



LETTER OF FINDINGS

Proposed Coolidge Corner Hotel

10 WALDO STREET
BROOKLINE, MASSACHUSETTS

SUBMITTED TO:

Mr. Joseph Laurano
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PREPARED BY:

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February 28, 2017

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HVS BOSTON

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Re: Proposed Coolidge Corner Hotel
Brookline, Massachusetts
HVS Reference: 2017020211

Dear Mr. Laurano:

Pursuant to your request, we herewith submit our findings pertaining to the above-captioned property. We have analyzed the most recent hotel market conditions in the Brookline, Massachusetts area, specifically taking into consideration new hotel supply planned for the area. We have studied the proposed project, and the results of our due diligence and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC



Brian F. Bisema, Senior Vice President
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Subject of the Study

The subject of this study is a 60,993-square-foot (1.40-acre) parcel which we recommend be improved with an upper-upscale, select-service lodging facility; the hotel should be affiliated with a high-end boutique/lifestyle brand such as Kimpton Hotels and Resorts, Canopy by Hilton, Hyatt Centric, or other comparable flag. The property, which is assumed to open on April 1, 2019, should feature 160 rooms, a restaurant and lounge (leased), 1,000 square feet of meeting space, an indoor pool, an indoor whirlpool, a fitness room, a business center, and a retail outlet/boutique store. The hotel will also contain the appropriate parking capacity and all necessary back-of-the-house space.

The proposed subject hotel will maintain a prominent location within the heart of Brookline's affluent Coolidge Corner neighborhood. As noted within this report, the Coolidge Corner area is replete with high-end restaurants, bars, retail stores, and boutique shops; furthermore, a major MBTA train stop is located within a two minute walk from the subject site. The subject site is also centrally located among major lodging demand generators, including Boston College, Boston University, the myriad of medical and research facilities housed within the Longwood Medical and Academic Area, the office complexes of Boston's Back Bay area, and the tourism attractions of Fenway Park and Kenmore Square. The subject site comprises three parcels that currently contain an 8,000-square foot parking lot; a single-story, 25,000-square-foot garage/industrial storage building; and a two-story, 42,000-square-foot building containing an automotive repair shop, small service shops, and restaurants. The existing structures are expected to be demolished for construction of the proposed subject property. Upon completion, the subject property is anticipated to be the highest quality hotel in the Brookline area. The subject site's location is 10 Waldo Street, Brookline, Massachusetts, 02446.

San Francisco-based Kimpton Hotels & Restaurants, a privately held company, is the first and leading collection of boutique hotels throughout the United States and Canada. Founded in 1981 by Bill Kimpton, every Kimpton hotel features personalized guest services, comforting in-room amenities, specialty rooms and suites, and exceptional culinary experiences in each chef-driven restaurant. Most Kimpton properties are marketed under their own independent names as boutique hotels or under the Hotel Monaco flag; in 2005, the company launched the Hotel Palomar brand to complement its portfolio. In December 2014, InterContinental Hotels Group (IHG) announced it would acquire Kimpton for \$430 million in cash. IHG will retain the Kimpton brand within the U.S. and expand it globally. As a result of the acquisition, seven of Kimpton's nine hotels in San Francisco departed the brand in July 2015. As of year-end 2015, there were 61 Kimpton-branded hotels (10,976 rooms) in the Americas. In 2015, the brand operated at an average occupancy level of 82.1%, with an average daily rate of \$235.78 and an average RevPAR of \$195.58.

The Canopy by Hilton brand was created to offer a modern boutique hotel with a focus on the local experience. Unique amenities include complimentary filtered water, a local welcome gift, an “open” closet, and dimmable lights in the guestrooms, as well as evening tastings in the hotel lounge. The Canopy by Hilton Reykjavik opened in July 2016 and was the first Canopy by Hilton hotel worldwide. Another 26 Canopy by Hilton hotels are in the pipeline as of year-end 2015, with 22 of those planned for the United States. Initial cities will include Chicago, Portland, Washington D.C., Louisville, and West Palm Beach, to name a few. These hotels will reportedly be priced similarly to other nationally branded, upper-upscale hotels and will be operated like select-service hotels.

Pertinent Dates

The effective date of these findings is February 28, 2017. The subject site was inspected by Brian F. Bisema on July 13, 2016; although the site was not physically re-inspected for the scope of this study, the market was reevaluated, taking into consideration the most recent lodging trends as well as new hotel inventory. In addition to the inspection, Brian F. Bisema completed the research for this assignment, prepared the report, and completed the analysis.

Ownership, Franchise, and Management Assumptions

The developer of the proposed subject hotel is Chestnut Hill Realty (CHR), which is based in Chestnut Hill, Massachusetts. The subject site represents an assemblage of three contiguous parcels that were acquired over 35 years, according to property records provided by the Town of Brookline. The first parcel spans 8,000 square feet and was purchased in 1978 for \$63,000. A 32,000-square-foot tract was purchased for \$2,500,000 in 2005, and an 18,000-square-foot parcel was acquired for approximately \$11,000,000 in 2013. The site is currently neither listed nor under contract for sale; furthermore, we have no knowledge of any recent listings.

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject property operate as an upper-upscale, select-service hotel. While we have placed heavy consideration on the Canopy by Hilton brand, which is affiliated with Hilton Worldwide, as well as the Kimpton brand, which is affiliated with InterContinental Hotels Group, a specific franchise affiliation and/or brand has yet to be finalized. Our projections reflect a Canopy by Hilton, Kimpton, or similar brand affiliation.

Summary of Hotel Market Trends

Occupancy first peaked for this selected set of hotels in the Brookline/Boston market in 2007, with RevPAR reaching an initial high of nearly \$136 during that time. Although average rate peaked in 2008, occupancy declined, resulting in a slightly lower RevPAR of approximately \$132. With the onset of the Great Recession, all three lodging metrics deteriorated by year-end 2009, equating to a RevPAR of just under \$112. However, a rapid recovery began in 2010 that extended through year-end 2015; as illustrated, the 2007 peak in RevPAR was surpassed in 2012. This trend is due in large part to the Greater Boston area's resilient and diverse economic base. The market is replete with colleges and universities, world-renowned medical facilities and hospitals, strong financial services and insurance firms, and numerous historic sites and leisure attractions. Year-to-date data illustrate a softening in occupancy and a modest \$6 gain in average rate compared to the same period in 2015. Hotel Commonwealth's 96-room expansion at the beginning of the year is the primary factor that contributed to the latest weakening trend for 2016. We note that although demand realized a double-digit increase of approximately 10% in 2016, the market-wide occupancy level dipped by roughly 3 percent, with the inception of the 130-room Homewood Suites Boston Brookline in August 2016; meanwhile, average rate noted a nominal gain.

The outlook for the long term is predominately positive given the market's strong demand base and historical resiliency and ability to readily absorb new supply. Although new lodging inventory is planned for the market, this new hotel supply is expected to be absorbed rapidly, and market-wide occupancy is anticipated to recover and resume a positive trend; the historical data presented supports this sentiment.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily	Available Room		Occupied Room		Occupancy	Average		RevPAR	Change
	Room Count	Nights	Change	Nights	Change		Rate	Change		
2005	810	295,650	—	209,390	—	70.8 %	\$151.08	—	\$107.00	—
2006	810	295,650	0.0 %	221,969	6.0 %	75.1	163.61	8.3 %	122.83	14.8 %
2007	810	295,650	0.0	229,388	3.3	77.6	174.66	6.8	135.51	10.3
2008	810	295,650	0.0	217,081	(5.4)	73.4	179.14	2.6	131.53	(2.9)
2009	810	295,650	0.0	205,343	(5.4)	69.5	160.94	(10.2)	111.78	(15.0)
2010	810	295,650	0.0	223,907	9.0	75.7	160.32	(0.4)	121.42	8.6
2011	811	295,925	0.1	229,680	2.6	77.6	171.33	6.9	132.98	9.5
2012	831	303,497	2.6	245,587	6.9	80.9	183.40	7.0	148.41	11.6
2013	931	339,901	12.0	264,984	7.9	78.0	193.81	5.7	151.10	1.8
2014	979	357,292	5.1	290,189	9.5	81.2	213.94	10.4	173.76	15.0
2015	1,025	374,125	4.7	302,467	4.2	80.8	231.74	8.3	187.36	7.8
2016	1,175	429,055	14.7	333,711	10.3	77.8	233.74	0.9	181.80	(3.0)
2007 - 2010			0.0		(0.8)			(2.8)		(3.6)
2010 - 2016			6.4		6.9			6.5		7.0

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Holiday Inn Boston Brookline	Secondary	226	Aug 1987	Jun 1952
The VERB	Secondary	93	Jul 2014	Jun 1960
The Inn @ Longwood Medical	Primary	155	Dec 2012	Jun 1968
Courtyard Boston Brookline	Primary	188	Apr 2003	Apr 2003
Hotel Commonwealth	Secondary	245	May 2003	May 2003
Ascend Collection enVision Hotel Boston Longwood	Secondary	39	Jul 2012	Jul 2012
Residence Inn Boston Back Bay Fenway	Primary	175	Jul 2013	Jul 2013
Homewood Suites Boston Brookline	Primary	130	Aug 2016	Aug 2016
Total		1,251		

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis.

FIGURE 2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2015				Estimated 2016				Occupancy Penetration	Yield Penetration
		Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR		
Courtyard by Marriott Boston Brookline	188	65 %	15 %	20 %	188	80 - 85 %	\$230 - \$240	\$190 - \$200	188	70 - 75 %	\$230 - \$240	\$170 - \$180	95 - 100 %	95 - 100 %
Homewood Suites by Hilton Boston/Brookline	130	70	10	20	0	—	—	—	54	55 - 60	180 - 190	105 - 110	75 - 80	55 - 60
Residence Inn by Marriott Boston Back Bay Fenway	175	70	10	20	175	80 - 85	270 - 280	230 - 240	175	80 - 85	260 - 270	220 - 230	100 - 110	120 - 130
Inn at Longwood Medical	155	60	20	20	155	85 - 90	200 - 210	170 - 180	155	80 - 85	200 - 210	170 - 180	100 - 110	90 - 95
Sub-Totals/Averages	648	66 %	14 %	20 %	518	84.6 %	\$238.06	\$201.34	572	79.0 %	\$232.48	\$183.73	101.3 %	100.8 %
Secondary Competitors	603	47 %	23 %	30 %	380	77.0 %	\$226.12	\$174.04	452	76.7 %	\$235.33	\$180.49	98.3 %	99.0 %
Totals/Averages	1,251	57 %	18 %	25 %	898	81.4 %	\$233.28	\$189.78	1,025	78.0 %	\$233.72	\$182.30	100.0 %	100.0 %

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

FIGURE 3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2015				Estimated 2016			
		Commercial	Meeting and Group	Leisure		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hotel Commonwealth	245	40 %	30 %	30 %	75 %	112	75 - 80 %	\$300 - \$325	\$240 - \$250	184	75 - 80 %	\$300 - \$325	\$240 - \$250
Holiday Inn Boston Brookline	226	50	25	25	75	170	70 - 75	180 - 190	130 - 140	170	70 - 75	180 - 190	130 - 140
The Verb	93	50	5	45	75	70	75 - 80	200 - 210	150 - 160	70	75 - 80	190 - 200	140 - 150
enVision Hotel Boston	39	65	5	30	75	29	80 - 85	170 - 180	140 - 150	29	75 - 80	170 - 180	130 - 140
Totals/Averages	603	47 %	23 %	30 %	75 %	380	77.0 %	\$226.12	\$174.04	452	76.7 %	\$235.33	\$180.49

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Brookline area. The list is categorized by the principal submarkets within the city.

FIGURE 4 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
AC Hotel	162	Upscale	Under Construction	Q3 '17	375-399 Chestnut Hill Avenue, Brookline, MA
Boston Landing Hotel	175	Upscale	Under Construction	Q1 '18	125 Guest Street, Boston, MA
Hilton Garden Inn Brookline	168	Upscale	Early Development	Q2 '18	25 Washington Street, Brookline, MA
Proposed Full-Service Hotel	390	Upscale	Early Development	Q3 '19	1200 Beacon Street, Brookline, MA

Of the hotels listed in the preceding chart, we have identified the following new supply that is expected to have some degree of competitive interaction with the proposed subject hotel, based on location, anticipated market orientation and price point, and/or operating profile. We note that we do not expect the proposed Boston Landing Hotel to be competitive with the proposed subject property given its location in the Allston/Brighton neighborhood of Boston, an arguably less affluent and overall inferior area compared to Brookline. Furthermore, the Boston Landing Hotel is expected to be built in a large, mixed-use development that houses New Balance's world headquarters; accordingly, the Boston Landing Hotel should expect a significant volume of lodging demand to be generated from within the mixed-use development itself. Therefore, the Boston Landing Hotel is not expected to be a direct competitor with the proposed subject property and has been considered only qualitatively in our analysis.

FIGURE 5 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	160	100 %	160	April 1, 2019	Chestnut Hill Realty	Early Development
AC Hotel	162	100	162	September 1, 2017	National Development	Under Construction
Hilton Garden Inn Brookline	168	75	126	May 1, 2018	Claremont Companies	Early Development
Proposed Full-Service Hotel	390	50	195	August 1, 2019	The Fallon Company & Westbrook Partners	Early Development
Totals/Averages	880		643			

- The proposed AC Hotel will be comparable to the proposed subject hotel with respect to its high-end, full-service boutique/lifestyle product offering; this hotel will be located approximately two miles southwest of the subject site, proximate to Boston College.
- A Hilton Garden Inn is also planned for development approximately one mile south of the subject site along State Route 9; although this hotel is still in the planning stages, our discussions with the developer and local zoning officials revealed that the project is progressing smoothly; construction permits are expected by summer 2017. In order to account for unforeseeable events that would hinder the development of the Hilton Garden Inn, we have weighed this hotel as secondarily complete in our analysis.
- Our research and discussions with market participants revealed that the existing Holiday Inn Boston Brookline is expected to undergo a substantial redevelopment in the near future; plans call for a mixed-use development comprising a 390-room hotel, a 155-unit apartment building, as well as restaurant and retail space. Given this hotel's high room count, this property is expected to cater primarily to the meeting and group segment, which typically sells at discounted group rates. The proposed subject property, on the other hand, is anticipated to target a higher-rated corporate and leisure demand base. Accordingly, this hotel will offer a different overall product offering and is expected to target a different clientele than the proposed subject property. In light of the speculative nature of this project coupled with the differences in overall product scope compared to the subject property, we have weighed this hotel as secondarily complete in our analysis.

Accommodated Demand and Market- wide Occupancy

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 6 FORECAST OF MARKET OCCUPANCY

	2017	2018	2019	2020	2021	2022
Commercial						
Base Demand	174,272	179,500	183,090	184,921	185,846	185,846
Unaccommodated Demand	62,648	64,527	65,818	66,476	66,808	66,808
Total Demand	236,920	244,028	248,908	251,397	252,654	252,654
Growth Rate	41.4 %	3.0 %	2.0 %	1.0 %	0.5 %	0.0 %
Meeting and Group						
Base Demand	54,689	56,329	57,456	58,030	58,320	58,320
Unaccommodated Demand	4,009	4,129	4,211	4,254	4,275	4,275
Total Demand	58,697	60,458	61,667	62,284	62,595	62,595
Growth Rate	11.6 %	3.0 %	2.0 %	1.0 %	0.5 %	0.0 %
Leisure						
Base Demand	74,456	76,689	78,223	79,005	79,400	79,400
Unaccommodated Demand	32,172	33,138	33,800	34,138	34,309	34,309
Total Demand	106,628	109,827	112,023	113,144	113,709	113,709
Growth Rate	48.9 %	3.0 %	2.0 %	1.0 %	0.5 %	0.0 %
Totals						
Base Demand	303,417	312,519	318,769	321,957	323,567	323,567
Unaccommodated Demand	98,829	101,793	103,829	104,868	105,392	105,392
Total Demand	402,245	414,313	422,599	426,825	428,959	428,959
less: Residual Demand	75,489	74,250	28,881	0	0	0
Total Accommodated Demand	326,756	340,063	393,717	426,825	428,959	428,959
Overall Demand Growth	12.0 %	4.1 %	15.8 %	8.4 %	0.5 %	0.0 %
Market Mix						
Commercial	58.9 %	58.9 %	58.9 %	58.9 %	58.9 %	58.9 %
Meeting and Group	14.6	14.6	14.6	14.6	14.6	14.6
Leisure	26.5	26.5	26.5	26.5	26.5	26.5
Existing Hotel Supply						
	1,100	1,100	1,100	1,100	1,100	1,100
Proposed Hotels						
Proposed Subject Property	¹		121	160	160	160
AC Hotel	² 54	162	162	162	162	162
Hilton Garden Inn Brookline	³	85	126	126	126	126
Proposed Full-Service Hotel	⁴		82	195	195	195
Available Room Nights per Year	421,355	429,724	518,679	574,419	574,419	574,419
Nights per Year	365	365	365	365	365	365
Total Supply	1,154	1,177	1,421	1,574	1,574	1,574
Rooms Supply Growth	12.7 %	2.0 %	20.7 %	10.7 %	0.0 %	0.0 %
Marketwide Occupancy	77.5 %	79.1 %	75.9 %	74.3 %	74.7 %	74.7 %

¹ Opening in April 2019 of the 100% competitive, 160-room Proposed Subject Property

² Opening in September 2017 of the 100% competitive, 162-room AC Hotel

³ Opening in May 2018 of the 75% competitive, 168-room Hilton Garden Inn Brookline

⁴ Opening in August 2019 of the 50% competitive, 390-room Proposed Full-Service Hotel

^A Change of room count in January 2018 of the 75% competitive, Holiday Inn Boston Brookline

**Summary of Forecast
Occupancy and
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 75% and a base-year rate position of \$265.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate projections.

FIGURE 7 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	78.0 %	—	\$233.72	—	—	\$265.00	113.4 %
2017	77.5	5.0 %	245.40	—	5.0 %	278.25	113.4
2018	79.1	4.0	255.22	—	4.0	289.38	113.4
2019	75.9	3.0	262.88	70.0 %	3.0	298.06	113.4
2020	74.3	3.0	270.76	73.0	3.0	307.00	113.4
2021	74.7	3.0	278.88	75.0	3.0	316.21	113.4
2022	74.7	3.0	287.25	76.0	3.0	325.70	113.4

The following table summarizes the proposed subject hotel’s forecast, reflecting fiscal years.

FIGURE 8 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate	RevPAR
2019/20	71 %	\$300.27	\$213.19
2020/21	73	309.27	225.77
2021/22	75	318.55	238.91

Conclusion

The fundamentals of the Brookline/Boston market remain strong. With its diverse economic base consisting of higher education, healthcare/medical, finance, among other industries, the Boston market is somewhat buffered from economic interruptions. With respect to the lodging market, the Brookline area has historically displayed resiliency with its ability to absorb new supply. It is impressive to note that although the competitive set's supply has grown from 810 rooms in 2010 to 1,251 rooms in 2016, representing an inventory increase of over 50%, the market's occupancy has remained within the high 70% to low 80% range.

Accordingly, based on the diversified and robust demand generators, as well as the market's historical trends and capability of absorbing new supply, we are of the opinion that the market is capable of absorbing the next cycle of new inventory outlined within this letter. The area maintains a significant amount of diversified demand generators throughout different parts of Brookline/Boston that should allow hotels, existing and proposed, to sustain viable and healthy occupancy/average rate levels. Examples of such demand generators spread throughout the market include Boston University, the Longwood Medical and Academic Area, Boston College, Back Bay (comprising a multitude of businesses), and Fenway Park; additionally, the local residents and families of the affluent Brookline community should also contribute a significant amount of hotel demand.

The proposed hotel developments outlined within this letter will each offer unique product types that will cater and appeal to a largely different clientele base from one another. The proposed 390-room hotel at 1200 Beacon Street, for example, with its large room count will be a popular choice for meeting and groups; this demand base typically purchases rooms in bulk/blocks and at discounted rates. On the other hand, the proposed subject property is expected to target the higher-rated corporate and leisure segments, owing to its more modest room count, expected franchise affiliation, and high-end boutique-like product scope.

Overall, in light of the aforementioned factors presented within, we are of the opinion that the market is well poised for continued growth and is capable of supporting additional inventory, including the proposed 160-room subject property.