



KEYSER MARSTON ASSOCIATES™  
ADVISORS IN PUBLIC/PRIVATE REAL ESTATE DEVELOPMENT

MEMORANDUM

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REAL ESTATE  
REDEVELOPMENT  
AFFORDABLE HOUSING  
ECONOMIC DEVELOPMENT

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**To:** Matt Roberts,  
Director of Parks and Recreation  
City of Carpinteria

**From:** Kevin Engstrom  
James Rabe

**Date:** June 21, 2016

**Subject:** Carpinteria Hotel Market Conditions

Pursuant to your request, Keyser Marston Associates, Inc. (KMA) reviewed the market variables that will influence the demand for an approximately 30-room hotel development on the Linden Avenue and Fifth Street property (Site). Based on a review of the available data and contact with developers active in the area, KMA evaluated the market feasibility of a hotel at this location.

**MARKET OVERVIEW**

Located along Highway 101 between the cities of Ventura to the south and Santa Barbara to the north, the City of Carpinteria (City) is home to over 13,000 persons. Within the entire Carpinteria Valley, the estimated population is over 17,000 residents with over 8,600 employees.<sup>1</sup>

The Carpinteria Valley currently has a handful of hotels with over 600 rooms and approximately 100 vacation rentals.<sup>1</sup> As KMA understands the situation, the City is currently evaluating its options for regulating its vacation rental inventory. This is consistent with other jurisdictions throughout Southern California, which are considering mechanisms for managing the proliferation of these units and their coexistence with the City residents. In general, cities are finding that these units are not having a significant impact on hotel room demand; however, they are creating issues with local residents.

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<sup>1</sup> Source: 2015 Carpinteria Valley Economic Profile

The City has a prime coastal location and surrounds Highway 101, which serves as a significant north – south transportation corridor for the State of California. Due to its coastal location, the City has a significant amenity in the form of Carpinteria State Beach, which hosted 880,000 visitors and generated nearly \$3.5 million in user fees during the 2014/15 fiscal year.<sup>2</sup> The proposed Site is located in the historic core of the City and would be adjacent to the existing Amtrak station. The project would see the development of an existing parking lot and would assume the replacement of this parking on another site.

Historically, hotels are the most volatile land use, as rooms are “rented” on a nightly basis. This trend will continue in the future as fluctuations in employment, the economy, and natural/man-made disasters can all have a significant influence on the hotel industry. Notwithstanding these issues, the hotel market in Southern California is healthy, having improved significantly as the United States continues to recover from the recession. The following analysis summarizes hotel performance trends in the market over the past five years, provides an indication of regional hotel demand, and summarizes the impression of hotel developers active in the region.

## **HOTEL PERFORMANCE**

The primary data sources used in this analysis were provided by PKF, Smith Travel Research and the City of Carpinteria (City). The information provided by these sources is based on surveys of a representative sample of hotels in the following market areas.

1. The Santa Barbara Town market are hotels located on, or within a few blocks of State Street (Town).<sup>3</sup>
2. The Santa Barbara Beach market includes resort hotels located along the beach communities of Santa Barbara, Montecito and Goleta (Beaches).<sup>1</sup>
3. The Santa Barbara County market includes the performance of hotels of all types in the county, including those in Carpinteria (County).<sup>1</sup>
4. The Carpinteria hotels include the top transient occupancy tax (TOT) producing hotels in the City: Best Western, Holiday Inn Express, Sandland Reef and two Motel Sixes.<sup>4</sup>

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<sup>2</sup> Source: California State Park System: Statistical Report 2014/15 Fiscal Year.

<sup>3</sup> Data provided by PKF Consulting

<sup>4</sup> Data provided by the City of Carpinteria

5. Working with the City, a Comparable Hotel Set of hotels was identified, including: Hotel Indigo Santa Barbara, The Wayfarer, Coast Hotel West Beach Inn and The Upham Hotel.<sup>5</sup>

The analysis is presented in the following tables:

Tables 1 – 4: Summarize hotel performance, including:

- 2010 - 2016 Hotel Occupancy Rates
- 2010 - 2016 Hotel Average Daily Rate (ADR)
- 2010 - 2016 Hotel Annual Revenue Per Available Room (RevPAR)

Tables 5 - 7: Summarize hotel demand for the following markets:

- Santa Barbara Town
- Santa Barbara Beach
- Santa Barbara County

Table 8: Projects Santa Barbara County hotel room demand

Table 9: Summarizes the 2015 Performance of Comparable Hotels

### **Table 1: Hotel Occupancy Rates**

1. In each year between 2010 and 2015, the occupancy rate achieved in the Town was higher than the occupancy rates achieved in the Beach and County. In 2015, the average occupancy rates were as follows:
  - a. The Town occupancy rate was 80.3%;
  - b. The occupancy rate for the Beaches was 77.5%; and
  - c. The County average occupancy rate was 78.5%.

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<sup>5</sup> Data provided by Smith Travel Research (STR). Not all hotels provide their operating data to STR. The selected hotels provide their information and were identified by City staff and KMA as being most representative of a potential project in Carpinteria.

2. In each of the areas being studied, the average occupancy levels have increased since 2010. The percentage increases over the period are:
  - a. Town at 15.2%;
  - b. The Beaches at 18.3%; and
  - c. The County at 18.8%.

For 2016, occupancy levels are projected to rise for the Beach and County. The occupancy level of the Town is projected to decrease slightly; however, this is due to an increase in room inventory as demand is projected to increase.

**Table 2: Hotel Average Daily Rate (ADR)**

1. The Town exhibits the lowest ADRs of the three areas being summarized herein; however, all of the current ADRs are relatively healthy.
2. In 2015, the ADRs were as follows:
  - a. The Town ADR was \$195;
  - b. The Beaches' ADR was \$289; and
  - c. The County ADR was \$217.
3. In each of the areas being studied, the ADR increased significantly since 2010. The percentage increases over the period are:
  - a. The Town at 30.2%;
  - b. The Beaches at 31.5%; and
  - c. The County at 26.5%.

For 2016, ADRs are projected to rise an additional 5.0% for each of the market areas.

**Table 3: Hotel Annual Revenue Per Available Room (RevPAR)**

The RevPAR is the product of a hotel's occupancy rate multiplied by the average daily rate. Based on TOT records, the RevPAR of the largest TOT producing properties in the City can be estimated. As would be expected, the RevPAR estimates mirror the results of the occupancy and ADR results presented in the previous two tables. The key findings are:

1. The highest RevPAR numbers were achieved for all four areas in 2015.
2. The Carpinteria RevPAR was significantly lower than the RevPAR exhibited by the other three areas, but the Carpinteria RevPAR is growing at a faster pace than the other three areas.
3. The percentage growth in RevPAR over the period between 2010 and 2016 for the four areas are:
  - a. Carpinteria at 72.8%;
  - b. The Town at 49.9%;
  - c. The Beaches at 55.6%; and
  - d. The County at 50.3%.

For 2016, RevPARs are projected to rise over 4.0% for each of the market areas.

#### **Table 4: Annual Change in Hotel Performance**

Table 4 summarizes the change in hotel performance between 2010 and 2015 for the market areas. As previously noted, the occupancy levels, ADRs and resultant RevPARs have all shown healthy increases during this period.

#### **Tables 5-7: Summary - Market Area Hotel Performance**

Between 2010 and 2015, the following compound annual growth rates were generated within the market area:

1. Based on the factors already discussed, the RevPAR grew at healthy rate during this period. The average rate of growth per year equaled the following:
  - a. The Town at 8.4%;
  - b. The Beaches at 9.2%; and
  - c. The County at 8.5%.
2. The supply of hotel rooms in the market area changed slightly:
  - a. The Town at -1.1%;
  - b. The Beaches at .2%; and

- c. The County at .3%.
3. While the supply remained relatively static during this period, demand increased at relatively healthy rate:
  - a. The Town at 1.7%;
  - b. The Beaches at 3.6%; and
  - c. The County at 3.9%.

### **Table 8: Projected Increase in Santa Barbara County Room Demand**

The increase in County room demand is projected for the period between 2016 and 2031 based on an assumed 2.0% annual increase in the demand for hotel rooms, and 74% to 76% target occupancy rates. Based on these assumptions, demand for approximately 180 to 340 new hotel rooms is exhibited in the County over the next five years and over 2,000 new hotel rooms are supported over the next 15 years.

### **Table 9: 2015 Performance of Comparable Hotels**

Table 9 identifies the average occupancy, the ADR and the RevPAR for the Comparable Hotel Set for each month in 2015. As shown in Table 9, the market is seasonal:

1. The Comparable Hotel Set exhibits strong demand during the summer months, with average occupancies exceeding 92% and ADRs up to \$264.
2. The market area demonstrates fluctuating demand during the spring and fall, with average occupancies ranging from 68% to 86%, and ADRs ranging from \$183 to \$223.
3. The performance of the hotels in the market area declines during the winter months. The lowest occupancy point falls in December at 59.0% and the lowest ADR is January at \$176.

Over the course of 2015, the average occupancy level was 79.8%, the ADR was \$217 and the resultant RevPAR was \$173. As would be expected given their location, the performance of these hotels would be comparable to the Town.

### **Hotel Performance Findings**

The data collected for the market area indicates the following:

1. Hotel performance in the market area improved significantly over the past five years.
2. The demand for hotel rooms in the market area is seasonal, which indicates leisure travelers are driving the demand.
3. Demand is exhibited in the County for 180 - 340 new hotel rooms over the next five years, and for over 2,000 new hotel rooms over the next 15 years.

A hotel development on the Site would effectively need to capture approximately 10% - 15% of the near-term demand for new hotel rooms in the County. That capture rate would fall to less than 2% of the demand exhibited over the next 15 years.

## **MARKET IMPRESSIONS**

To augment the hotel performance data collected for the market area, KMA contacted developers active in the region to gain their impressions of the opportunities for this specific site. These impressions can be summarized as follows:

1. There is a healthy amount of demand in the market area, as the hotel industry is performing very well in the Santa Barbara market area.
2. The current collection of hotels in Carpinteria does not offer a broad range of product types that would meet the needs of regional visitors.
3. The Site would be a good location for a hotel, given its proximity to the downtown and the State Beach.
4. Rail activity could be an issue; however, there are other hotels in the region that have successfully mitigated a similar location. Further, some travelers may be intrigued by the possibility of alighting from a train and having their hotel, beach and dining within walking distance.
5. The financial feasibility of the hotel is less certain, as it was noted that the City may need to subsidize the project.

Overall, the developers indicate a 30-40 room hotel at this location should have market support and would be well received by the region's visitors.

## **MARKET FEASIBILITY SUMMARY**

The KMA analysis is intended to provide the City with a perspective on the market conditions exhibited for a potential hotel project in Carpinteria. The analysis indicates

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strong hotel performance, as occupancies are high, ADRs have risen significantly and RevPARs are healthy. These findings are corroborated by developers active in the area, which indicate a 30-40 room hotel at this location should have market support and would be well received by the region's visitor. However, market feasibility does not immediately equate to financial feasibility, which cannot be determined until hotel developers have adequately addressed the potential hotel performance (ADR, occupancy levels, food and beverage revenues and operating expenses), the development costs and the financing available for such a project.



### **Limiting Conditions**

1. The analysis contained in this document is based, in part, on data from secondary sources such as state and local government, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The analysis assumes that neither the local nor national economy will experience a major recession. If an unforeseen change occurs in the economy, the conclusions contained herein may no longer be valid.
3. The findings are based on economic rather than political considerations. Therefore, they should be construed neither as a representation nor opinion that government approvals for development can be secured.
4. Market feasibility is not equivalent to financial feasibility; other factors apart from the level of demand for a land use are of crucial importance in determining feasibility. These factors include the cost of acquiring sites, relocation burdens, traffic impacts, remediation of toxics (if any), and mitigation measures required through the approval process.
5. Development opportunities are assumed to be achievable during the specified time frame. A change in development schedule requires that the conclusions contained herein be reviewed for validity.
6. The analysis, opinions, recommendations and conclusions of this document are KMA's informed judgment based on market and economic conditions as of the date of this report. Due to the volatility of market conditions and complex dynamics influencing the economic conditions of the building and development industry, conclusions and recommended actions contained herein should not be relied upon as sole input for final business decisions regarding current and future development and planning.

**TABLE 1**

**2010-2016 HOTEL OCCUPANCY RATES  
 CARPINTERIA HOTEL OVERVIEW  
 CARPINTERIA, CALIFORNIA**

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| <b>Year</b>   | <b>Santa Barbara Town</b> <sup>1</sup> | <b>Santa Barbara Beach</b> <sup>2</sup> | <b>Santa Barbara County</b> <sup>3</sup> |
|---|--|---|--|
| 2010  | 70.5%                                  | 65.5%                                   | 66.4%                                    |
| 2011  | 73.2%                                  | 69.1%                                   | 69.9%                                    |
| 2012  | 75.4%                                  | 71.6%                                   | 71.4%                                    |
| 2013  | 76.9%                                  | 72.8%                                   | 72.6%                                    |
| 2014  | 78.9%                                  | 76.0%                                   | 75.3%                                    |
| 2015  | 81.2%                                  | 77.5%                                   | 78.9%                                    |
| 2016(f)   | 80.3%                                  | 77.0%                                   | 78.5%                                    |
| <b>Percentage Increase<br/>between 2010 and 2015</b>    | <b>15.2%</b>                           | <b>18.3%</b>                            | <b>18.8%</b>                             |
| <b>Compound Annual Growth<br/>between 2010 and 2015</b> | <b>2.9%</b>                            | <b>3.4%</b>                             | <b>3.5%</b>                              |
| <b>Forecast Change between<br/>2015-2016</b>            | <b>-1.1%</b>                           | <b>-0.6%</b>                            | <b>-0.5%</b>                             |

(f) Forecast

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<sup>1</sup> Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

<sup>2</sup> Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.

<sup>3</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

**TABLE 2**

**2010-2016 HOTEL AVERAGE DAILY RATE (ADR)  
 CARPINTERIA HOTEL OVERVIEW  
 CARPINTERIA, CALIFORNIA**

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| <b>Year</b>   | <b>Santa Barbara Town</b> <sup>1</sup> | <b>Santa Barbara Beach</b> <sup>2</sup> | <b>Santa Barbara County</b> <sup>3</sup> |
|---|--|---|--|
| 2010  | \$149.65                               | \$219.98                                | \$163.01                                 |
| 2011  | \$155.98                               | \$232.30                                | \$168.78                                 |
| 2012  | \$159.09                               | \$240.21                                | \$174.69                                 |
| 2013  | \$167.03                               | \$255.00                                | \$182.51                                 |
| 2014  | \$177.47                               | \$276.74                                | \$196.39                                 |
| 2015  | \$194.79                               | \$289.20                                | \$206.20                                 |
| 2016(f)   | \$206.48                               | \$303.65                                | \$216.84                                 |
| <b>Percentage Increase<br/>between 2010 and 2015</b>    | <b>30.2%</b>                           | <b>31.5%</b>                            | <b>26.5%</b>                             |
| <b>Compound Annual Growth<br/>between 2010 and 2015</b> | <b>5.4%</b>                            | <b>5.6%</b>                             | <b>4.8%</b>                              |
| <b>Forecast Change between<br/>2015-2016</b>            | <b>6.0%</b>                            | <b>5.0%</b>                             | <b>5.2%</b>                              |

(f) Forecast

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<sup>1</sup> Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

<sup>2</sup> Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.

<sup>3</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

**TABLE 3**

**2010 - 2016 HOTEL ANNUAL REVPAR<sup>1</sup>**  
**CARPINTERIA HOTEL OVERVIEW**  
**CARPINTERIA, CALIFORNIA**

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| <u>Year</u>   | <u>City of Carpinteria</u> <sup>2</sup> | <u>Santa Barbara Town</u> <sup>3</sup> | <u>Santa Barbara Beach</u> <sup>4</sup> | <u>Santa Barbara County</u> <sup>5</sup> |
|---|---|--|---|--|
| 2010  | \$47.12                                 | \$105.50                               | \$144.09                                | \$108.24                                 |
| 2011  | \$58.15                                 | \$114.18                               | \$160.52                                | \$117.98                                 |
| 2012  | \$65.27                                 | \$119.95                               | \$171.99                                | \$124.73                                 |
| 2013  | \$64.42                                 | \$128.45                               | \$185.64                                | \$132.50                                 |
| 2014  | \$70.73                                 | \$140.02                               | \$210.32                                | \$147.88                                 |
| 2015  | \$81.42                                 | \$158.17                               | \$224.13                                | \$162.69                                 |
| 2016(f)   | NA                                      | \$165.80                               | \$233.81                                | \$170.22                                 |
| <b>Percentage Increase<br/>between 2010 and 2015</b>    | <b>72.8%</b>                            | <b>49.9%</b>                           | <b>55.6%</b>                            | <b>50.3%</b>                             |
| <b>Compound Annual Growth<br/>between 2010 and 2015</b> | <b>11.6%</b>                            | <b>8.4%</b>                            | <b>9.2%</b>                             | <b>8.5%</b>                              |
| <b>Forecast Change between<br/>2015-2016</b>            | <b>NA</b>                               | <b>4.8%</b>                            | <b>4.3%</b>                             | <b>4.6%</b>                              |

(f) Forecast

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<sup>1</sup> RevPAR is equal to the occupancy rate multiplied times the average room rate.  
<sup>2</sup> Includes top TOT producing hotels in Carpinteria: Best Western, Holiday Inn Express, Sandland Reef and Motel Sixes.  
<sup>3</sup> Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF  
<sup>4</sup> Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.  
<sup>5</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

**TABLE 4**

**ANNUAL CHANGE IN OCCUPANCY, ADR & REVPAR  
CARPINTERIA HOTEL OVERVIEW  
CARPINTERIA, CALIFORNIA**

**Change in Occupancy Rates**

| <u>Period</u> | <u>Santa Barbara Town</u> <sup>1</sup> | <u>Santa Barbara Beach</u> <sup>2</sup> | <u>Santa Barbara County</u> <sup>3</sup> |
|---------------|--|---|--|
| 2010-11       | 3.83%                                  | 5.50%                                   | 5.27%                                    |
| 2011-12       | 3.01%                                  | 3.62%                                   | 2.15%                                    |
| 2012-13       | 1.99%                                  | 1.68%                                   | 1.68%                                    |
| 2013-14       | 2.60%                                  | 4.40%                                   | 3.72%                                    |
| 2014-15       | 2.92%                                  | 1.97%                                   | 4.78%                                    |
| 2010-15       | 15.18%                                 | 18.32%                                  | 18.83%                                   |

**Change in Average Daily Rates (ADR)**

| <u>Period</u> | <u>Santa Barbara Town</u> | <u>Santa Barbara Beach</u> | <u>Santa Barbara County</u> |
|---------------|---------------------------|----------------------------|-----------------------------|
| 2010-11       | 4.23%                     | 5.60%                      | 3.54%                       |
| 2011-12       | 1.99%                     | 3.41%                      | 3.50%                       |
| 2012-13       | 4.99%                     | 6.16%                      | 4.48%                       |
| 2013-14       | 6.25%                     | 8.53%                      | 7.61%                       |
| 2014-15       | 9.76%                     | 4.50%                      | 5.00%                       |
| 2010-15       | 30.16%                    | 31.47%                     | 26.50%                      |

**Change in Revenue Per Available Room (RevPAR)**

| <u>Period</u> | <u>City of Carpinteria</u> <sup>4</sup> | <u>Santa Barbara Town</u> | <u>Santa Barbara Beach</u> | <u>Santa Barbara County</u> |
|---------------|---|---------------------------|----------------------------|-----------------------------|
| 2010-11       | 23.40%                                  | 8.22%                     | 11.40%                     | 9.00%                       |
| 2011-12       | 12.24%                                  | 5.06%                     | 7.15%                      | 5.72%                       |
| 2012-13       | -1.29%                                  | 7.08%                     | 7.94%                      | 6.23%                       |
| 2013-14       | 9.80%                                   | 9.01%                     | 13.30%                     | 11.61%                      |
| 2014-15       | 15.10%                                  | 12.96%                    | 6.56%                      | 10.01%                      |
| 2010-15       | 72.78%                                  | 49.92%                    | 55.55%                     | 50.31%                      |

<sup>1</sup> Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

<sup>2</sup> Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source:

<sup>3</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

<sup>4</sup> Includes top TOT producing hotels in Carpinteria: Best Western, Holiday Inn Express, Sandland Reef and Motel Six

**TABLE 5**

**SUMMARY - SANTA BARBARA TOWN PERFORMANCE <sup>1</sup>**  
**CARPINTERIA HOTEL OVERVIEW**  
**CARPINTERIA, CALIFORNIA**

| <b>Santa Barbara Town</b>              |                              |                               |   |  |   |               |               |
|--|------------------------------|-------------------------------|---|--|---|---------------|---------------|
|  | <b>Average<br/>Occupancy</b> | <b>Average Daily<br/>Rate</b> | <b>Annual Supply<br/>of Room<br/>Nights</b> | <b>Annual<br/>Demand for<br/>Room Nights</b> | <b>Change in<br/>Occupied<br/>Room Nights</b> | <b>RevPAR</b> | <b>Change</b> |
| 2010                                   | 70.5%                        | \$149.65                      | 257,690                                     | 181,751                                      |   | \$105.50      |               |
| 2011                                   | 73.2%                        | \$155.98                      | 257,690                                     | 188,528                                      | 3.7%  | \$114.18      | 8.2%          |
| 2012                                   | 75.4%                        | \$159.09                      | 271,560                                     | 204,714                                      | 8.6%  | \$119.95      | 5.1%          |
| 2013                                   | 76.9%                        | \$167.03                      | 272,655                                     | 209,599                                      | 2.4%  | \$128.45      | 7.1%          |
| 2014                                   | 78.9%                        | \$177.47                      | 272,655                                     | 215,071                                      | 2.6%  | \$140.02      | 9.0%          |
| 2015                                   | 81.2%                        | \$194.79                      | 243,698                                     | 197,924                                      | -8.0%   | \$158.17      | 13.0%         |
| 2016(f)                                | 80.3%                        | \$206.48                      | 262,435                                     | 210,789                                      | 6.5%  | \$165.80      | 4.8%          |
| Compound Annual<br>Growth - 2010 -2015 | 2.9%                         | 5.4%                          | -1.1%                                       | 1.7%   |   | 8.4%          |               |
| Forecast Change<br>between 2015-2016   | -1.1%                        | 6.0%                          | 7.7%  | 6.5%   |   | 4.8%          |               |

<sup>1</sup> Hotels in Santa Barbara Town are located on, or within a few blocks of State Street. Source: PKF

**TABLE 6**

**SUMMARY - SANTA BARBARA BEACH HOTEL PERFORMANCE <sup>1</sup>**  
**CARPINTERIA HOTEL OVERVIEW**  
**CARPINTERIA, CALIFORNIA**

| <b>Santa Barbara Beach</b>            |                              |                               |   |  |   |               |               |
|---------------------------------------|------------------------------|-------------------------------|---|--|---|---------------|---------------|
|                                       | <b>Average<br/>Occupancy</b> | <b>Average Daily<br/>Rate</b> | <b>Annual Supply<br/>of Room<br/>Nights</b> | <b>Annual<br/>Demand for<br/>Room Nights</b> | <b>Change in<br/>Occupied<br/>Room Nights</b> | <b>RevPAR</b> | <b>Change</b> |
| 2010                                  | 65.5%                        | \$219.98                      | 801,540                                     | 525,378                                      |   | \$144.09      |               |
| 2011                                  | 69.1%                        | \$232.30                      | 801,540                                     | 553,744                                      | 5.4%  | \$160.52      | 11.4%         |
| 2012                                  | 71.6%                        | \$240.21                      | 801,540                                     | 573,991                                      | 3.7%  | \$171.99      | 7.1%          |
| 2013                                  | 72.8%                        | \$255.00                      | 804,916                                     | 586,063                                      | 2.1%  | \$185.64      | 7.9%          |
| 2014                                  | 76.0%                        | \$276.74                      | 809,205                                     | 615,311                                      | 5.0%  | \$210.32      | 13.3%         |
| 2015                                  | 77.5%                        | \$289.20                      | 809,205                                     | 627,216                                      | 1.9%  | \$224.13      | 6.6%          |
| 2016(f)                               | 77.0%                        | \$303.65                      | 830,497                                     | 639,760                                      | 2.0%  | \$233.81      | 4.3%          |
| Compound Annual<br>Growth - 2010-2015 | 3.4%                         | 5.6%                          | 0.2%  | 3.6%   |   | 9.2%          |               |
| Forecast Change<br>between 2015-2016  | -0.6%                        | 5.0%                          | 2.6%  | 2.0%   |   | 4.3%          |               |

<sup>1</sup> Hotels in Santa Barbara Beach are located along beaches in Santa Barbara, Montecito and Goleta. Source: PKF.

**TABLE 7**

**SUMMARY - SANTA BARBARA COUNTY HOTEL PERFORMANCE <sup>1</sup>**  
**CARPINTERIA HOTEL OVERVIEW**  
**CARPINTERIA, CALIFORNIA**

**Santa Barbara County**

|                                       | <u>Average<br/>Occupancy</u> | <u>Average Daily<br/>Rate</u> | <u>Annual Supply<br/>of Room<br/>Nights</u> | <u>Annual<br/>Demand for<br/>Room Nights</u> | <u>Change in<br/>Occupied<br/>Room Nights</u> | <u>RevPAR</u> | <u>Change</u> |
|---------------------------------------|------------------------------|-------------------------------|---|--|---|---------------|---------------|
| 2010                                  | 66.4%                        | \$163.01                      | 1,946,180                                   | 1,291,833                                    |   | \$108.24      |               |
| 2011                                  | 69.9%                        | \$168.78                      | 1,946,180                                   | 1,360,018                                    | 5.3%  | \$117.98      | 9.0%          |
| 2012                                  | 71.4%                        | \$174.69                      | 1,972,825                                   | 1,409,497                                    | 3.6%  | \$124.73      | 5.7%          |
| 2013                                  | 72.6%                        | \$182.51                      | 2,003,211                                   | 1,454,372                                    | 3.2%  | \$132.50      | 6.2%          |
| 2014                                  | 75.3%                        | \$196.39                      | 2,007,135                                   | 1,510,413                                    | 3.9%  | \$147.88      | 11.6%         |
| 2015                                  | 78.9%                        | \$206.20                      | 1,977,813                                   | 1,560,808                                    | 3.3%  | \$162.69      | 10.0%         |
| 2016(f)                               | 78.5%                        | \$216.84                      | 2,035,909                                   | 1,598,410                                    | 2.4%  | \$170.22      | 4.6%          |
| Compound Annual<br>Growth - 2010-2015 | 3.5%                         | 4.8%                          | 0.3%  | 3.9%   |   | 8.5%          |               |
| Forecast Change<br>between 2015-2016  | -0.5%                        | 5.2%                          | 2.9%  | 2.4%   |   | 4.6%          |               |

<sup>1</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF



**TABLE 8**

**PROJECTED INCREASE IN SANTA BARBARA COUNTY ROOM DEMAND  
CARPINTERIA HOTEL OVERVIEW  
CARPINTERIA, CALIFORNIA**

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**Potential Demand - 2% Annual Increase in Demand & 74% Target Occupancy**

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|      | <b>Annual Increase in Room Demand</b> | <b>Existing Room Night Supply</b> | <b>Santa Barbara Average Occupancy Level</b> | <b>Room Night Demand Exceeding Target Occupancy</b> | <b>Cumulative Additional Room Demand</b> |
|------|---------------------------------------|-----------------------------------|--|---|--|
| 2016 | 1,598,400                             | 2,035,900                         | 78.5%  | 561,600   | 340                                      |
| 2021 | 1,764,800                             | 2,035,900                         | 86.7%  | 620,100   | 956                                      |
| 2026 | 1,948,500                             | 2,035,900                         | 95.7%  | 684,600   | 1,636                                    |
| 2031 | 2,151,300                             | 2,035,900                         | 105.7%                                       | 755,900   | 2,387                                    |

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**Potential Demand - 2% Annual Increase in Demand & 76% Target Occupancy**

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|      | <b>Annual Increase in Room Demand</b> | <b>Existing Room Night Supply</b> | <b>Santa Barbara Average Occupancy Level</b> | <b>Room Night Demand Exceeding Target Occupancy</b> | <b>Cumulative Additional Room Demand</b> |
|------|---------------------------------------|-----------------------------------|--|---|--|
| 2016 | 1,598,400                             | 2,035,900                         | 78.5%  | 504,800   | 184                                      |
| 2021 | 1,764,800                             | 2,035,900                         | 86.7%  | 557,300   | 784                                      |
| 2026 | 1,948,500                             | 2,035,900                         | 95.7%  | 615,300   | 1,446                                    |
| 2031 | 2,151,300                             | 2,035,900                         | 105.7%                                       | 679,400   | 2,178                                    |

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<sup>1</sup> Performance of all hotels in Santa Barbara County, including those in Carpinteria. Source: PKF

**TABLE 9**

**2015 PERFORMANCE OF NEARBY COMPARABLE HOTELS<sup>1</sup>**  
**CARPINTERIA HOTEL OVERVIEW**  
**CARPINTERIA, CALIFORNIA**

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|                          | <b>Comparable Hotel Set</b>  |                               |               |
|--------------------------|------------------------------|-------------------------------|---------------|
|                          | <b>Average<br/>Occupancy</b> | <b>Average Daily<br/>Rate</b> | <b>RevPAR</b> |
| January                  | 71.6%                        | \$175.89                      | \$125.94      |
| February                 | 76.0%                        | \$183.31                      | \$139.32      |
| March                    | 79.0%                        | \$190.27                      | \$150.31      |
| April                    | 86.1%                        | \$204.48                      | \$176.06      |
| May                      | 81.7%                        | \$220.58                      | \$180.21      |
| June                     | 84.3%                        | \$237.35                      | \$200.09      |
| July                     | 92.4%                        | \$261.53                      | \$241.65      |
| August                   | 91.4%                        | \$263.72                      | \$241.04      |
| September                | 85.2%                        | \$232.81                      | \$198.35      |
| October                  | 82.6%                        | \$222.80                      | \$184.03      |
| November                 | 67.7%                        | \$189.24                      | \$128.12      |
| December                 | 59.0%                        | \$186.42                      | \$109.99      |
| Overall 2015 Performance | 79.8%                        | \$217.22                      | \$173.34      |

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<sup>1</sup> Includes the following hotels: Hotel Indigo Santa Barbara; The Wayfarer; Coast Hotel West Beach Inn and the Upham Hotel. Source: Smith Travel Research