



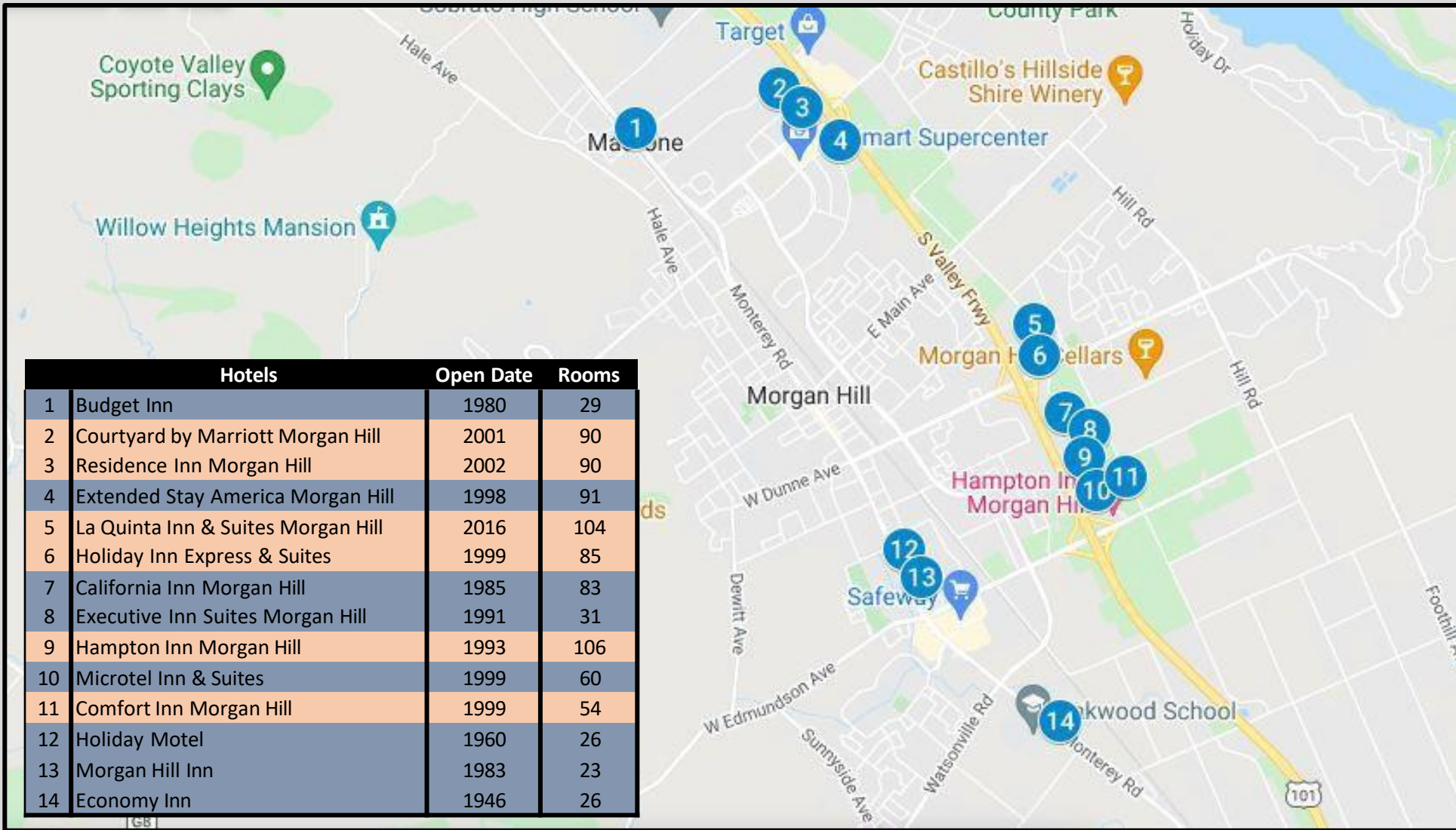
Hotel Market Summary

Morgan Hill, California

Submitted to: City of Morgan Hill

April 29, 2022

Currently 14 Hotels in Morgan Hill



	Hotels	Open Date	Rooms
1	Budget Inn	1980	29
2	Courtyard by Marriott Morgan Hill	2001	90
3	Residence Inn Morgan Hill	2002	90
4	Extended Stay America Morgan Hill	1998	91
5	La Quinta Inn & Suites Morgan Hill	2016	104
6	Holiday Inn Express & Suites	1999	85
7	California Inn Morgan Hill	1985	83
8	Executive Inn Suites Morgan Hill	1991	31
9	Hampton Inn Morgan Hill	1993	106
10	Microtel Inn & Suites	1999	60
11	Comfort Inn Morgan Hill	1999	54
12	Holiday Motel	1960	26
13	Morgan Hill Inn	1983	23
14	Economy Inn	1946	26

* Orange highlighting indicates top-rated hotels. We have excluded the Paradise Motel, the Rancho Motel, and the Maple Leaf RV Park because these are not primarily considered as lodging facilities.



Six high-rated hotels lead the market in Morgan Hill...

...Older, economy hotels nearing end of economic life

	Hotels	Affiliation	Chainscale	Affiliation Date	Open Date	Rooms
1	Budget Inn	Independent	Economy Class	-	1980	29
2	Courtyard San Jose South Morgan Hill	Marriott	Upscale Class	2001	2001	90
3	Residence Inn Morgan Hill	Marriott	Upscale Class	2002	2002	90
4	Extended Stay America Morgan Hill	Extended Stay America	Economy Class	1998	1998	91
5	La Quinta Inns & Suites Morgan Hill	Wyndham	Upper Midscale Class	2016	2016	104
6	Holiday Inn Express & Suites Morgan Hill	IHG	Upper Midscale Class	1999	1999	85
7	California Inn	Independent	Midscale Class	2017	1985	83
8	Executive Inn Suites Morgan Hill	Independent	Midscale Class	1991	1991	31
9	Hampton Inn Morgan Hill	Hilton	Upper Midscale Class	2012	1993	106
10	Microtel Inn & Suites	Wyndham	Economy Class	1999	1999	60
11	Comfort Inn Morgan Hill	Choice	Upper Midscale Class	1999	1999	54
12	Holiday Motel	Independent	Economy Class	1960	1960	25
13	Morgan Hill Inn	Independent	Economy Class	1996	1996	23
14	Economy Inn	Independent	Economy Class	1946	1946	26
				Total Properties:	14	897

Sources: STR, HA&A



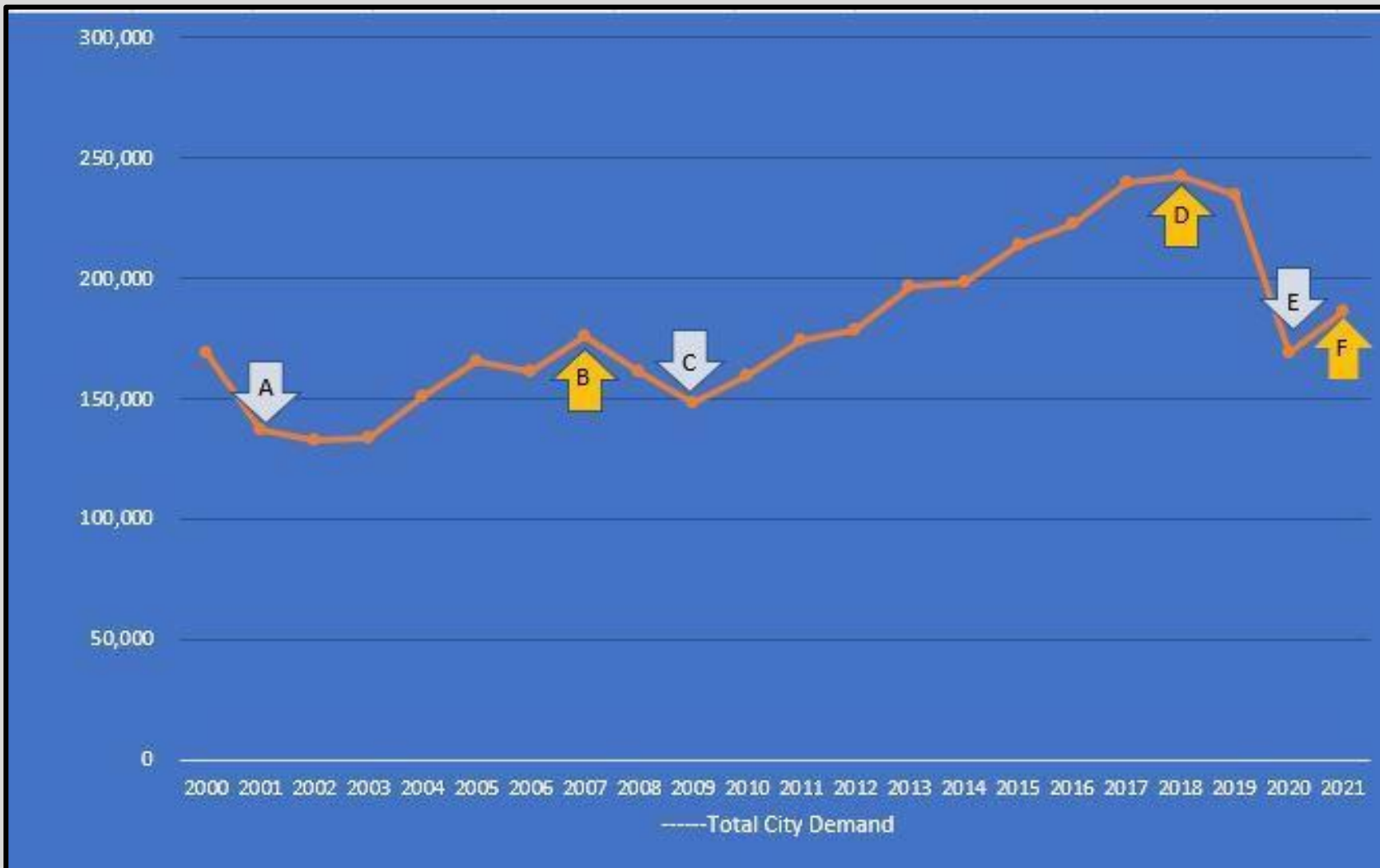
Strong Citywide Occupancies Pre-Covid

Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2014	793	289,565	--	198,648	--	68.6%	110.69	--	75.93	--
2015	793	289,537	0.0%	214,379	7.9%	74.0%	125.95	13.8%	93.25	22.8%
2016	846	308,946	6.7%	222,923	4.0%	72.2%	130.12	3.3%	93.89	0.7%
2017	898	327,770	6.1%	240,038	7.7%	73.2%	131.63	1.2%	96.39	2.7%
2018	898	327,770	0.0%	242,639	1.1%	74.0%	141.36	7.4%	104.65	8.6%
2019	897	327,405	-0.1%	234,967	-3.2%	71.8%	140.35	-0.7%	100.72	-3.7%
2020	897	327,405	0.0%	168,837	-28.1%	51.6%	107.55	-23.4%	55.46	-44.9%
2021	897	327,405	0.0%	186,791	10.6%	57.1%	114.09	6.1%	65.09	17.4%
YTD 2021 thru Feb	897	52,923	--	20,647	--	39.0%	94.85	--	37.00	--
YTD 2022 thru Feb	897	52,923	0.0%	28,021	35.7%	52.9%	109.00	14.9%	57.71	56.0%
Historical Annual Growth Rates			1.8%		-0.9%			0.4%		-2.2%

Sources: STR and HA&A



Long-Term Citywide Demand Growth Despite Shocks

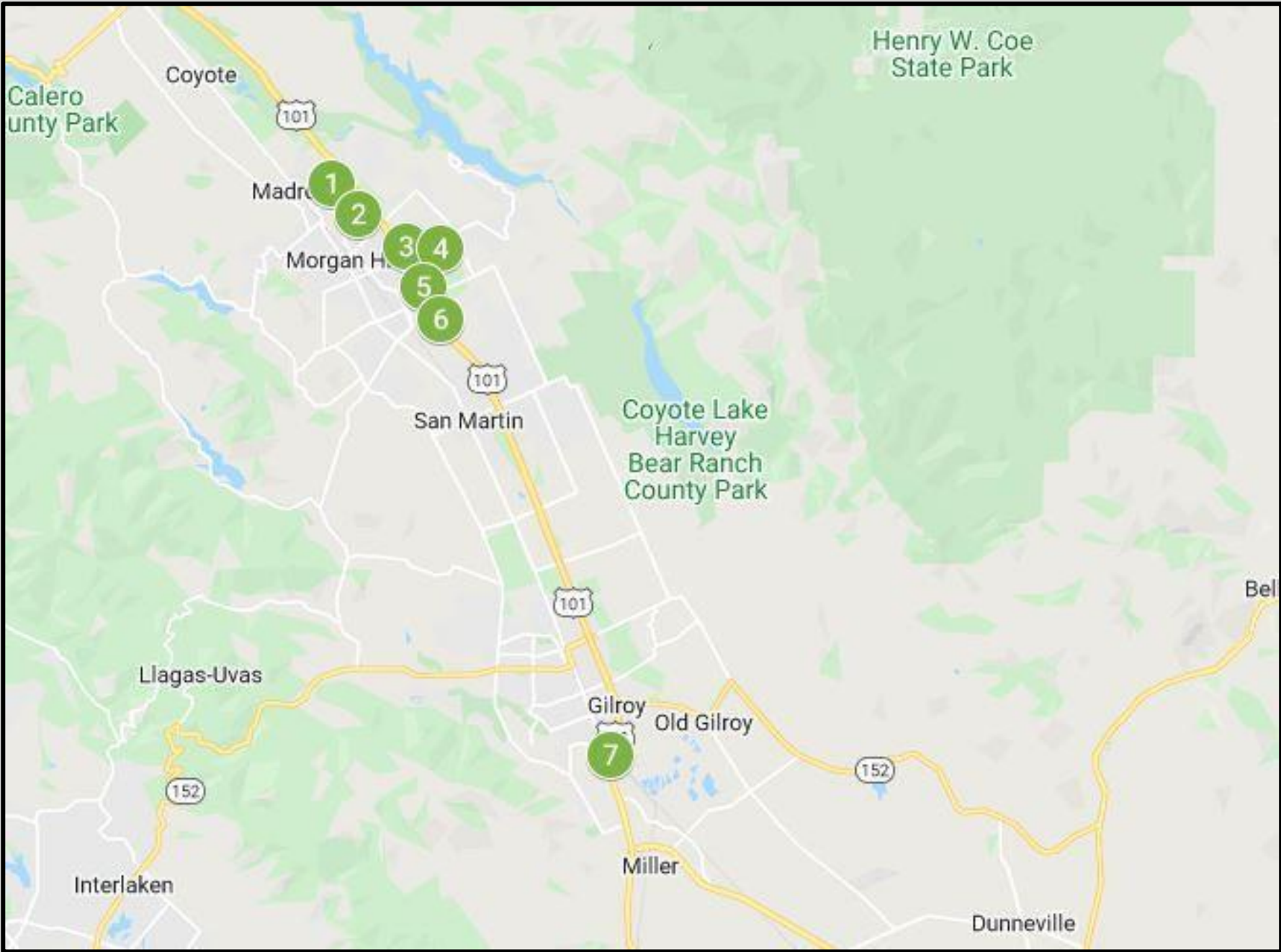


A	Dot-com Bubble Bust and 9-11
B	Pre-Recession Peak
C	Great Recession
D	Pre-COVID Peak
E	COVID Pandemic
F	Post COVID Recovery

Source: STR, HA&A



Competitive Set (Local Area)



	Hotels	Open Date	Rooms
1	Courtyard by Marriott Morgan Hill	2001	90
2	Residence Inn Morgan Hill	2002	90
3	La Quinta Inn & Suites Morgan Hill	2016	104
4	Holiday Inn Express & Suites	1999	85
5	Comfort Inn Morgan Hill	1999	54
6	Hampton Inn Morgan Hill	1993	106
7	Hilton Garden Inn Gilroy	2001	137



The 7 Highest-Rated Hotels in Morgan Hill / Gilroy...

...Achieved RevPARs above \$110 Pre-Covid

Year	Room Supply	Room Night Supply	% Change	Room Night Demand	% Change	Occupancy	Average Rate	% Change	RevPAR	% Change
2014	561	204,885	--	144,896	--	70.7%	134.50	--	95.12	--
2015	561	204,857	0.0%	156,851	8.3%	76.6%	149.72	11.3%	114.63	20.5%
2016	614	224,266	9.5%	159,877	1.9%	71.3%	157.02	4.9%	111.94	-2.4%
2017	666	243,090	8.4%	178,356	11.6%	73.4%	154.46	-1.6%	113.33	1.2%
2018	666	243,090	0.0%	178,765	0.2%	73.5%	160.24	3.7%	117.84	4.0%
2019	666	243,090	0.0%	170,079	-4.9%	70.0%	159.76	-0.3%	111.78	-5.1%
2020	666	243,090	0.0%	113,815	-33.1%	46.8%	119.99	-24.9%	56.18	-49.7%
2021	666	243,090	0.0%	139,393	22.5%	57.3%	121.48	1.2%	69.66	24.0%
YTD 2021 thru Feb	666	39,294	--	14,643	--	37.3%	99.30	--	37.00	--
YTD 2022 thru Feb	666	39,294	0.0%	21,001	43.4%	53.4%	117.26	18.1%	62.67	69.4%
Historical Annual Growth Rates			2.5%			-0.6%			-1.4%	-4.4%
<i>Sources: STR and HA&A</i>										

Strong occupancy patterns indicate... ...substantial unaccommodated demand

Morgan Hill/Gilroy Top 7

National

Occupancy
Over 70%
Over 80%
Over 90%

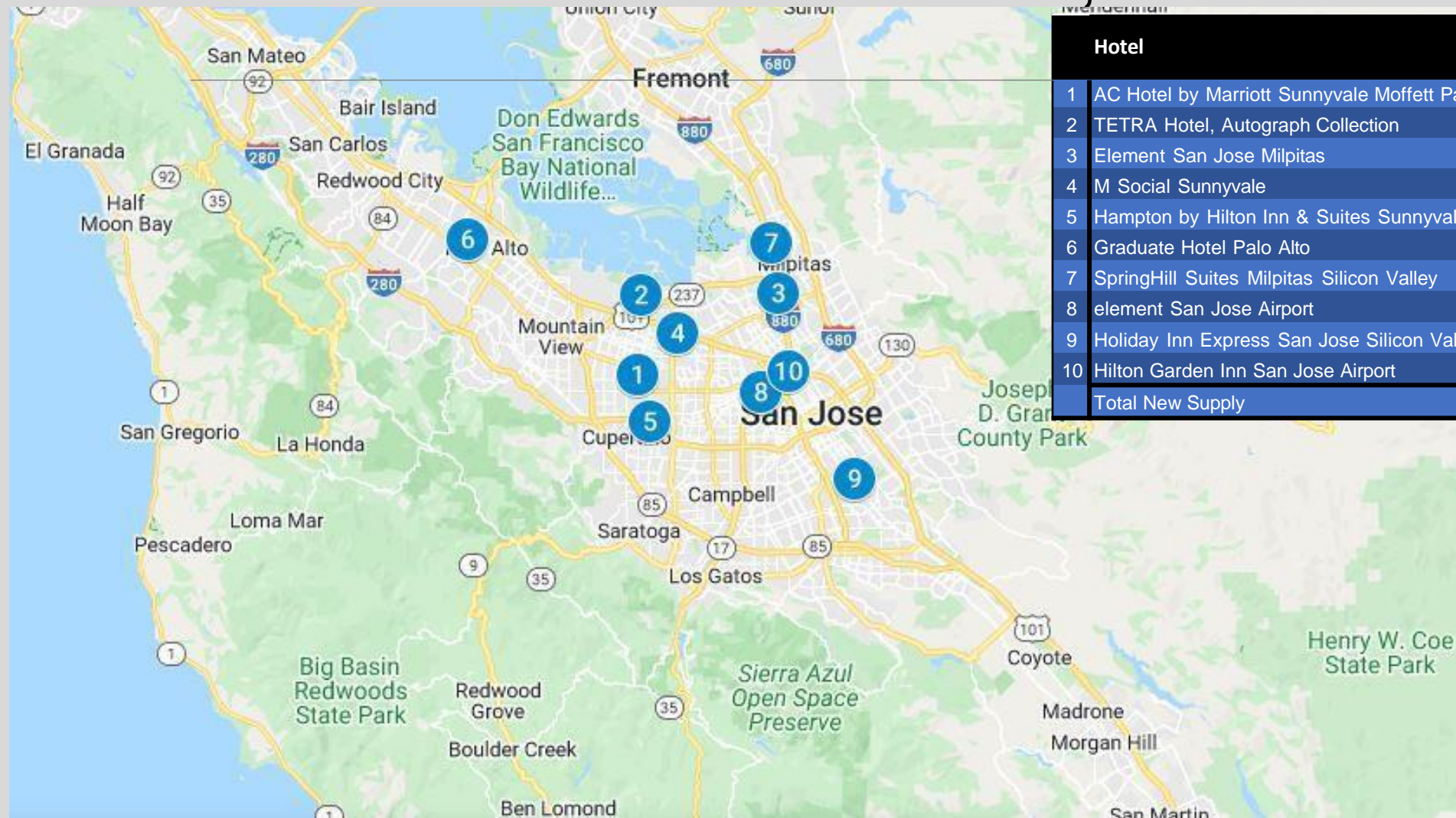
	2014	2015	2016	2017	2018	2019	2020	2021
Jan	59.2	68.6	61.9	56.9	64.5	56.2	54.0	35.3
Feb	69.6	73.3	66.9	68.5	71.0	63.2	64.8	39.5
Mar	64.1	73.8	63.9	70.0	72.8	70.3	34.8	47.1
Apr	70.6	78.2	78.7	68.5	74.9	61.9	22.0	57.1
May	72.0	76.9	73.9	79.2	75.9	73.7	33.1	63.0
June	78.6	85.2	78.1	86.9	80.1	81.3	40.1	65.6
Jul	81.2	87.3	79.2	81.5	78.5	79.2	44.9	70.8
Aug	82.7	83.0	77.9	84.1	82.3	80.6	64.5	68.6
Sep	72.4	82.1	73.0	82.7	81.2	78.1	62.1	66.7
Oct	74.2	82.8	74.7	78.6	83.4	74.9	61.4	61.7
Nov	66.5	69.4	66.9	68.2	65.5	66.6	47.5	57.7
Dec	57.7	58.2	59.7	55.2	52.5	53.2	33.8	53.9

	2014	2015	2016	2017	2018	2019	2020	2021
Jan	52.1	54.1	53.8	53.9	54.3	54.6	54.8	39.0
Feb	60.3	62.0	61.9	61.0	61.6	62.0	61.7	45.2
Mar	65.2	66.6	66.2	67.8	68.3	68.2	38.9	54.4
Apr	65.5	66.5	67.8	67.2	67.7	67.8	24.3	57.4
May	66.8	67.2	66.7	67.6	68.0	68.5	33.2	59.2
June	71.4	72.7	72.8	73.1	74.4	73.3	42.2	66.0
Jul	73.5	75.0	74.2	73.6	73.4	73.6	47.1	69.5
Aug	71.6	70.4	70.1	70.6	71.3	71.2	48.7	63.2
Sep	65.6	67.6	68.7	69.4	67.9	67.1	48.3	61.5
Oct	67.8	68.7	68.4	69.2	69.7	68.9	48.4	62.8
Nov	58.7	59.1	60.5	61.4	61.5	61.4	40.3	57.5
Dec	52.5	52.9	52.8	54.0	54.0	54.1	36.4	53.3



Significant Supply Growth Regionally...

... 1,599 Rooms in Pipeline



Hotel	Location	Opening Date	Rooms
1 AC Hotel by Marriott Sunnyvale Moffett Park	Sunnyvale	Feb 2022	164
2 TETRA Hotel, Autograph Collection	Sunnyvale	Feb 2022	186
3 Element San Jose Milpitas	Milpitas	Mar 2022	194
4 M Social Sunnyvale	Sunnyvale	U/C	263
5 Hampton by Hilton Inn & Suites Sunnyvale Silicon Valley	Sunnyvale	U/C	162
6 Graduate Hotel Palo Alto	Palo Alto	U/C	100
7 SpringHill Suites Milpitas Silicon Valley	Milpitas	U/C	124
8 element San Jose Airport	San Jose	U/C	175
9 Holiday Inn Express San Jose Silicon Valley	San Jose	U/C	81
10 Hilton Garden Inn San Jose Airport	San Jose	U/C	150
Total New Supply			1,599

* The list includes new hotels in Santa Clara County. Some hotels in the list are located over 40 miles from Morgan Hill.



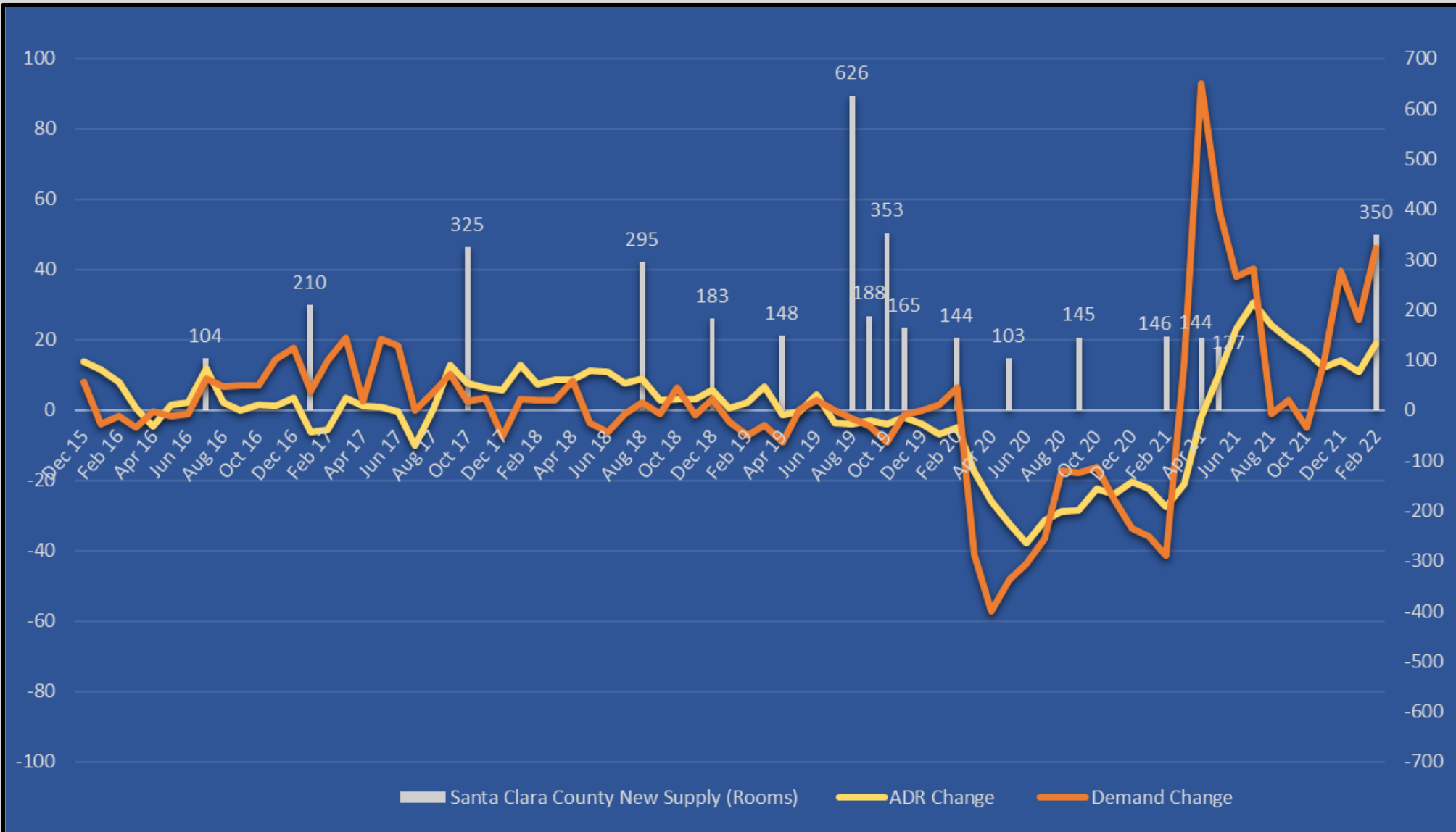
Hotel	Location	Opening Date	Rooms
Courtyard San Jose Campbell	Campbell, CA	Feb 2010	162
Courtyard San Jose North Silicon Valley	San Jose, CA	Jan 2014	157
TownePlace Suites San Jose Santa Clara	Santa Clara, CA	Feb 2014	107
Courtyard Sunnyvale Mountain View	Sunnyvale, CA	Oct 2014	145
Hilton Garden Inn Palo Alto	Palo Alto, CA	Mar 2015	174
Homewood Suites by Hilton Palo Alto	Palo Alto, CA	Mar 2015	138
SpringHill Suites San Jose Airport	San Jose, CA	Jun 2015	145
Residence Inn San Jose Airport	San Jose, CA	Jun 2015	176
aloft Hotel Santa Clara	San Jose, CA	Sep 2015	175
La Quinta Inns & Suites Morgan Hill - San Jose South	Morgan Hill, CA	Jul 2016	104
AC Hotels by Marriott San Jose Downtown	San Jose, CA	Jan 2017	210
Residence Inn San Jose Cupertino	Cupertino, CA	Oct 2017	180
Homewood Suites by Hilton San Jose North	San Jose, CA	Oct 2017	145
AC Hotels by Marriott Sunnyvale Cupertino	Sunnyvale, CA	Dec 2018	183
Hyatt House San Jose Cupertino	Cupertino, CA	Apr 2019	148
Hyatt Centric Mountain View	Mountain View, CA	Jul 2019	167
Holiday Inn & Suites Silicon Valley - Milpitas	Milpitas, CA	Jul 2019	128
Residence Inn San Jose North/Silicon Valley	San Jose, CA	Aug 2019	147
Fairfield Inn & Suites San Jose North/Silicon Valley	Alviso, CA	Aug 2019	114
element Santa Clara	Santa Clara, CA	Aug 2019	175
AC Hotels by Marriott San Jose Santa Clara	Santa Clara, CA	Sep 2019	188
Hilton Garden Inn Sunnyvale	Sunnyvale, CA	Oct 2019	238
Wingate by Wyndham San Jose	San Jose, CA	Oct 2019	115
Hyatt House San Jose Airport	San Jose, CA	Nov 2019	165
Hampton by Hilton Inn & Suites San Jose Airport	San Jose, CA	Feb 2020	144
Hampton Inn & Suites Gilroy	Gilroy, CA	May 2020	103
Holiday Inn Express & Suites San Jose Airport	San Jose, CA	Feb 2021	146
Hyatt Place San Jose Airport	San Jose, CA	Aug 2019	190
AC Hotels by Marriott Palo Alto	Palo Alto, CA	Apr 2021	144
Homewood Suites by Hilton Sunnyvale-Silicon Valley	Sunnyvale, CA	May 2021	127
AC Hotel by Marriott Sunnyvale Moffett Park	Sunnyvale, CA	Feb 2022	164
TETRA Hotel, Autograph Collection	Sunnyvale, CA	Feb 2022	186
Element San Jose Milpitas	Milpitas, CA	Mar 2022	194
Total			5,184

Nearly 5,200 rooms
have been added in
Santa Clara County
since 2010

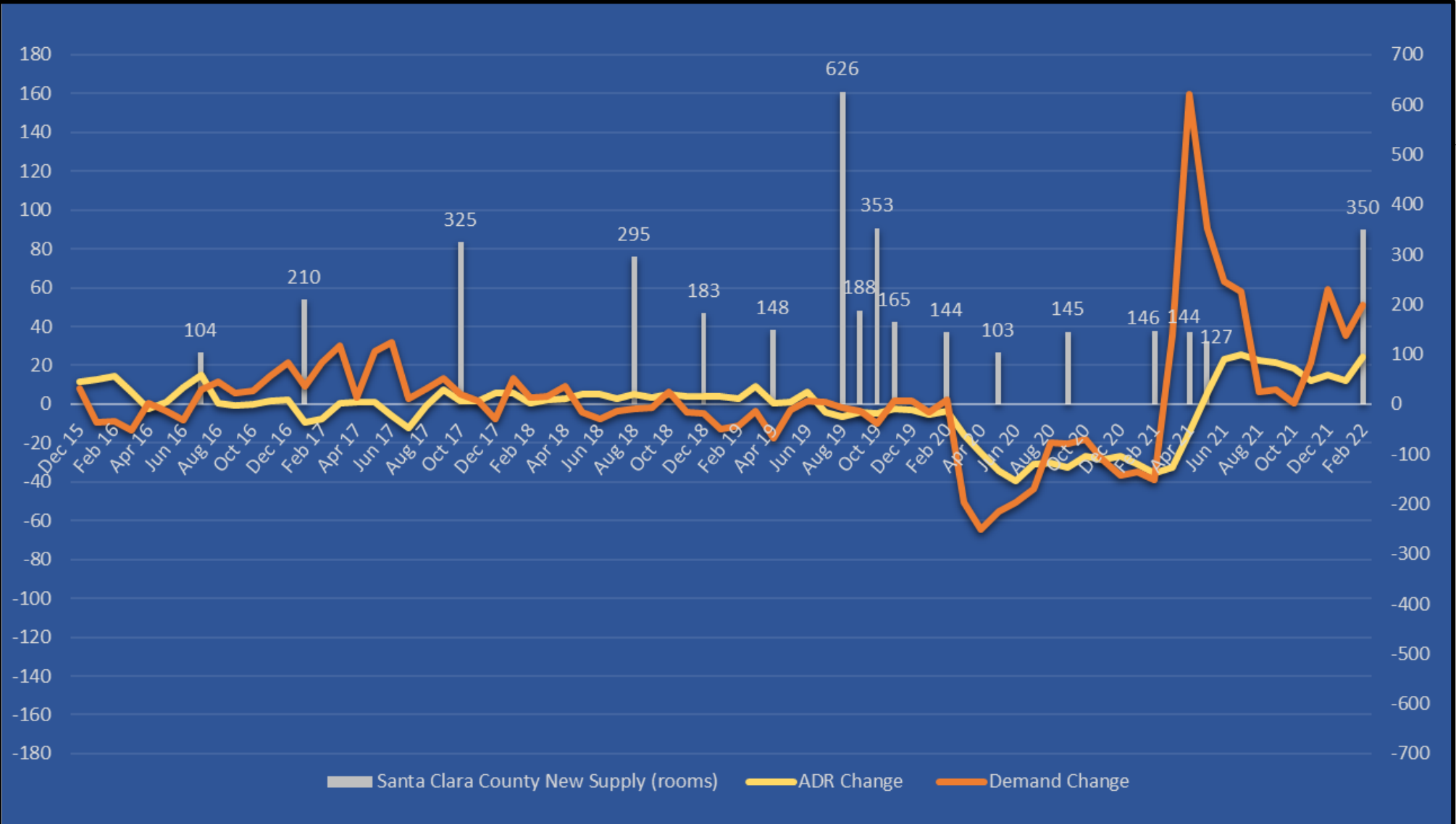
ADR & Demand Rebounding Strongly Post-Covid Citywide

Source: STR, HA&A

New Supply (right axis)
 ADR % Change (left axis)
 Demand % Change (left axis)



ADR & Demand Rebounding for the 7 top hotels in Morgan Hill/Gilroy

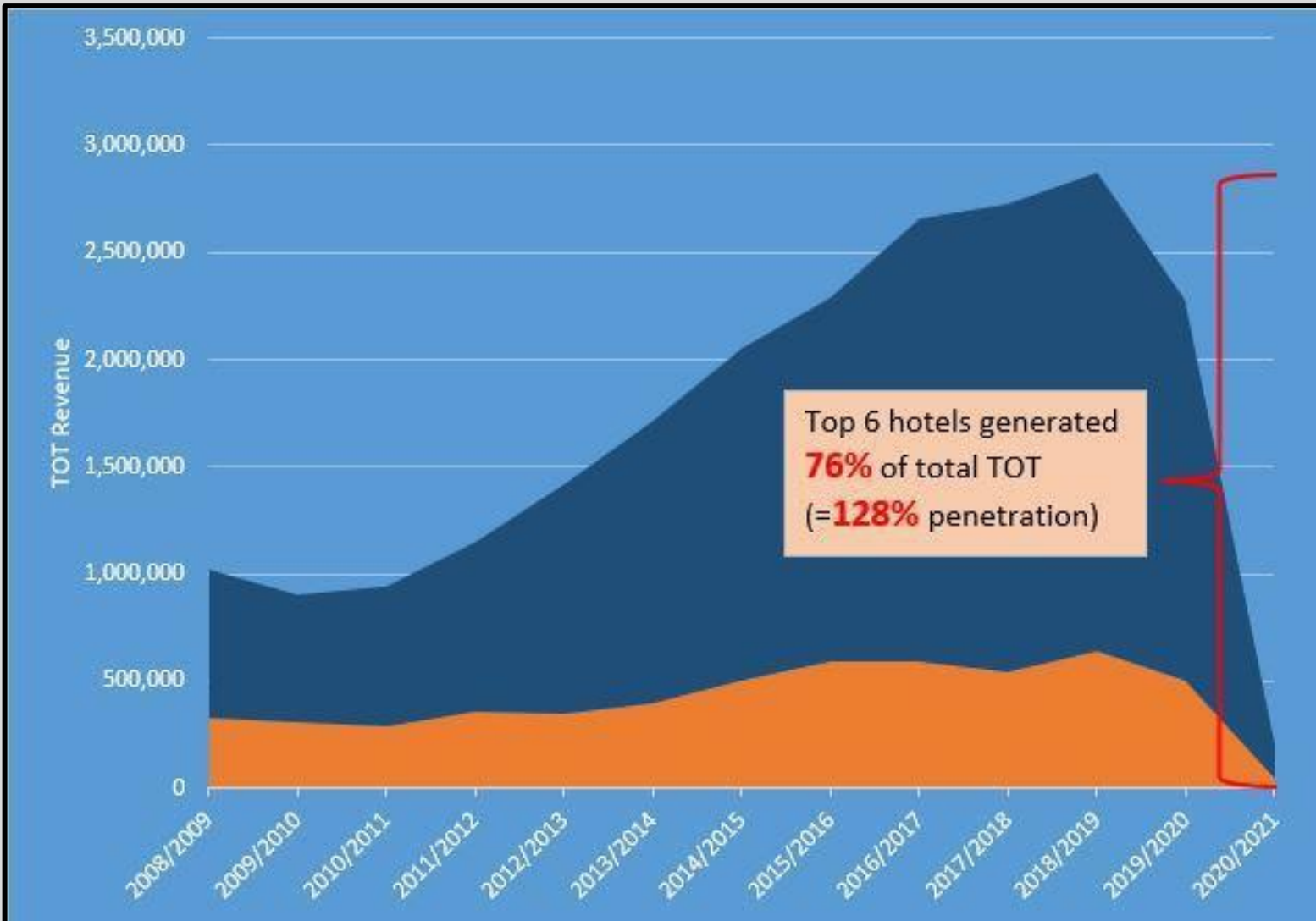


Source: STR, HA&A

New Supply (right axis)
 ADR % Change (left axis)
 Demand % Change (left axis)



76% of Local TOT Revenue From 6 Highest-Rated Hotels



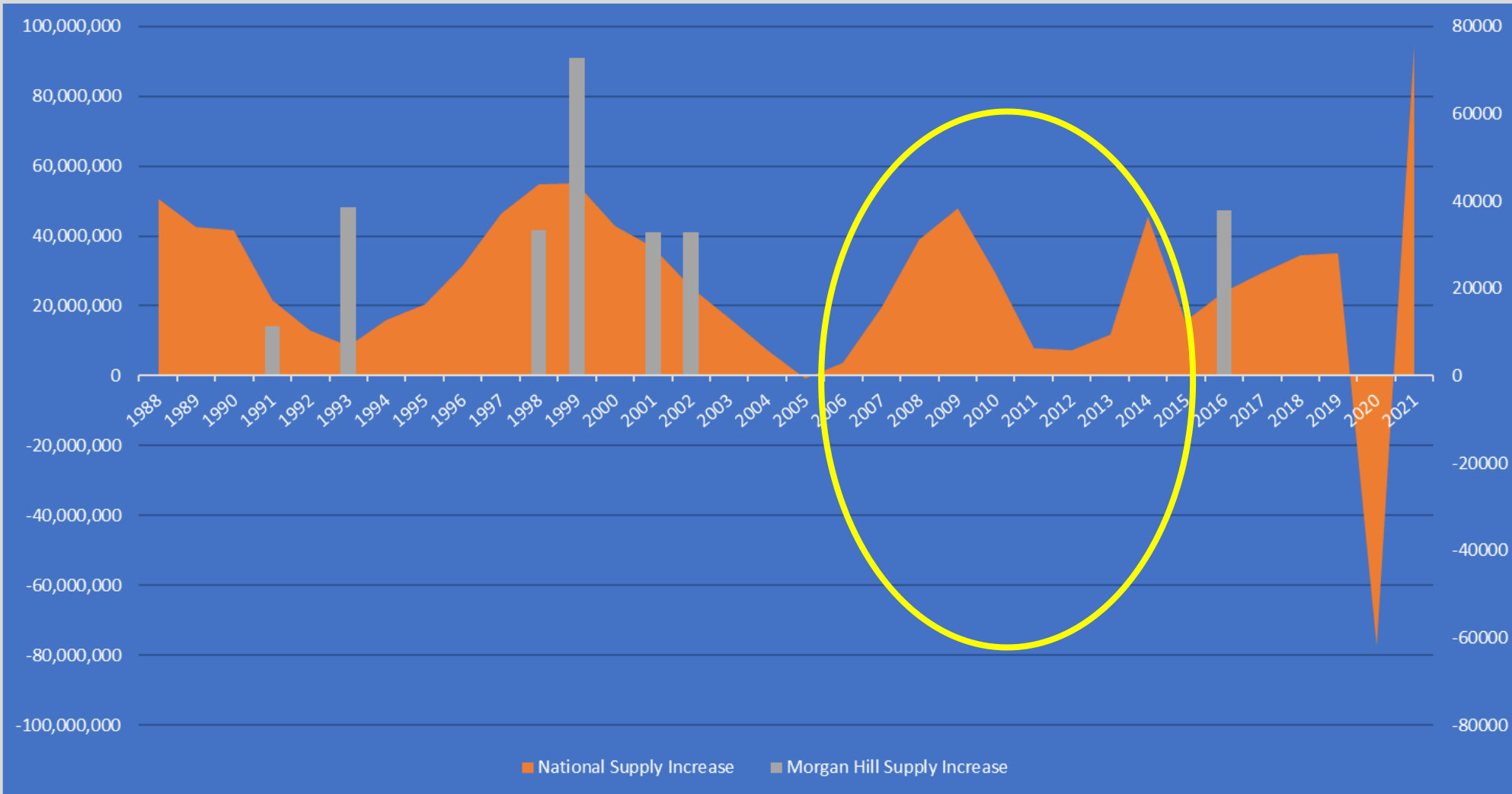
In the most recent complete fiscal year (2020/2021), just 59% of Morgan Hill's hotel rooms produced 79% of Morgan Hill's Transient Occupancy Tax revenues.

Top 6 Hotels
Others

Source: City of Morgan Hill



Morgan Hill experienced limited supply growth... ...Despite national supply cycles



Source: STR, HA&A



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2. This report is intended to be presented in whole, and not in part.
3. This is not an appraisal and the consultants who contributed to this report were not acting as appraisers in the preparation of this analysis.
4. The projections included in this document are based on various factors, including the historical performance of certain hotels, comparative hotels' actual financials, current market conditions, as well as HA&A's judgement. There is no guarantee that any of these projections will be attained. Actual results will vary from the projections described in this document and may be material.
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