



April 11, 2023

Mr. Peter Spellios
Swampscott Select Board Member
22 Monument Avenue
Swampscott, MA 01970

Re: Proposed Hotel Swampscott – Swampscott, MA

Dear Mr. Spellios:

Pursuant to your request, Pinnacle Advisory Group (“Pinnacle”) has completed our market research for a proposed hotel (“Proposed Hotel”) to be located within the Hadley Elementary School building located at 24 Redington Steet in Swampscott, MA. This report presents highlights from our comprehensive market demand study and concludes with a five-year projection of occupancy (demand), room rate (pricing), and rooms revenue for the Proposed Hotel. Per your direction, we have assumed an opening date of January 1, 2026. The conclusions presented in this report are based upon our current knowledge of the market for lodging and related facilities in the defined market area as of the completion of our fieldwork conducted in March 2023.

As in all studies of this type, the estimated annual performance levels for the Proposed Hotel are based on competent and efficient management and presume no significant changes in the competitive dynamics in the market other than those specifically discussed in the report. Projections contained herein are based upon estimates and assumptions that are subject to uncertainty and variability. While we do not represent the projected results as those which will ultimately be achieved, we have prepared them conscientiously based upon the most reliable forms of information available to us and our extensive experience in the lodging and real estate industries. We have no obligation, unless subsequently so engaged, to update this study because of events occurring subsequent to the completion of this study. Additional limiting conditions are presented at the end of this report.

Please note that our projections were prepared during the prolonged outbreak of COVID-19 and subsequent economic decline that has emerged. Airline travel and hotel occupancies are still lower than pre-pandemic levels, but ADRs (Average Daily Rate) in most markets have reached or exceeded 2019 levels, partially as a result of high inflation. We have assumed that the recovery that is now underway may be challenged by a soft recession affecting the next 6 to 12 months, triggered by the Fed’s efforts to bring inflation under control. By 2024, the US economy and the national lodging market as a whole is expected to return to more typical levels. This assumption may not be accurate, and future impacts to conclusions are unknown, uncertain, or unclear.

If there are any questions after you have had the opportunity to review the attached report, please do not hesitate to call us at your convenience.

Respectfully submitted,

Pinnacle Advisory Group

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Methodology Of Assignment

The purpose of this engagement is to present our findings on the potential future operating performance for the Proposed Hotel to be located at 24 Redington Street in Swampscott, Massachusetts. Our analysis includes a projection of occupancy, average rate, and revenue per available room for five years following the assumed opening date. In the process of assessing the potential for hotel demand, we conducted extensive market-based research, which served as a foundation for the demand and performance projections made herein. Our findings are based on three areas of research: area and regional economic and demographic review, demand research, and a lodging supply analysis.

Our review of the economic and demographic area included an analysis of the economic climate on a local and regional level. We examined Swampscott and the overall MSA's existing employment distribution, tourism trends, commercial infrastructure, and transportation networks. We also reviewed future development projects and assessed the Proposed Hotel's ability to attract new demand to the area.

Given the lack of hotel product in Swampscott, we examined the greater Northshore lodging market. In-person interviews and site inspections were conducted at the facilities deemed of most critical importance to this analysis. These interviews were supplemented with the collection of actual performance levels at the identified hotels. Furthermore, we interviewed city planning officials and developers active in the subject market area to ascertain the status of any on-going or proposed hotel developments. From the data that we collected in the market, we were able to analyze historical growth in lodging demand and made an assessment of future trends.

The primary scope of work completed during our research and analysis included:

1. Examination of the site (including a tour of the Hadley Elementary School building) and evaluation of the surrounding environs with respect to its suitability for hotel operations;
2. Meetings with local officials to discuss the market;
3. Identification, research, and interviews with management of the hotels determined to be competitive and/or comparable with the Proposed Hotel;
4. Review of broader-based lodging supply and demand dynamics in the Northshore area;
5. Gathering of detailed information regarding other proposed developments in the immediate area. Interviews were supplemented with research regarding the area economy and development patterns as well as via collection of economic and demographic data;
6. Collection and review of performance metrics for comparable upscale/upper-upscale, independent boutique hotels in the Northeast;
7. Preparation of general facility recommendations/assumptions;
8. Projections of occupancy and average rate for the Proposed Hotel for five years beginning on January 1, 2026; and
9. Preparation of this comprehensive report detailing our findings, conclusions and recommendations for the Proposed Hotel.

Our projections are specifically based on the following assumptions:

1. The Proposed Hotel will be managed by a professional, experienced hotel management company.

2. The Proposed Hotel will be developed as an upper-upscale, independent boutique hotel with the facility program outlined in the body of this report; and

If there are any deviations to the aforementioned assumptions, our findings will be subject to change and those changes may be material.

Area Review

United States Overview

The COVID-19 pandemic, which began in March 2020, has disrupted the global economy and adversely affected travel, financial markets, employment, among other industries. The United States GDP contracted 3.5% in 2020, its first contraction since 2009 and its worst since 1946. The country's unemployment rate increased from 3.5% in February 2020 to 14.7% in March, with a decline of more than 25 million people employed and another 8 million leaving the labor force. Industries which rely on "in-person interactions" were severely impacted. The travel industry has been one of the hardest hit industries as most major airlines, both domestic and international, were forced to reduce flights following the sudden decline in demand resulting from travel bans. Employment in the Hospitality & Leisure sector declined 47% in March and April of 2020. Since then, hotel market occupancy and ADR have seen slow, but steady growth. Hotel occupancy levels nationwide have almost rebounded to 2019 levels and average rates have surpassed 2019 levels, resulting in RevPAR levels just above the 2019 benchmark levels. While economists are generally optimistic about the U.S. economy's recovery from the effects of the pandemic, new concerns have arisen regarding oil prices, inflation across all sectors, the continuing conflict between Russia and Ukraine, and possible recession.

Area Overview

The seaside town of Swampscott is located within Essex County, located approximately 15 miles northeast of Boston along the northern coastline, within an area known as the "Northshore." With a population of approximately 15,000 people, Swampscott is approximately 6.7 square miles (3.0 square miles of total land) and is bordered by the town of Marblehead to the northeast, the city of Salem to the northwest, the city of Lynn to the southwest, and the Atlantic Ocean to the south.

The historic and picturesque coastal town of Swampscott is rich in history and its fishing heritage. The community, once known as a seafaring fishing village, reached worldwide status as the place where the lobster pot was invented in 1808 to revolutionize lobster harvesting. The Swampscott Dory, a fishing boat still in use throughout the world today, was also invented in Swampscott in 1840, and was considered the best seaworthy boat for fishermen due to its unique flat-bottomed design.

In addition to its fishing heritage, Swampscott was once known as New England's resort community. Several large resorts were built in the 1800's which attracted wealthy patrons, families and businessmen from across the country and world. Many stayed and built grand homes in the area which played a vital role in the town's diverse history. The hotel and boarding house business flourished to serve the influx of summer visitors with the Ocean House, the Hotel Preston, the Lincoln House Hotel, the Hotel Bellevue and the New Ocean House Hotel. Notable summer guests, including President and Mrs. Calvin Coolidge, frequented the lavish accommodations. Over time the hotels and resorts closed as a result of fires or coastal storms.

Today, the town is primarily residential. Swampscott has benefited from its close proximity to Boston, the State Capital and economic center of New England. The economic expansion of the Greater Boston region over the last twenty years has gained national prominence as an ideal location for commercial businesses and industries and has subsequently benefitted towns and cities such as Swampscott.

The Boston Metropolitan Statistical Area (MSA) includes seven counties located in Massachusetts including Bristol, Essex, Middlesex, Norfolk, Plymouth, Suffolk, and Worcester as well as Rockingham County in New Hampshire. The region stretches along the coastline of the Atlantic Ocean approximately 100 miles from Plymouth, Massachusetts up to the border of New Hampshire and Maine. The Boston MSA also extends west approximately 75 miles to the central part of the State of Massachusetts. Furthermore,

due to the overall area's historic and cultural attractions, the Greater Boston region has emerged as a popular destination for conventions, national, and international tourists. Prior to the ongoing pandemic, Boston was consistently ranked as one of the strongest lodging markets in the country. The Boston MSA's economy remains fairly diversified with financial services, biotechnology, health care, education and conventions/tourism serving as the five engines of growth.

- **Financial Services:** The City of Boston is one of the top financial cities in the United States and is the home to many corporate headquarters such as Liberty Mutual and State Street Corporation. Boston is also considered to be the premier city for mutual fund companies, including the country's second largest, Fidelity Investments.
- **Biotechnology:** Because of the presence of higher education in the Boston area, many companies have flocked to Boston proper such as Novartis, Vertex, and Biogen. The National Institutes of Health offer Boston the highest amount of annual funding for medical research.
- **Health Care:** Greater Boston is an international center of medical care with over 20 hospitals in Boston, many of them medical facilities associated with universities. The facilities include Tufts Medical Center, Boston University Medical Center, Massachusetts General Hospital (MGH), Brigham and Women's Hospital, Children's Hospital, Beth Israel Deaconess Medical Center, and Dana-Farber Cancer Institute.
- **Education:** Boston is home to over 50 colleges and universities, including Harvard University, the Massachusetts Institute of Technology, Boston University and others, which is more than any other metropolitan area in the country.
- **Conventions/Tourism:** In addition to convenient access via automobile, high-speed train and airplane, Boston benefits from its location on the water and reputation as a walking City. The presence of a well-developed transportation infrastructure, which is continually updated and enhanced, continues to make the area a desirable tourist and convention destination. There are two convention centers in Boston: the Boston Convention and Exhibition Center (BCEC) located in the Seaport District, and the Hynes Convention Center, located in the Back Bay. Combined these two facilities generate, on average, approximately 616,000 annual room nights.

Employment

Pinnacle Advisory Group

Total Employment						
	Town	NECTA	County	MSA	State	Country
				MSA Boston/ Cambridge	MA	United States
Year	Swampscott	Lynn	Essex			
2011	7,336	74,977	364,243	2,378,349	3,232,458	131,920,000
2012	7,424	76,140	369,621	2,412,090	3,271,256	134,154,000
2013	7,446	76,556	371,871	2,426,277	3,283,144	136,358,000
2014	7,597	78,300	380,981	2,483,762	3,364,853	138,920,000
2015	7,888	79,175	387,425	2,525,740	3,417,296	141,801,000
2016	8,155	80,223	393,617	2,571,140	3,472,327	144,332,000
2017	8,478	82,522	405,437	2,652,153	3,582,389	146,611,000
2018	8,640	84,267	415,008	2,726,834	3,686,198	148,897,000
2019	8,770	84,951	418,029	2,765,377	3,725,143	150,891,000
2020	7,977	76,718	380,186	2,530,732	3,399,381	142,153,000
2021	8,304	79,868	396,759	2,633,367	3,535,696	146,281,000
2022	8,459	81,356	404,395	2,690,684	3,603,172	152,625,000
CAGR 2011 - 2019	2.3%	1.6%	1.7%	1.9%	1.8%	1.7%
CAGR 2011- 2022	1.3%	0.7%	1.0%	1.1%	1.0%	1.3%
<i>Not seasonally adjusted.</i>						
<i>Source: BLS, Mass.gov</i>						

In 2019, employment in the Boston MSA was approximately 2.8 million, 3% of which was in the Lynn NECTA. All areas analyzed in the State of Massachusetts experienced a decline in employment in 2020 of approximately 8.5% to 9.7%, as a result of the pandemic. As of year-end 2022, employment is down approximately 3% across all areas compared to 2019 levels. The following table outlines the current makeup of Massachusetts employment by sector and its historic growth since 2003.

Employment by Sector - Massachusetts						
Sector	February 2003	February 2013	10 -Yr CAGR	February 2023	10 -Yr CAGR	20 -Yr CAGR
Mining & Logging	1,500	800	-6.1%	900	1.2%	-2.5%
Construction	120,600	106,800	-1.2%	160,600	4.2%	1.4%
Manufacturing	329,700	245,500	-2.9%	235,900	-0.4%	-1.7%
Trade, transportation, and utilities	559,600	539,000	-0.4%	564,700	0.5%	0.0%
Information	94,300	86,000	-0.9%	95,300	1.0%	0.1%
Financial activities	227,800	211,200	-0.8%	231,000	0.9%	0.1%
Professional and business services	432,400	495,000	1.4%	638,000	2.6%	2.0%
Education and health services	584,400	715,800	2.0%	831,000	1.5%	1.8%
Leisure and hospitality	261,100	300,700	1.4%	319,100	0.6%	1.0%
Other services	114,900	121,300	0.5%	133,300	0.9%	0.7%
Government	436,500	451,000	0.3%	462,600	0.3%	0.3%
<i>Source: Mass.gov</i>						

Many of Boston's core industries including education and health, leisure and hospitality, professional and business services, and information technology have helped to ensure relative stability throughout Boston.

The largest employment sector in Massachusetts is education and health services which made up approximately 23% of the total employment in February 2023. Approximately 77% of these are healthcare related and driven largely by the metro area's hospitals. While this sector has reported slow and steady

growth over the last thirty years, it is considered to be one of the market's most stable. The market's high-tech sector has provided a considerable amount of growth for the ten years leading up to the pandemic, and was mostly concentrated in med-tech jobs, such as bio-tech and pharma. Given the development boom underway in Boston and its immediate suburbs, growth in construction employment is seeing the best rate of expansion of any sector, increasing 4.2% compounded annually between 2013 and 2023. As a result of automation and outsourcing, financial activities and legal services are not experiencing the robust growth that other sectors are seeing.

The pandemic has impacted the different sectors of the State's economy to varying degrees. The following chart highlights each employment sector growth over the last twelve-month period.

Employment by Sector, 12-month % Change Massachusetts	
Sector	% Ch
Mining & Logging	11.1%
Construction	1.7%
Manufacturing	0.2%
Trade, transportation, and utilities	1.2%
Information	1.2%
Financial activities	3.3%
Professional and business services	4.0%
Education and health services	2.7%
Leisure and hospitality	3.6%
Other services	3.2%
Government	2.2%
Source: BLS	

The following chart highlights the largest employers in the Lynn NECTA by number of jobs. As can be noted in the chart, a large number of top employers are within the health services sector.

Top Employers - Lynn NECTA			
Company name	City	State	Number of employees
GE Aviation	Lynn	MA	1,000-4,999
NSMC Union Hospital	Lynn	MA	1,000-4,999
Eastern Bank	Lynn	MA	500-999
Greater Lynn Senior Services (GLSS)	Lynn	MA	500-999
Lynn Council On Aging	Lynn	MA	500-999
All Care Visiting Nurse Assn	Lynn	MA	250-499
Demakes Enterprises Inc	Lynn	MA	250-499
North Shore Health Care Ctr	Lynn	MA	250-499
Old Neighborhood	Lynn	MA	250-499
USPS	Lynn	MA	250-499
Source: Mass.gov			

Unemployment

The following table details unemployment rates for the Town of Swampscott, Lynn NECTA, Essex County, Boston MSA, State of Massachusetts, and the United States as a whole.

Unemployment Rate						
	Town	NECTA	County	MSA	State	Country
Year	Swampscott	Lynn	Essex	MSA Boston/ Cambridge	MA	United States
2011	5.4%	7.1%	7.6%	6.6%	7.2%	8.9%
2012	5.2%	6.8%	7.1%	6.1%	6.7%	8.1%
2013	5.6%	6.6%	7.0%	6.0%	6.6%	7.4%
2014	4.3%	5.7%	6.0%	5.2%	5.7%	6.2%
2015	3.7%	4.8%	5.0%	4.3%	4.8%	5.3%
2016	3.3%	4.0%	4.1%	3.6%	4.0%	4.9%
2017	3.2%	3.7%	3.9%	3.5%	3.8%	4.4%
2018	2.7%	3.4%	3.5%	3.1%	3.4%	3.9%
2019	2.4%	3.1%	3.1%	2.8%	3.1%	3.7%
2020	8.0%	11.5%	10.4%	9.0%	9.4%	8.1%
2021	4.8%	7.0%	6.4%	5.3%	5.7%	5.3%
2022	3.0%	4.1%	3.9%	3.4%	3.8%	3.6%

Not seasonally adjusted.
Source: BLS, Mass.gov

Prior to the pandemic, the Greater Boston Area historically had lower unemployment rates than the United States. From 2011 through 2019, unemployment rates in Boston MSA and Massachusetts declined year after year reaching 2.8% and 3.1%, respectively. As a result of the pandemic and its severe impact to the Boston economy, Boston's unemployment increased to 9.0% in 2020 while the State's unemployment increased to 9.4%. The United States unemployment did not experience as significant a gain but increased to 8.1%. In 2022, unemployment rates improved significantly as the economy rebounded achieving rates at or near pre-pandemic levels. The Lynn NECTA has experienced a slower recovery compared to the other areas studied. Alternatively, the town of Swampscott has experienced stronger employment fundamentals as compared to the other areas within the state as well as the country.

Commercial Office Market

The Subject Site is located in Swampscott, within the Saugus/Lynn office submarket, as defined by CoStar. However, given Swampscott's proximity to Salem, we have examined both office markets, the Saugus/Lynn and the Peabody/Salem markets as we believe the Proposed Hotel will be impacted by the dynamics of both markets.

The Saugus/Lynn Submarket is a mid-sized submarket that contains approximately 3.5 million square feet of office space. The vacancy rate has fallen somewhat over the past year, and at 3.3%, the rate was below the 10-year average as of 2023 Q2. Net absorption over the past year came in at about 49,000 SF, substantially above the five-year average. Rents grew by 3.2% over the past year, which is right in line with the impressive decade-long annual average in Saugus/Lynn. Total inventory has contracted over the past 10 years, as demolition activity has outpaced new construction. The following table presents the 10-year history of office statistics for the Saugus/Lynn office submarket.

Saugus/Lynn Office Submarket				
Period	Inventory SF	Under Constr SF	Vacancy Rate	Market Rent/SF
2023 YTD	3,485,230	-	3.3%	\$23.61
2022	3,485,230	-	3.2%	\$23.32
2021	3,485,230	-	4.4%	\$22.38
2020	3,485,230	-	3.7%	\$21.63
2019	3,485,230	-	4.0%	\$21.42
2018	3,485,230	-	4.2%	\$20.74
2017	3,467,006	20,000	4.2%	\$19.91
2016	3,515,814	-	6.8%	\$19.98
2015	3,516,942	3,800	8.3%	\$19.23
2014	3,516,942	-	7.0%	\$18.00
2013	3,516,942	-	8.4%	\$17.03
Source: CoStar				

According to CoStar, the Peabody/Salem Submarket in Boston is a midsized submarket that contains around 3.7 million SF of office space. The vacancy rate has risen a bit over the past 12 months, but at 7.9%, the rate was a bit below the 10-year average as of 2023 Q2. Over a longer timeframe, the submarket has been stagnant: Average annual net absorption has been negligible over the past five years. Rents increased by 1.9% over the past year, firmly positive but well below the 3.1% average change over the past decade. The following table presents the 10-year history of office statistics for the Peabody/Salem office submarket.

Peabody/Salem Office Market				
Period	Inventory SF	Under Constr SF	Vacancy Rate	Market Rent/SF
2023 YTD	3,677,619	-	7.9%	\$23.32
2022	3,677,619	-	8.2%	\$23.30
2021	3,690,042	-	7.3%	\$22.40
2020	3,690,042	-	8.9%	\$21.58
2019	3,690,042	-	8.9%	\$21.27
2018	3,684,442	-	7.9%	\$20.79
2017	3,684,442	-	8.5%	\$19.87
2016	3,684,442	-	8.2%	\$19.80
2015	3,676,442	8,000	9.8%	\$18.92
2014	3,676,442	-	8.9%	\$17.82
2013	3,674,951	11,963	9.6%	\$17.12
Source: CoStar				

Education

There are over 50 colleges and universities located in the metropolitan Boston area including world renowned institutes such as Harvard University, Massachusetts Institute of Technology (MIT), Tufts University, Boston College, Northeastern University, and Boston University. Additional colleges within Essex County include Salem State University, Gordon College, Merrimack College, and Endicott College. Colleges and Universities are often generators of hotel demand from visiting professors and speakers, interviews, trustees, visiting sports teams, visiting parents, prospective students, and visiting for special events (i.e., graduation, reunion, homecoming, etc.). The extent of hotel demand, however, depends on

a variety of factors including total enrollment, commuter school vs. non commuter school, academic reputation, strength and size of athletic program, etc.

Medical Centers

Boston is one of the nation's most respected healthcare centers including some of the world's leading medical and research facilities including Massachusetts General Hospital (MGH), Brigham and Women's Hospital, Children's Hospital, Beth Israel, and Dana-Farber. Regional hospitals and healthcare centers proximate to the subject site include Mass General Brigham Health Center- Lynn and Mass General Brigham Salem Hospital. These hospitals drive lodging demand from families of patients, visiting physicians, pharmaceutical representatives, and personnel interviews.

Transportation

The transportation infrastructure is an integral component to the success of any real estate development. The purpose of a well-organized transportation network is to provide businesses and customers with good locations, easy access, and functionalism.

Highway Transportation

The town of Swampscott is served by a transportation network that offers residents and visitors access to a variety of modes of travel. Swampscott is located along Massachusetts Route 1A, a north-south state highway and alternate route to U.S. 1, and Route 129, an east-west state route that runs from Route 4 and Route 110 in Chelmsford to Route 114 in Marblehead. Both routes enter from Lynn, with Route 1A passing north of the town center towards Salem, and Route 129 following the coast for a half mile before going inland north of Phillips Point and returning to the coast before heading into Marblehead.

There is no highway within the town, which lies well south of Massachusetts Route 128 and Interstate 95. The town is served by passenger rail and numerous MBTA bus routes which lead into the surrounding towns.

Massachusetts Bay Transportation Authority (MBTA)

The MBTA operates all of the City's mass transit including bus, subway, commuter rail and ferry routes. According to the MBTA, pre-pandemic, the entire MBTA system has a typical weekday ridership of over 1.2 million. The MBTA provides easy access to all points North, West, and South of the City. New York and Washington DC can also be easily accessed via Amtrak's Northeast Regional Service from Back Bay Station and South Station.

The town of Swampscott is served by passenger rail service via the Swampscott Station (approximately 0.6 miles from the subject site) as well as several MBTA bus routes. The MBTA provides passenger rail service from Boston's North Station with the Swampscott station on its Newburyport/Rockport Line, as well as several bus lines.

Air Transportation

Air transportation to the Boston area is principally provided by Boston Logan International Airport (Boston Logan Airport), the largest airport in the six-state New England region. Logan Airport is also the busiest airport in New England. The following table presents historic flight and passenger volume for Boston Logan Airport over the last sixteen years.

Boston Logan International Airport Statistics				
Year	Total Flights	% Change	Total Passengers	% Change
2006	374,675		27,725,443	
2007	370,905	-1.0%	28,102,455	1.4%
2008	347,784	-6.2%	26,102,651	-7.1%
2009	345,306	-0.7%	25,512,086	-2.3%
2010	352,643	2.1%	27,428,962	7.5%
2011	368,987	4.6%	28,907,938	5.4%
2012	354,869	-3.8%	29,325,617	1.4%
2013	361,339	1.8%	30,218,631	3.0%
2014	363,797	0.7%	31,634,445	4.7%
2015	372,928	2.5%	33,449,580	5.7%
2016	391,222	4.9%	36,288,042	8.5%
2017	401,371	2.6%	38,412,419	5.9%
2018	424,024	5.6%	40,941,925	6.6%
2019	427,176	0.7%	42,522,411	3.9%
2020	206,702	-51.6%	12,618,128	-70.3%
2021	266,034	28.7%	22,678,499	79.7%
2022	378,613	42.3%	36,090,716	59.1%
CAGR 2006 - 2019	1.0%		3.3%	
CAGR 2006 - 2022	0.1%		1.7%	
YTD Feb 2022	47,452	-	3,614,350	-
YTD Feb 2023	57,269	20.7%	5,149,747	42.5%
Source: Massachusetts Port Authority				

Passenger traffic through Boston Logan Airport reached its historic high in 2019, serving over 42.5 million passengers. After declines in 2008 and 2009 following the Great Recession, the airport experienced annual increases in its passenger traffic, much of it driven by international travel. As a result of the pandemic, screened passengers declined from 58,000 per day in 2019 to 9,300 in 2020. In total, the passenger traffic through the airport declined over 70% in 2020. As Covid related travel restrictions lifted, air travel increased in 2021 and 2022, achieving approximately 53% and 85% penetration levels relative to 2019, respectively.

Boston has become even more of an important international hub, serving over 50 international destinations. In the years leading up to 2020, several new global destinations began operations and the new flights to Boston, greatly benefiting the lodging market. Nonstop flights added in recent years include Mexico City, Tokyo, Istanbul, Tel Aviv, Dubai, Panama City Panama, Hong Kong, Shanghai, among others. While domestic passenger traffic increased from 2012 to 2019, international growth outpaced domestic traffic each year. The pandemic caused severe impact on international travel in 2020 and 2021. International travel in 2022 saw a rebound increasing 153% over 2021, reaching nearly 6.5 million passengers, approximately 78% of 2019 levels. Year-to-date through February, international travel has increased further by 85% when compared to the prior year.

Boston Logan - Domestic vs International Passengers				
Year	Domestic	% Change	International	% Change
2006	23,556,382		4,049,595	
2007	23,837,727	1.2%	4,153,442	2.6%
2008	22,032,246	-7.6%	3,977,297	-4.2%
2009	21,767,086	-1.2%	3,696,336	-7.1%
2010	23,688,471	8.8%	3,681,739	-0.4%
2011	24,831,068	4.8%	3,962,226	7.6%
2012	24,742,008	-0.4%	4,383,501	10.6%
2013	25,577,960	3.4%	4,545,799	3.7%
2014	26,545,978	3.8%	4,992,225	9.8%
2015	27,810,256	4.8%	5,534,176	10.9%
2016	29,591,053	6.4%	6,587,473	19.0%
2017	31,100,950	5.1%	7,199,595	9.3%
2018	33,245,880	6.9%	7,583,887	5.3%
2019	34,098,788	2.6%	8,317,993	9.7%
2020	10,729,614	-68.5%	1,838,292	-77.9%
2021	20,040,839	86.8%	2,549,976	38.7%
2022	29,527,910	47.3%	6,450,000	152.9%
CAGR 2006 - 2019	2.9%		5.7%	
CAGR 2006 - 2022	1.4%		3.0%	
YTD Feb 2022	3,097,026	-	505,936	-
YTD Feb 2023	4,202,779	35.7%	933,674	84.5%
Source: Massachusetts Port Authority				

Given the impacts of COVID-19, MassPort has scaled back its \$700 million plans for the expansion and modernization of its international terminal. The 400,000 square foot expansion with seven new gates has been trimmed down to include four new gates. Massport officials believe the scaled down expansion will still allow the airport to accommodate growth of both international airlines and its two largest domestics airlines, JetBlue and Delta. The plan for a mono-rail system connecting all terminals and two new parking garages have been abandoned.

Tourism

Boston/Cambridge is a major international tourist destination offering world class museums, historical sites, tourist attractions and entertainment. The geographic location on the water and presence of a well-developed transportation infrastructure, which is continually updated and enhanced, continues to make the area a desirable tourist and convention destination. The addition of the Boston Convention and Exhibition Center (BCEC), located in the Seaport District, has dramatically increased the number of travelers coming through Boston. The Hynes Convention Center, located in the Back Bay, is the City's second largest convention center built in 1988. Top tourist attractions in the Boston area include the Boston Commons and Public Garden, Boston Children's Museum, Boston Museum of Science, Museum of Fine Arts Boston, New England Aquarium, Harvard Square, Old North Church, and Zoo New England, to name a few. Additionally, Boston is home to several top performing professional U.S. sports teams including the Boston Celtics (NBA), Boston Red Sox (MLB), New England Patriots (NFL), Boston Bruins (NHL), and New England Revolution (MLS), which can be a major demand generator in-season.

While Swampscott is located a short drive to the Boston and Cambridge attractions, additional tourist attractions are located more proximate. Swampscott and neighboring towns offer tourists a plethora of options including visiting the local beaches, farms, parks, restaurants, and boating via several nearby harbors and marinas. The town of Swampscott hosts numerous festivals and concerts throughout the year with its Summer Concert Series at the Town Hall Lawn/Linscott Park (adjacent to the Proposed Hotel), Bentwater at the Beach festival, Swampscott Family Festival, Fireworks Festival, Classic Car Show, Swamptoberfest, Strawberry Festival, and weekly seasonal farmers markets. In the summer months, Swampscott offers some of the most desirable sandy beaches on the Northshore including Phillips Beach, Eiseman's Beach, Preston Beach, and Fisherman's Beach. Tourism demand continues in the fall with leaf peepers and those visiting the Northshore area, and more specifically Salem, to experience the history surrounding the Salem Witch Trials of 1692. Thousands of tourists visit Salem and nearby towns for the entire month of October to experience the Halloween attractions. Hotel properties located in Salem and other neighboring communities benefit from strong leisure demand during the entire month of October where rates are at a premium.

Conclusion - Impact on Hotel Demand

Overall, based on our review of the leading economic indicators presented herein, we are of the opinion that the short-term prospects of the overall Boston economy is for continued steady growth. We believe the local economy, and its lodging market, will begin to accelerate in 2023 and 2024 with long-term prospects as stable.

Site Analysis

The subject site for the Proposed Hotel is located at 24 Redington Street in Swampscott, MA. The subject site currently houses the Hadley Elementary School building and parking lot. The Proposed Hotel will be redeveloped within the existing school building structure. The subject site is bound by Redington Street to the southeast, Stone Court to the northeast, Linscott Park to the north and northwest, and a small commercial building followed by Humphrey Street (Route 129) and the Atlantic Ocean to the south.

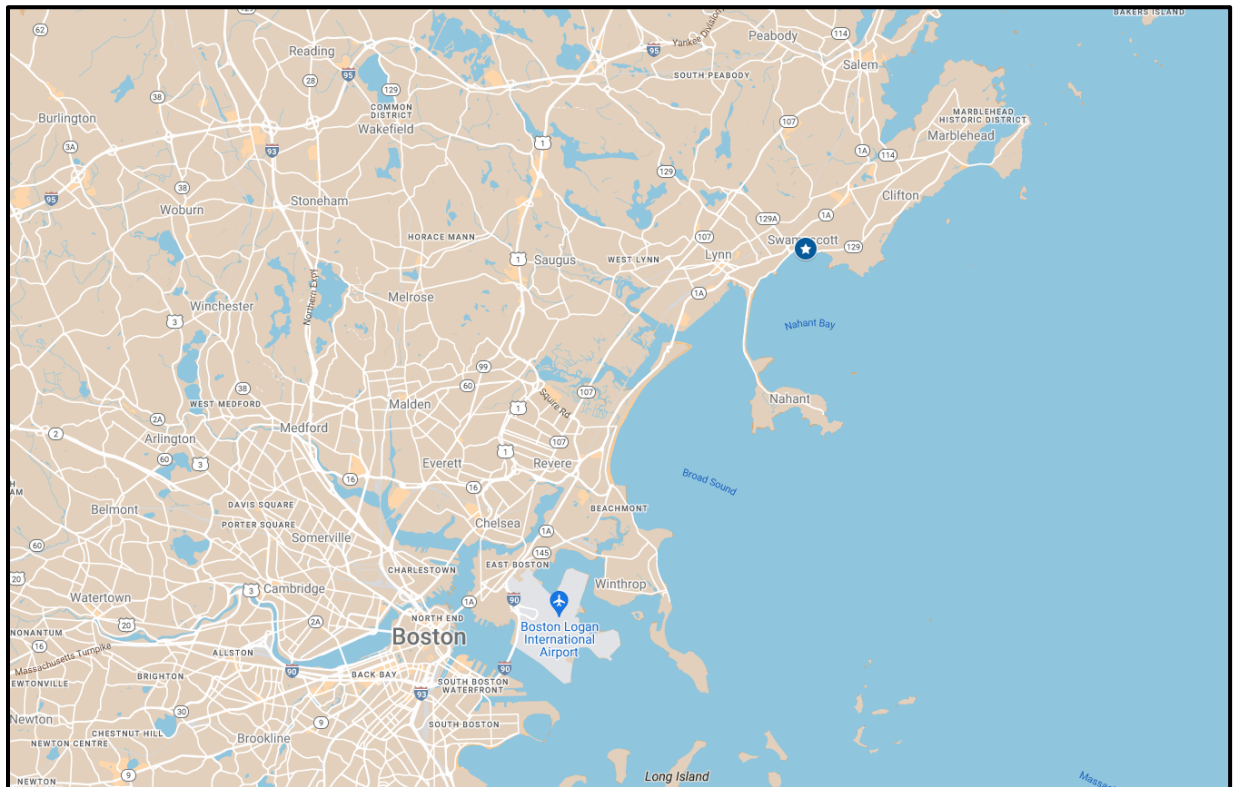
Redington Street and Stone Court are residential streets that sit adjacent to the famed Olmsted Historic District. The Olmsted Historic District is a historic district roughly bounded by New Ocean St/Paradise Road, Swampscott Avenue, Redington Street and Burrill Street. The 130-acre neighborhood was planned by Frederick Law Olmsted, Sr., also known for designing New York's Central Park, and was listed on the National Register of Historic Places on July 1, 2002 and it became a Local Historic District as of May 5, 2014. Linscott Park is a public park adjacent to the Town Hall that features many of the town's seasonal and recurring festivals and events. The small commercial building to the south houses the O-Yo Frozen Yogurt, Raina's Hair Color Studio by the Sea, and Pomona Café and Wine Bar. Further southeast along Humphrey Street (Route 129) houses additional retail outlets including Lincoln's Landing breakfast/lunch restaurant, Volo Craft Pizza, Kell's Kreme, Popo's Hot Dogs, Little G and G Bar & Kitchen, and St. John's The Evangelist Church to name a few. Across Humphrey Street along the coast is King's Beach, Mission on the Bay restaurant, and Hawthorne by the Sea/Anthony's Pier 4 Café.

The site of Hawthorne by the Sea was acquired by the town in December 2022. Per the agreement, the restaurant will be allowed to operate for one more full season before it becomes fully available for municipal use in October 2023. Plans for the 1.47-acre waterfront site are undetermined at this time but may include uses such as multi-use park/open space, an outdoor performance venue, promenades and walking paths, and public restrooms. The public space will be a nice walkable amenity for hotel guests.

The subject site is made up of one parcel comprised of approximately 1.386 acres. The site, which is currently occupied by the Hadley Elementary School, is rectangular in shape. The site houses two buildings, the larger main building was constructed in 1911 and houses twelve classrooms and a 400-seat assembly hall. The main building has four floors total (basement and floors 1-3) and is connected to the smaller annex through a first-floor walkway. The second building on the site is the smaller annex which was built in 1925 to provide relief from overcrowding. The total gross square footage of both buildings is 48,565.



Swampscott is located approximately 15 miles northeast of Downtown Boston, nearly halfway between Boston and the New Hampshire state border. It is bordered by the town of Marblehead to the northeast, the city of Salem to the northwest, the city Lynn to the southwest, and the Atlantic Ocean to the south. The following map highlights where the site is located relative to its region.



There is no interstate highway within town, which lies well south of Massachusetts Route 128 and Interstate 95. Swampscott is located along Massachusetts Route 1A and Route 129. Both routes enter from Lynn, with Route 1A passing north of the town center towards Salem, and Route 129 following the coast heading into Marblehead. The town of Swampscott is served by passenger rail service via the Swampscott Station (approximately 0.6 miles from the subject site). The MBTA provides passenger rail service from Boston's North Station with the Swampscott station on its Newburyport/Rockport Line, as well as several MBTA bus lines.

Access to the site is via Redington Street and it is assumed that the street will offer two-way traffic. The site is visible from Humphrey Street and from part of the Olmsted Historic District. The views from the subject site, particularly on the upper levels of the building and from the roof offer remarkable and unobstructed views of the Atlantic Ocean and Boston Skyline.

The following summarizes the advantages and disadvantages that we have identified for the subject site:

Advantages

- The subject site is located across the Street from King's Beach and will have water views from the second floor and above. The Proposed Hotel would be the only hotel in the competitive set to have ocean and Boston skyline views.
- Given its location proximate to Humphrey Street, Swampscott's main commercial corridor, the subject site is within walking distance of several restaurants and other local amenities.
- The subject site is adjacent to Swampscott's Linscott Park, which offers a beautiful green landscape for the backside of the hotel. Linscott Park is the town festival and event epicenter providing family friendly events for locals and hotel guests alike.
- The subject site may allow for parking to accommodate both hotel guests and town residents. This will be a nice addition to the Swampscott commercial corridor as retail parking can be limited, especially during peak periods.

Disadvantages

- The site is located within a suburban bedroom community that has limited corporate office.
- Swampscott does not have interstate access and can be a challenge to get to from other areas.

Conclusion

The subject site is suitable for hotel development. The location offers good walk-able amenities such as restaurants, bars, and other retail. The site is located a few blocks from the ocean offering beautiful views from the second floor and above. Per our discussion with the Client, we have assumed the site can allow for a 40-room boutique hotel and its requisite amenities. Our projections are directly related to this site and its attributes.

Proposed Hotel

Facility & Operation Assumptions & Recommendations

In order to prepare projections for the Proposed Hotel, we prepared general facility recommendations based on: 1) the existing hotel supply in the local and regional market, 2) the type and quantification of demand that is likely to visit Swampscott, and 3) the attributes of the site/location. It is important to note that determining a specific facility plan is difficult given that this will be a redevelopment of an existing building. Furthermore, it is likely that every interested developer will form their own assessment which may be different than the facility plan presented by Pinnacle. Based on a combination of these factors, we recommend the following facility recommendations, assuming that the Proposed Hotel would open January 2026:

- A small hotel with approximately 40 guestrooms, including approximately 6-8 suites;
 - Guestroom mix to include a combination of King, Double Queen, and suites;
 - A portion of guestrooms to have water views; and
 - Hotel and guestrooms to be an upper-upscale, modern design that features the town's history and nautical attributes.
- Independently operated as an upper-upscale boutique hotel;
- Food and beverage offering to include daily breakfast, complimentary coffee/tea in lobby, and evening bar service with light bites;
- Rooftop lounge area serving drinks and light bites;
- Approximately 2,000 to 2,500 square feet of event space, a substantial portion ideally on the rooftop;
- Tented outdoor space that can services social events (i.e., weddings) for up to 150 people;
- Lobby/lounge space with seating area, breakfast and bar area, and business center amenities (ie. iPad/printers);
- Fitness Room with top-of-the-line equipment;
- Ample parking for hotel guests;
- Other hotel amenities and services expected from an upper-upscale, boutique hotel; and
- The hotel will be professionally managed, marketed, and operated.

We recognize that the Client will be seeking developers to design and build the Proposed Hotel, and that each developer will have different concepts. Pinnacle's facility recommendations are presented in order to coincide and support projections. As such, any change to these facility assumptions could have a material impact on our findings and projections.

Lodging Market Analysis

Due to the lack of directly competitive or comparable product in the immediate geographic area, we have analyzed the lodging market in several ways. First, we gathered and reviewed information from STR and CoStar on hotel supply in New England, Massachusetts, and the Andover/Danvers Northeast lodging submarket. Next, we reviewed historical lodging supply and demand from a set of hotels located within the Northshore region that we believe are comparable to the Proposed Hotel in terms of their destination location, property positioning, room count, as well as their data contribution to STR. We then conducted lodging demand research based on data sources as well as interviews with a select number of properties. Additionally, we analyzed data from several comparable lodging assets located in Massachusetts and New England and their performance on an annual, seasonal, and monthly basis. Lastly, in order to evaluate the potential demand for the Proposed Hotel Swampscott, we performed a monthly “build up” analysis for both transient and group demand.

New England & Massachusetts Lodging Market Analysis

Although the Proposed Hotel will not compete with all hotels throughout New England or the entire State of Massachusetts, it is important to understand the broader market as a foundation for the local market, which will be defined in the following section. The tables below illustrate the performance of Massachusetts as compared to the rest of New England.

Historic Lodging market Performance														
	New England							Massachusetts						
			%		%	Demand	Supply			%		%	Demand	Supply
	Occ	ADR	Change	RevPAR	Change	Change	Change	Occ	ADR	Change	RevPAR	Change	Change	Change
2011	61.2%	\$120.66	3.8%	\$73.84	8.8%	5.2%	0.0%	65.8%	\$138.87	24.8%	\$91.33	44.2%	5.2%	-0.3%
2012	61.4%	\$127.18	5.4%	\$78.09	5.7%	1.1%	0.4%	66.1%	\$148.45	6.9%	\$98.10	7.4%	1.5%	0.5%
2013	62.4%	\$131.85	3.7%	\$82.27	5.4%	2.2%	0.4%	67.2%	\$153.87	3.7%	\$103.46	5.5%	2.2%	0.4%
2014	63.5%	\$139.15	5.5%	\$88.36	7.4%	2.7%	0.6%	69.0%	\$164.33	6.8%	\$113.45	9.7%	3.1%	0.4%
2015	64.5%	\$146.41	5.2%	\$94.49	6.9%	2.9%	0.9%	70.4%	\$174.26	6.0%	\$122.65	8.1%	3.3%	1.1%
2016	64.3%	\$150.70	2.9%	\$96.89	2.5%	1.0%	1.3%	68.9%	\$180.02	3.3%	\$124.07	1.2%	0.5%	2.2%
2017	64.8%	\$153.78	2.0%	\$99.67	2.9%	2.6%	1.5%	69.3%	\$183.31	1.8%	\$127.03	2.4%	2.9%	2.0%
2018	65.9%	\$157.96	2.7%	\$104.16	4.5%	4.1%	2.0%	70.7%	\$186.34	1.7%	\$131.79	3.7%	6.0%	3.5%
2019	65.0%	\$159.91	1.2%	\$104.00	-0.2%	0.5%	1.6%	68.7%	\$188.11	0.9%	\$129.16	-2.0%	-0.2%	2.6%
2020	36.3%	\$123.17	-23.0%	\$44.75	-57.0%	-43.2%	0.8%	32.3%	\$135.68	-27.9%	\$43.83	-66.1%	-51.5%	1.7%
2021	55.7%	\$156.04	26.7%	\$86.93	94.3%	52.5%	5.6%	51.9%	\$168.93	24.5%	\$87.65	100.0%	59.7%	9.8%
2022	64.1%	\$187.71	20.3%	\$120.35	38.4%	17.2%	1.5%	63.8%	\$210.63	24.7%	\$134.39	53.3%	28.1%	3.9%
CAGR 2011-2019		3.6%		4.4%					3.9%		4.4%			
CAGR 2011-2022		4.1%		4.5%					3.9%		3.6%			
YTD Feb '22	48.2%	\$127.39	-	\$61.36	-	-	-	44.6%	\$128.58	-	\$57.40	-	-	-
YTD Feb '23	50.2%	\$142.61	11.9%	\$71.61	16.7%	4.3%	0.1%	50.2%	\$148.64	15.6%	\$74.63	30.0%	8.7%	0.4%
Source: STR, Inc														

Source: STR, Inc

The Massachusetts lodging market, as defined by CoStar, is comprised of two lodging markets, the Massachusetts Area market, and the Boston Market. These two markets combined total approximately 95,400 rooms across 1,011 properties. Approximately 65% of the room inventory is located within the Boston market, where properties average 139 rooms in size. In contrast, the Massachusetts Area market contains approximately 35% of the State’s total inventory with its properties averaging 58 rooms. The State of Massachusetts achieved an occupancy of 63.8% in 2022, representing a 28% increase in demand over the prior year. Additionally, the State experienced a surge in ADR of nearly 25% in 2022, achieving an ADR of \$211, surpassing pre-pandemic peak levels of \$188 in 2019.

Andover/Danvers Northeast Lodging Market

Swampscott and the Northshore area sit within the Andover/Danvers Northeast lodging submarket, as defined by STR, represents 87 lodging properties, 6,500 rooms, averaging 75 rooms per property, amounting to approximately 10% of the Boston market's total room inventory. There are additional small bed and breakfasts and inns in the area that STR does not include in their market data. When comparing

to the Boston market, the Andover/Danvers Northeast submarket is characterized by hotels that tend to be smaller than the national and market average, due to a large inventory of smaller, independent properties located in seasonal destination markets.

With trailing 12-month occupancies at 67.5%, Andover/Danvers Northeast is within striking distance to the market average of 68.7% for the same period. This marks a significant recovery, as the COVID-19 shock severely impacted this submarket. Here, monthly occupancies fell to 22.7%, and annualized occupancy dropped to 33.4% in the initial wake of the pandemic. Twelve-month RevPAR in the Andover/Danvers Northeast hotel submarket was up sharply as of February, climbing at a 44.5% year-over-year rate. In the Boston market, RevPAR increased at an even stronger rate of 74.0% over the same period.

The table below illustrates the performance of the Andover/Danvers Northeast submarket.

Historical Market - Summary - Andover/Danvers Northeast Submarket												
	Occ	% Ch	ADR	% Ch	RevPAR	% Ch	Total Supply	% Ch	Total Demand	% Ch	Total Revenue	% Ch
2015	70.6%		\$118.14		\$83.44		2,224,842		1,571,311		185,630,539	
2016	67.1%	-3.6%	\$123.56	4.6%	\$82.86	-0.7%	2,253,514	1.3%	1,511,247	-3.8%	186,730,773	0.6%
2017	67.5%	0.4%	\$126.25	2.2%	\$85.23	2.9%	2,304,706	2.3%	1,555,834	3.0%	196,419,620	5.2%
2018	68.8%	1.3%	\$132.95	5.3%	\$91.46	7.3%	2,351,543	2.0%	1,617,780	4.0%	215,077,182	9.5%
2019	65.9%	-2.9%	\$132.15	-0.6%	\$87.12	-4.7%	2,305,906	-1.9%	1,520,192	-6.0%	200,887,109	-6.6%
2020	35.3%	-30.6%	\$98.07	-25.8%	\$34.63	-60.2%	2,242,849	-2.7%	791,999	-47.9%	77,672,186	-61.3%
2021	54.0%	18.7%	\$120.50	22.9%	\$65.04	87.8%	2,320,908	3.5%	1,252,691	58.2%	150,950,738	94.3%
2022	66.8%	12.8%	\$144.91	20.3%	\$96.79	48.8%	2,330,477	0.4%	1,556,585	24.3%	225,563,832	49.4%
CAGR 2015 - 2019				2.8%		1.1%		0.9%		-0.8%		2.0%
CAGR 2015 - 2022				3.0%		2.1%		0.7%		-0.1%		2.8%
YTD Feb '22	47.7%		\$99.91		\$47.65		368,077		175,563		17,540,304	
YTD Feb '23	53.5%	5.8%	\$114.63	14.7%	\$61.30	28.6%	370,137	0.6%	197,925	12.7%	22,688,292	29.3%
Source: STR												

Seasonality

As is typical for lodging markets in New England, the Andover/Danvers Northeast lodging submarket's occupancy is highest during June through October, ranging between 71% and 77%. The shoulder periods of April, May, and November show occupancies, on average, in the low 60's while the slowest occupancy levels are in January, February, March and December, averaging in the mid to high-40's. This is partially due to the lack of year-round leisure demand in this market, but also consistent with demand trends for transient commercial as well.

Monthly Statistics - Eight Year Average (2015-2023)				
Month	Occupancy	Rate	Demand	% of Total Demand
Jan	44.0%	\$99.42	83,759	5.9%
Feb	51.1%	\$100.85	87,848	6.2%
Mar	52.9%	\$102.93	101,243	7.1%
Apr	60.0%	\$112.84	109,522	7.7%
May	65.1%	\$126.74	127,359	8.9%
Jun	71.4%	\$136.22	136,711	9.6%
Jul	73.4%	\$136.88	145,621	10.2%
Aug	73.6%	\$136.77	146,314	10.3%
Sept	71.1%	\$140.34	137,483	9.6%
Oct	76.7%	\$158.88	153,149	10.7%
Nov	57.5%	\$119.58	107,431	7.5%
Dec	46.2%	\$105.61	89,055	6.2%
Average/Total	61.9%	\$126.27	1,425,495	100.0%
Source: STR, Compiled by Pinnacle Advisory Group				

Monthly Statistics - Mar 2022-Feb 2023				
Month	Occupancy	Rate	Demand	% of Total Demand
Jan	47.7%	\$111.01	92,071	5.8%
Feb	59.8%	\$117.78	105,854	6.7%
Mar	55.9%	\$107.32	108,704	6.9%
Apr	63.8%	\$123.98	120,263	7.6%
May	69.5%	\$144.79	140,190	8.9%
Jun	76.1%	\$154.64	148,579	9.4%
Jul	80.0%	\$157.55	161,367	10.2%
Aug	80.3%	\$157.41	161,865	10.3%
Sept	79.6%	\$166.61	155,376	9.8%
Oct	82.4%	\$200.17	166,197	10.5%
Nov	61.4%	\$137.40	115,616	7.3%
Dec	52.9%	\$118.90	102,865	6.5%
Average/Total	67.7%	\$146.12	1,578,947	100.0%
Source: STR, Compiled by Pinnacle Advisory Group				

Local Lodging Market

There are currently no lodging properties located within Swampscott. As previously mentioned, Swampscott was once the epicenter of New England resorts. Over time, for various reasons, the lodging inventory in Swampscott dissolved. When reviewing lodging supply within the Andover/Danvers Northeast submarket, we identified several towns and cities with similar coastal attributes that have existing lodging supply. The following table lists the open properties identified by STR located in the towns and cities of Beverly, Gloucester, Marblehead, Newbury, Newburyport, Rockport, and Salem MA. Please note that not all properties identified contribute data to STR.

Regional Lodging Supply in Coastal Markets					
Name of Establishment	City & State	Submarket	Class	Open Date	Rooms
The Cabot Lodge	Beverly, MA	Andover/Danvers Northeast, MA	Upper Midscale Class	10/2019	13
Wylie Inn & Conference Center	Beverly, MA	Andover/Danvers Northeast, MA	Upscale Class	10/2007	91
The Beverly Hotel	Beverly, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1976	20
Castle Manor Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Midscale Class	6/1900	26
Sea Lion Motel & Cottages	Gloucester, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1985	25
Blue Shutters Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Midscale Class		14
Bass Rocks Ocean Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Upper Upscale Class	6/1946	51
Captains Lodge Motel	Gloucester, MA	Andover/Danvers Northeast, MA	Upper Midscale Class	6/1977	47
Vista Motel	Gloucester, MA	Andover/Danvers Northeast, MA	Midscale Class	6/1958	40
Cape Ann Motor Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1972	31
Atlantis Oceanfront Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1975	40
Beauport Hotel Gloucester	Gloucester, MA	Andover/Danvers Northeast, MA	Upper Upscale Class	8/2016	94
Cape Anns Marina Resort	Gloucester, MA	Andover/Danvers Northeast, MA	Economy Class	6/1972	31
Good Harbor Beach Inn	Gloucester, MA	Andover/Danvers Northeast, MA	Economy Class	1/1957	10
The Hotel Marblehead	Marblehead, MA	Andover/Danvers Northeast, MA	Luxury Class		17
Harbor Light Inn	Marblehead, MA	Andover/Danvers Northeast, MA	Upper Upscale Class	6/1986	21
Blue Inn On The Beach	Newbury, MA	Andover/Danvers Northeast, MA	Luxury Class	5/2008	13
Clark Currier Inn	Newburyport, MA	Andover/Danvers Northeast, MA	Upper Midscale Class		11
Garrison Inn	Newburyport, MA	Andover/Danvers Northeast, MA	Upper Upscale Class		24
Ascend Collection Essex Street Inn & Suites	Newburyport, MA	Andover/Danvers Northeast, MA	Upscale Class		37
Captains Bounty On The Beach	Rockport, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1965	24
Rockport Inn & Suites	Rockport, MA	Andover/Danvers Northeast, MA	Upscale Class	6/1975	79
Cape Hedge Inn	Rockport, MA	Andover/Danvers Northeast, MA	Upper Midscale Class	4/1977	29
The Cove at Rockport	Rockport, MA	Andover/Danvers Northeast, MA	Upscale Class	1/1950	33
Captain's Bounty Beach View	Rockport, MA	Andover/Danvers Northeast, MA	Economy Class	1/1967	17
Emerson Inn By The Sea	Rockport, MA	Andover/Danvers Northeast, MA	Upscale Class		36
Eagle House Motel	Rockport, MA	Andover/Danvers Northeast, MA	Upper Midscale Class		14
Seaward Inn	Rockport, MA	Andover/Danvers Northeast, MA	Upscale Class	10/1945	25
Yankee Clipper Inn	Rockport, MA	Andover/Danvers Northeast, MA	Upper Upscale Class	6/1946	16
Linden Tree Inn	Rockport, MA	Andover/Danvers Northeast, MA	Upper Midscale Class	6/1920	18
The Salem Inn	Salem, MA	Andover/Danvers Northeast, MA	Upscale Class		39
Hampton by Hilton Salem Boston	Salem, MA	Andover/Danvers Northeast, MA	Upper Midscale Class	9/2020	113
The Hotel Salem	Salem, MA	Andover/Danvers Northeast, MA	Upper Upscale Class	11/2017	44
Hawthorne Hotel	Salem, MA	Andover/Danvers Northeast, MA	Upscale Class	5/1925	93
Salem Waterfront Hotel & Suites	Salem, MA	Andover/Danvers Northeast, MA	Luxury Class	10/2004	86
Clipper Ship Inn	Salem, MA	Andover/Danvers Northeast, MA	Midscale Class	8/1970	60
The Merchant	Salem, MA	Andover/Danvers Northeast, MA	Luxury Class	11/2015	11

Source: STR, Compiled by PAG

The local coastal market hotel supply, as identified by STR, contains primarily independent/non-branded hotels, a combination of economy class to luxury class, averaging 38 rooms per property. Many of the properties, primarily in the markets of Gloucester and Rockport, operate seasonally, April/May through Columbus Day weekend.

Regional Comparable Set

In order to evaluate the current and prospective status of the lodging industry in the Northshore market, we have defined a competitive supply of hotels. We have selected properties located in Marblehead, Salem, and Beverly that participate to STR as a point of reference for how the current Northshore Lodging market performs as well as to highlight the seasonality of the market. This does not infer that these selected hotels are the only ones catering to demand that is potentially available in the area. The defined supply is intended to represent the grouping of hotels for which performance measures and the general character of the market can be assessed when examining the potential future demand in the area and was selected based on input from operators of lodging facilities in the area, as well as our knowledge and observations of the local lodging market. Relevant factors considered in determining the defined

competitive supply include location, market mix, demand generators, rate structure, quality of facilities, and participation with STR. The defined local competitive set is detailed in the following table.

Defined Competitive Set						
Property	City, State	Chain Scale	Aff. Date	Open Date	Rooms	Dist from Subj
The Hotel Marblehead	Marblehead, MA	Luxury Class	-	-	17	3.5
The Hotel Salem	Salem, MA	Upper Upscale Class	Jul-20	Nov-17	44	4.4
Salem Waterfront Hotel & Suites	Salem, MA	Luxury Class	Jun-20	Oct-04	86	4.5
The Merchant	Salem, MA	Luxury Class	Jun-20	Nov-15	11	4.5
Wylie Inn & Conference Center	Beverly, MA	Upscale Class	Jun-21	Oct-07	91	8.3
Hampton by Hilton Salem Boston	Salem, MA	Upper Midscale Class	Sep-20	Sep-20	113	4.3
Source: STR, Compiled by Pinnacle Advisory Group						

The defined competitive set includes six hotel properties, five of which are located within five miles of the subject site and the six located approximately eight miles from the site. All but one property, the Hampton Inn, are independent boutique hotels. Three properties, The Hotel Marblehead, The Hotel Salem, and The Merchant, are small, high-design, boutique properties operated by Lark Hotels. The Hotel Salem features Salem's only rooftop bar and also features four meeting space options. The Hotel Marblehead and Merchant are significantly smaller in terms of room count and essentially offer a rooms-only product. The Salem Waterfront Hotel & Suites features 86 guestrooms and approximately 3,800 square feet of meeting space, and while it is an independent property, its product offered is more similar to an upscale branded hotel. The 91-room Wylie Inn & Conference Center sits on 10-acres located on the Endicott College coastal campus in Beverly, MA and features 17,500 square feet of meeting space. Lastly, the 113-room Hampton Inn located in downtown Salem is the newest property in the competitive set and features an indoor swimming pool, first floor restaurant (separate operation), and attracts both corporate and leisure demand.

During the course of our fieldwork, we obtained operating statistics for several of the competitive lodging properties. Based upon this information, combined with data from STR, we have estimated the historical performance of the overall market in terms of lodging supply, demand for accommodations, occupancy, and average daily room rate. The following table depicts the historical performance of the defined competitive set.

Historical Market - Summary												
	Occ	Pt. Ch	ADR	% Ch	RevPAR	% Ch	Total Supply	% Ch	Total Demand	% Ch	Total Revenue	% Ch
2018	62.6%	-	\$208.31	-	\$130.40	-	90,885	-	56,892	-	11,851,123	-
2019	62.9%	0.3%	\$211.19	1.4%	\$132.89	1.9%	90,885	0.0%	57,190	0.5%	12,077,929	1.9%
2020	39.8%	-23.1%	\$206.48	-2.2%	\$82.24	-38.1%	47,753	-47.5%	19,020	-66.7%	3,927,321	-67.5%
2021	63.1%	23.3%	\$216.91	5.1%	\$136.86	66.4%	118,389	147.9%	74,699	292.7%	16,203,078	312.6%
2022	68.4%	5.4%	\$243.23	12.1%	\$166.48	21.6%	132,130	11.6%	90,439	21.1%	21,997,146	35.8%
CAGR 2018 - 2022				4.0%		6.3%		9.8%		12.3%		16.7%
Jan YTD 2022	32.3%		\$139.77		\$45.21		11,222		3,630		507,373	
Jan YTD 2023	43.8%	11.5%	\$139.80	0.0%	\$61.29	35.6%	11,222	0.0%	4,920	35.5%	687,802	35.6%
Source: STR												

Between 2018 and 2022, available rooms supply within this set of hotels fluctuated due to several factors including hotel closures in 2020 and 2021 due to Covid and the opening of the 113-room Hampton Inn by Hilton Salem Boston in September 2020. As a result of these closures, openings and re-openings, supply increased approximately 9.8% from 2018 to 2022 on a compounded annual basis.

Like most states throughout the northeast, the State of Massachusetts experienced the spreading of COVID-19 in the spring of 2020 which negatively impacted the lodging market. As shown in the previous chart, demand declined over 66% in 2020 resulting in an occupancy of 39.8%. From 2018 through 2022, overall demand increased at a compounded average annual rate of 12.3%. The comparable set achieved occupancy averaging in the low 60's with the exception of 2020, as a result of the pandemic.

Average daily rate increased each year, with the exception of 2020. In 2020, as a result of the pandemic, average rate decreased by 2.2%. This decrease in rate is considerably milder than rate decreases across all other regions analyzed. Despite the lower demand levels, properties within the competitive set were able to maintain rate structure in 2020. As a result, the local competitive market's ADR increased by 4.0% and RevPAR increased 6.3% annually from 2018 to 2022.

The recovery of lodging markets across the country has been uneven through 2022. Leisure oriented markets, such as coastal resort markets and regional, drive-to cities, have outpaced the recovery of the country's top-25 market's which rely more on corporate, group, and international demand. In 2022, the competitive set's ADR increased 12% to \$243, achieving a rate \$32 above 2019 levels. As a result of this strong growth, driven largely by leisure transient and SMERF group demand, RevPAR reached \$166, a 22% increase to 2021 and 25% above its previous peak in 2019.

Seasonality

As is typical for lodging markets in New England, the competitive market's occupancy is highest during June through October, ranging between 73% and 86%. The shoulder periods of April, May, and November show occupancies, on average, in the low-60's while the slowest occupancy levels are in January, February, March and December, averaging in the low-40's. This is partially due to the lack of year-round leisure demand in this market, but also consistent with demand trends for transient commercial as well. Peak demand is in October, with an average of more than 7,900 room nights of demand which is comprised of both commercial and leisure demand, the leisure demand overflowing from the month-long visitation to Salem for Halloween.

Monthly Statistics - Four Year Average				
Month	Occ	Rate	Demand	% of Total Demand
Jan	34.3%	\$138.82	3,085	4.4%
Feb	41.3%	\$140.18	3,194	4.6%
Mar	48.6%	\$143.51	4,258	6.1%
Apr	60.4%	\$176.16	5,125	7.3%
May	66.1%	\$200.15	5,796	8.3%
Jun	77.1%	\$223.08	7,066	10.1%
Jul	82.6%	\$234.26	7,821	11.2%
Aug	83.7%	\$234.05	7,926	11.4%
Sept	72.9%	\$254.34	6,533	9.4%
Oct	85.8%	\$349.32	7,946	11.4%
Nov	57.8%	\$195.15	5,181	7.4%
Dec	39.8%	\$159.95	3,682	5.3%
Average/Total	64.6%	\$222.51	69,805	100.0%
Source: STR, Compiled by Pinnacle Advisory Group				

Monthly Statistics - 2022				
Month	Occ	Rate	Demand	% of Total Demand
Jan	32.3%	\$139.77	3,630	4.0%
Feb	45.8%	\$140.33	4,645	5.1%
Mar	53.5%	\$148.51	6,006	6.6%
Apr	66.6%	\$193.20	7,236	8.0%
May	69.0%	\$215.96	7,738	8.6%
Jun	84.2%	\$243.56	9,149	10.1%
Jul	84.7%	\$259.82	9,509	10.5%
Aug	87.9%	\$250.79	9,865	10.9%
Sept	87.7%	\$290.98	9,526	10.5%
Oct	91.7%	\$431.75	10,292	11.4%
Nov	68.3%	\$213.43	7,414	8.2%
Dec	48.4%	\$166.89	5,429	6.0%
Average/Total	68.4%	\$243.23	90,439	100.0%
Source: STR, Compiled by Pinnacle Advisory Group				

The selected comparable set does not report performance by day of week; however, it is our understanding that demand is strongest on Friday and Saturday nights when leisure demand is at its peak. Average daily rate follows a similar trend where weekend rates on Fridays and Saturdays achieve the highest rates.

Market Demand Analysis

Local Demand Segmentation

Demand in the local market is made up of corporate, group, and leisure demand with a mix that shifts throughout the year. Based on our field work, we have estimated the local area's lodging demand to be approximately 15-20% corporate, 15-20% group, and 60-65% leisure related.

Corporate Demand

Corporate travelers are generally less rate sensitive and represent a desirable market that provides consistent demand at relatively high room rates. In addition to location considerations, primary selection criteria of individual corporate demand include proximity to offices, high service expectations, quality of facilities and price/value. Corporate demand is comprised of business executives visiting their respective offices, traveling consultants and salespeople, employees traveling for training purposes. Demand timing for this segment occurs Monday through Thursday, with the most frequent arrival days being Tuesday and Wednesday with a length of stay between one to three nights.

The commercial/individual traveler demand is characterized as follows:

- High degree of single occupancy;
- Average length of stay is typically one to three days;
- Efficient check-in and check-out procedures required;
- Less rate sensitive and frequently book rooms via the internet;
- Strong interest in frequent travel programs with major hotel brands; and
- Require proximity to place of business and accessibility to major transportation routes.

This segment remains fairly consistent throughout the year in the Northshore. Based on our research, travel is expected to remain consistent moving forward with nominal growth in the near term.

Group Demand

Group/meeting demand in the competitive market is comprised primarily of sports, small corporate groups, associations, as well as demand generated by social groups (weddings, reunions, etc.). The group segment is relatively small as the hotels within the market have limited amounts of meeting and event space which typically helps to drive a portion of this segment. The group segment can be characterized as follows:

- Discounted room rates required;
- Prefer being proximate to tourist destinations and local amenities;
- Flexible meeting and banquet facilities often required;
- Quality food and beverage service preferred; and
- A variety of room configurations and blocks required.

Social groups in the local market are mainly room blocks booked for weddings and other social functions taking place in the immediate area. There are a fair number of weddings and other social functions which take place on weekends throughout the spring, summer and fall. Venues contributing social room blocks to the local market include local yacht and country clubs such as Tedesco Country Club (Marblehead), Boston Yacht Club (Marblehead), Eastern Yacht Club (Marblehead), Corinthian Yacht Club (Marblehead), Oceanview Nahant, Nahant Country Club, Danversport Yacht Club (Danvers), Hamilton Hall (Salem), House of the Seven Gables (Salem), as well as numerous other outdoor venues. Hawthorne by the Sea was historically a popular social group venue. However, as previously discussed, the property is being demolished. It is assumed that the redesigned public space will offer an additional outdoor group setting

option. Small corporate groups typically visit the Northshore area to attend training sessions and/or meetings and as such require meeting facilities, normally with food and beverage service.

Leisure Demand

Leisure demand represents the largest source of demand room nights in the competitive market. This demand segment can be characterized as follows:

- High incidence of weekend occupancy;
- Average length of stay of two or more nights;
- Desire to be close to downtown, the beach, and/or place of visit; and
- A relatively high percentage of multiple occupancy.

The local area offers a variety of tourist-related activities, many of which involve outdoor recreation and historical attractions, which help to attract leisure demand making it the largest segment in the market. Leisure demand is at its peak during the summer and fall months.

This segment is extremely weather dependent, often times booking travel in short booking windows in order to avoid poor weather conditions. Given the short season, a number of weekends with less-than-ideal weather can negative impact a lodging operation's annual performance.

Extraordinary (induced) Demand

Extraordinary demand consists of both unaccommodated demand in the market from individuals unable to book rooms in the existing market due to occupancy restrictions, as well as induced demand that a new property generates through its central reservations system or because a suitable property did not previously exist in the market to accommodate a certain type of demand or their specific needs. Induced demand is separate from core demand growth that occurs in the market, which can generally be traced back to such things as changes in the economy.

The concept of extraordinary (induced) demand can be summarized as situations in which supply creates demand. In other words, the opening of a property may accommodate demand which previously did not visit the market due to inadequate accommodations, or the unavailability of a branded product to which they are loyal. Potential induced demand for situations involving new supply can be estimated by: evaluating the subject market's historical performance when a similar situation occurred; reviewing the performance of a comparable market when a similar situation occurred; interviewing potential users of the new facility; and/or examining the contribution that comes from either a central reservation system, or national sales network. Additionally, capacity constraints that exist within a defined market afford the opportunity for the re-introduction of accommodated demand into the market when new supply is added to the market's inventory.

Based on our recommended facilities for the Proposed Hotel, we have considered induced demand that would result from its opening to account for new demand as well as unaccommodated demand from peak demand days.

Demand Outlook

Based on our research, the local area's lodging market is in a fairly mature state with nominal growth expected in the leisure segment. Swampscott's coastal location and its close proximity to Boston could allow Swampscott to grow its lodging market and create more of a destination in itself. There are no hotels located in Swampscott; the Proposed Hotel would allow Swampscott to become more competitive with its neighboring lodging markets and attract new demand into the market.

Projected Performance

Occupancy and Room Rate Projections

In order to evaluate the potential demand and operating performance for the Proposed Hotel, we would typically define a competitive set of hotels and perform a penetration analysis to estimate occupancy and room rate for both the competitive lodging market as well as the subject property. However, due to the unique attributes of the Proposed Hotel and its location, coupled with our analysis of the local area lodging supply, we believe the most appropriate method for preparing projections is to evaluate regional performance metrics while benchmarking from existing hotels throughout the region and comparable hotels in similar locations. More specifically, due to the lack of directly competitive hotels in Swampscott, we have made projections using a “build-up” analysis while relying on regional monthly and weekly trends, comparable data from hotel properties in similarly seasonal locations throughout New England, our demand research, and our overall experience and knowledge in the hospitality sector.

Our research indicated that demand for the Proposed Hotel will be primarily leisure, with a modest amount of group demand and nominal corporate demand, similar to that of the comparable hotels. Similar to the comparable hotels, demand will be highly seasonal. Peak demand is expected to commence in mid to late June and continues through October and will be weather dependent. The true peak season will generally begin the Fourth of July and end on Labor Day weekend with a secondary peak season during fall foliage in late September and October. Both leisure and group demand are heavily weekend oriented, and weekend occupancy is expected to be significantly higher than weekday occupancy.

Based on our build-up analysis for both monthly visitation as well as weekend/weekday demand, we are of the opinion that Proposed Hotel will operate at a stabilized occupancy of 62% by the third year of operation. Our analysis was prepared for a stabilized year of operation beginning in January given its assumed opening date. The projected *stabilized* monthly occupancies for a 40-room, independent, upper-upscale-boutique hotel are outlined below.

Estimated Monthly Performance - Proposed Hotel Swampscott					
Stabilized Year					
Month	No. Rooms	Days / Month	Available Room Nights	Occupancy	Occupied Room Nights
Jan	40	31	1,240	28%	352
Feb	40	28	1,120	34%	384
Mar	40	31	1,240	38%	476
Apr	40	30	1,200	61%	730
May	40	31	1,240	67%	831
Jun	40	30	1,200	82%	988
Jul	40	31	1,240	86%	1,071
Aug	40	31	1,240	83%	1,027
Sep	40	30	1,200	78%	935
Oct	40	31	1,240	85%	1,052
Nov	40	30	1,200	60%	722
Dec	40	31	1,240	45%	556
Annual	40	365	14,600	62%	9,123
<i>* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.</i> <i>* Assumes the Proposed Hotel opens January 1, 2026.</i> <i>* Projections represent calendar years January through December</i> Source: Pinnacle Advisory Group					

As illustrated in the chart below, the months of June through October are projected to achieve the highest occupancies due to the previously described demand research. If the Proposed Hotel were to operate for a partial year, the overall occupancy for the peak five months is projected to be 83%. The reduced demand in the off-season, primarily during mid-week periods, creates a ceiling for annual occupancy.

Projected Seasonal Occupancy Proposed Hotel Swampscott					
Month	No. Rooms	Days / Month	Available Room Nights	Occupancy	Occupied Room Nights
Jun	40	30	1,200	82%	988
Jul	40	31	1,240	86%	1,071
Aug	40	31	1,240	83%	1,027
Sep	40	30	1,200	78%	935
Oct	40	31	1,240	85%	1,052
Average/Total	40	123	4,920	83%	4,084
<i>* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.</i> <i>* Assumes the Proposed Hotel opens January 1, 2026.</i> <i>* Projections represent calendar years January through December</i> Source: Pinnacle Advisory Group					

Typically, it takes two to four years for lodging properties to reach stabilization. Given the Proposed Hotel's dependence on transient leisure demand in a seasonal market, coupled with the lack of an affiliation with a national hotel brand, we believe it will take a period of three years for the Proposed hotel to reach stabilization. Our occupancy projections for the first five years of operation are presented below.

Projected Occupancy Proposed Hotel Swampscott		
Year	Occupancy	Pt. Change
2026	56%	0%
2027	60%	4%
2028	62%	2%
2029	62%	0%
2030	62%	0%
* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.		
* Assumes the Proposed Hotel opens January 1, 2026.		
* Projections represent calendar years January through December		
Source: Pinnacle Advisory Group		

Similar to occupancy, average rate follows a similar seasonal pattern with highest rates achieved during peak and shoulder seasons and lowest rates during the off season. Transient leisure is the highest rated demand segment and will represent a significant portion of demand during the peak season, June through October. Presented below is our projection for the monthly stabilized room rates for the Proposed Hotel, stated in \$2022 dollars.

Proposed Hotel Swampscott Projected ADR by Month 2022 Dollars	
Month	ADR
Jan	\$177
Feb	\$187
Mar	\$193
Apr	\$207
May	\$227
Jun	\$308
Jul	\$332
Aug	\$318
Sep	\$303
Oct	\$413
Nov	\$191
Dec	\$183
Annual	\$275
Source: Pinnacle Advisory Group	

Based on the seasonality and our estimated market mix, we believe that in 2022 dollars, the Proposed Hotel will be able to achieve a stabilized average daily rate of \$275. Opening on January 1, 2026, we have projected the Proposed Hotel to have a year one ADR of \$300.

As previously mentioned, we have projected that the Proposed Hotel will take three years to achieve stabilization. Average daily rate has been inflated from the base rate stabilized projections to arrive at monthly average rates in year one of operation and then is inflated 3.0% each year after throughout the projection period. The following table depicts our estimates of monthly demand and average daily rate for the Proposed Hotel during its first four years of operation.

Estimated Monthly Performance - Proposed Hotel Swampscott								
Month	2026				2027			
	Occupancy	Occupied Room Nights	ADR	Room Revenue	Occupancy	Occupied Room Nights	ADR	Room Revenue
Jan	26%	317	\$193	\$61,324	27%	338	\$199	\$67,375
Feb	31%	346	\$205	\$70,791	33%	369	\$211	\$77,776
Mar	35%	429	\$211	\$90,329	37%	457	\$217	\$99,241
Apr	55%	657	\$226	\$148,372	58%	700	\$233	\$163,011
May	60%	748	\$248	\$185,225	64%	798	\$255	\$203,501
Jun	74%	889	\$336	\$298,961	79%	948	\$346	\$328,458
Jul	78%	964	\$363	\$350,130	83%	1,029	\$374	\$384,676
Aug	75%	924	\$347	\$320,722	79%	986	\$357	\$352,366
Sep	70%	841	\$331	\$278,457	75%	897	\$341	\$305,931
Oct	76%	946	\$451	\$426,699	81%	1,009	\$464	\$468,800
Nov	54%	650	\$208	\$135,350	58%	693	\$215	\$148,705
Dec	40%	500	\$200	\$99,919	43%	533	\$206	\$109,778
Annual	56%	8,211	\$300.38	\$2,466,278	60%	8,758	\$309	\$2,709,618
<i>* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.</i> <i>* Assumes the Proposed Hotel opens January 1, 2026.</i> <i>* Projections represent calendar years January through December</i> <i>Source: Pinnacle Advisory Group</i>								

Estimated Monthly Performance - Proposed Hotel Swampscott								
Month	2028				2029			
	Occupancy	Occupied Room Nights	ADR	Room Revenue	Occupancy	Occupied Room Nights	ADR	Room Revenue
Jan	28%	352	\$205	\$72,287	28%	352	\$211	\$74,456
Feb	34%	384	\$217	\$83,447	34%	384	\$224	\$85,950
Mar	38%	476	\$224	\$106,478	38%	476	\$230	\$109,672
Apr	61%	730	\$240	\$174,897	61%	730	\$247	\$180,144
May	67%	831	\$263	\$218,340	67%	831	\$271	\$224,890
Jun	82%	988	\$357	\$352,408	82%	988	\$367	\$362,981
Jul	86%	1,071	\$385	\$412,725	86%	1,071	\$397	\$425,107
Aug	83%	1,027	\$368	\$378,060	83%	1,027	\$379	\$389,401
Sep	78%	935	\$351	\$328,239	78%	935	\$362	\$338,086
Oct	85%	1,052	\$478	\$502,983	85%	1,052	\$493	\$518,073
Nov	60%	722	\$221	\$159,548	60%	722	\$228	\$164,334
Dec	45%	556	\$212	\$117,782	45%	556	\$218	\$121,316
Annual	62%	9,123	\$319	\$2,907,194	62%	9,123	\$328	\$2,994,410
<i>* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.</i> <i>* Assumes the Proposed Hotel opens January 1, 2026.</i> <i>* Projections represent calendar years January through December</i> <i>Source: Pinnacle Advisory Group</i>								

In summary, the 40-room Proposed Hotel, positioned as an independent, upper-upscale boutique hotel, is estimated to achieve the following occupancy, average room rate, and rooms revenue per available room (RevPAR) for its first five years of operation.

Projected Occupancy, Average Rate and Room Revenues Proposed Hotel Swampscott						
Year	Occupancy	Pt. Change	Average Rate	% Change	RevPAR	% Change
2026	56%		\$300.38		\$168.92	
2027	60%	4%	\$309.39	3.0%	\$185.59	9.9%
2028	62%	2%	\$318.67	3.0%	\$199.12	7.3%
2029	62%	0%	\$328.23	3.0%	\$205.10	3.0%
2030	62%	0%	\$338.08	3.0%	\$211.25	3.0%
* Assumes the 40-room, upper-upscale, Proposed Hotel operates year-round.						
* Assumes the Proposed Hotel opens January 1, 2026.						
* Projections represent calendar years January through December						
Source: Pinnacle Advisory Group						

Based on the strength of the lodging market, coupled with the attributes Swampscott and the Northshore area, we recommend the development of a 40-room hotel that has a price point consistent with upper upscale boutique in the region. We believe that a hotel with this price positioning, if marketed and operated professionally, could achieve a **stabilized occupancy of 62% assuming that the hotel is operated year-round**. We believe that with the Proposed Hotel's coastal location, ocean views, and its comprehensive renovation and repositioning, the hotel could achieve a stabilized **average daily rate of \$275 (in 2022 dollars)**.

Assumptions & Limiting Conditions

This report is subject to the following assumptions and limiting conditions:

- Our conclusions are explicitly based upon the assumption that the Proposed Hotel is developed as a 40-room, upper-upscale, independent boutique hotel, opening January 1, 2026. Additional facility assumptions are presented herein. It is expressly understood that the conclusions of this analysis could change upon any deviation from these assumptions. The changes that might arise could be material.
- As in all studies of this type, the estimated results are based on the assumption of competent and efficient third party, professional hotel management and presume no significant change in the competitive position of the lodging industry, other than those specifically discussed within this report.
- Estimated results are based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions that may occur. There usually will be a difference between the estimated results and those actually achieved, as events and circumstances often deviate from expectations. Those differences may be material.
- All direct and indirect information supplied by The Client are assumed to be reliable and correct.
- Pinnacle shall use its expertise and best efforts in order to analyze the viability of the Project. However, it is understood and agreed that there are many factors that may impact the success or failure of a business including those that are beyond the control of any party such as general economic conditions, force majeure, acts of war or terrorism, weather events, work stoppages, etc. As such, it is understood and agreed that nothing contained in any work prepared by Pinnacle should be construed or considered as a guarantee of actual performance of the Subject Hotel and Pinnacle expressly disclaims any liability therefore.
- It is expressly understood and agreed that Pinnacle's study and reports do not include any opinions or analysis regarding environmental, zoning, land use, licensing and/or other legal and regulatory requirements for the project. Rather, such legal and regulatory issues are beyond the scope of Pinnacle's work and should be dealt with by owner separately through appropriate experts. Additionally, no responsibility is assumed for engineering matters, neither structural nor mechanical. Good structural and mechanical conditions are assumed to exist, and no opinion as to these matters is to be inferred or construed from our report.
- Pinnacle generally offers no opinions that are legal in nature and expressly disclaims any responsibility for same. Client, and not Pinnacle, is responsible to ensure that the Subject Hotel has all met all necessary legal requirements to operate its business in accordance with the assumptions made by Pinnacle in its reports.
- Pinnacle shall not be required to give testimony or appear in court or at a deposition by reason of this assignment, with reference to this engagement, or Subject Hotel in question unless arrangements have been made previously.
- Pinnacle shall be under no continuing duty to update its findings or analysis regarding the Subject Hotel to take into account changes in market or other conditions that occur subsequent to the completion of its fieldwork. Rather, Pinnacle's work shall be deemed completed as of the date of its last draft report. Additionally, Pinnacle shall not be obligated to discuss its findings with third parties who receive copies of the report through your distribution or otherwise.

- Client shall indemnify, defend and hold harmless Pinnacle from and against all claims, liabilities, damages, costs and expenses of any nature suffered or incurred by Pinnacle (including, without limitation, reasonable attorneys' fees) arising out of or in connection with Pinnacle's work under this Agreement. This provision shall survive termination or expiration of this Agreement.
- Any and all legal expenses incurred in the defense or representation of Pinnacle Advisory Group, its principals and its employees will be the responsibility of the Client.
- The report and the findings contained therein may not be disclosed to, used or relied upon by third parties, without our prior written consent. No third party may inspect or rely on the report without first receiving, directly from us, an acknowledgment that we have given our written consent. Further, neither all nor part of the contents of this report (especially any findings or conclusions, the identity of the consultants, or the firm with which they are connected) shall be disseminated to the public through advertising media, news media, sales media, or any public means of communication without the prior written consent and approval of Pinnacle Advisory Group.
- Pinnacle prohibits the use of its work product, or the name of Pinnacle Advisory Group in any financing document, investment or offering materials without its prior written consent. No work of Pinnacle may be used to solicit investors in the Project.
- It is agreed and understood that Pinnacle's liability for any work performed hereunder shall, under any circumstances, be limited the total fees collected from this engagement.
- Pinnacle's work hereunder shall not be construed as offering any advice or opinions on whether to invest, lend or otherwise financially participate in the Project. Any business decisions made regarding whether to invest, lend or otherwise financially participate in the Project shall be the sole decision of the person so lending, investing or financially participating.
- The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. As a condition to being granted the status of an intended user, any intended user who has not entered into a written agreement with Pinnacle in connection with its use of our report agrees to be bound by the terms and conditions of the agreement between Pinnacle and the Client who ordered the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to any non-intended users does not extend reliance to any such party, and Pinnacle will not be responsible for any unauthorized use of or reliance upon the report, its conclusions or contents (or any portion thereof).
- Pinnacle Advisory Group regularly performs consulting engagements for a wide range of hospitality industry clients, including both owners and managers of hotels. From time-to-time Pinnacle Advisory Group may be engaged to represent clients whose interests are engaged in the same market as the Project or whose interests may be averse to Client. By signing this agreement, you agree to waive any past, present or future conflicts related to Pinnacle's work for other hotels in competition with the Project or whose interests may be averse to Client.
- Recent economic variables regarding gas prices, overall inflation, and the war in Ukraine have led to increased concerns about the U.S. economy. While the U.S. economy faces a number of headwinds which could result in an economic recession, we have not forecasted such an event. These assumptions may not be accurate, and future impacts to conclusions are unknown, uncertain, or unclear at this time.