
Downtown Aiken Hotel + Conference Center + Municipal Garage

Market & Financial Findings 07.12.2021

AECOM was engaged by the Town of Aiken to provide insight as to financial performance for a proposed project in Downtown Aiken. As part of the effort, we evaluated real estate trends across downtown Aiken in context with benchmarks. We also provided an overview as to banquet / conference center facilities and hotel inventories in competitive downtowns. AECOM's market research and financial analysis has yielded several key findings which have implications for downtown Aiken's proposed development comprised of:

- 100 Key Hotel (private development)
- 5,000 sf Retail/Restaurant (private development)
- 24,000 sf Conference Center (city development)
- 330 stall Municipal Parking Deck (city development)

Ownership and Delivery Structure Assumptions:

- **City Development**
City will engage private developer to build the entire project, but the Conference Center/Municipal Garage will be city owned/financed
- **Private Development**
Private developer will build the entire project, but be at risk for the hotel/retail component

The following analysis and financial projections assume tourism recovery to pre-Covid levels by 2023/2024. The figures and findings provided below are draft and subject to change upon project cost and program refinement.

KEY FINDINGS:

1. Of the peer cities, hotel properties in Aiken tend to be older, with some of the lowest hotel average daily rates (ADR).
2. Relative to peers, Aiken has fewer hotel rooms given the size of the local labor market. Peer cities with fewer than 40,000 residents average nearly **2,100 hotel rooms, while Aiken has fewer than 1,500.**

3. Based on labor market size in context with the peer group, **Aiken could accommodate a facility with ballroom and meeting space totaling 20,000-30,000 square feet**, with a ballroom of 5,000-10,000 square feet.
4. Aiken lacks “modern” new construction hotels not only in downtown, but within a two-mile radius of downtown. However, the few hotels built since 2000 across Aiken have a room rate premium of 15%-20%.
 - a. There are ten hotels within 2 miles of Downtown Aiken’s core and only one property was built after 2000 (Fairfield Inn & Suites / with a 2019 ADR (\$100) at a **19% premium to city-wide ADR**).
 - b. Aiken’s newer hotel inventory (built after 2000), while concentrated further than two miles from downtown, **garnered a 15% average ADR premium compared to the city-wide trends in 2019**. There are only 5 properties (430 rooms) built over the last 20 years within Aiken, but more than 2 miles from the downtown core. The newest opened in 2013 (TownPlace Suites) and 2014 (Holiday Inn Express).
5. Developable land in Downtown Aiken is scarce. Based on the parcel assemblage (1.1 acres/47,000 sf), a value per square foot of \$30-\$60 would suggest a total land value of approximately \$1.5-\$3M.
**These figures do not include the portion of Newberry Street right of way to be added to the assemblage*

6. Financial Takeaways by Use:

HOTEL/RETAIL

- Sensitivity to room count; at 100 rooms there will be limited number of hotel “flags” compared to a hotel with 150 rooms. More viable for private development at 150 rooms compared to 100.
- ADR of \$125-\$150 for optimal financial performance (high for the market, but could be justified based on being new construction and a higher-end hotel brand)
- Estimated leveraged IRR: 11%-28%
Pending number of rooms and rate at a development cost of \$227 per square foot in 2021 dollars
- Estimated total 10-year property tax benefit to Aiken: \$1.5 -\$2M

CONFERENCE CENTER

- Presumes that a private operator can run the food and beverage business at break-even, with a focus on banquets and local events rather than conventions and trade shows
- Subsidy is likely needed to offset debt service on construction cost
- Estimated annual debt service: \$300,000
Based on a total development cost per square foot of \$221 in 2021 dollars

MUNICIPAL PARKING GARAGE

- Parking revenue potential is linked with hotel guests (\$15 overnight parking) which could generate as much as \$575k in annual revenues to offset operational expenses (on average \$340k annually)
- Additional monthly parking fee to be explored further
- Estimated annual debt service: \$760,000
- Annual cash flow after debt service gap of around \$520M
Based on a total development cost of \$41,500 per space in 2021 dollars

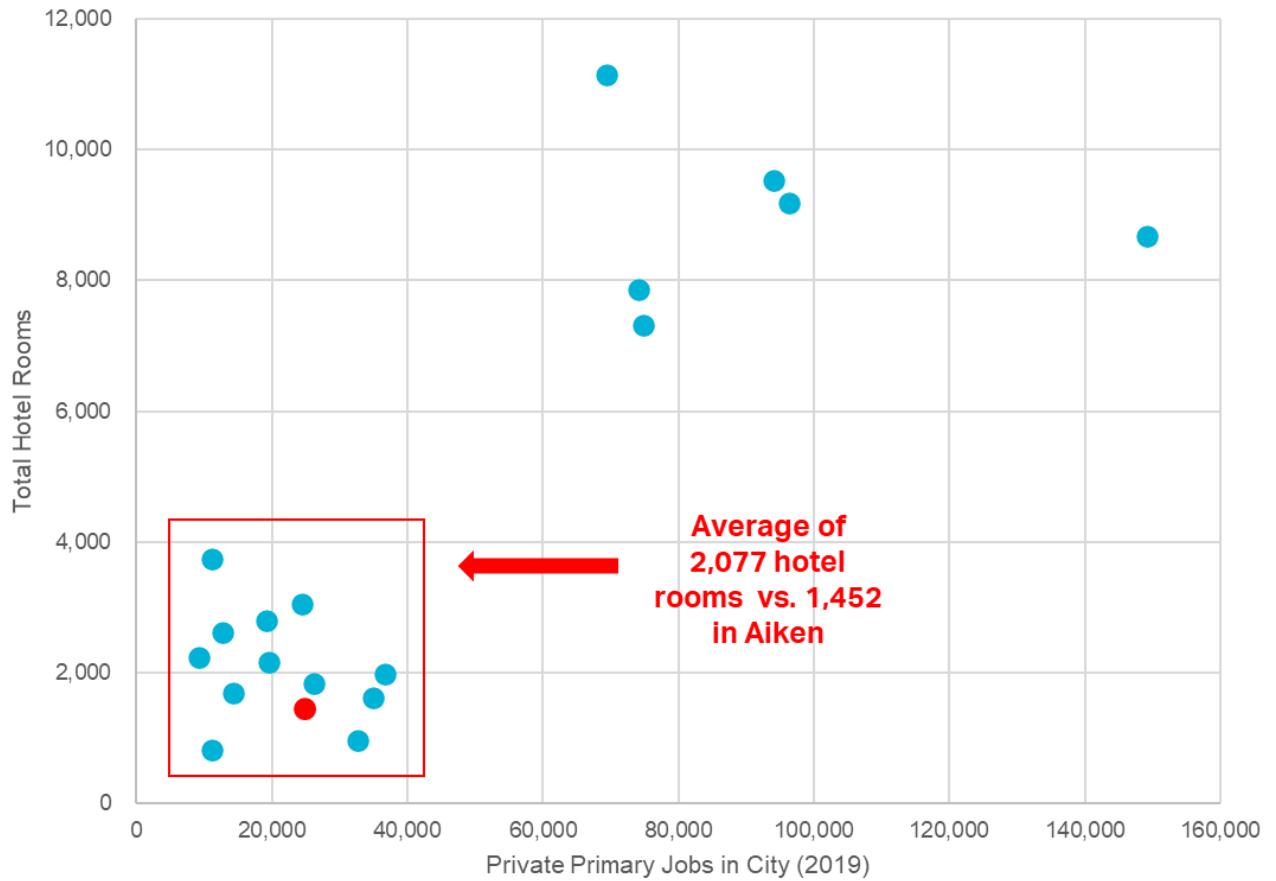
The following pages contain charts and tables that support the key findings outlined above.

Aiken ADR and Average Age of Hotel Inventory Compared to Peer Cities

City	April 2021 (Latest)	2019	Rooms w/in 5 miles of CBD center	Avg year built - w/in 5mi of CBD center
Traverse City	\$151	\$149	3,029	1985
Asheville	\$142	\$161	6,439	1963
North Myrtle Beach	\$141	\$149	4,632	1983
Charleston	\$122	\$158	7,989	1957
Durango	\$114	\$127	2,364	1978
Saratoga Springs	\$108	\$145	2,241	1968
Hendersonville	\$102	\$109	1,237	1952
Holland	\$100	\$114	1,844	1995
Summerville	\$89	\$104	1,750	1998
Dubuque	\$88	\$96	1,915	1971
Hickory	\$80	\$92	1,944	1986
Lexington	\$80	\$105	7,658	1991
Greenville	\$80	\$106	6,054	1996
Spartanburg	\$78	\$94	2,611	1990
Columbia	\$78	\$101	5,738	1987
Oshkosh	\$75	\$104	941	1981
Augusta	\$74	\$88	1,968	1966
Aiken	\$72	\$83	1,121	1974
Decatur	\$61	\$66	4,967	1980
Peer Avg.	\$98	\$115	3,497	1979
Aiken Relative to Peer Average	-26%	-28%	-68%	5 years older

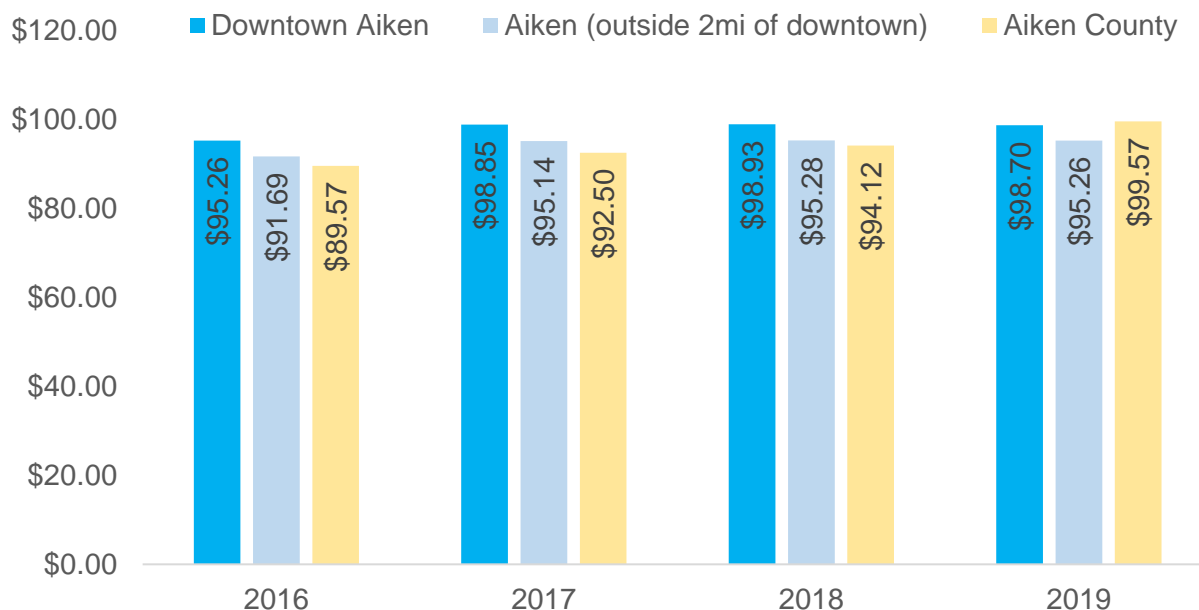
Source: CoStar, AECOM Analysis

Local Employment vs. Hotel Rooms: Aiken Compared to Peer Set



Source: EMSI, CoStar, AECOM Analysis

Average Annual ADR (Properties Built since 2000): Downtown Aiken, Aiken (outside of 2miles from downtown, Aiken County Comparison



Source: CoStar, AECOM Analysis

Downtown Land Values in Aiken and Select Peer Cities

Geography	Retail/Office Sales: Land Value per SF		\$ Per SF Growth
	2011-2013 Avg.	2017-2019 Avg.	2011-2019 CAGR
<u>Asheville, NC</u>			
Citywide	\$22.60	\$48.60	18%
Downtown Submarket	\$23.93	\$54.47	16%
Within ½ mile of CBD Center	\$24.73	\$57.87	17%
<u>Aiken, SC</u>			
Citywide	\$17.40	\$19.73	3%
Downtown Submarket	\$15.00	\$20.93	4%
Within ½ mile of CBD Center	\$17.00	\$22.00	5%
<u>Greenville, SC</u>			
Citywide	\$17.13	\$22.07	4%
Downtown Submarket	\$22.67	\$32.67	5%
Within ½ mile of CBD Center	\$21.93	\$35.27	4%
<u>Traverse City, MI</u>			
Citywide	\$17.93	\$31.20	7%
Within ½ mile of CBD Center	\$21.47	\$37.40	8%

**Due to the scarcity of vacant downtown land, 20% of building sales were used as a proxy for land sales*

Note: CAGR = Compound Annual Growth Rate
Source: Costar, AECOM Analysis