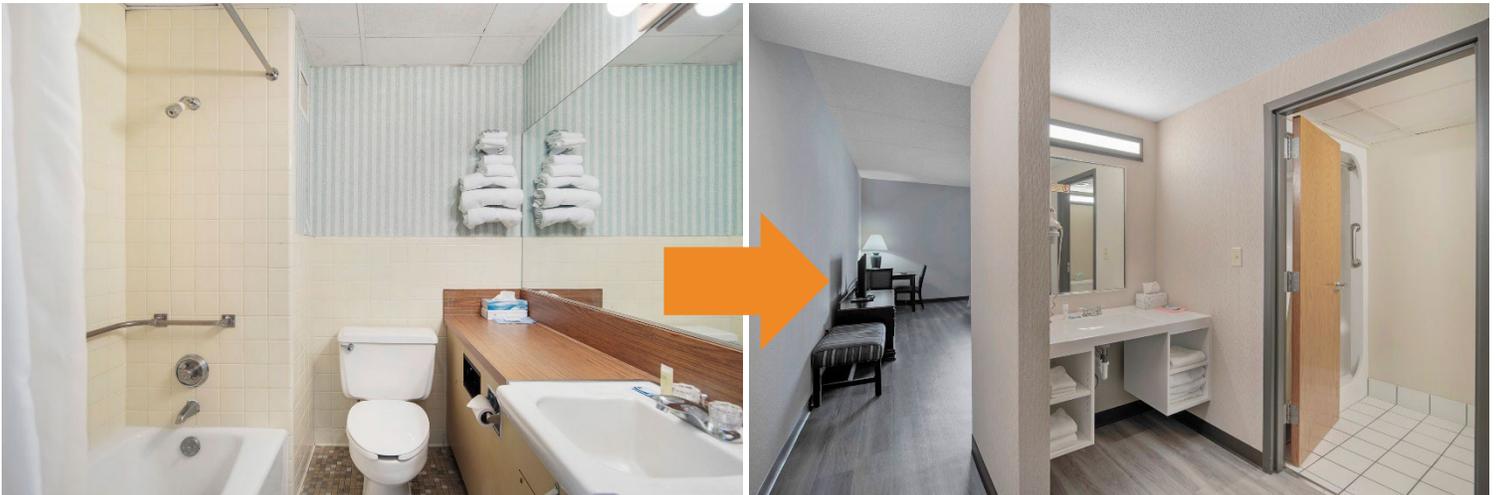
Added 67 rooms bringing total rooms throughout the property to **157**.

Notable Renovations

Date	Description
2016	<ul style="list-style-type: none"> All new rubber roof introduced to the property.
2019	<ul style="list-style-type: none"> Remodeled common areas New lock system New phone system Replaced 40 beds in guest rooms
2021	<ul style="list-style-type: none"> Introduced new 35-ton chiller Replaced outdated box spring mattress Replaced carpet with LVT
2022	<ul style="list-style-type: none"> New South Wing 30-ton chiller New Pavilion Patio 95% Complete Hallway wallpaper purchased & completed in three hallways New Furniture for rooms purchased New Front Signage Ongoing renovations throughout the interior and exterior



RENOVATIONS/IMPROVEMENTS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



PROPERTY PHOTOS



MARKET OVERVIEW

Michigan North Central Area is a submarket that contains around **14,000 rooms** across **252 properties**. This adds up to about a third of the Michigan North market's hotel inventory. Like the market, Michigan North Central Area is characterized by small hotels and inns. The **average hotel has 57 rooms**, not far from the market average, but below the national average of close to 90 rooms per property.

PERFORMANCE	SUBMARKET	MARKET
Occupancy	34.2% ↓	36.8% ↓
ADR	\$102.47 ↓	\$108.27 ↓
RevPAR	\$34.99 ↓	\$39.83 ↓
3 Mo Occupancy	37.4% ↓	39.2% ↓
3 Mo ADR	\$103.78 ↓	\$105.65 ↓
3 Mo RevPAR	\$38.86 ↓	\$41.47 ↓
YTD Occupancy	34.2% ↓	36.8% ↓
YTD ADR	\$102.47 ↓	\$108.27 ↓
YTD RevPAR	\$34.99 ↓	\$39.83 ↓
12 Mo Occupancy	53.7% ↓	53.6% ↓
12 Mo ADR	\$125.23 ↓	\$128.50 ↓
12 Mo RevPAR	\$67.25 ↓	\$68.93 ↓

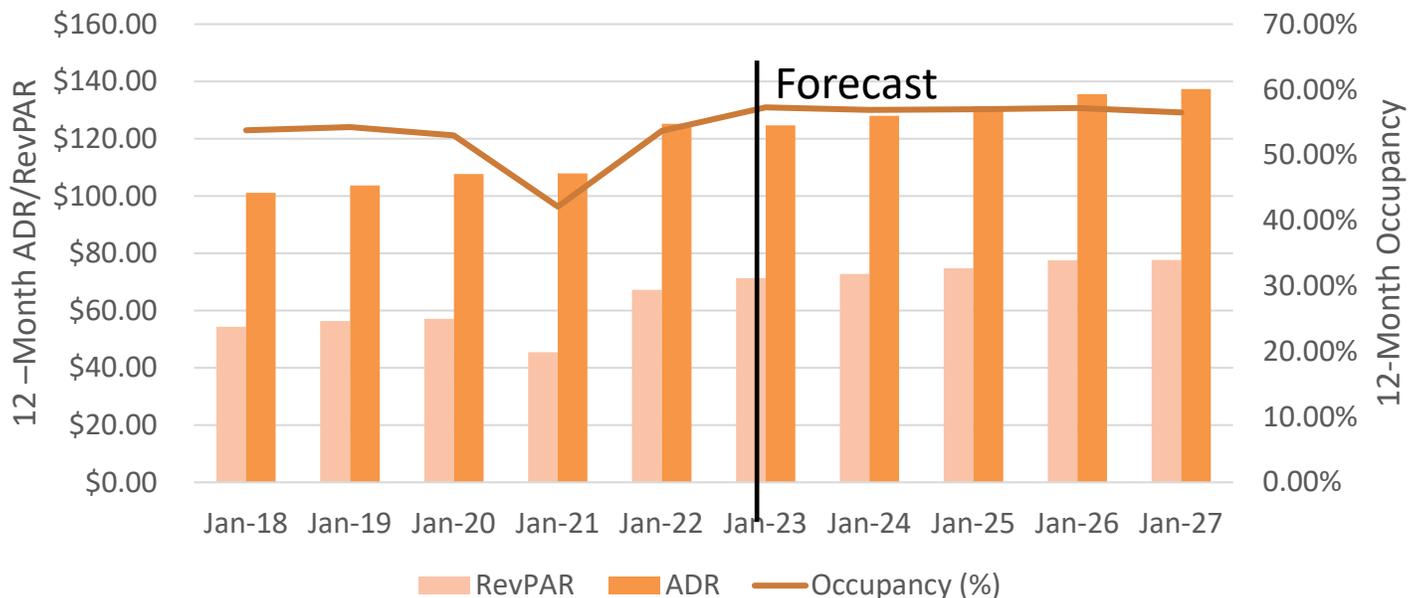
12-month RevPAR was recently climbing at a **strong rate**: As of January, 12-month average RevPAR in the Michigan North Central Area hotel submarket was **up 48.0 percent**, following with market-wide average.

The construction pipeline is primarily made up of **of a single 80-room hotel** project. Representing continued development in the submarket, eight projects with around **360 rooms delivered in the past three years**.

The submarket has **three hotel transactions over the past twelve months**, which was below the average number of trades in recent years. At one point in the past three years, **nine trades closed in a 12-month period**.

Below is a chart showing historical and forecasted Occupancy, ADR, and RevPAR in the Michigan North Central Submarket specifically Upper Midscale properties from 2018-2026 .

OCC, ADR, RevPAR



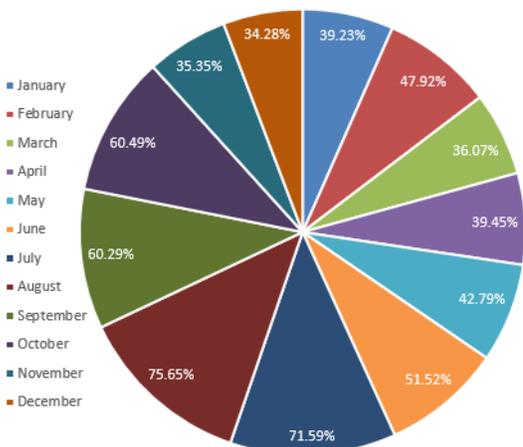
PERFORMANCE

Summary: The chart below breaks down Occupancy, ADR, and RevPAR by month from 2018-2021. **The far-right column conveys each year's average totals.**

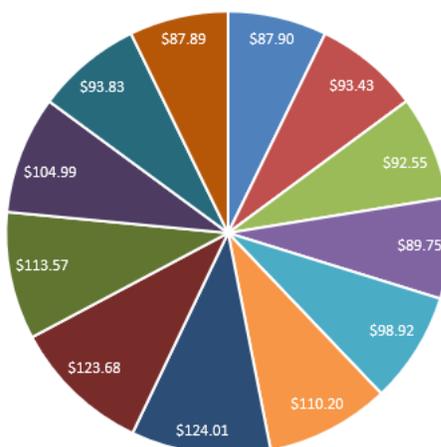
2021	January	February	March	April	May	June	July	Aug	September	October	November	December	Yr. Total
Occupancy	12.8%	14.4%	18.4%	23.2%	30.8%	43.9%	48.6%	47.1%	40.8%	31.9%	18.7%	30.8%	30.1%
ADR	\$ 96.93	\$ 96.40	\$ 101.53	\$97.46	\$ 111.25	\$ 104.79	\$ 107.43	\$ 110.02	\$ 108.37	\$ 115.20	\$ 114.92	\$ 111.19	\$106.29
RevPAR	\$ 12.41	\$ 13.88	\$ 18.68	\$ 22.61	\$ 34.27	\$ 46.00	\$ 52.21	\$ 51.82	\$ 44.21	\$ 36.75	\$ 21.49	\$ 34.25	\$31.13
2020	January	February	March	April	May	June	July	Aug	September	October	November	December	Yr. Total
Occupancy	12.3%	14.0%	12.6%	2.7%	9.9%	22.7%	31.0%	34.3%	31.0%	18.8%	10.9%	13.3%	17.8%
ADR	\$ 107.22	\$ 110.74	\$ 115.32	\$ 81.78	\$ 102.24	\$ 92.57	\$ 105.36	\$ 104.53	\$ 104.63	\$ 110.13	\$ 93.74	\$ 90.67	\$101.58
RevPAR	\$ 13.19	\$ 15.50	\$ 14.53	\$ 2.21	\$ 10.12	\$ 21.01	\$ 32.66	\$ 35.85	\$ 32.44	\$ 20.70	\$ 10.22	\$ 12.06	\$18.07
2019	January	February	March	April	May	June	July	Aug	September	October	November	December	Yr. Total
Occupancy	13.4%	13.4%	27.3%	23.2%	27.3%	49.8%	43.1%	43.8%	33.3%	24.9%	17.3%	15.5%	27.7%
ADR	\$ 105.36	\$ 105.75	\$ 110.44	\$ 97.46	\$ 102.51	\$ 99.29	\$ 102.40	\$ 104.76	\$ 92.10	\$ 102.71	\$ 106.02	\$ 108.07	\$103.07
RevPAR	\$ 14.12	\$ 14.17	\$ 30.15	\$ 22.61	\$ 27.99	\$ 49.45	\$ 44.13	\$ 45.88	\$ 30.67	\$ 25.57	\$ 18.34	\$ 16.75	\$28.54
2018	January	February	March	April	May	June	July	Aug	September	October	November	December	Yr. Total
Occupancy	18.5%	13.8%	18.9%	23.9%	23.6%	45.4%	37.9%	45.6%	38.9%	26.5%	15.9%	19.1%	27.3%
ADR	\$ 100.44	\$ 105.61	\$ 109.67	\$ 89.56	\$ 100.53	\$ 99.65	\$ 101.62	\$ 100.78	\$ 94.51	\$ 104.74	\$ 98.70	\$ 107.13	\$101.08
RevPAR	\$ 18.58	\$ 14.57	\$ 20.73	\$ 21.40	\$ 23.73	\$ 45.24	\$ 38.51	\$ 45.96	\$ 36.76	\$ 27.76	\$ 15.69	\$ 20.46	\$27.63
2017	January	February	March	April	May	June	July	Aug	September	October	November	December	Yr. Total
Occupancy	18.1%	19.3%	23.8%	26.2%	32.7%	48.5%	41.8%	40.3%	42.2%	30.5%	24.0%	22.9%	30.9%
ADR	\$ 92.06	\$ 96.63	\$ 101.90	\$ 89.62	\$ 93.86	\$ 89.13	\$ 94.66	\$ 94.09	\$ 92.92	\$ 89.13	\$ 87.15	\$ 101.20	\$ 93.53
RevPar	\$ 16.66	\$ 18.65	\$ 24.25	\$ 23.48	\$ 30.69	\$ 43.23	\$ 39.57	\$ 37.92	\$ 39.21	\$ 27.18	\$ 20.92	\$ 23.17	\$28.86

The below Pie Charts pull data from the above chart into a digestible visual. All three charts are monthly breakdowns of 2018-2021 performance. The months of July, August, September and October see the highest occupancy throughout the year. The ADR Pie Chart conveys average ADR for a specific month, the months of July and August has shown to have the greatest ADR during the four-year period. Like occupancy, RevPAR statistics begin to rise starting in June, peak in August, and taper during September and October. **Each chart displays averages of the specified performance metric from 2018 to 2021.**

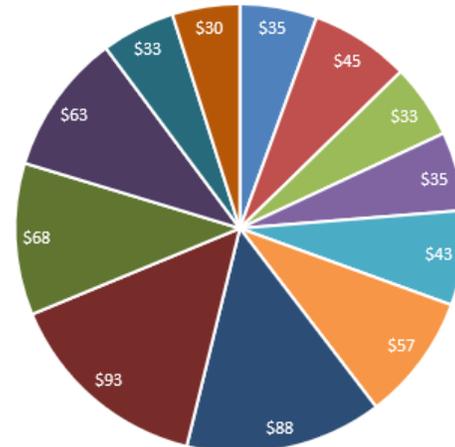
Occupancy



ADR



RevPAR



FINANCIALS: HISTORICAL

	2018		2019		2020		2021	
Rooms	157		157		157		157	
Available Rooms	57,305		57,305		57,305		57,305	
Rooms Sold	16,618		16,045		10,888		15,415	
Occupancy	29.0%		28.0%		19.0%		26.9%	
ADR	\$98.32		\$102.55		\$103.43		\$102.39	
RevPAR	\$28.51		\$28.71		\$19.65		\$27.54	
Revenue/Room	\$23,157		\$22,135		\$14,330		\$17,282	
Income								
Room Revenue	\$1,533,674	42.2%	\$1,523,134	43.8%	1,038,420	46.2%	\$1,339,382	49.4%
Hotel Other	\$79,920	2.2%	\$78,542	2.3%	\$41,695	1.9%	\$57,355	2.1%
Dining Room	\$1,013,599	27.9%	\$987,094	28.4%	\$593,683	26.4%	\$715,779	26.4%
Banquet	\$569,558	15.7%	\$477,276	13.7%	\$297,330	13.2%	\$313,110	11.5%
Liquor & Wine	\$423,811	11.7%	\$395,350	11.4%	\$266,875	11.9%	\$274,443	10.1%
F&B Other	\$15,062	0.4%	\$13,770	0.4%	\$11,824	0.5%	\$13,182	0.5%
Total Revenue	\$3,635,624	100.0%	\$3,475,166	100.0%	\$2,249,827	100.0%	\$2,713,251	100.0%
Departmental Expenses								
Rooms	\$655,550	18.0%	\$577,464	16.6%	\$448,974	20.0%	\$382,745	14.1%
Food & Beverage	\$1,763,638	48.5%	\$1,868,714	53.8%	\$1,270,892	56.5%	\$1,239,544	45.7%
Other Operated Depts & Rentals	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Departmental Expenses	\$2,419,188	66.5%	\$2,446,178	70.4%	\$1,719,866	76.4%	\$1,622,289	59.8%
Gross Operating Income	\$1,216,436	33.5%	\$1,028,988	29.6%	\$529,961	23.6%	\$1,090,962	40.2%
Undistributed Operating Expenses								
Administration & General	\$149,493	4.1%	\$121,424	3.5%	\$141,667	6.3%	\$98,541	3.6%
Marketing	\$5,412	0.1%	\$3,477	0.1%	\$4,184	0.2%	\$4,998	0.2%
Franchise Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Utility Costs	\$161,494	4.4%	\$159,814	4.6%	\$148,200	6.6%	\$147,414	5.4%
Property Operations & Maintenance	\$106,101	2.9%	\$65,842	1.9%	\$132,055	5.9%	\$30,234	1.1%
Total Undistributed Operating Expenses	\$422,500	11.6%	\$350,557	10.1%	\$426,106	18.9%	\$281,187	10.4%
Gross Operating Profit	\$793,936	21.8%	\$678,431	19.5%	\$103,855	4.6%	\$809,775	29.8%
Fixed Expenses								
Property Taxes	\$70,789	1.9%	\$73,569	2.1%	\$77,845	3.5%	\$81,812	3.0%
Insurance	\$66,588	1.8%	\$67,583	1.9%	\$61,636	2.7%	\$43,803	1.6%
Lease Expense	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Fixed Charges	\$137,377	3.8%	\$141,152	4.1%	\$139,481	6.2%	\$125,615	4.6%
Total Expenses	\$2,979,065	81.9%	\$2,937,887	84.5%	\$2,285,453	101.6%	\$2,029,091	74.8%
Amount Available for Debt Service & Other Fixed Charges	\$656,559	18.1%	\$537,279	15.5%	-\$35,626	-1.6%	\$684,160	25.2%
Capital Replacement Reserve	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Management Fee	\$114,788	3.2%	\$109,595	3.2%	\$71,025	3.2%	\$85,601	3.2%
Net Operating Income (EBITDA)	\$541,771	14.9%	\$427,684	12.3%	-\$106,651	-4.7%	\$598,559	22.1%

The Historical Financials above indicate actual expense ratios incurred by current ownership.

FINANCIALS: PRO-FORMA

PRO FORMA	2021		Year 1		Year 2		Year 3		Year 4		Year 5	
Rooms	157		157		157		157		157		157	
Available Rooms	57,305		57,305		57,305		57,305		57,305		57,305	
Rooms Sold	15,415		16,957		18,652		20,517		22,569		24,826	
Occupancy	26.9%		29.6%		32.5%		35.8%		39.4%		43.3%	
ADR	\$102.39		\$103.41		\$104.45		\$105.49		\$106.55		\$107.61	
RevPAR	\$27.54		\$30.60		\$34.00		\$37.77		\$41.96		\$46.62	
Revenue/Room	\$17,282		\$21,610		\$24,459		\$26,761		\$28,757		\$30,924	
INCOME												
Room Revenue	\$1,339,382	49.4%	\$1,753,543	51.7%	\$1,948,186	50.7%	\$2,164,435	51.5%	\$2,404,687	53.3%	\$2,671,607	55.0%
Hotel Other	\$57,355	2.1%	\$66,000	1.9%	\$78,000	2.0%	\$78,600	1.9%	\$79,200	1.8%	\$79,800	1.6%
Dining Room	\$715,779	26.4%	\$840,000	24.8%	\$960,000	25.0%	\$984,000	23.4%	\$1,008,000	22.3%	\$1,032,000	21.3%
Banquet	\$313,110	11.5%	\$384,000	11.3%	\$480,000	12.5%	\$576,000	13.7%	\$600,000	13.3%	\$624,000	12.9%
Liquor & Wine	\$274,443	10.1%	\$336,000	9.9%	\$360,000	9.4%	\$384,000	9.1%	\$408,000	9.0%	\$432,000	8.9%
F&B Other	\$13,182	0.5%	\$13,200	0.4%	\$13,800	0.4%	\$14,400	0.3%	\$15,000	0.3%	\$15,600	0.3%
Total Revenue	\$2,713,251	100.0%	\$3,392,743	100.0%	\$3,839,986	100.0%	\$4,201,435	100.0%	\$4,514,887	100.0%	\$4,855,007	100.0%
DEPARTMENTAL EXPENSES												
Rooms	\$382,745	14.1%	\$526,077	15.5%	\$584,374	15.2%	\$649,376	15.5%	\$721,311	16.0%	\$801,386	16.5%
Food & Beverage	\$1,239,544	45.7%	\$1,407,394	41.5%	\$1,660,046	43.2%	\$1,785,016	42.5%	\$1,873,241	41.5%	\$1,911,608	39.4%
Other Operated Depts & Rentals	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Departmental Expenses	\$1,622,289	59.8%	\$1,933,471	57.0%	\$2,244,420	58.4%	\$2,434,392	57.9%	\$2,594,551	57.5%	\$2,712,994	55.9%
Gross Operating Income	\$1,090,962	40.2%	\$1,459,272	43.0%	\$1,595,566	41.6%	\$1,767,042	42.1%	\$1,920,336	42.5%	\$2,142,013	44.1%
UNDISTRIBUTED OPERATING EXPENSES												
Administration & General	\$98,541	3.6%	\$203,400	6.0%	\$230,400	6.0%	\$252,000	6.0%	\$270,840	6.0%	\$291,300	6.0%
Marketing	\$4,998	0.2%	\$33,900	1.0%	\$38,400	1.0%	\$42,000	1.0%	\$45,000	1.0%	\$48,600	1.0%
Franchise Fees	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Utility Costs	\$147,414	5.4%	\$169,565	5.0%	\$191,931	5.0%	\$210,098	5.0%	\$225,692	5.0%	\$242,799	5.0%
Property Operations & Maintenance	\$30,234	1.1%	\$67,826	2.0%	\$76,847	2.0%	\$84,121	2.0%	\$90,502	2.0%	\$97,318	2.0%
Total Undistributed Operating Expenses	\$281,187	10.4%	\$474,692	14.0%	\$537,578	14.0%	\$588,220	14.0%	\$632,034	14.0%	\$680,017	14.0%
Gross Operating Profit	\$809,775	29.8%	\$984,581	29.0%	\$1,057,988	27.6%	\$1,178,823	28.1%	\$1,288,302	28.5%	\$1,461,996	30.1%
FIXED EXPENSES												
Property Taxes	\$81,812	3.0%	\$84,000	2.5%	\$85,800	2.2%	\$87,000	2.1%	\$88,200	2.0%	\$89,400	1.8%
Insurance	\$43,803	1.6%	\$45,000	1.3%	\$45,600	1.2%	\$46,200	1.1%	\$46,800	1.0%	\$47,400	1.0%
Lease Expense	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Fixed Charges	\$125,615	4.6%	\$129,000	3.8%	\$131,400	3.4%	\$133,200	3.2%	\$135,000	3.0%	\$136,800	2.8%
Total Expenses	\$2,029,091	74.8%	\$2,537,162	74.8%	\$2,913,398	75.9%	\$3,155,812	75.1%	\$3,361,586	74.5%	\$3,529,812	72.7%
Amount Available for Debt Service & Other Fixed Charges	\$684,160	25.2%	\$855,581	25.2%	\$926,588	24.1%	\$1,045,623	24.9%	\$1,153,302	25.5%	\$1,325,196	27.3%
Capital Replacement Reserve	\$0	0.0%	\$101,782	3.0%	\$115,200	3.0%	\$126,043	3.0%	\$135,447	3.0%	\$145,650	3.0%
Management Fee	\$85,601	3.2%	\$101,782	3.0%	\$115,200	3.0%	\$126,043	3.0%	\$135,447	3.0%	\$145,650	3.0%
Net Operating Income (EBITDA)	\$598,559	22.1%	\$652,016	19.2%	\$696,189	18.1%	\$793,536	18.9%	\$882,408	19.5%	\$1,033,895	21.3%

The Pro-Forma Financials above reflect a year over year increase of ten percent in occupancy and one percent in Average Daily Rate. A Management Fee of three percent and Capital Replacement Reserve of three percent is included. The expense ratios are based on both industry standard & historical property expenses. Property Taxes will be reassessed at the time of sale, above projections reflect a steady increase based on historical. A&G Expense is projected to increase to enhance marketing & operations. Property taxes are split equally between Hotel/Motel and F&B. The analysis was done utilizing conservative expense ratios, experience management may achieve greater NOI Margins.

FRANCHISE & PIP (PROPERTY IMPROVEMENT PLAN)

Within this section, the following analysis will outline the various factors in consideration when identifying the performance options of the asset located **604 N McEwan Street, Clare, MI.**

Projected Hotel Performance

OCC: 10%

ADR: 1%

5 Year Analysis

Our analysis utilized a ten percent Occ growth rate, which resulted in a 43 percent Year Five Occupancy	Our analysis utilized a one percent Occ growth rate, which resulted in a \$103.41 Year Five Average Daily Rate	Our analysis is projected over the course of Five years, taking into consideration time of renovation.
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Property Improvement Plan Consideration

A property improvement plan is an action plan for a property to bring it into compliance with brand standards levied by the brand manager or franchisor.

TBD

Estimated Time of Completion

\$1.57M

Estimated Cost of PIP (10,000 per key x 157 Keys)

The completion and cost of the PIP will be taken into consideration during the negotiation and determination of the Purchase Price of this asset. The completion of the Property Improvement Plan is in favor of the buyer/purchaser as a fully renovated asset should result in a competitive edge within the existing Clare Hotel Market. The estimated cost of PIP will be taken into consideration during the negotiation of the purchase price.

Franchise Consideration

The overall principle of a franchise agreement is that **the franchisee operates its own hotel**, in compliance with the brand standards. The franchisee is required to pay a franchise fee, including the brand trademark, based on a percentage of the hotel's turnover.

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Based on initial conversations, estimated PIP ranges from \$15,000–\$10,000 per Key, not including Franchise fees and other related costs.

We are looking into a variety of franchises to consider this property as an expansion to their brand. The historical significance and positioning of this property makes it a considerable candidate for a potential boutique hotel.

INVENTORY & SURROUNDING COMPETITION

INVENTORY ROOMS	UNDER CONSTRUCTION ROOMS	12 MO OCC RATE	12 MO ADR	12 MO REVPAR	MARKET SALE PRICE/ROOM	MARKET CAP RATE
330 +0%	0 -	55.2% +28.8%	\$126 +15.0%	\$70 +48.1%	\$63K -7.6%	9.2% -0.3%
Prior Period 330	Prior Period 0	Prior Period 42.9%	Prior Period \$110	Prior Period \$47	Prior Period \$68.2K	Prior Period 9.5%

The Clare Market consists of four existing properties with 330 rooms in inventory. 12-Month ADR and occupancy in the market is relatively higher than the North Michigan Central Market as a whole. Properties have seen an increase of 28.8 percent and 48.1 percent in 12 Month occupancy and RevPAR, respectively.



10100 S Clare Ave., Clare, MI 48617

Name: Best Western Clare

Building Square Foot: 24,375

Number of Rooms: 61

Year Built/Renovated: 2002



5205 E Pickard Street Mount Pleasant, MI 48858

Name: Hampton By Hilton Inn Mount Pleasant

Building Square Foot: 50,000

Number of Rooms: 89

Year Built/Renovated: 1996



10318 S Clare Ave., Clare MI 48617

Name: Quality Inn Clare

Building Square Foot: 24,313

Number of Rooms: 95

Year Built/Renovated: 1992



5278 E Pickard Street, Mount Pleasant, MI 48858

Name: Holiday Inn & Suites Mount Pleasant

Building Square Foot: 67,013

Number of Rooms: 130

Year Built/Renovated: 2018

COVID-19 Impact on Valuation

Within the past two years, Hospitality owners have dealt with uncertainty throughout the pandemic. As we ease into 2022, lessening of mandates have dramatically changed the expected state of the pandemic. Anticipated recovery from STR projected several years to reach 2019 revenue figures, but a vast number of assets have experienced expedited recoveries to pre-pandemic performance. As Investors are taking into consideration the impact of Covid, pricing is primarily being determined utilizing 2019 & 2021 Revenue figures.

BROKER OF RECORD

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