



# Henderson, Kentucky

## Hotel Market & Financial Feasibility Study

Draft Report

DECEMBER 19, 2022







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# 01

## Executive Summary







# Overview

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Hunden Strategic Partners (HSP) was retained by the Henderson Tourist Commission (Client) to perform a market analysis and financial feasibility study relating to the development of a new boutique hotel (Project) in downtown Henderson, Kentucky.

The study provides market-driven analytics to determine the overall demand opportunity for this type of unique hotel development in Henderson, as well as financial modeling to define the financial feasibility of the Project.



# SWOT Overview

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The following SWOT analysis details the strengths, weaknesses, opportunities, and threats of the Project.

## STRENGTHS



- Revitalized and activated downtown
- Development of downtown event and meeting space
- Proposed downtown distillery development
- Proximity to Evansville and Owensboro

## WEAKNESSES



- Proximity to more developed cities
- Lack of entertainment assets
- Lack of downtown parking

## OPPORTUNITIES



- Growth in destination appeal / tourism
- Increased corporate demand
- Future additional development downtown

## THREATS



- Proposed demand driving developments not being completed
- Increased construction costs / interest rates
- Lack of funding



# Key Findings

The following points highlight HSP's key findings from its analysis of Henderson and the local hotel market.



## Lost Business

Henderson currently lacks quality hotel products. This limits Henderson's ability to capture potential demand to the benefit of Evansville and Owensboro. By developing a unique boutique hotel concept downtown, Henderson can recapture and induce unaccommodated demand and increase economic activity in the area.

## Strong Appeal

A revitalized downtown, as well as the development of hotel inducing demand generators such as as an event venue and distillery will help support year-round business at the proposed hotel. A premium product can also help induce corporate demand to assist in weekday business and support higher than market rates.

## Catalytic Development

Though initial funding may be a challenge, a successful development of a boutique hotel can establish synergies with other developments that would be encouraged by the presence of this type of asset. The Project can help expand Henderson's tourism and corporate draw, encouraging future additional development in the area.



# Implications

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**Recapturing Demand.** Henderson currently lacks supply of quality hotel product. This limits Henderson's ability to capture potential hotel demand, losing overnight stays to Evansville and Owensboro. These markets have high quality hotel accommodations with walkable food and beverage opportunities. Interviews with multiple employers indicated executives desire a destination with high-quality hospitality and food and beverage options, but combined, this does not currently exist in Henderson. By developing a unique boutique hotel concept downtown, Henderson can recapture and induce unaccommodated demand leading to increased economic activity in the downtown area.

**A Development Catalyst.** The proposed hotel is a critical next step for Henderson's downtown growth. The Project will help expand Henderson's tourism and corporate draw, bringing more locals and travelers to the area. Additional activity in downtown Henderson will create additional demand for restaurants, retail and entertainment venues, which can lead to further investment in downtown Henderson.





# Recommendations

HSP recommends redeveloping the Soaper Building into a 50-room boutique hotel. HSP also recommends either a basement speakeasy restaurant/bar or rooftop restaurant/bar (with a portion enclosed on the roof to offer views no matter the weather) within the hotel as well. This will offer executives, groups and leisure guests a complete experience within downtown Henderson. Parking in downtown Henderson is currently a concern. HSP recommends at least one parking space per room be identified for guests (some can be valet/offsite). Alongside street parking, this supply will help accommodate staff, guests and restaurant visitors.

As will be shown, the 50-room property will be able to operate more efficiently and support full-time managerial staff more than a 35-room hotel. So while a smaller hotel will have slightly higher occupancy and rate than a larger hotel, the economics work better at 50 rooms.

Henderson, Kentucky   Boutique Hotel Recommendations	
Site	Soaper Building
Rooms	50 Rooms, 35 Rooms if funding concerns
Meeting Space	–
Food & Beverage	Hometown Roots, Speakeasy and/or Rooftop Bar
Parking	1 Space Per Room
Source: Hunden Strategic Partners	

# Hotel Layout

The Soaper Building could fit approximately 10 rooms per floor at 400 square feet per room (50 rooms total). The second floor provides additional space for amenities such as a fitness center, spa, or yoga studio.

The projections also assume an additional F&B offering for the hotel. Alternatively, Hometown Roots could provide the food and beverage service for the hotel.

If the developer decided to build a mixed-use asset of apartments and a hotel, 35 hotel rooms would allow for approximately six to eight apartments.

An architect familiar with hotel design would be necessary to move into a more detailed understanding of how the room count can work ideally within the existing structure. There are many modern hotel brands in historic buildings with very small rooms (e.g. the Motto by Hilton and Moxy by Marriott brands). While these brands are not likely available to Henderson, they are examples of strong-performing boutique hotels with very small guest rooms.

Rooftop – 12,000 SF

6<sup>th</sup> Floor - 5,244 SF  
10 Hotel Rooms

5<sup>th</sup> Floor - 5,244 SF  
10 Hotel Rooms

4<sup>th</sup> Floor - 5,244 SF  
10 Hotel Rooms

3<sup>rd</sup> Floor - 5,244 SF  
10 Hotel Rooms

2<sup>nd</sup> Floor - 6,973 SF  
10 Hotel Rooms + Amenities

1<sup>st</sup> Floor - 7,598 SF  
Lobby + Hometown Roots

Basement - 7,598 SF



# Investment Analysis

Benefitting from economies of scale, the 50-room hotel option would produce a stronger operating margin compared to the 35-room hotel option.

The 50-room hotel can bear \$25,000 more per room in supportable financing compared to the 35-room hotel option, making the 50-room hotel the optimal choice for development in downtown Henderson.

Investment Comparison		
	50 Rooms	35 Rooms
Average Daily Rate (2027)	\$ 218	\$ 224
Occupancy (2027)	65.6%	67.1%
Net Operating Income (2027)	\$ 941,706	\$ 560,510
Operating Margin (2027)	28.5%	23.2%
Supportable Financing	\$ 8,250,000	\$ 4,900,000
Supportable Financing/Room	\$ 165,000	\$ 140,000
10-Year PV/Room	\$ 154,318	\$ 130,993
Source: Hunden Strategic Partners		



The background image is a composite of two photographs. The left side shows a large, multi-arched steel truss bridge spanning a river. In the foreground, there are several water fountains with children playing in them. The right side shows a closer view of a water fountain with a woman and a child standing nearby. In the background, a man and a woman are standing near a bench. The sky is blue with white clouds.

# 02

## Project Profile

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# Overview

In discussions with the Henderson Tourism Commission and a variety of community stakeholders, the corner of North Main Street and 2<sup>nd</sup> Street would be the most ideal location for a hotel. Following HSP's analysis, Hunden agrees this area would be an optimal location for a boutique hotel. The factors considered by HSP will be discussed in the following analysis.

The Client offered three sites as potential locations for hotel development:

- A) Big Rivers Electric Corporation Building (201 3<sup>rd</sup> St)
- B) Union Bank & Trust Building (201 N Main St)
- C) The Soaper Building (141 N Main St)



# Site Options



**LEGEND**

- Potential Site
- Event Venue
- Park/Public Space
- Restaurant/Bar



# A) Big Rivers Electric 201 3<sup>rd</sup> St



In early 2022, the Big Rivers Electric Corporation broke ground on a new headquarters in downtown Owensboro. This new development will replace the 1970s-era headquarters office in downtown Henderson.

Though with ample parking located just off the Ohio River, the 57,000 SF building is larger than needed for the recommended boutique hotel. With low ceiling heights, minimal windows, and its rigid architecture (inside and out), it is not optimal for a hotel redevelopment.

This location may be better served as a new mixed-use development site in the future.





## B) Union Bank & Trust 201 N Main St

In the past, 201 N Main Street operated as a bank in downtown Henderson. Today, it is a 9,000 SF office building with one tenant occupying half of the second floor. The building still maintains its historical value with two separate vaults located inside.

In terms of hotel potential, the building's location is a positive. It sits on the corner of Main Street and 2<sup>nd</sup> Street, across from the the future The Vault event and meeting venue and Hometown Roots.

The building does not have sufficient square footage for the recommended number of hotel rooms, and the layout limits its potential for redevelopment as a hotel. Half of the interior space is on the ground floor, meaning many guest rooms would be on street level, leaving minimal space for other hotel amenities. The basement level could be utilized as primary restaurant space, though this is not preferable. The building has a strong view of downtown Henderson, but limited sightlines of the Ohio River due to its height. Parking is also a limiting factor.



# C) Soaper Building

## 141 N Main St

The Soaper Building was built in 1924 and soon became the premier hotel in downtown Henderson. The six-story neoclassical structure included 104 hotel rooms, a coffee shop, and two beauty parlors.

Today, the building has one long-term tenant, Hometown Roots. Hometown Roots is a 'southern comfort food' and bourbon restaurant that is highly regarded across Henderson. While the first floor is developed, the remaining five floors tell a different story. The second floor is occupied by an art studio and yoga studio, with both tenants on month-to-month, below market leases. The remaining four floors have remained vacant for many years. Additionally, the easily accessible basement hosts potential for a unique restaurant or speakeasy concept.

The building's overall height is a strong positive. Guest rooms could offer views of either downtown Henderson or the Ohio River. Additionally, if deemed feasible with expanded accessibility, a rooftop restaurant or event space could offer the most unique experience in Henderson.

The building is likely the best option for redevelopment, as the bones of the building reflect its prior use as a hotel. Low ceiling heights of this historic building and lack of parking, however, present a challenge for redesign.





# Interview: Troxel Investment Properties

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HSP interviewed the owner of Troxel Investment Properties (Troxel) who was identified as a potential developer for the Project. Troxel has a long history in operating real estate assets in the market. For 35 years the group has owned and operated Subway restaurants, several strip centers, and 30 townhomes in Indiana.

The conversation reiterated many points mentioned in other interviews outlined later in this report, regarding the synergies with Evansville, demand drivers for Henderson, and the addition of new assets to the market (The Vault, Riverfront, Ellis Park, etc.). The main takeaways from this conversation revolve around the potential sites.

## **Big Rivers Electric Building**

This site would be great for parking and access to the Riverfront, but the building itself is a challenge. It is a large space (too large for a hotel), would make redevelopment very cost intensive, and overall is not a great option outside of the location itself.

## **Soaper Building**

The Soaper Building has many challenges on its own. It has low ceilings and will require significant maintenance. The strengths of the building include its central location and proven successful ground level retail. The big question for this option is the length of the lease for the Hometown Roots, as this amenity would be key to the hotel's success. The Soaper Building could also be great for high-end downtown apartments.

## **Union Trust Bank Building**

The bank building needs a new roof, which comes at an unknown cost. It is a smaller footprint, which may limit the economies of scale with a hotel development.

Both the Soaper Building and Union Trust Bank building will struggle with parking, which is a big concern for a potential developer.



**Interviews:**

Henderson Event Facilities & Attractions



# Interview: The Vault

HSP interviewed the developer and owner of The Vault, a new wedding and meetings facility in downtown Henderson. The Vault is currently under-construction, but once operational will likely draw groups to the Henderson market, generating hotel demand. Construction was interrupted by the pandemic, but is currently on track for opening in the first quarter of 2023.

**Design.** The Vault will have approximately 3,000 SF of indoor meeting space, accommodating a seated capacity of 150 or 300+ standing. There is 1,000 SF of back-of-house space with dressing rooms, a lounge, and bathrooms. In addition to the indoor space, there is a 400 SF outdoor patio enabling the space to host events, farmer's markets, and as a general gathering space.

**Location.** The Vault is located in downtown Henderson, across from 201 Main St and catty corner to the Soaper Building. It is next to the Antlers coffee shop that has a commercial kitchen. The developer indicated this synergy will help the venue with catering for events.

**Competition.** The only true competition in the Henderson market for events is Farmer & Frenchman, a winery and café located nine miles to the southeast of downtown Henderson, which also has its own event space.

**Hotel Needs & Downtown Vision.** While a hotel in downtown Henderson would assist The Vault future business, it would also help the downtown area take its next step with business executives. Currently these executives stay in Evansville or Owensboro, which means they are not getting the full Henderson experience even if their business is in Henderson. Having hotel adjacent unique event and meeting space adds to the appeal of the area.

**Other.** There have been many inquiries about using the space (for weddings, class reunions etc.), but ownership is holding off on reservations until construction is completed. There were several reservations for the Fall of 2022, but the events had to be moved as the space would not yet be completed. Ownership is hopeful to get at least one event per week following construction.

There have been no financial projections generated for the Vault as of November 2022. Ownership estimates Saturday weddings will likely cost \$5,000 to \$6,000, plus catering expenses.



# Interview: Farmer & Frenchman

Farmer & Frenchman is a family-owned business that opened in 2016. The development was modeled to echo historic European wineries in design and with its food offerings. The winery has event space, a small-scale restaurant and three cabins for overnight stays.

HSP interviewed the owner of Farmer & Frenchman (F&F). This conversation is summarized below.

**Event Space.** The event barn has roughly 1,800 SF of space with a seated capacity of 194. The event space mainly hosts weddings, some anniversary celebrations, and holiday parties. September through October are the strongest months for the event space. For larger events, the event space rents for \$5,000 with \$45-\$55 / person food and beverage minimums. For smaller events, F&F charges \$500 for 100 or fewer people. The facility has lost some corporate business due to its limitation on allowing outside caterers.

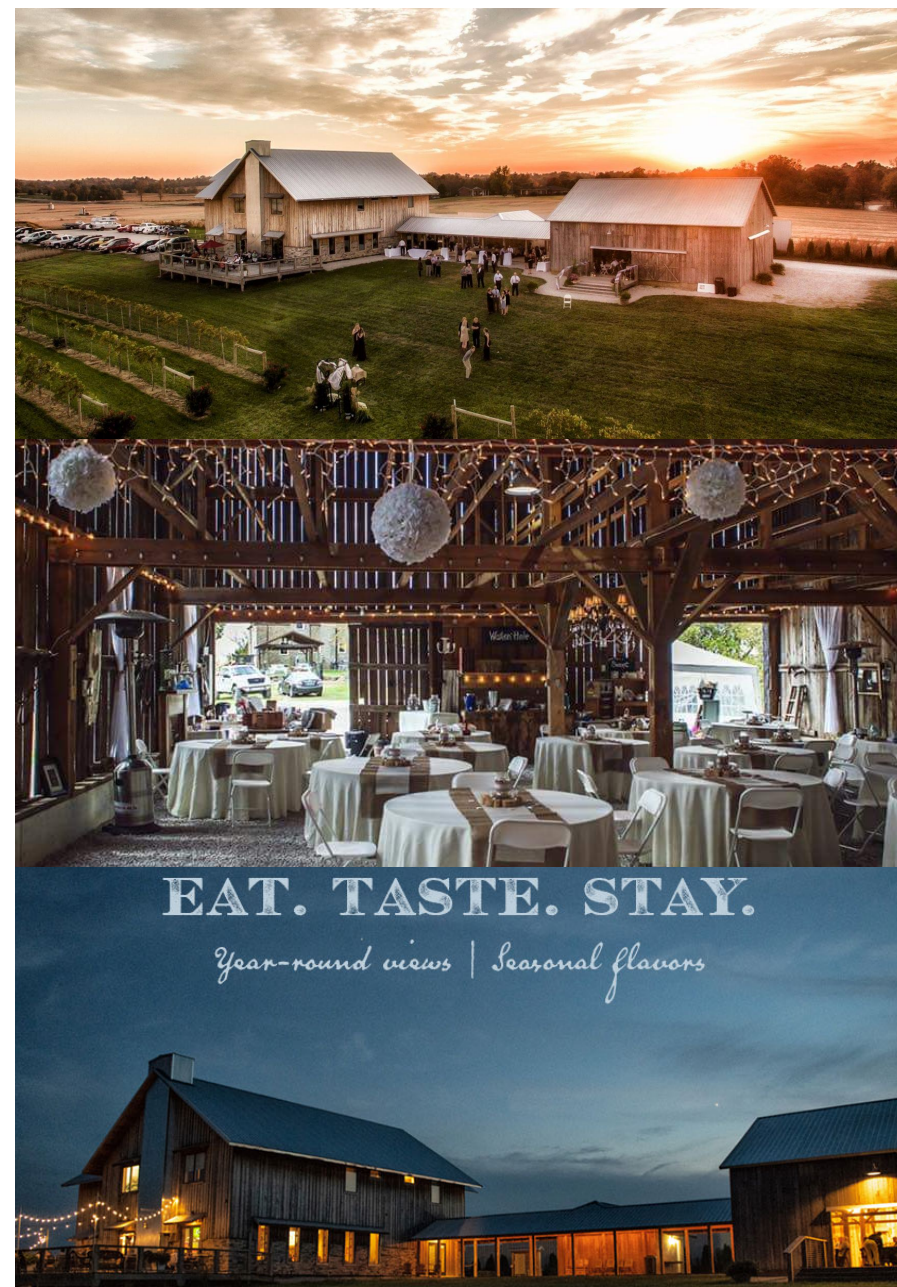
In 2022, F&F hosted 20 weddings, 24 small events and eight self-hosted events (wine pairings, dinner, etc.). The majority of guests are somewhat local, thus may not need overnight accommodations. When guests do need additional overnight accommodations, they most often use the DoubleTree or Ballys casino and hotel in Evansville.

**Cabins.** In 2022, there were 524 guests from Indiana, and 234 from Kentucky. Generally, there is a max three-hour drive time for guests, with the majority coming from within one-hour. The average stay is just one night.

- Occupancy: Sept - 61%, Oct - 72%, July - 90%, Dec (21) - 62%, Jan-Feb - 49%, March 68-70%
- Rate: \$279 on summer weekends, \$249 on weekdays, \$299 on holidays

**Winery.** The majority of guests travel from Madisonville, Evansville, Henderson and Owensboro. Weekends are usually reservation only.

**The Project.** A hotel in downtown Henderson would be great for executives. There is a large gap for hotels for this demographic. Ideally a hotel would be more than 10 rooms, but less than 30 rooms. A destination hotel in Henderson would help F&F draw more destination weddings but it would need to be an authentic local experience.





# Interview: Distillery

HSP interviewed the developer of a proposed full-production distillery in Henderson, to be located less than two blocks from 2<sup>nd</sup> and Main Street. Key takeaways from that interview include:

**Design.** The proposed craft distillery will be a repurposing of a power company building, with construction to start once the current tenant vacates. Planned completion is in 2024. The distillery will feature 7,000 SF of front of house space that includes a bar, lounge, and tasting area along with a rooftop bar with Ohio River views. Also planned is a small restaurant next door.

**Demand.** With 40 main distilleries and 18 craft distilleries along the Kentucky Bourbon Trail, there is significant demand in the market for new distillery destinations. The developer projects 35,000 to 50,000 visitors to the distillery by year three. 74 percent of visitors are expected to come from more than two hours away, 46 percent of which could be interested in overnight accommodations.

**Hotel Needs.** Currently there is a lack of accommodations in downtown Henderson, and there is a need for a unique overnight experience in the area to increase visitation. Henderson has easy interstate access from regional centers such as Louisville and Nashville

**Design.** Recommended design of the hotel should be authentically Henderson, which could include Audubon Birds of America artifacts, horseracing imagery, or downtown Americana. The ideal location would be the Big Rivers building, or within a few blocks of the distillery.





# Implications

The Soaper Building is the most ideal location for hotel development in downtown Henderson. It is of sufficient size to accommodate the recommended number of rooms, includes a successful first-floor restaurant, and provides the opportunity for both additional rooftop and basement level guest experiences that could be developed in the future. Parking, however, is a major concern, and a sufficient number of nearby spaces will need to be available for guests and hotel staff.

Henderson has a number of tourism driving assets currently established or in initial stages of development. Having a unique boutique hotel concept developed downtown will encourage increased visitation and extended stays.

Additional meeting and event space, as well as increased retail / restaurant development will also encourage executive and business travelers to choose Henderson over nearby cities. A lack of quality local hotels has been an inhibiting factor to bringing in this type of business currently.



# 03

## Economic, Demographic, & Tourism Analysis

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# Overview

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Local market area characteristics such as population, demographics, accessibility, and tourism attractions play a critical role in the potential demand for a new hotel. This chapter will outline these factors as they relate to Henderson, Kentucky.

Henderson is located in the heart of Henderson County, located just across the Ohio River from Evansville, Indiana.





# **Accessibility**

# Air Access

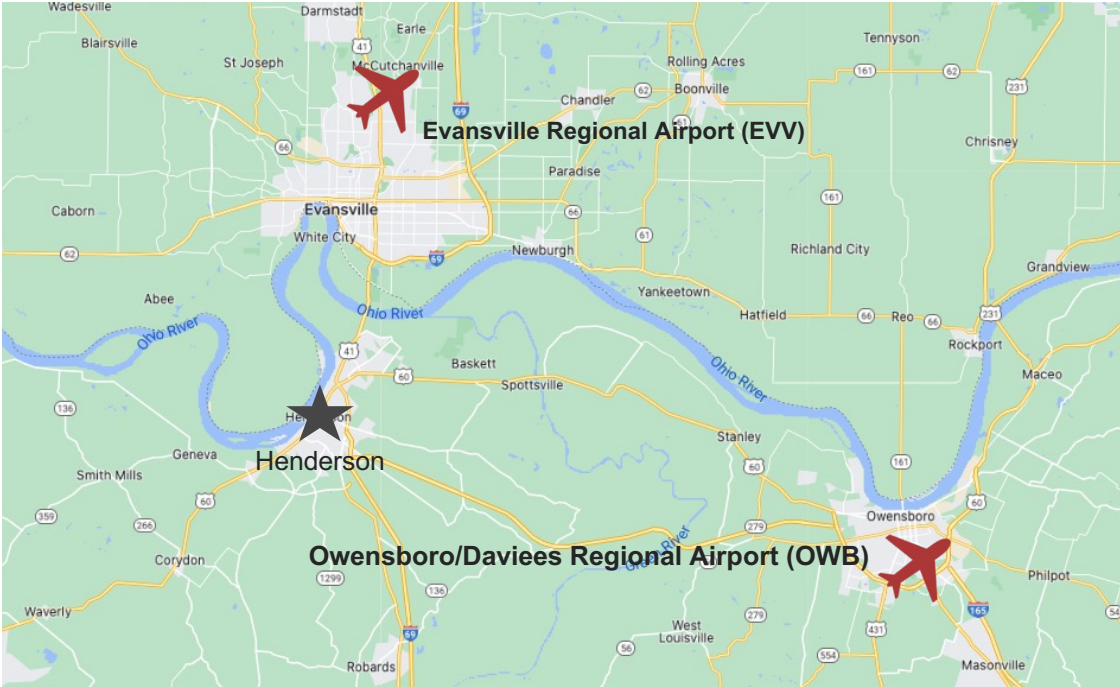
The airports near Henderson are classified as small domestic airports. Both airports are limited in size and scale. The Evansville Airport (EVV) is the more utilized facility out of the two.

Though enplanements have improved since 2020, they have yet to return to pre-pandemic levels.

EVV has three airlines offering non-stop flights to five destinations: Dallas, Destin (FL), Orlando, Atlanta and Charlotte.

The Owensboro-Daviess County Regional Airport is subsidized by the Airport Infrastructure Grants program. OWB has two airlines that offer flights to three cities: Orlando (Monday, Friday); St. Louis (daily) and Nashville (twice daily). The planes used for these flights have a seating capacity of nine passengers, reflecting the limited nature of the airport and market.

Because of the limited flights to these regional airports, the majority of guests at a potential hotel would travel by car.



Henderson, Kentucky | Regional Airport Usage

	Evansville Regional Airport (EVV)	Owensboro/Daviess Regional Airport (OWB)
CY 2019 Enplanements	242,425	18,615
CY 2020 Enplanements	104,883	9,284
CY 2021 Enplanements	164,807	13,396
2020-21 Change %	57%	44%

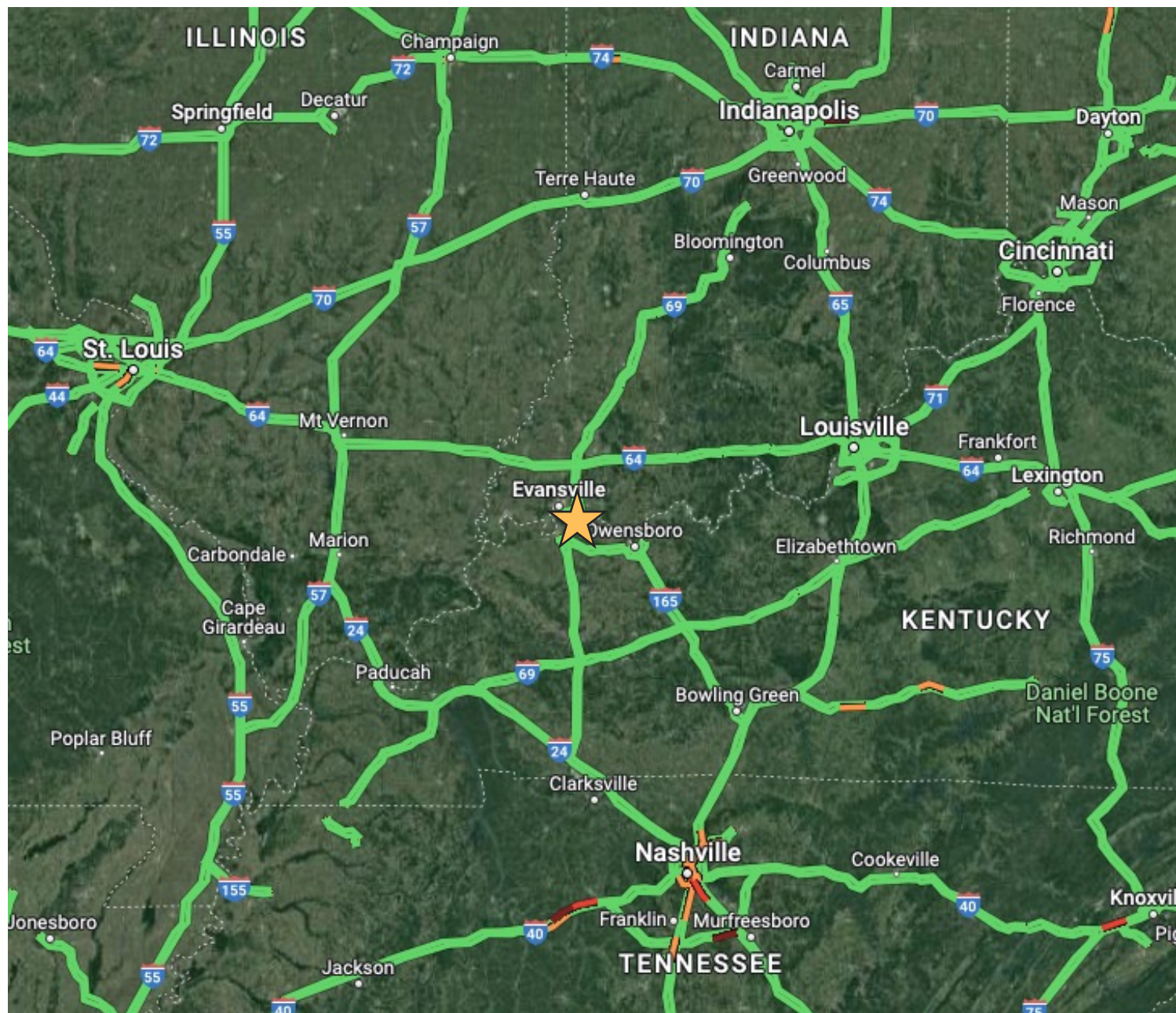
Source: CY2021 ACAIS



# Accessibility

The neighboring map shows Henderson's interstate connectivity. Interstate 69 runs north and south through Henderson, connecting the city to Indianapolis and Nashville. Interstate 64 is located just north of Evansville and connects St. Louis to Louisville.

Accessibility to Henderson is made easy by nearby interstate highways and regional airports. This trait comes to be a strong benefit to the local market for a hotel development.



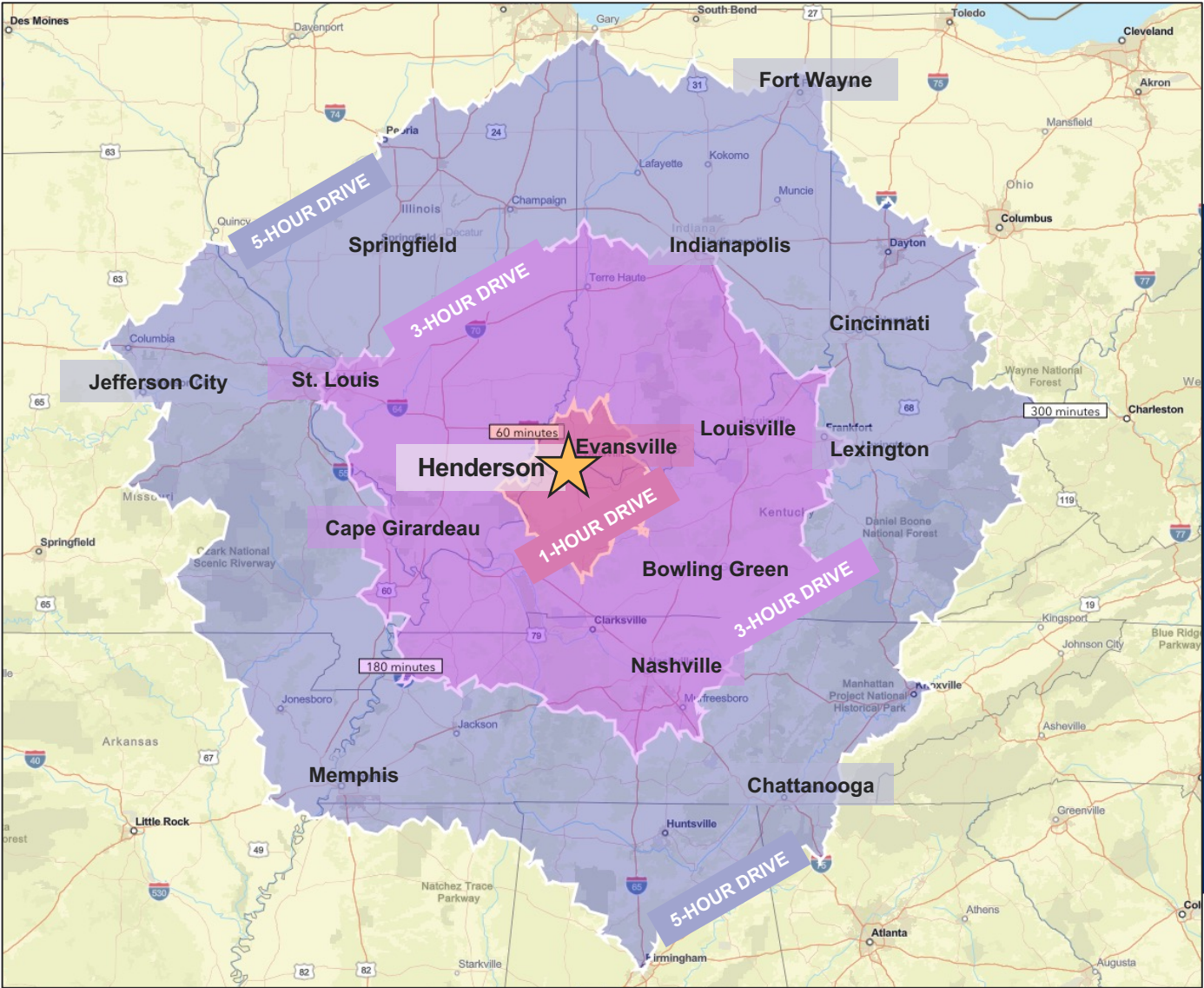


# Drive Times

The Henderson area benefits from a list of drivable metropolitan areas. Within a three-hour drive-time there is a population of approximately 8.5 million people. Further expanding the drive-time to five hours captures nearly 27 million people.

Major metropolitan areas within a five-hour drive include Indianapolis, Cincinnati, Lexington, Louisville, Nashville, Memphis, St. Louis and Jefferson City. Travelers from these cities represent a share of the capturable market for a hotel.

Estimated Drive-Time Statistics from Henderson City, KY (2022)			
	1-Hour	3-Hour	5-Hour
Population	587,875	8,541,608	26,977,584
Households	239,074	3,403,154	10,779,628
Median Household Income	\$58,752	\$62,373	\$61,926
Median Home Value	\$168,381	\$208,775	\$198,371
Median Age	41.3	39.2	39.6
Source: ESRI			







# Demographics & Economics

# Key Demographic Statistics

- Henderson's population has declined 3.3 percent from 2010 to 2020. This decline is expected to continue, decreasing 1.6 percent by 2027.
- Homeownership rate, median home value, and median household incomes are lower in Henderson compared to the national, state, and county averages.

These economic and demographic indicators stress the need for added employment opportunities and related development in the community. Also, expanded offerings in the area will allow the hotel to cater to a wide range of incomes.

## Population and Growth Rates

	2010	2020	2022	2027 Projected	Percent Change 2010 - 2020
United States	308,745,538	331,449,281	335,707,897	339,902,796	7.4%
Kentucky	4,339,367	4,505,836	4,537,160	4,569,772	3.8%
Henderson County	46,250	44,793	44,401	43,751	-3.2%
Henderson	28,922	27,981	27,857	27,543	-3.3%
Evansville	120,180	117,298	117,199	116,658	-2.4%
Owensboro	57,543	60,446	61,085	61,427	5.0%

Source: U.S. Census Bureau

## Income, Spending and Other Demographic Data

Category	United States	Kentucky	Henderson County	Henderson	Evansville	Owensboro
Homeownership rate, 2020	64.4%	67.6%	63.6%	51.6%	54.8%	55.6%
Median value of owner-occupied housing units, 2016-20	\$229,800	\$147,100	\$133,200	\$119,800	\$98,600	\$125,600
Persons per household, 2016-20	2.60	2.48	2.35	2.24	2.21	2.27
Median household income, 2016-20	\$64,994	\$52,238	\$50,471	\$40,360	\$42,623	\$46,193
Persons below poverty level, percent	11.6%	16.5%	13.4%	23.0%	21.0%	20.5%
Total employment, 2020	134,163,349	1,666,427	15,696	-	-	-
Total employment, percent change, 2019-2020	0.9%	0.0%	-4.6%	-	-	-

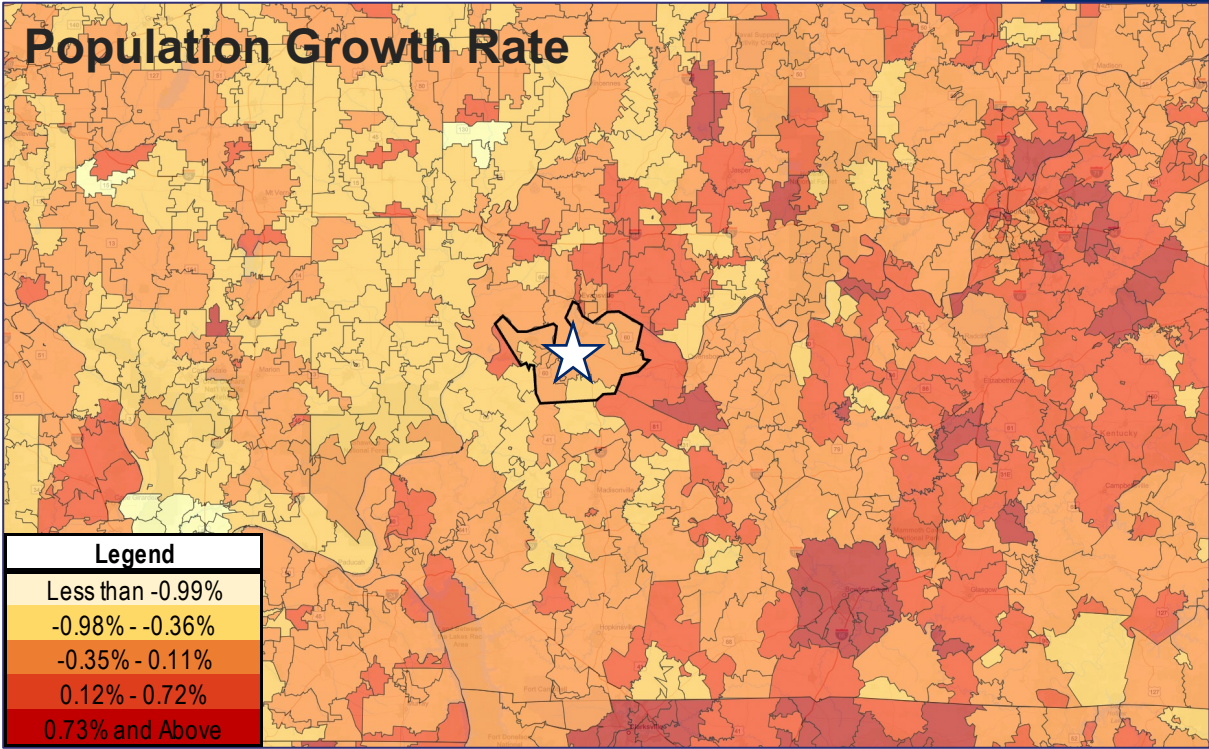
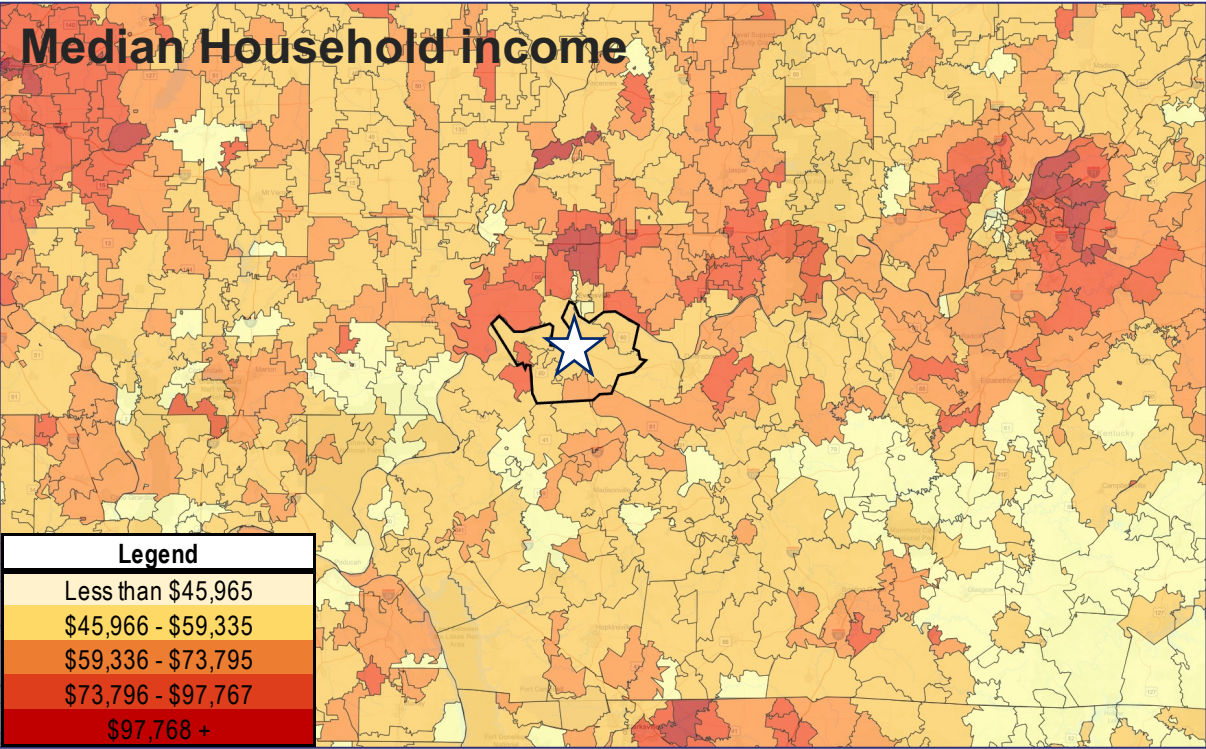
Source: U.S. Census Bureau



# Market Area & Growth Trends



The maps below illustrate median household incomes and the projected population growth rates from 2022 to 2027 by zip code in the Kentucky and Southern Indiana region. Henderson’s median household income of \$40,360 is moderate relative to the northeastern parts of Kentucky. Henderson County’s projected annual population growth rate of -0.29 percent represents negative growth compared to the eastern pockets of Kentucky. Population and income are important considerations since they are significant components of tourism and hotel demand.



# Employment

Manufacturing is the largest segment of employment within Henderson County, representing about a fifth of private employment. Second to manufacturing is the retail trade industry, which takes up approximately ten percent of private employment.

Top employers are dominated by manufacturing and production companies. Most notable is Tyson Foods, who employs 1,400 people in poultry manufacturing.

Henderson County Top Employers - 2021			
Ranking	Company Name	Industry	Employee Range
1	Tyson Foods	Food Manufacturing	1,416
2	Gibbs Die Casting Corp.	Metal Casting	906
3	River View Coal	Coal Production	865
4	Century Aluminum	Aluminum Extrusion	499
5	Big Rivers Electric	Utility Services	465
6	Pittsburg Tank & Tower	Storage Tanks	366
7	Audubon Metals	Aluminum Recycling	332
8	Brenntag Mid-South	Chemical Distribution	305
9	Dana Holding Corp	Truck Components	249
10	Accuride Corp.	Truck Components	187

Source: Henderson Economic Development

Henderson County Employment by Industry - 2020		
Description	Employees	Percentage of Total
Total employment (number of jobs)	22,693	100%
By type		
Wage and salary employment	18,724	82.51%
Proprietors employment	3,969	17.49%
By industry		
Nonfarm employment	22,185	97.76%
Farm employment	508	2.24%
<b>Private nonfarm employment</b>	<b>19,648</b>	<b>86.58%</b>
Manufacturing	4,629	20.40%
Retail trade	2,166	9.54%
Administrative and support and waste management and remediation services	1,518	6.69%
Other services (except government and government enterprises)	1,407	6.20%
Accommodation and food services	1,396	6.15%
Construction	1,169	5.15%
Finance and insurance	974	4.29%
Wholesale trade	837	3.69%
Real estate and rental and leasing	671	2.96%
Professional, scientific, and technical services	572	2.52%
Arts, entertainment, and recreation	383	1.69%
Mining, quarrying, and oil and gas extraction	238	1.05%
Information	165	0.73%
Management of companies and enterprises	103	0.45%
Forestry, fishing, and related activities	70	0.31%
Utilities	(D)	–
Transportation and warehousing	(D)	–
Educational services	(D)	–
Health care and social assistance	(D)	–
State and local	2,304	10.15%
Local government	1,820	8.02%
State government	484	2.13%
Military	131	0.58%

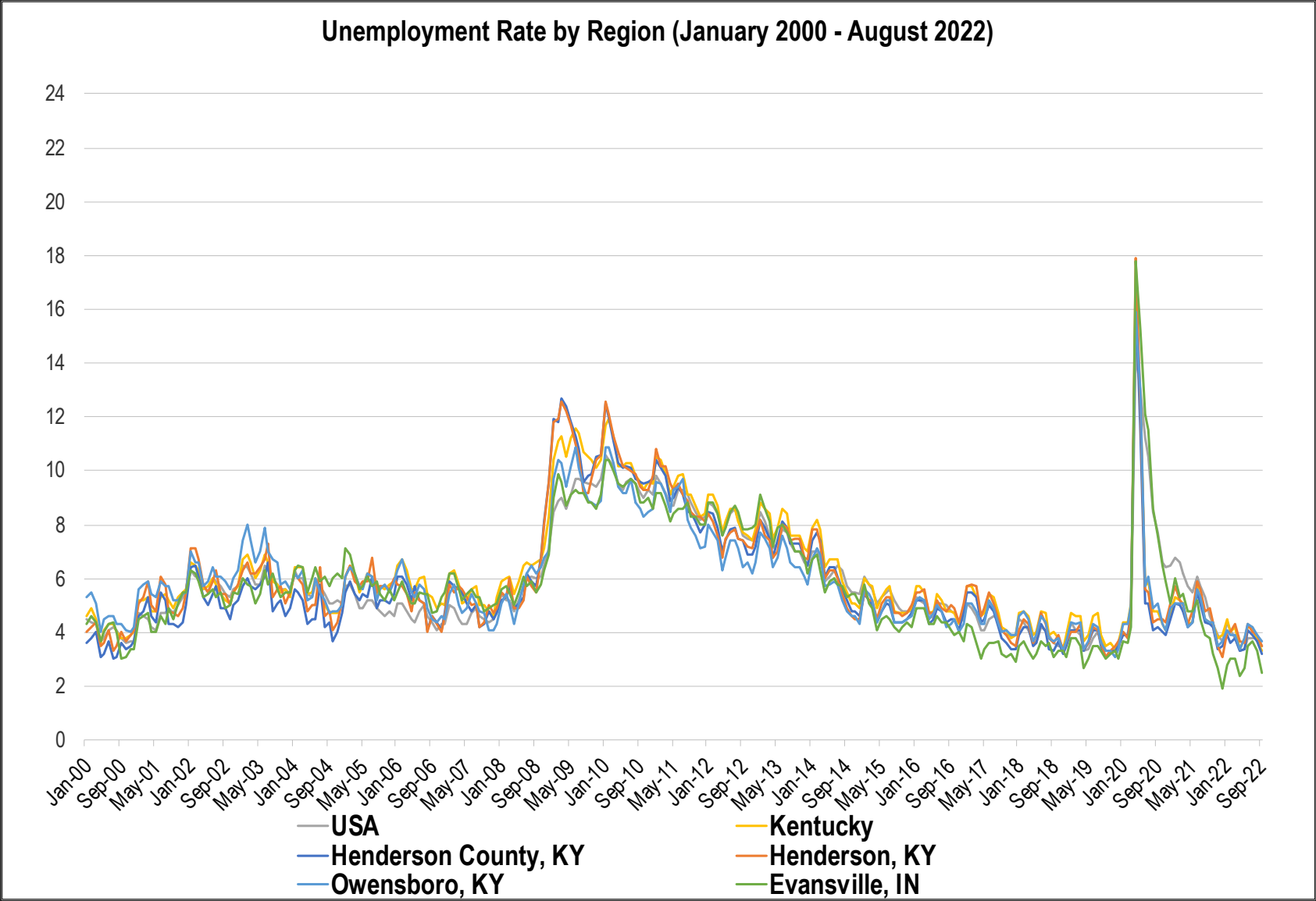
Source: Bureau of Economic Analysis, Hunden Strategic Partners



# Unemployment

The neighboring graph visualizes unemployment by region from January 2000 through August 2022.

During the recession in 2008 and the 2020 pandemic, Henderson consistently experienced a high unemployment rate compared to national and state standards. This relatively high unemployment rate stresses the need for further diversification of industries locally.



# Education

Henderson has comparably moderate educational attainment rates compared to the national, state, and county averages. Compared to nearby Evansville and Owensboro, Henderson has fewer individuals with college education.

Henderson and the surrounding area is home to a limited number of academic institutions. The closest university is Henderson Community College. The institution is located five miles southwest of downtown Henderson and has an enrollment of 1,500 students.

Total relevant universities under 50 miles include five institutions spread out between Henderson, Owensboro and Madisonville. Analyzing these local universities is critical as traveling family members and professors may drive demand for hotel accommodations.

Educational Attainment - 2021

Population Age 25+	United States	Kentucky	Henderson County	Henderson	Evansville	Owensboro
Did Not Complete High School	10.6%	12.0%	13.1%	14.5%	12.0%	10.1%
Completed High School	26.3%	32.7%	37.2%	36.0%	32.7%	33.3%
Some College	19.3%	19.3%	22.2%	24.1%	19.3%	22.6%
Completed Associate Degree	8.8%	9.0%	9.3%	7.9%	9.0%	9.3%
Completed Bachelor Degree	21.2%	15.9%	10.4%	10.5%	15.9%	15.3%
Completed Graduate Degree	13.8%	11.1%	7.8%	7.0%	11.1%	9.4%

Source: U.S. Census Bureau

Henderson City Colleges & Universities (Within 100 miles)

Institution	Location	Distance from 42420	Campus Setting	Enrollment
Henderson Community College	Henderson	0.0 miles	Rural: Fringe	1,454
Brescia University	Owensboro	21.3 miles	City: Small	841
Kentucky Wesleyan College	Owensboro	21.3 miles	City: Small	811
Owensboro Community and Technical College	Owensboro	25.8 miles	Rural: Fringe	4,111
Madisonville Community College	Madisonville	34.1 miles	Rural: Fringe	3,239
Hopkinsville Community College	Hopkinsville	66.2 miles	Town: Distant	2,036
West Kentucky Community and Technical College	Paducah	78.7 miles	Town: Remote	4,869
Southcentral Kentucky Community and Technical College	Bowling Green	82.1 miles	City: Small	4,368
Western Kentucky University	Bowling Green	82.1 miles	City: Small	16,750
Elizabethtown Community and Technical College	Elizabethtown	92.9 miles	City: Small	5,657
Murray State University	Murray	94.3 miles	Town: Remote	9,414

Total 53,550

Source: National Center for Education Statistics



| **Tourism**

# Tourism Attractions

Hotels depend on tourism assets to generate room night demand. The region surrounding Henderson contains several tourism attractions. The table below outlines the most relevant tourism attractions in the area, showing a wide range of entertainment, educational, and leisure opportunities. Highlighted below are three major attractions that will be further discussed to provide insight into tourism in the area.

Henderson Area Most Visited Attractions - 2021									
Rank	Name	Attraction Type	Location	Miles from The Soaper	2021 Customers	2021 Visitation	Avg. Visits / Customer	% Visits 50+ Miles	% Visits 100+ Miles
1	Ford Center	Sports	Evansville	10.6	185,200	291,000	1.57	31%	18%
2	Bally's Evansville	Gaming	Evansville	10.6	175,800	722,800	4.11	37%	24%
3	Smothers Park	Park	Owensboro	30.3	131,600	210,500	1.60	21%	14%
4	Mesker Park Zoo	Zoo	Evansville	13.5	72,400	107,400	1.48	25%	13%
5	Ellis Park Racing and Gaming	Gaming	Henderson	6.4	53,800	209,500	3.89	19%	13%
6	Green River Distilling Co.	Distillery	Owensboro	29.1	12,900	26,400	2.05	36%	29%
7	Bluegrass Music Hall of Fame & Museum	Museum	Owensboro	30.1	7,800	12,900	1.65	–	–
8	Angel Mounds State Historic Site	Nature	Evansville	15	6,000	7,500	1.25	–	–
9	Western Kentucky Botanical Garden	Park	Owensboro	28.5	5,000	6,800	1.36	–	–
10	Audubon Museum and Nature Center	Nature	Henderson	3.9	4,700	6,100	1.30	–	–
Visitation numbers are estimates based off of geo-fencing data									
Source: Various									

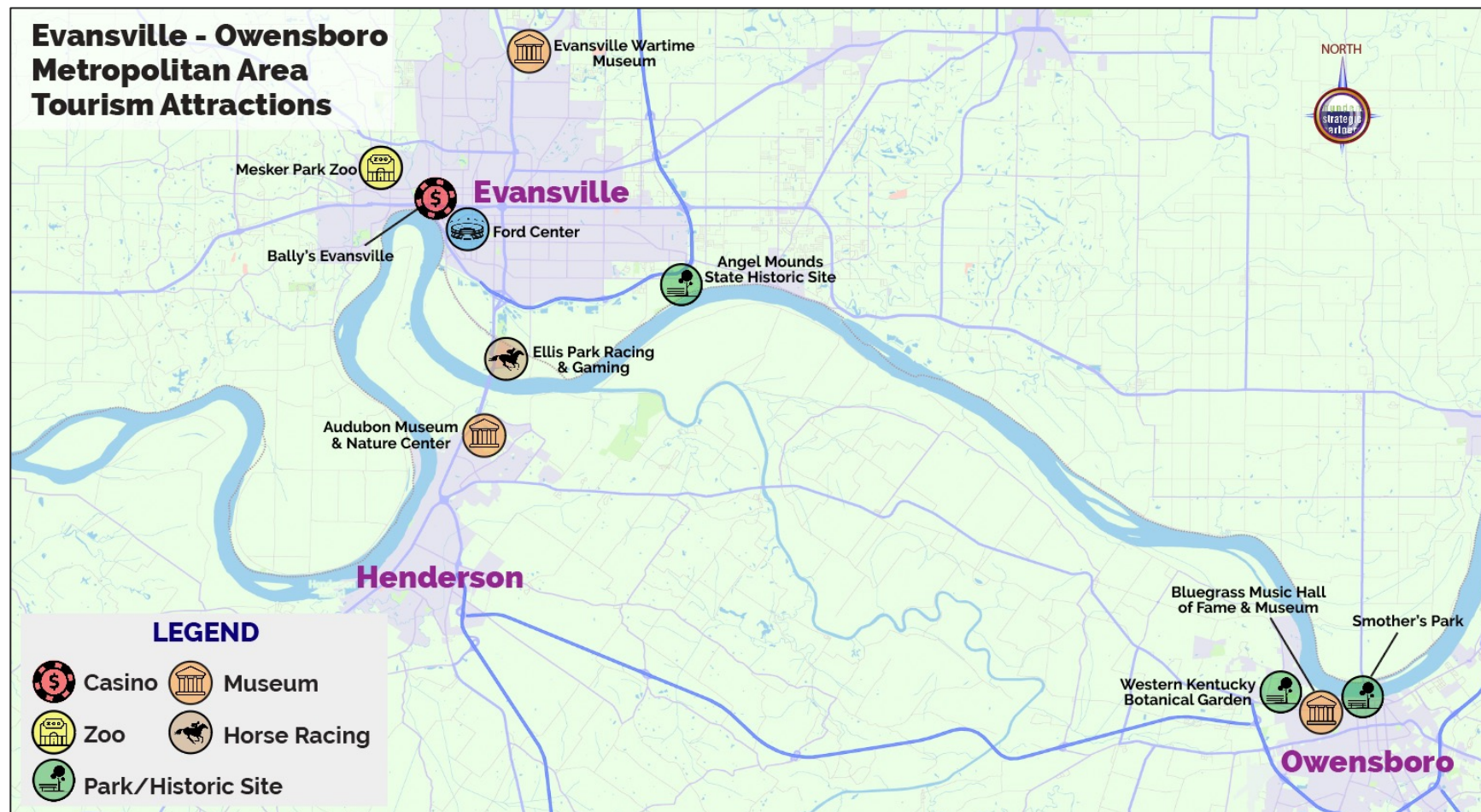


# Tourism Attractions – Location

The adjacent maps show the location of top tourism attractions relative to the city of Henderson.

Due to proximity to Henderson, HSP identified attractions within the Evansville and Owensboro metropolitan areas. These attractions are the most relevant tourism demand drivers for the Project. The most notable attraction is Ellis Park Racing & Gaming which is a premier horse racing track in Henderson.

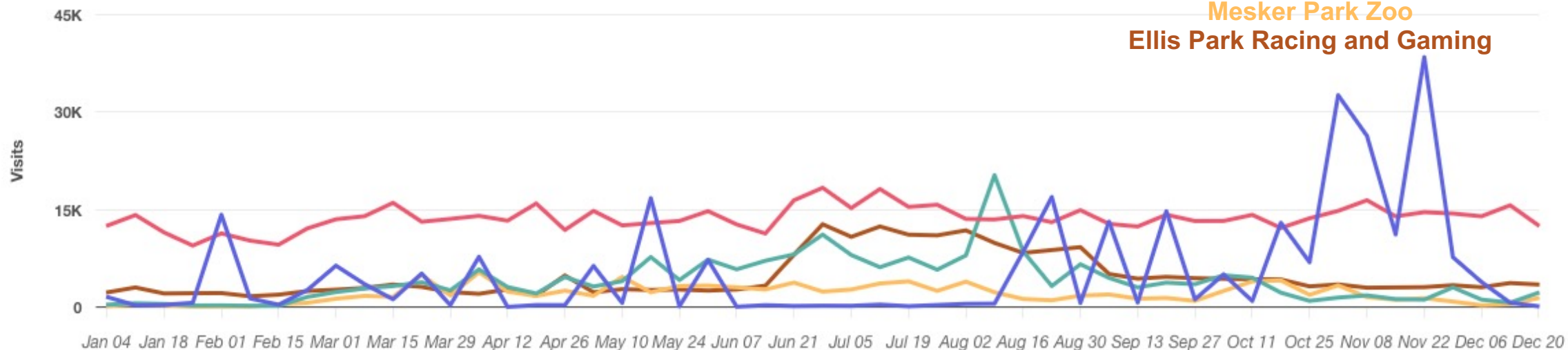
The remaining tourism destinations are significant because they reveal where visitors originate.



# Tourism Attractions – Visitation

The chart below highlights the seasonality of the top tourism attractions in the area. Attractions such as Smother's Park, Mesker Park Zoo and Ellis Park Racing and Gaming operate seasonally and draw many visitors in the summer, but limited visitation during colder months. The Ford Center and Bally's attract visitors year-round. Seasonality is important to a hotel to understand the patterns for leisure guests. Of these attractions, Ellis Park is the only attraction within Henderson, meaning visitors to the other attractions may likely stay in these other locations unless given a reason to stay in Henderson by offering high quality accommodations and food & beverage walkability. During the summer, the main draws for Henderson's leisure visits are Ellis Park and summer festivals (unable to be captured in geofencing analysis).

## 2021 Visitation Statistics (50+ Miles)

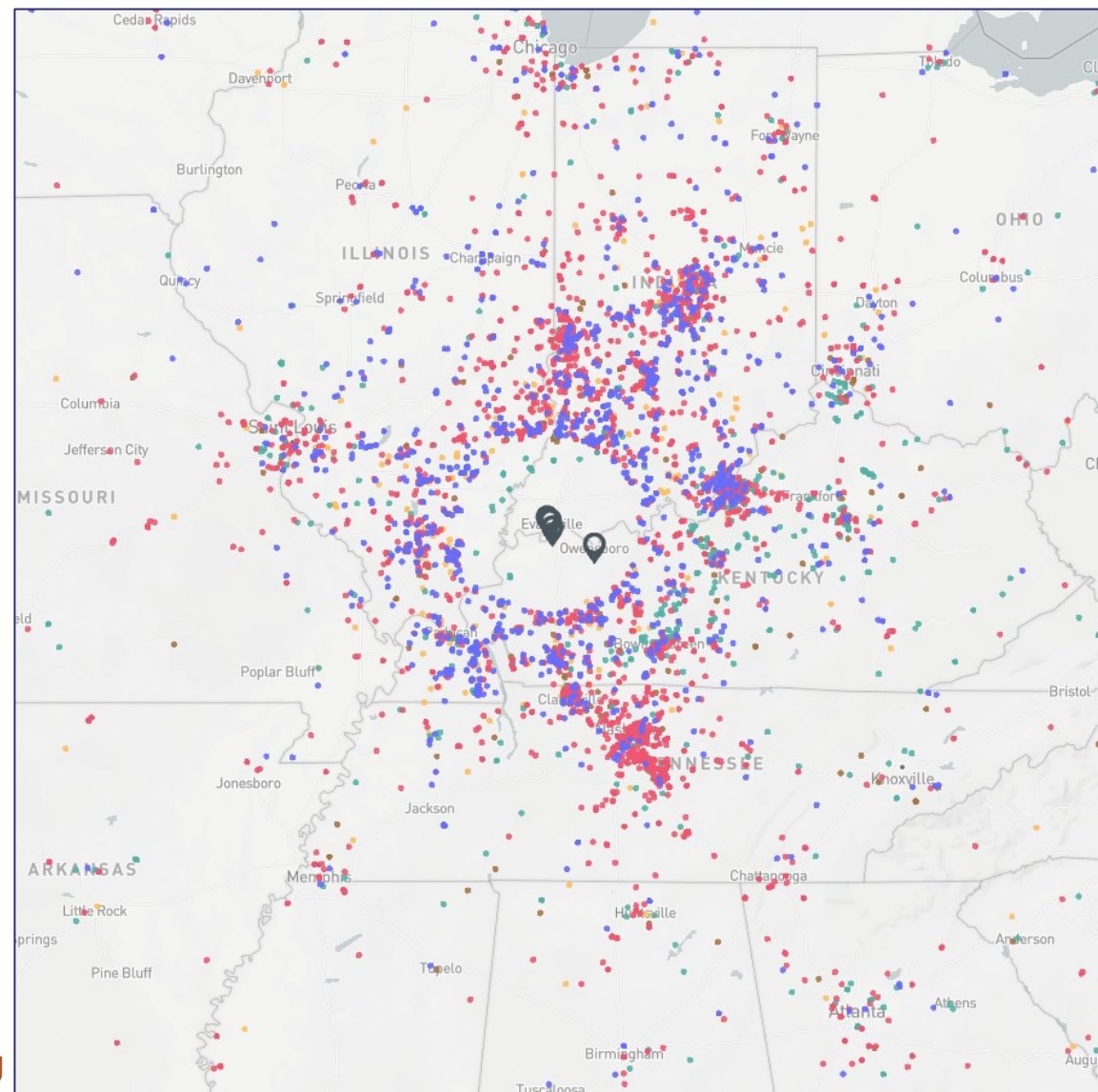




# Tourism Attractions – Visitation

The adjacent tourism attraction map details where travelers originate from over 50 miles. Many visits come from major metropolitan areas in the surrounding states such as Nashville, St. Louis, Indianapolis, Cincinnati and Louisville. Since many attractions draw individuals from a regional distance, accommodations are likely needed to serve these visitors.

**LEGEND**  
Ford Center  
Bally's Evansville  
Smother's Park  
Mesker Park Zoo  
Ellis Park Racing and Gaming





# Henderson Attractions



# Ellis Park Racing and Gaming

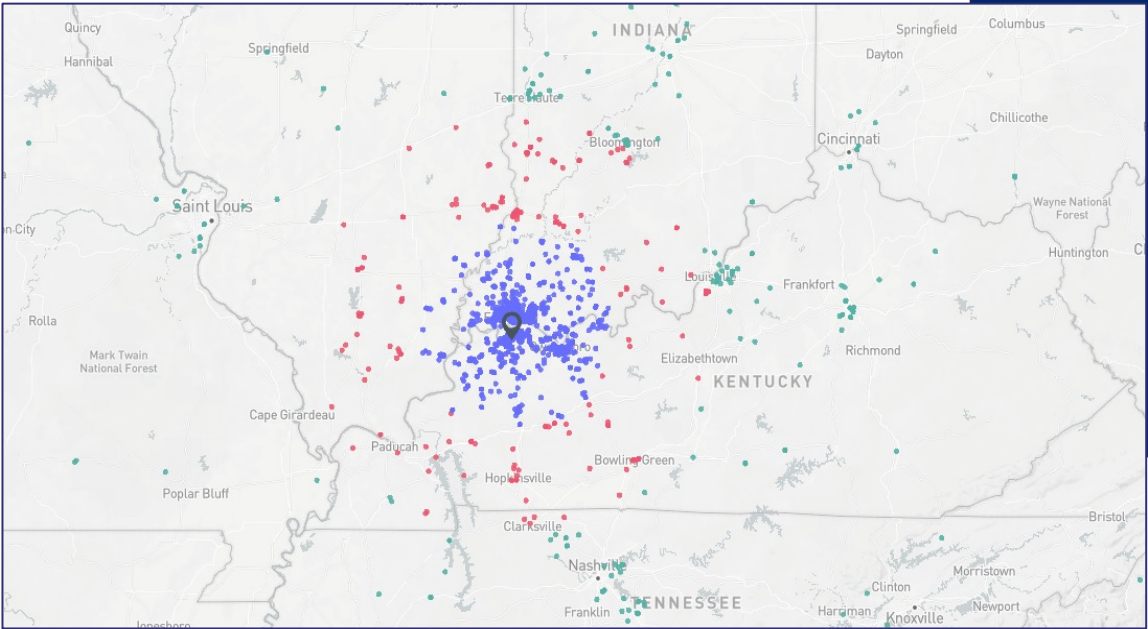
Ellis Park is a thoroughbred horse racing track located across the Ohio River in Henderson, Kentucky. It is owned by Churchill Downs, Inc. The track hosts 14 race days each year, with year-round HHR gaming machines.

Only 11 percent come from more than 100 miles away, limiting the impact on hotels.



Ellis Park Racing and Gaming - Henderson, Kentucky					
January 1, 2021 - December 31, 2021					
Visitor Origins by Distance from Site (Colors correspond to the map)	# of Visits	% of Visits	# of Customers	% of Customers	Avg. Visits per Customer
Locals - Within 50 miles	202,700	83.9%	40,500	69.8%	5.00
Regional Distance - Between 50 & 100 miles	11,500	4.8%	6,500	11.2%	1.77
Long Distance - Over 100 miles	27,400	11.3%	11,000	19.0%	2.49
Total Visits	241,600	100.0%	58,000	100.0%	4.17

Source: Placer.ai



# Henderson Festivals



## W.C. Handy Blues & Barbecue Festival

June 15 – 18, 2022

Audubon Mill Park

The Blues and Barbecue Festival is one of the largest free music festivals in the US. Attendance is expected to surpass 50,000 visitors.



## Sandy Lee Songfest

July 27– 30, 2022

Downtown Henderson

Sandy Lee Songfest is four nights of live acoustic performances in downtown Henderson. It is a festival designed to share “storytelling in the 42420.”



## Bluegrass in the Park Folklife Festival

August 12 - 13, 2022

Audubon Mill Park

Bluegrass in the Park is reportedly one of the largest, on-going and free Bluegrass festivals in the US. It is known as one of Kentucky’s major summertime events and attracts people from all over the US and the world.

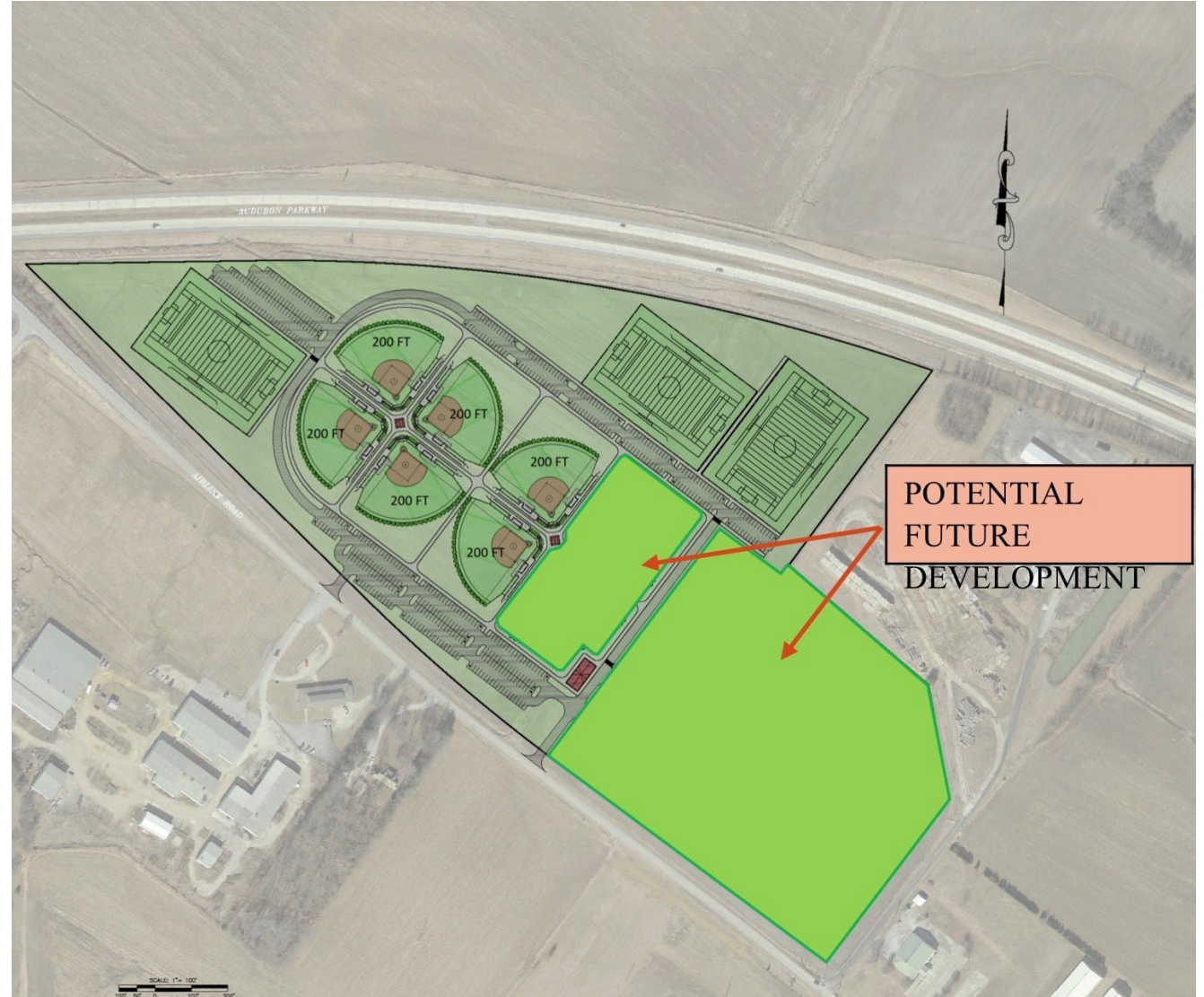


# Henderson Sports Complex

In late 2022, the City of Henderson Board of Commissioners awarded a base bid of \$10.5 million for the development of the Henderson Sports Complex (HSC) on 58 acres of land on Airline Road.

The sports complex will consist of four 200-foot baseball/softball fields, one multipurpose field and other park amenities. The completion of the sport complex is expected in 2023.

Hunden produced a sports feasibility study in recent years for Henderson that showed the community can partner with Evansville to host larger tournaments with a set of fields such as the HSC. When operational, there will be new demand in the local area that can positively impact a new downtown hotel.





# **Non-Henderson Attractions**



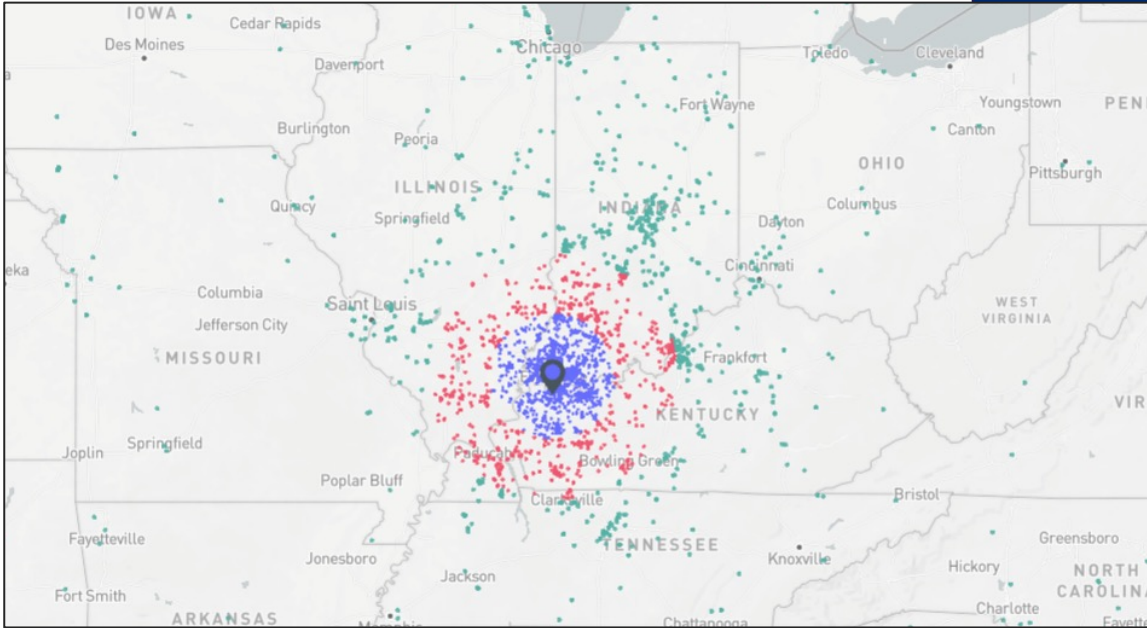
# Ford Center

The Ford Center is a 11,000 seat multi-use arena in downtown Evansville that was built in 2011. The arena is home to the Evansville Thunderbolts (Southern Pro. Hockey League) and the University of Evansville men’s basketball team. In addition to these tenants, the Ford Center also hosts a variety of concerts (mostly country) and other events.

The Ford Center is attached to the Old National Events Plaza and the DoubleTree Evansville (241 rooms). As the premier arena in the area, the Ford Center attracts nearly 80 percent of visits and 70- percent of visitors from within 50 miles.

Ford Center - Evansville, Indiana January 1, 2021 - December 31, 2021					
Visitor Origins by Distance from Site (Colors correspond to the map)	Total Visits		Total Unique Customers		Avg. Visits per Customer
	# of Visits	% of Visits	# of Customers	% of Customers	
Locals - Within 50 miles	403,700	78.7%	168,800	68.8%	2.39
Regional Distance - Between 50 & 100 miles	43,000	8.4%	33,100	13.5%	1.30
Long Distance - Over 100 miles	66,000	12.9%	43,600	17.8%	1.51
Total Visits	512,700	100.0%	245,500	100.0%	2.09

Source: Placer.ai



# Bally's Evansville

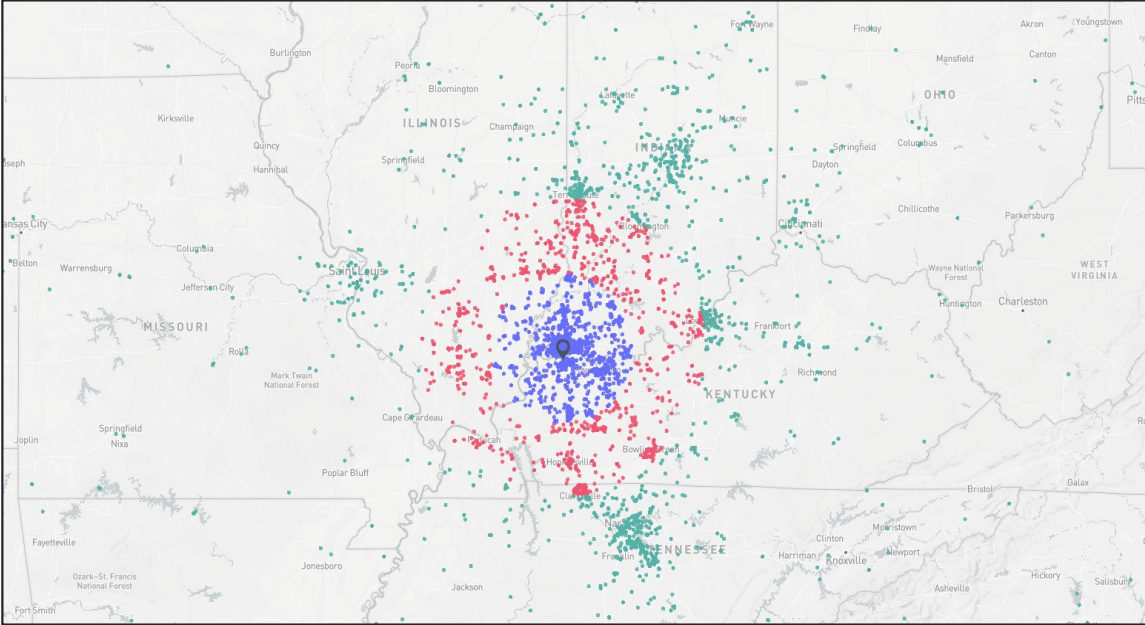
The Bally's Evansville casino is home to 45,000 square feet of gaming space located in downtown Evansville on the Ohio River. Accompanying the casino is a 243-room hotel.

The Bally's Casino attracts approximately 51 percent of its customers from over 50 miles. Even though the casino is only 10 miles from downtown Henderson, the attached hotel likely captures a sizable percentage of hotel room nights generated by the casino.



Bally's - Evansville, Indiana January 1, 2021 - December 31, 2021					
Visitor Origins by Distance from Site (Colors correspond to the map)	# of Visits	% of Visits	# of Customers	% of Customers	Avg. Visits per Customer
Locals - Within 50 miles	454,100	62.8%	85,800	48.8%	5.29
Regional Distance - Between 50 & 100 miles	97,900	13.5%	29,400	16.7%	3.33
Long Distance - Over 100 miles	171,500	23.7%	60,500	34.4%	2.83
Total Visits	723,500	100.0%	175,700	100.0%	4.12

Source: Placer.ai







# Implications

As part of the the Evansville Metropolitan Area, Henderson is most easily accessible by vehicle from I-69, but also has connectivity through its limited regional airports.

Henderson's population, population growth and median household income is low compared to the surrounding area. Bringing a new hotel offering to the Henderson market will create an opportunity to generate additional local revenues and jobs through added tourism, as well as recapture demand that is often going to Evansville.

Henderson drives tourism through festivals, special events, and the Ellis Park racetrack. These attractions offer limited event days and create seasonality factors that limit their ability to support a new hotel development. The assets in Evansville and Owensboro have nearby hotels, but if there was a unique boutique hotel offering in Henderson, it would likely capture area guests looking for a high-quality overnight experience in an attractive downtown area such as Henderson.



The background image is a composite of two photographs. The left side shows a park area with several water fountains spraying water upwards. Children are visible playing in the water. The right side shows a large, rusted steel truss bridge spanning a body of water. In the foreground, a woman in a blue shirt and light-colored pants is walking away from the camera towards the water. Other people are visible in the distance near the bridge. The sky is blue with scattered white clouds.

# 04

## Hotel Market Analysis

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# Overview

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This chapter provides an overview of hotel trends, an analysis of the local hotel market and an analysis of the competitive set of hotels within Henderson.

Following an analysis of hotels, HSP supplements the local overnight accommodations market with data relating to short-term rentals within Henderson, Evansville and nearby Owensboro.

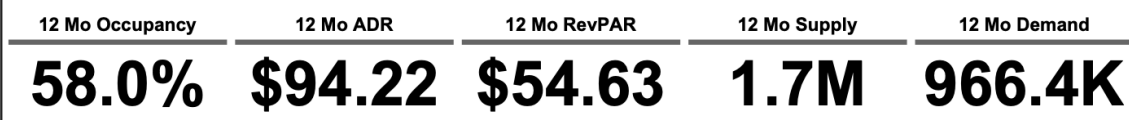


# **Evansville/Henderson Hotel Market Analysis**



Downloaded from <http://ajph.org/> on November 10, 2015

The Evansville/Henderson submarket contains 4,599 rooms across 54 properties. The Evansville/Henderson submarket is a subset of the greater Indiana South market. The Indiana South submarket is generally characterized by smaller hotels with an average of 75 rooms, compared to an Evansville/Henderson submarket average of 85 rooms.



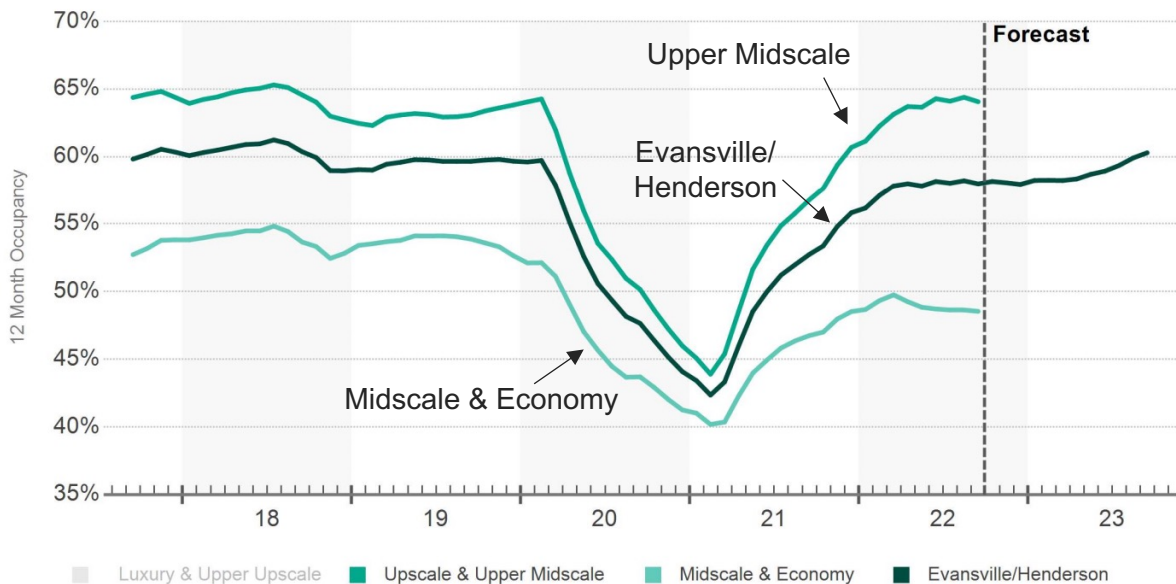
# Occupancy

The demand in the market trends towards higher quality assets. This is shown by the stronger occupancy rates in the upper midscale properties.

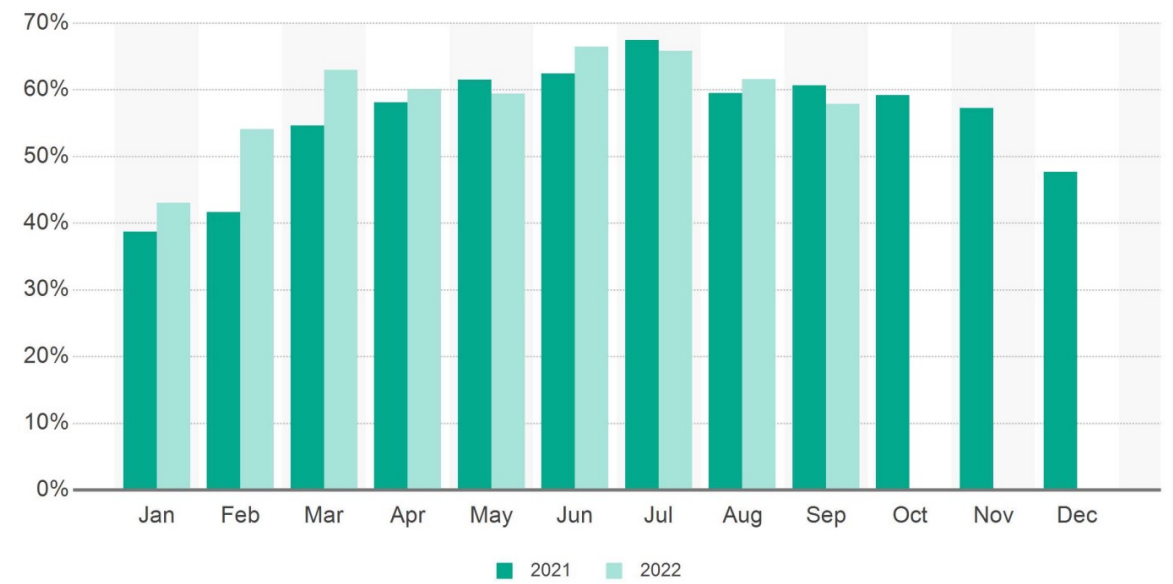
The graphic below on the left illustrates occupancy by class in the overall Evansville/Henderson market. Upper midscale properties have continued to garner the strongest occupancy rate year after year. Occupancies have recovered to pre-pandemic levels in the highest quality assets in the market, while the midscale and economy assets lag behind.

The chart below on the right compares occupancy rates in 2021 to year-to-date in 2022. 2022 is performing well, but has not consistently outperformed 2021 benchmarks.

OCCUPANCY BY CLASS



OCCUPANCY MONTHLY



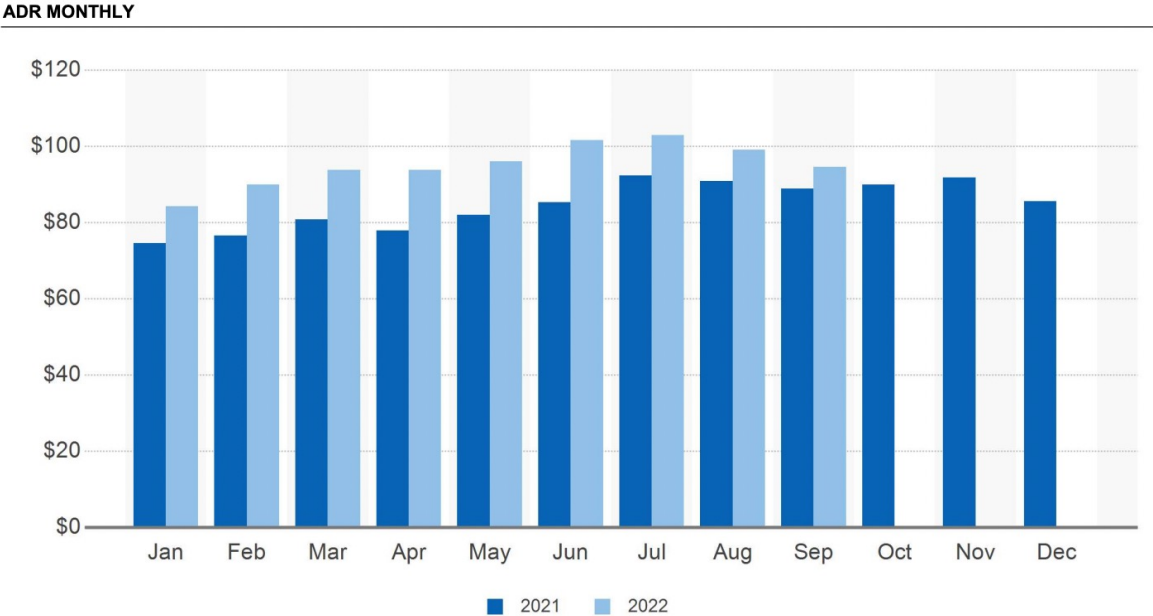
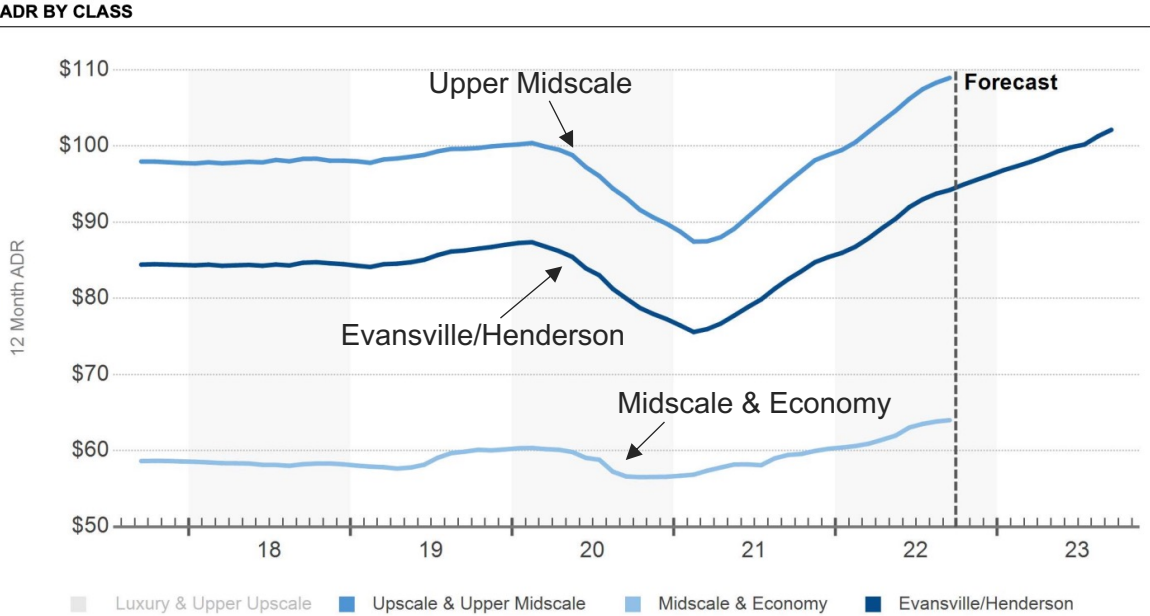


# Average Daily Rate

Rates across all hospitality levels have experienced significant growth as the economy rebounds from the COVID-19 pandemic.

The graphic below on the left illustrates ADR by class in the overall Evansville/Henderson market. Similar to occupancy, the upper midscale assets outperform the rest of the market. The ADR across all asset levels has improved past pandemic levels.

The ADR monthly chart below compares year-over-year growth in ADR. Through September 2022, while occupancy may remain unchanged, rates have experienced stark improvements.



# Hotel Submarket Indicators

The majority of the supply in the submarket consists of upper midscale properties (61 percent). These hotels have a trailing 12-month occupancy of 64 percent and an average ADR of just under \$109.

KEY INDICATORS						
Class	Rooms	12 Mo Occ	12 Mo ADR	12 Mo RevPAR	12 Mo Delivered	Under Construction
Luxury & Upper Upscale	-	-	-	-	0	0
Upscale & Upper Midscale	2,811	64.1%	\$108.94	\$69.80	79	0
Midscale & Economy	1,788	48.5%	\$64.00	\$31.06	0	0
<b>Total</b>	<b>4,599</b>	<b>58.0%</b>	<b>\$94.22</b>	<b>\$54.63</b>	<b>79</b>	<b>0</b>
Average Trend	Current	3 Mo	YTD	12 Mo	Historical Average	Forecast Average
Occupancy	57.9%	61.8%	59.1%	58.0%	55.8%	61.6%
Occupancy Change	-4.6%	-1.2%	5.1%	10.0%	-0.6%	1.4%
ADR	\$94.54	\$99.07	\$95.74	\$94.22	\$85.82	\$111.43
ADR Change	6.3%	9.1%	13.8%	14.2%	2.2%	4.3%
RevPAR	\$54.70	\$61.20	\$56.57	\$54.63	\$47.85	\$68.64
RevPAR Change	1.4%	7.8%	19.6%	25.6%	1.6%	5.8%



# Lodging Summary: Henderson/Evansville

In order to understand the landscape of hotels near Henderson, HSP gathered statistics on the closest 50 hotels to downtown Henderson.

Of the 50 closest hotels, there is one upper upscale property (DoubleTree Evansville) and zero luxury properties. The highest share of the supply (39 percent) consists of upper midscale properties.

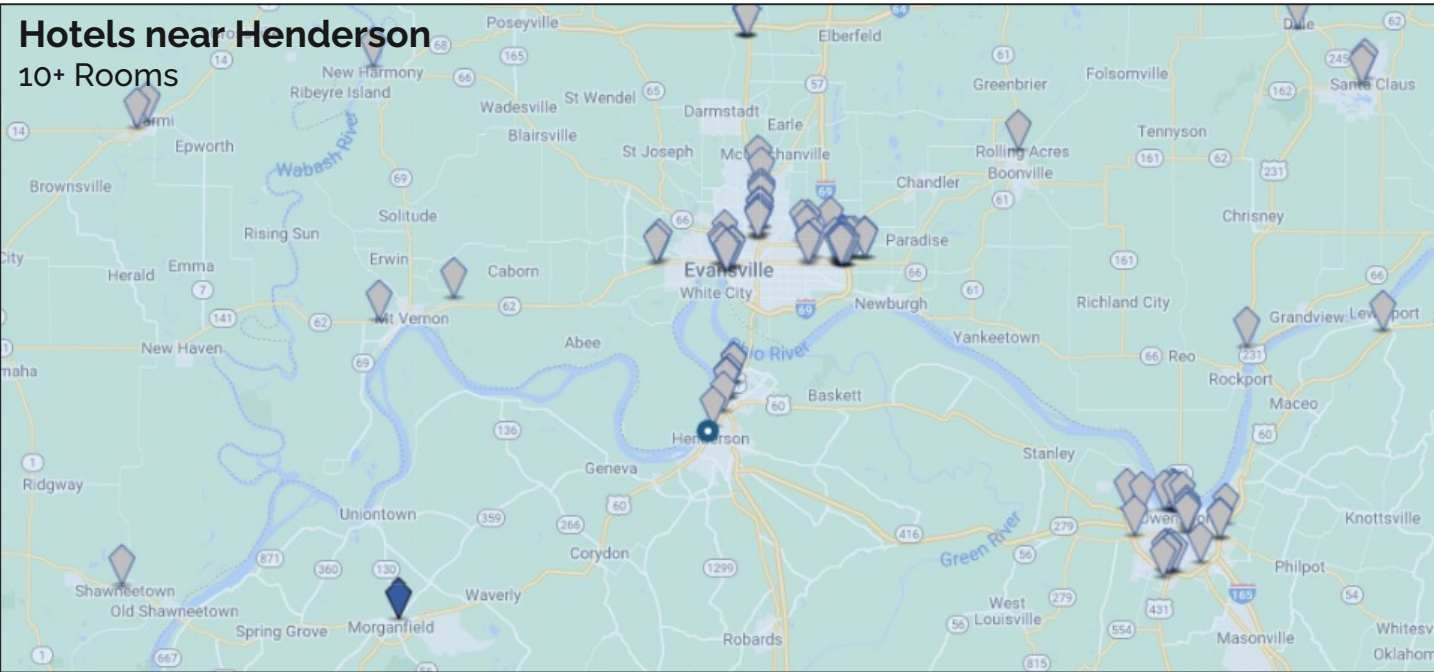
The average age of the upscale properties in the market is 15 years, while the newest upper upscale property is just 5.8 years old (DoubleTree Evansville).

Lodging Summary - Henderson (50 Closest Hotels)

Chainscale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Average Opening Year	Average Age (Years)
Luxury	0	0%	0	–	–	–
Upper Upscale	241	6%	1	241	Feb-17	5.8
Upscale	691	16%	5	138	Aug-07	15.3
Upper Midscale	1,662	39%	17	98	Nov-01	21.1
Midscale	453	11%	7	65	Feb-93	29.8
Economy	966	22%	16	60	Aug-81	41.3
Independent	287	7%	4	72	Oct-59	63.1
<b>Total/Average</b>	<b>4,300</b>	<b>100%</b>	<b>50</b>	<b>112</b>	<b>Jul-93</b>	<b>29.4</b>

Source: Smith Travel Research

Hotels near Henderson  
10+ Rooms





# Competitive Set Performance Analysis



# Competitive Set

HSP determined a competitive set of hotels within Henderson, Kentucky. This competitive set will not capture a complete picture of hospitality in the area, as many guests opt to stay in Evansville for higher quality accommodations, but the local competitive set allows HSP to show the reality of the local Henderson hotel market.

## Henderson, Kentucky | Local Competitive Hotel Set

Property Name	Miles from The Vault	No. of Rooms	Year Built/ Renovated	Hotel Class
ENVi Boutique Hotel	2.1	59	Aug-68	Independent
Ramada Henderson Evansville	2.2	118	Jun-74	Midscale
Sleep Inn Henderson Evansville South	2.4	63	Mar-98	Midscale
Holiday Inn Express Henderson North Evansville South	3.2	62	Jul-97	Upper Midscale
Comfort Inn Henderson	3.3	55	Aug-01	Upper Midscale
John James Audubon State Resort	3.4	6	Jun-38	Independent
<b>Average/Total</b>	<b>2.8</b>	<b>363</b>	<b>Oct-79</b>	<b>6 Hotels</b>

Source: Smith Travel Research, Hunden Strategic Partners



# Performance Overview

HSP utilized Smith Travel Research (STR) to analyze the historical performance of the competitive set of hotel properties within Henderson. The table below summarizes hotel performance for the competitive set between 2014 and September 2022.

Competitive set performance indicates that the number of room nights sold has decreased by an average of nearly one percent each year from 2014 to 2021. Occupancy decreased from 2017 through 2020, but began increasing in 2021 and thus far in 2022. Stronger hotel performance is reflected in rising rates. Between 2014 and 2021, rates increased by an average of two percent. While rates improved following the COVID-19 pandemic, RevPAR remains below 2016 and 2017 levels. While the decrease in 2020 is due to the pandemic, there were declines in demand beginning as early as 2017.

Henderson, Kentucky   Competitive Set Historical Supply, Demand, Occupancy, ADR, and RevPar											
Year	Annual Avg. Available Rooms	Available Room Nights	% Change	Room Nights Sold	% Change	Occupancy	% Change	Average Daily Rate	% Change	RevPar	% Change
2014	404	147,460	–	60,412	–	41.0	–	\$79.07	–	\$32.39	–
2015	404	147,460	0.0%	64,008	6.0%	43.4	6.0%	\$80.65	2.0%	\$35.01	8.1%
2016	404	147,460	0.0%	68,615	7.2%	46.5	7.2%	\$85.73	6.3%	\$39.89	14.0%
2017	404	147,460	0.0%	68,307	-0.4%	46.3	-0.4%	\$84.62	-1.3%	\$39.20	-1.7%
2018	404	147,460	0.0%	60,487	-11.4%	41.0	-11.4%	\$84.99	0.4%	\$34.86	-11.1%
2019	404	147,460	0.0%	52,281	-13.6%	35.5	-13.6%	\$86.31	1.6%	\$30.60	-12.2%
2020	404	147,460	0.0%	44,131	-15.6%	29.9	-15.6%	\$79.05	-8.4%	\$23.66	-22.7%
2021	376	137,415	-6.8%	55,230	25.2%	40.2	34.3%	\$90.26	14.2%	\$36.28	53.3%
2022 Sept YTD	366	99,099	-4.7%	42,536	4.2%	42.9	9.4%	\$97.47	10.1%	\$35.34	20.4%
CAGR (2014-21)			-0.97%		-1.23%		-0.27%		2.02%		1.71%

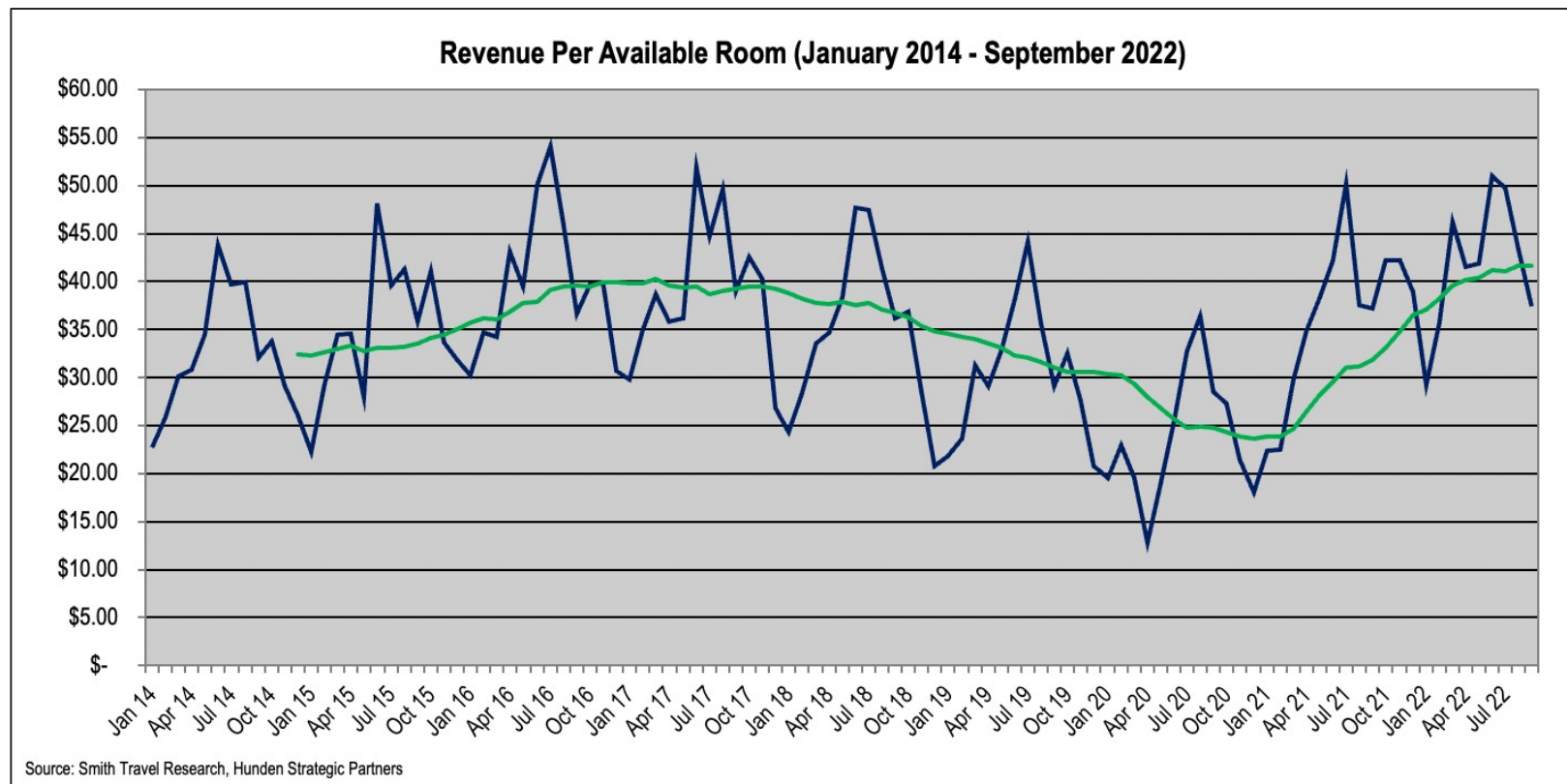
Source: Smith Travel Research, Hunden Strategic Partners



# RevPAR

The term RevPAR represents “revenue per available room” and is a factor of average daily rate and occupancy. This metrics reflects the income each room generates per night.

RevPAR in the Henderson competitive set reached pre-pandemic levels in mid-2022. RevPAR in the market is relatively weak compared to most markets in the United States.

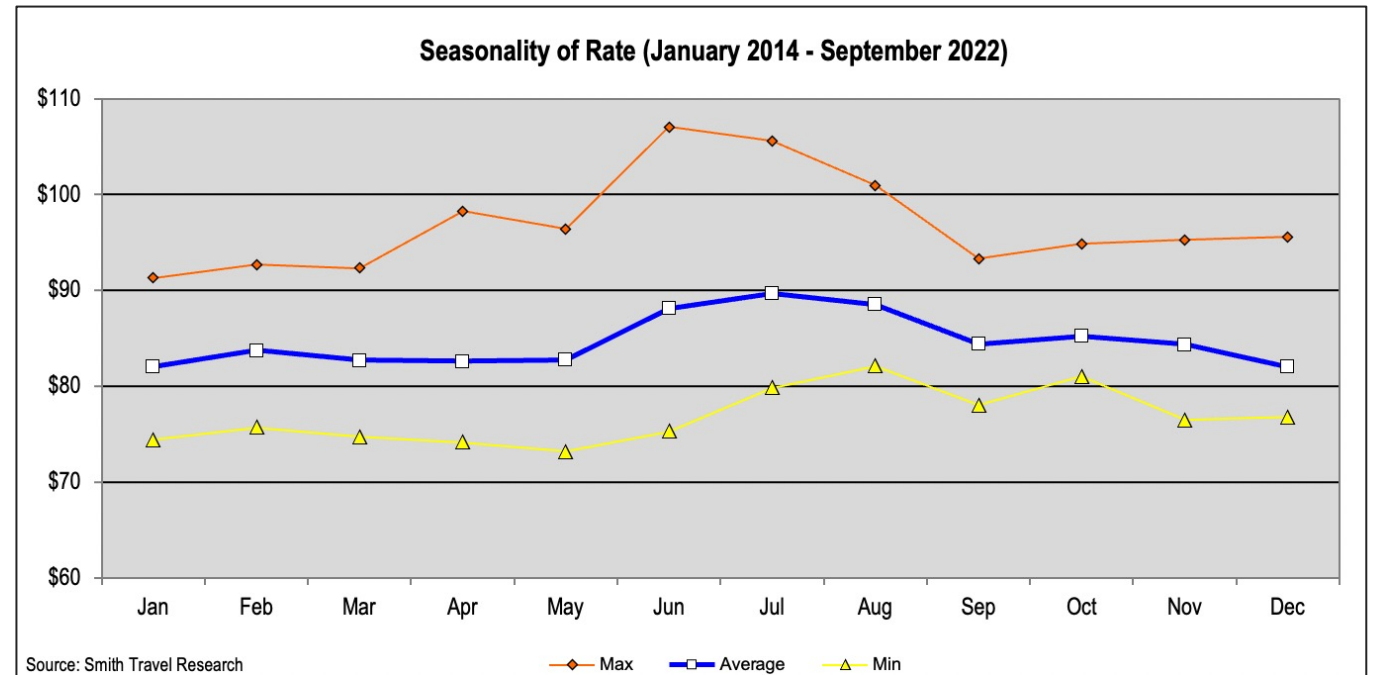
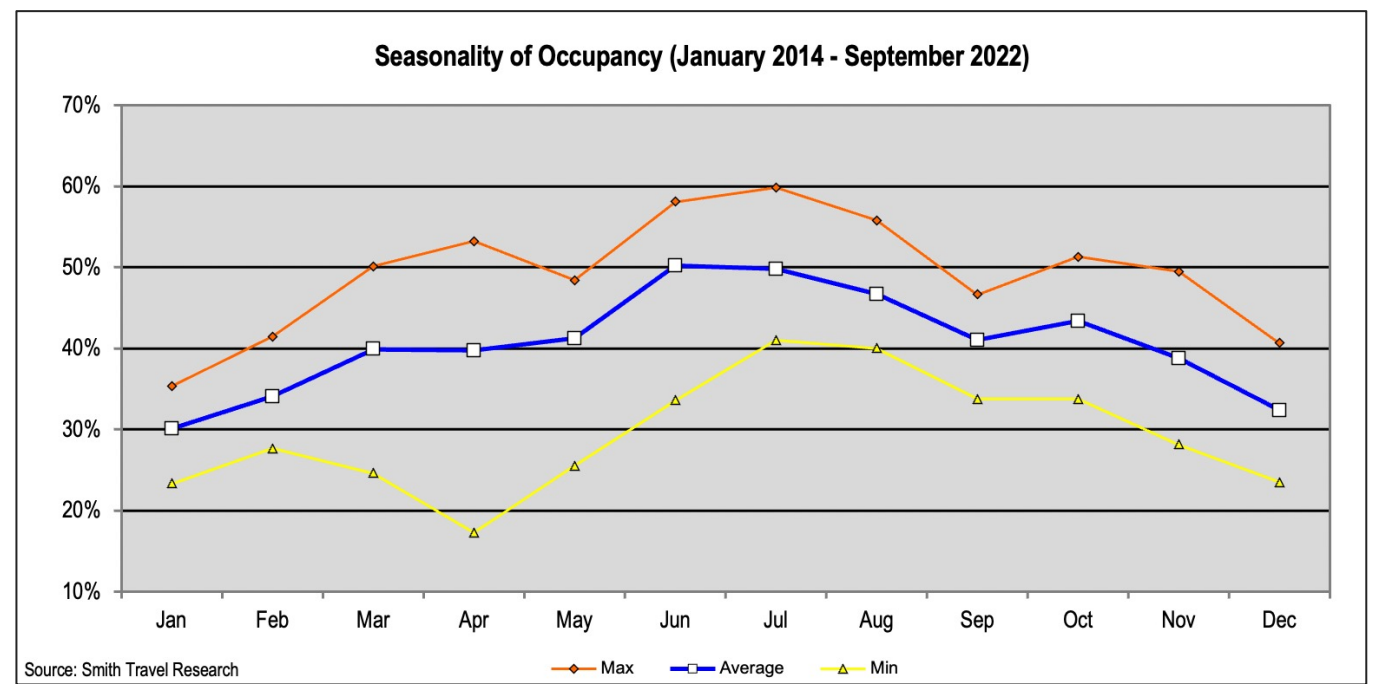


# Seasonality

The adjacent figures display the seasonality of occupancy and rate from January 2014 through September 2022.

Following weather patterns, occupancy and rates tend to be highest during the summer months, while significantly lower during winter months.

Since 2014, the set's peak occupancy was 60 percent with a peak rate of \$107. It is important to note that rate is also a result of product quality. With minimal higher quality accommodations, hotels in Evansville likely capture guests with a willingness to pay a higher rate.



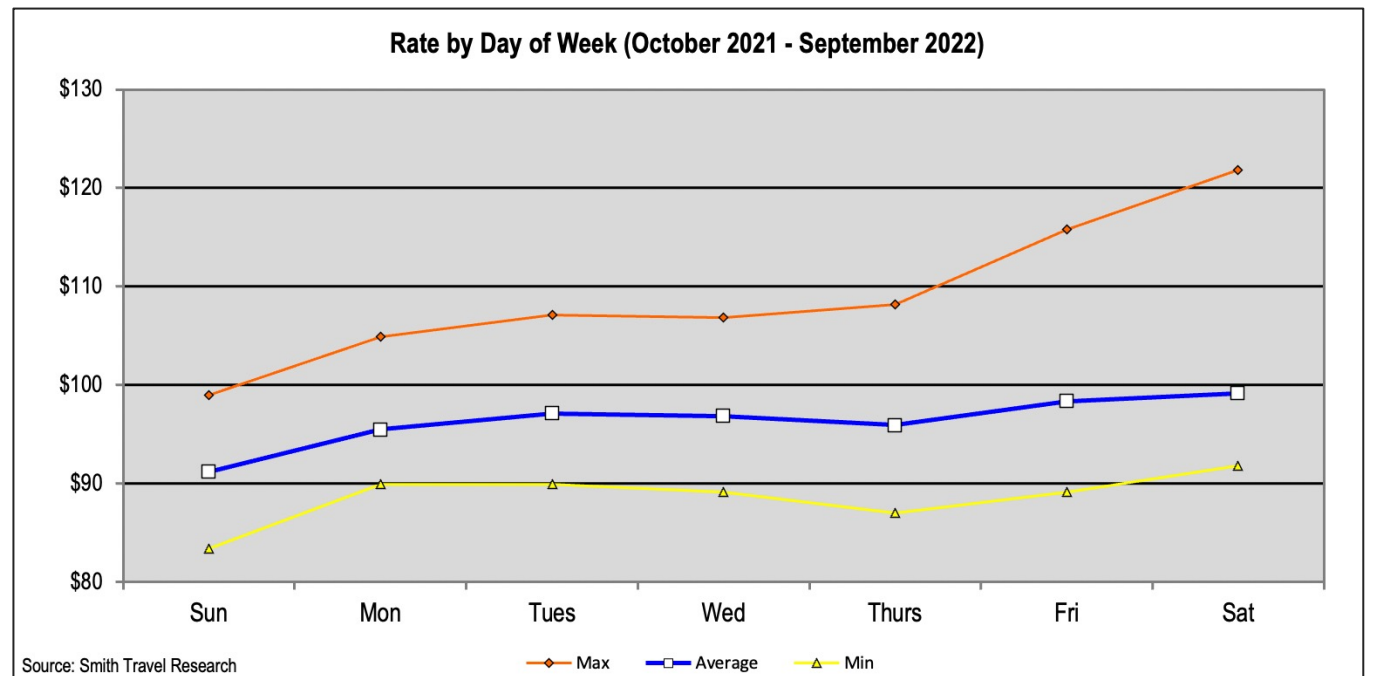
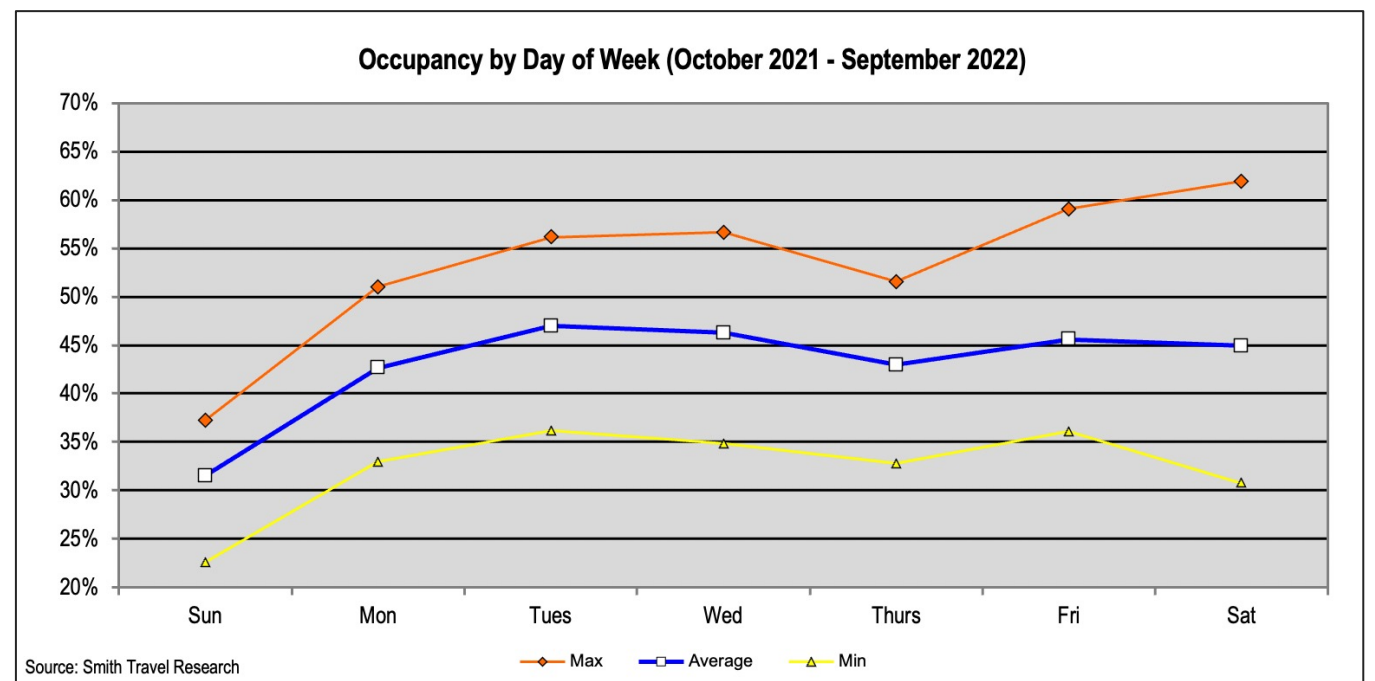


# Day of Week

The adjacent figures display the seasonality of occupancy and rate from October 2021 through September 2022.

The average occupancy of the set fluctuates between 40 and 50 percent Monday through Saturday. Sunday night typically has the fewest overnight stays, averaging an occupancy of 31 percent.

Average daily rate follows a similar trend as occupancy, with Sunday being the worst performing day. Rates fluctuate between \$90 and \$100, with the competitive set experiencing some rate spikes on Saturday nights.



# Performance Heat Charts

These tables show a visualization of occupancy and rate by day of the week and month from October 2021 through September 2022. Figures in red and orange reflect days with relatively low occupancy/rate, yellow suggests moderate performance, and green reflects strong performance.

Occupancy varies at a greater degree than rate. Over the 12-month period, occupancy ranged from 22 percent to 62 percent. The lowest rates are consistently seen on Sunday nights regardless of season, while the strongest occupancies vary by day of week and season.

Rates follow a similar pattern as occupancy, but with fewer valleys. Rates vary from almost \$89 to nearly \$122. During the summer, rates see a steady increase on weekdays leading into the weekend.

Henderson | Occupancy Percent by Day of Week by Month - October 2021 - September 2022

	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Average
Oct - 21	35.4%	45.1%	45.7%	44.3%	42.5%	47.4%	50.8%	44.5%
Nov - 21	36.7%	43.5%	46.3%	42.7%	41.6%	49.5%	49.5%	44.3%
Dec - 21	37.3%	44.5%	47.0%	43.1%	36.1%	39.5%	37.8%	40.6%
Jan - 22	22.6%	33.0%	36.2%	34.9%	32.8%	36.1%	30.8%	32.0%
Feb - 22	29.8%	37.5%	39.9%	41.9%	37.5%	45.6%	37.5%	38.5%
Mar - 22	37.1%	51.0%	56.2%	55.5%	50.2%	49.6%	48.0%	50.1%
Apr - 22	31.7%	45.3%	49.4%	47.0%	42.9%	38.9%	41.3%	42.2%
May - 22	29.4%	41.5%	49.3%	50.9%	44.8%	43.1%	47.2%	43.4%
Jun - 22	25.6%	42.0%	47.9%	47.9%	48.6%	59.1%	62.0%	47.6%
Jul - 22	32.0%	42.7%	55.5%	56.6%	51.6%	48.4%	46.6%	47.1%
Aug - 22	29.3%	44.2%	45.8%	44.1%	44.4%	47.1%	44.7%	43.0%
Sep - 22	31.3%	41.7%	44.8%	46.1%	42.9%	43.2%	43.7%	42.0%
Average	31.5%	42.7%	47.0%	46.3%	43.0%	45.6%	45.0%	

Source: Smith Travel Research

Henderson | Rate by Day of Week and Month - October 2021 - September 2022

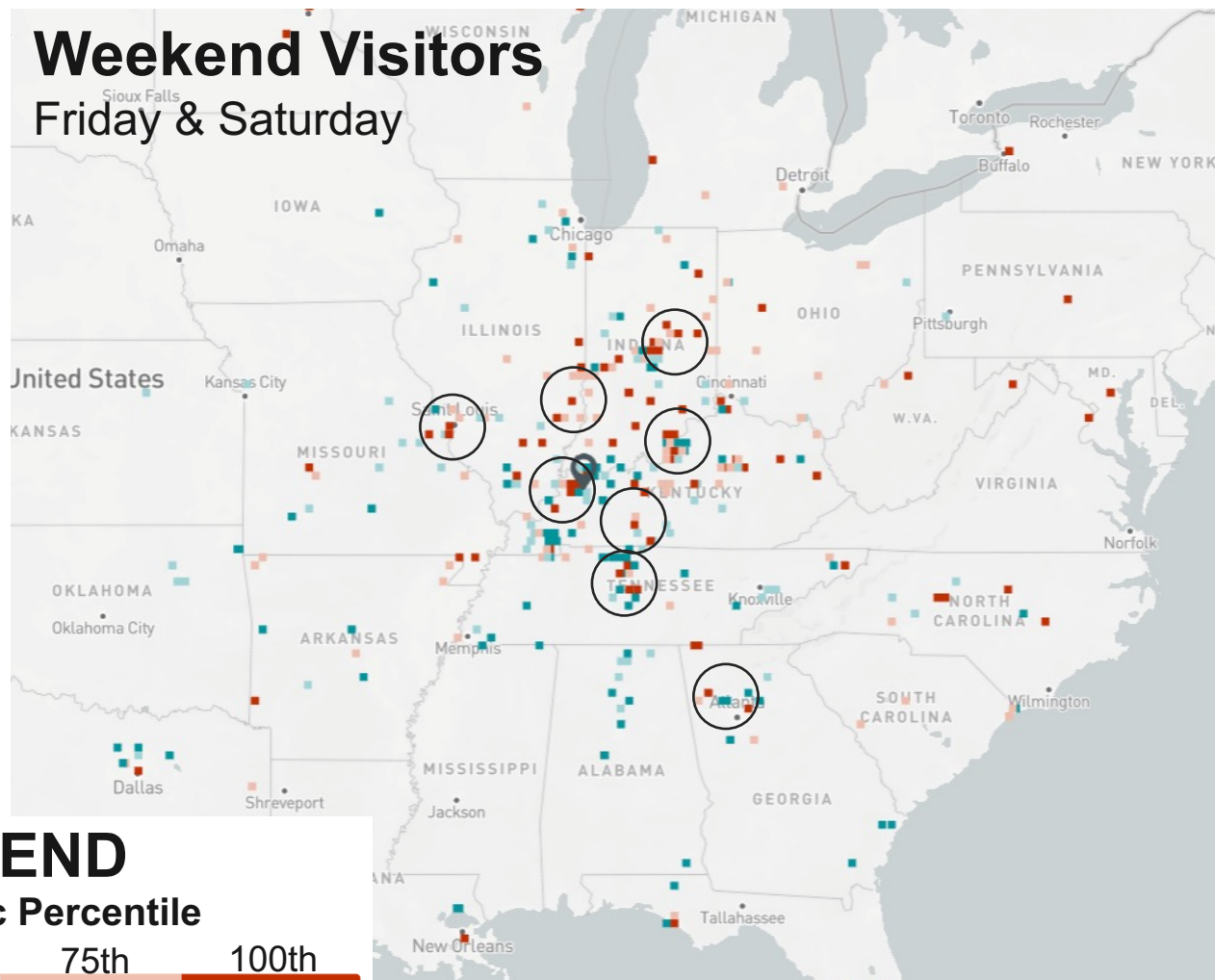
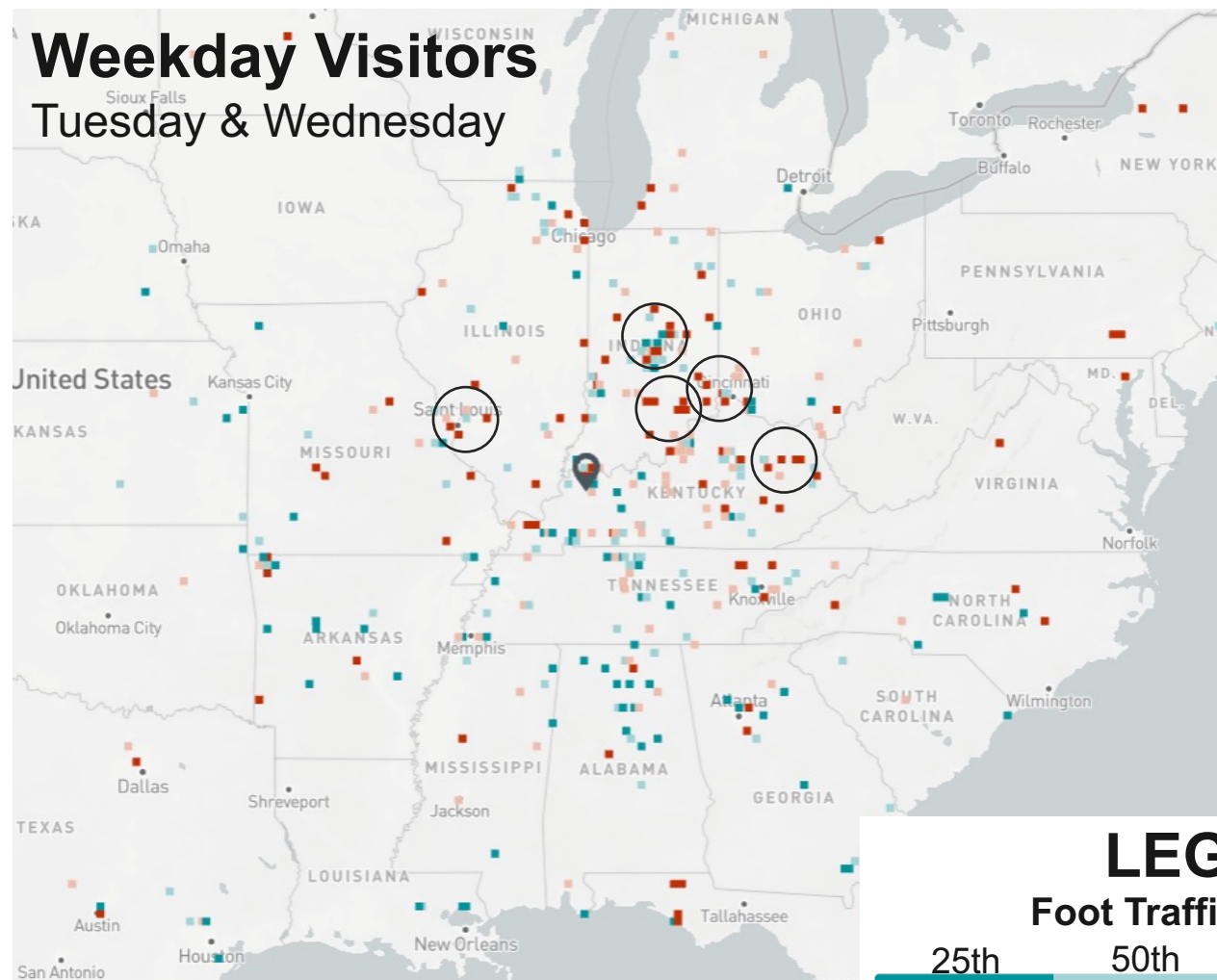
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Average
Oct - 21	88.71	94.84	99.41	96.06	92.37	95.59	95.89	\$94.83
Nov - 21	95.51	96.21	94.77	96.06	93.10	94.06	97.02	\$95.27
Dec - 21	96.78	90.49	93.87	93.47	96.86	99.31	99.07	\$95.58
Jan - 22	86.29	93.31	89.90	90.40	88.88	95.37	93.26	\$91.31
Feb - 22	87.86	93.85	94.32	92.61	91.69	95.19	91.81	\$92.71
Mar - 22	91.30	91.13	91.71	92.00	92.31	94.70	93.40	\$92.33
Apr - 22	91.72	97.11	101.14	101.93	96.36	96.69	100.17	\$98.25
May - 22	90.55	96.77	97.77	99.99	95.68	97.43	94.73	\$96.41
Jun - 22	93.21	96.30	100.53	103.02	105.87	115.76	121.80	\$107.04
Jul - 22	98.98	104.93	107.09	106.80	108.14	105.66	105.72	\$105.60
Aug - 22	90.18	100.59	102.88	100.46	102.57	101.36	104.57	\$100.95
Sep - 22	83.36	89.93	91.92	89.11	86.98	89.15	92.41	\$89.15
Average	\$91.20	\$95.45	\$97.11	\$96.83	\$95.90	\$98.36	\$99.16	

Source: Smith Travel Research



# Weekday vs. Weekend Hotel Visits (2019)

HSP used Placer.ai to determine where guests of the competitive set traveled from. HSP separated weekday and weekend visitors and color-coded them based on foot traffic percentile by zip code.





# Henderson Hotelier Interviews



# Interview: Holiday Inn Express (Henderson)

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HSP interviewed management and ownership of the Holiday Inn Express in Henderson. The interview is summarized below.

## **ADR & Occupancy**

The Holiday Inn Express runs about 60 to 65 percent occupancy, which is very similar to its neighboring hotel, the Comfort Inn. The hotel has two competitors, the Comfort Inn and the entire Evansville market. The Holiday Inn has the highest rates in Henderson with an ADR that fluctuates between \$130 and \$150 based on day of week and season. Peak rates often hit \$169, which is generally \$30 more per night compared to the Comfort Inn.

## **Weekdays vs. Weekends**

Monday through Thursday is the busiest time at the hotel. The hotel mainly caters to business travelers with the owner estimating that 95 percent of these guests are in the market for construction projects.

There is not a lot of leisure tourism in Henderson outside of downtown events. There are currently minimal attractions for kids and/or adults. There is a movie theater, and a bowling alley for kids, but no nightlife or bars with live music for adults. There are a few times a year when kids visit the market and generally they are for sports-oriented tournaments (tennis, football and softball).

# Interview: Sleep Inn (Henderson)

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HSP interviewed management and ownership of the Sleep Inn Henderson. The interview is summarized below.

## ADR & Occupancy

The hotel's ADR has increased since 2021, while occupancy remains largely unaffected. ADR typically lands between \$90 to \$100. Projected occupancy for 2023 is 65 to 70 percent. As of October 2022, occupancy was close to 60 percent.

## Weekdays vs. Weekends

Weekdays are the hotel's bread and butter as the market's top segment group is the business traveler. These travelers/workers are often in the market for larger development/renovation projects. Weekends tend to be slower, especially during winter months. The weekend traveler tends to be from older demographics or from spillover weekday demand. There are a limited number of entertainment options in Henderson compared to Evansville, which generally pulls demand away from the market. Weekend demand is greatest during special events in the market, during Ellis Park races and downtown Henderson events.

## Evansville Dynamics

There are very few hotels in Henderson, leaving customers with few choices. With a lack of supply, potential guests choose to stay in Evansville because there are more dining, hotel, and entertainment options.

## Project Opinion

If there was a new boutique hotel, it would definitely be beneficial to the community and other hotels. It would drive more events, more development, and a more activated downtown.



# Interview: Envi Boutique Hotel (Henderson)

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HSP interviewed management of the Envi Boutique Hotel in Henderson. The interview is summarized below.

## **ADR & Occupancy**

ADR for the hotel is currently around \$82 with an average occupancy of 60 percent. However, the hotel just underwent a complete renovation and rebranding, and ADR is expected to increase to \$105 based on these improvements.

## **Evansville Dynamics**

The Envi receives a lot of recreational and weekday trade business, but most higher-level business customers will tend to stay in Evansville, as it is close to the airport. A higher quality hotel product could drive more business to Henderson from Evansville. Currently Henderson is losing out on spending that instead is captured in Evansville.

## **Project Opinion**

Management sees the need for a higher quality hotel in the area, but it would need to be subsidized substantially and would require a joint effort from local businesses to help it succeed. A lack of entertainment and parking in Henderson is also a concern.



# **Henderson Corporation Interviews**



# Interview: Deaconess Henderson Hospital

HSP interviewed representatives from the Deaconess Henderson Hospital via email to understand the entity's demand for overnight accommodations. The following summarizes their response.



- Higher end hotel needs revolve around recruiting trips for physicians. Most often physicians are recruited centrally and spend time with a variety of Deaconess administrators primarily located in Evansville and Newburgh, Indiana.
- Most stays are one night or two nights at the maximum.
- Candidates like a variety of meal options to be available, often vegetarian.
- As a host of people are included for meals, it is often convenient to meet in Evansville for the majority of individuals.
- If there were other higher end hospitality options in Henderson, that could be an alternative to Evansville.

# Interview: SITEX

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HSP interviewed representatives of SITEX to understand the entity's demand for overnight accommodations. SITEX is a commercial uniform and linen provider in Henderson. This interview is outlined below.

- Meetings, trainings, and suppliers coming to the area drives SITEX' need for overnight accommodations.
- Managers, executives, new hires, and suppliers currently stay in either Henderson or Evansville, generally for one to four nights at a time.
- SITEX sees a need for a new higher quality hotel product in the market.
- SITEX' annual hotel needs are roughly 50-70 room nights per year.



# Interview: Gibbs Die Casting Corporation

HSP interviewed representatives of Gibbs Die Casting Corporation to understand the entity's demand for overnight accommodations. Gibbs is the second largest employer in Henderson County with over 900 employees. This interview is outlined below.

- Overnight accommodations are needed for sales, customer, and executive visits.
- These individuals typically stay in Evansville for one to three nights over the course of the year.
- In the future, Gibbs sees their hotel needs in the Henderson area staying steady or slightly increasing.
- There is a need for a new high-quality hotel in the area at a smaller scale.
- If a high-quality hotel was developed in downtown Henderson, this would also benefit other local businesses such as restaurants and retail.





# Interview: Tyson Foods Inc.

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HSP interviewed representatives from Tyson Foods, Inc. to understand the entity's demand for overnight accommodations. Tyson Foods has a large plant in Robards, KY and is the largest employer in Henderson County with over 1,400 employees. The interview is summarized below.

- Tyson's business travel generally consists of executives. These executives will most often stay in Evansville to be close to the airport and nice restaurants.
- Travelers from the south have begun staying in Madisonville at the new Holiday Inn and Hampton Inn.
- The biggest turnoff of Henderson for executives is the lack of nicer restaurants by the hotels.
- On average, most executives will stay two to four days, traveling in on Monday and out by Friday. Seasonality does not play a factor in the travel schedule of these executives.
- There is a need for a new high-quality hotel in downtown Henderson, but for it to be successful, there needs to be nice restaurants and shops nearby.
- One business need is a hotel to have larger meeting rooms to rent for union negotiations, training for ~100 people, or corporate parties. Currently, Tyson has to rent space in Madisonville or Evansville when doing contract negotiations and would like a hotel that has larger breakout rooms for business meetings.

# Interview: Tyson Foods Inc. cont'd.



## Overnight Accommodation Type Overview:

### In-House Travelers:

Construction Projects & Corporate Visitors: monthly averaging 2 to 10 visitors; 3-5 days at a time  
Management Training: 3-5 times a year; 1-2 days; up to 5 visitors per visit

### Clients:

Customer Visits (Walmart / Costco / Aldi / Tyson Brand Sales Reps, etc.): 3 times a year; 2-3 days  
Customer Purchasing & Operations Visits: 3-4 times a year; 1-2 days  
Customer Celebrations: 3-4 times a year; 1-2 days; 10 visitors

### Auditors & Government:

3<sup>rd</sup> Party Auditors for Customers – 2 times a year; weekly increments; 2-4 auditors per visit  
Government Visitors (USDA) (Divisional and Regional/National Managers); 2-3 times a year; 2-3 day visits

### Unions:

Union Meetings (Trainings): 3 times a year; 2-3 day visits  
Union Negotiations – Once every 3-4 years on average; one week minimum; 5-10 visitors

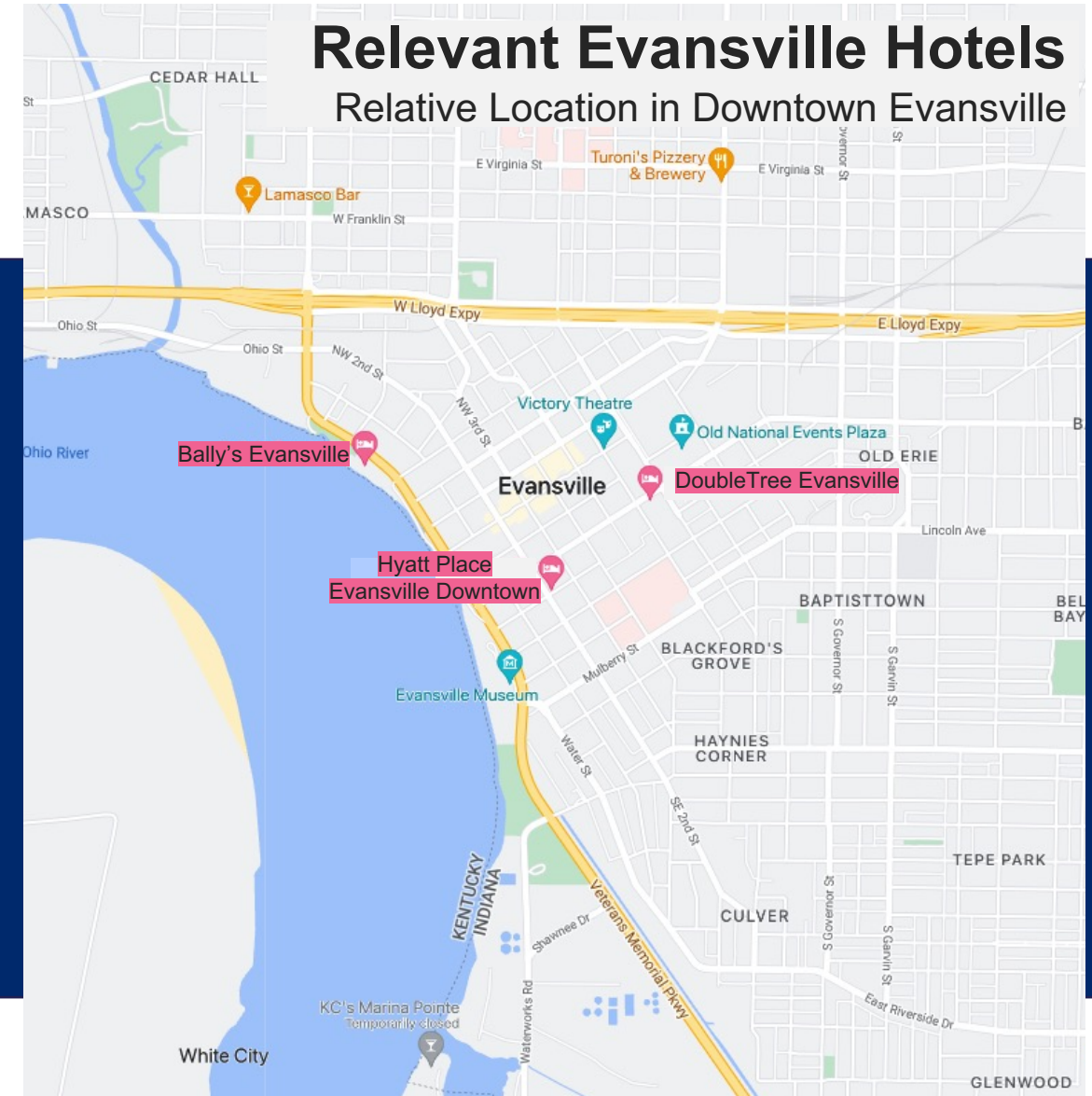


# Relevant Evansville Hotels



# Relevant Evansville Hotels

Through interviews conducted by HSP, several hotels in Evansville were mentioned as common alternatives for guests visiting Henderson. HSP included profiles and geofencing data for these hotels in the following slides.



# Hyatt Place Evansville

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Rooms: 139

Opening Date: June 2021

Scale: Upscale

Operator: Hyatt Hotels Corporation

## Features:

- 1,373 square feet of indoor event space
- Indoor Pool & Hot Tub
- Fitness Center
- Bar





# DoubleTree Evansville

The DoubleTree Evansville is connected to the Ford Center (Arena) and Old National Events Plaza (Convention Center).

Rooms: 241

Opening Date: February 2017

Scale: Upscale

Operator: Hilton Worldwide

## Features:

- 6,480 square feet of ballroom space
- 7,767 square feet of meeting rooms
- Outdoor Pool
- Fitness Center
- Restaurant & Bar





# Bally's Evansville

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In 2020, the Tropicana Evansville Casino was sold by Caesars for \$140 million. In 2021, the casino was rebranded under the Bally's brand.

Rooms: 243

Opening Date: December 1996

Scale: Independent/Casino

Operator: Caesars Entertainment

Features:

- 28,500 square feet of indoor/outdoor event space
- Four Restaurants
- Casino Access
- Fitness Center





# Hotel Implications

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The hotel market in Henderson is limited in its quantity and quality of offerings. Because of this, many potential overnight stays are lost to neighboring markets with more abundant options. Henderson's hotels have limited food and beverage options within walking distance, driving executives and corporate workers to Evansville for a more complete overnight experience.

The leisure market in Henderson is mainly driven by summer festivals and guests visiting family during holidays.

The business traveler is the bread and butter of the Henderson hotel market. These visitors fill hotels during weekdays year-round.

# Short-Term Rental Analysis





# Overview


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Short-term rentals are residences rented out on a short-term basis (less than one year). Bookings vary from a single night to months at a time. These short-term rentals are the newfound competitor within the hospitality industry and are generally through AirBnB or VRBO.

To fully comprehend the demand for overnight accommodations, HSP utilized AirDNA to understand the demand, supply, and performance of short-term rentals in the Henderson area. To establish regional benchmarks, HSP will provide statistics for Evansville and Owensboro as well.

# Short-Term Rental Market Size Comparison

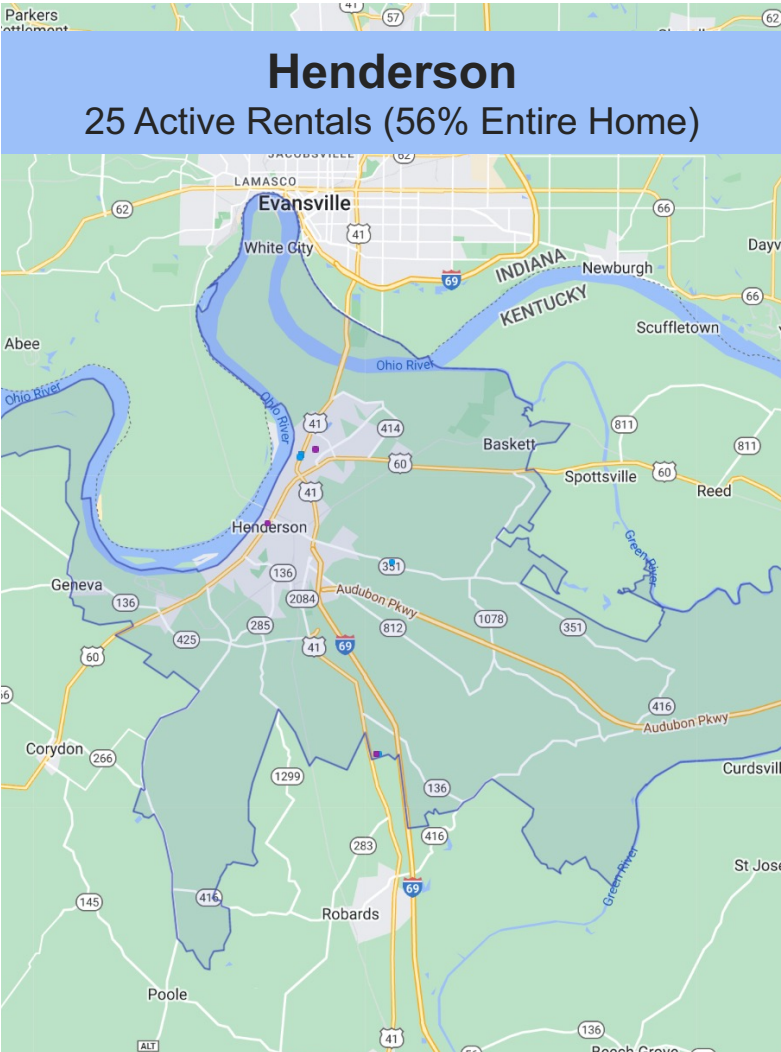
LEGEND

 Entire Home

 Private Room

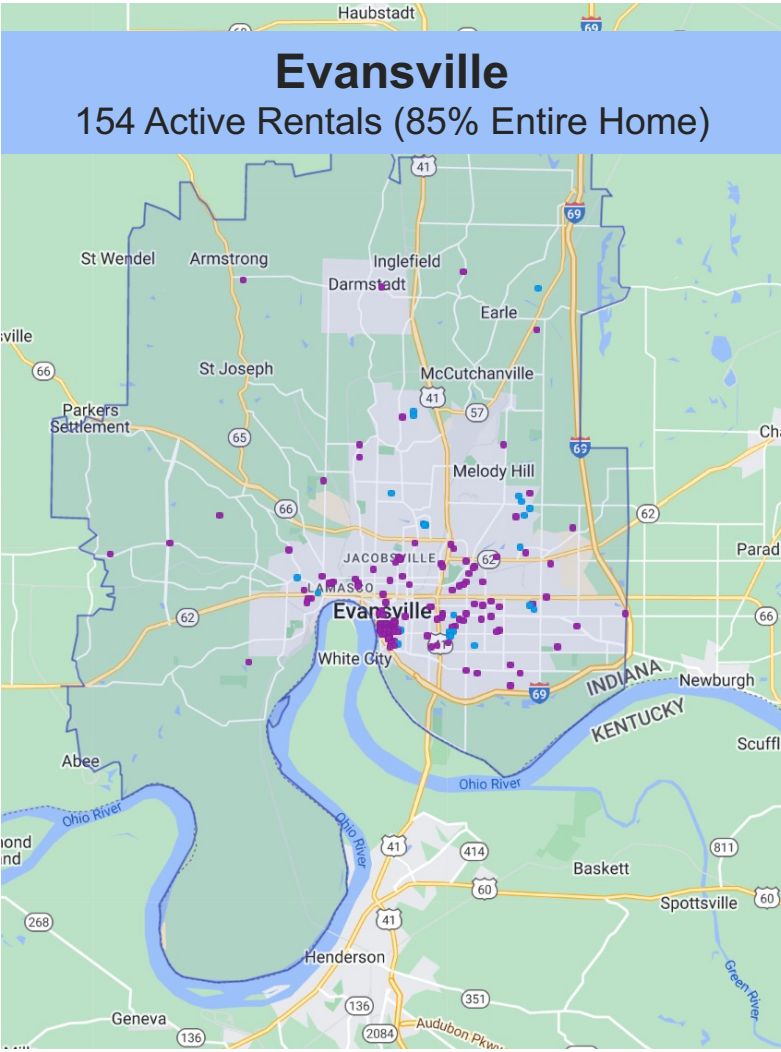
## Henderson

25 Active Rentals (56% Entire Home)



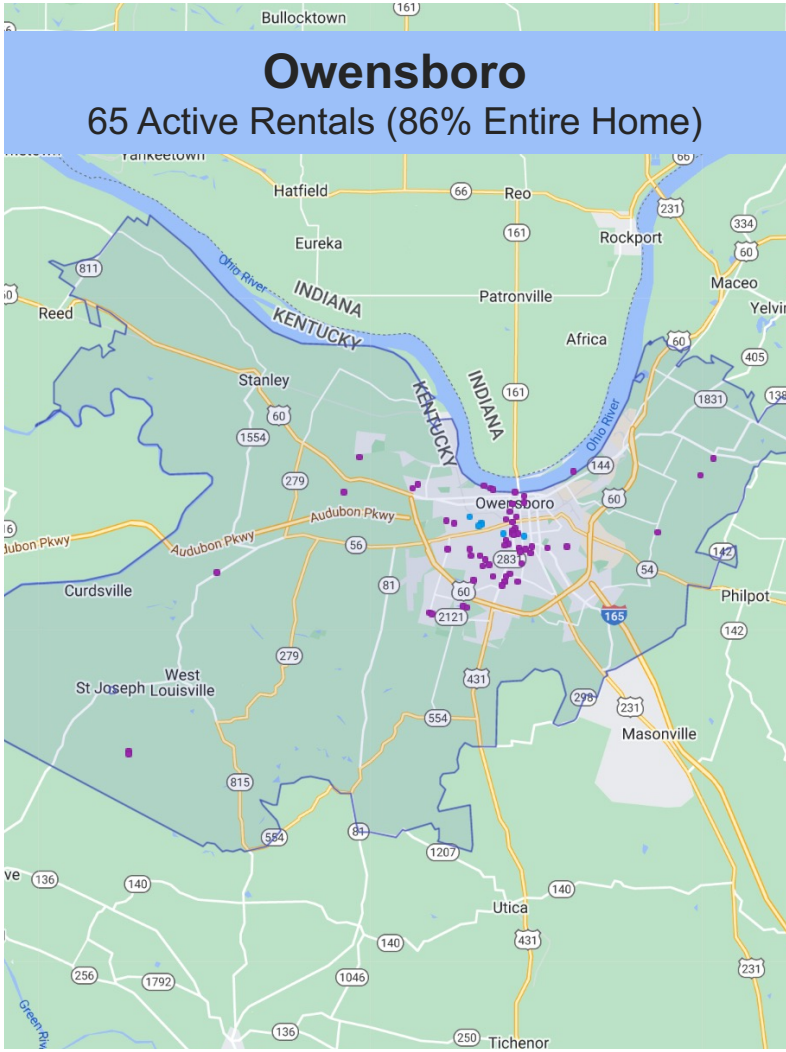
## Evansville

154 Active Rentals (85% Entire Home)



## Owensboro

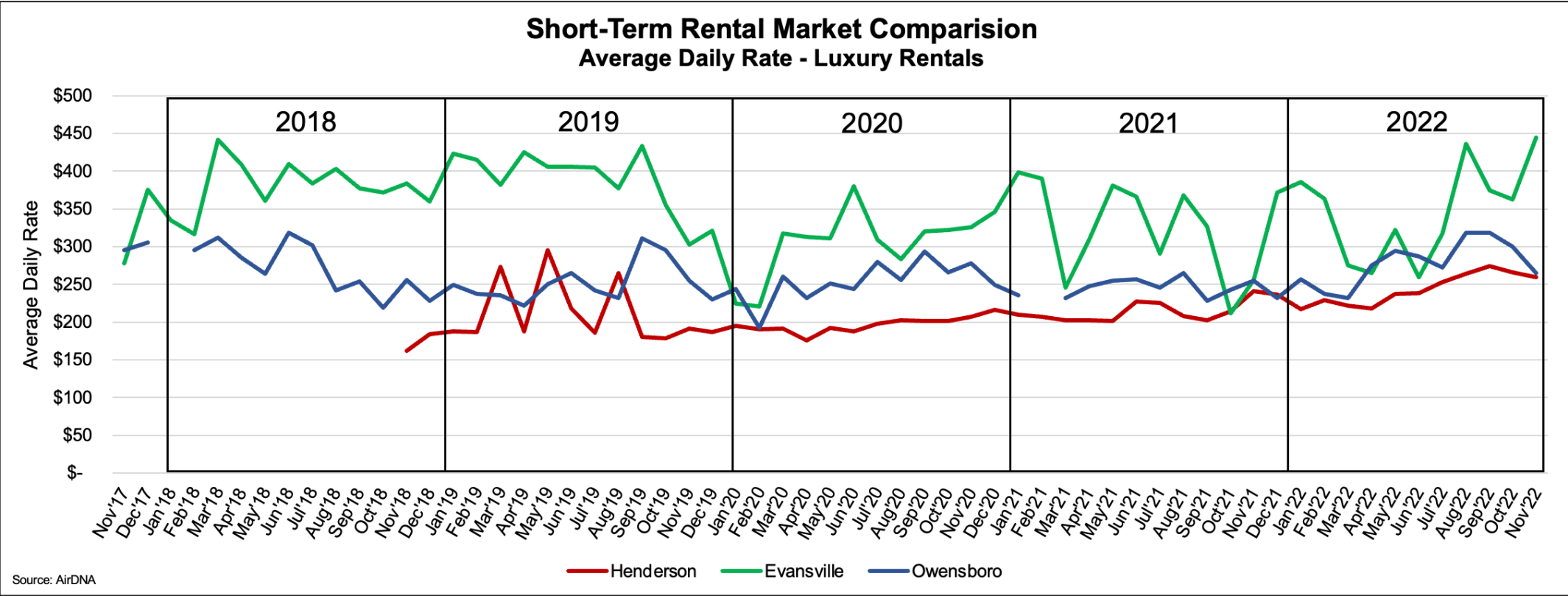
65 Active Rentals (86% Entire Home)





# Luxury Rate Comparison

HSP compared the average daily rates for luxury short-term rentals with capacities for 8 or fewer people. The Evansville market has the highest average daily rate of luxury options of this size range. Often rates in Evansville can double what the Henderson market offers. Owensboro tends to fall in between Evansville and Henderson in price range for these luxury AirBnBs.

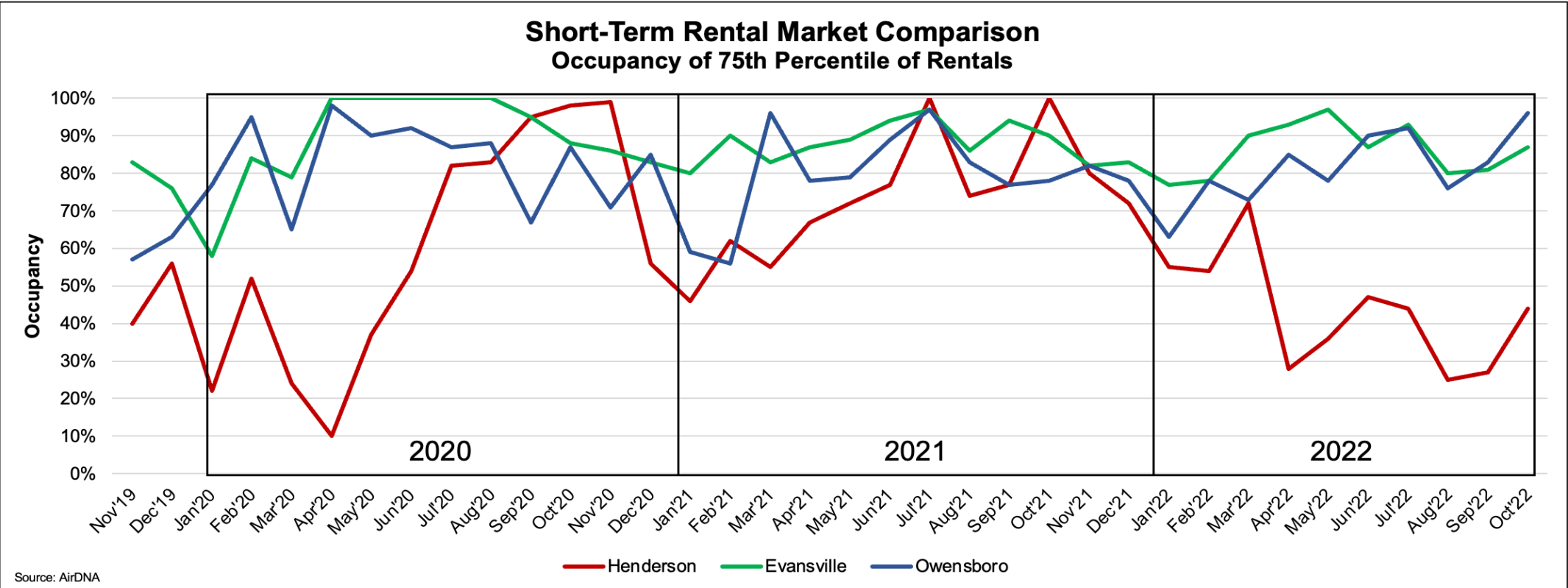




# Occupancy Comparison

HSP compared the top 75<sup>th</sup> percentile of rentals in each market to understand how occupancies vary for the top performing assets. Both Owensboro and Evansville’s top short-term rental assets perform exceptionally well, while Henderson’s assets have not.

It is important to mention Henderson has a limited number of available rentals meaning it has a smaller pool of assets to analyze which can skew data. Even with skewed data, this analysis shows people are staying in rental homes to achieve a level of quality and experience beyond what the Henderson, Evansville and Owensboro hotel market can currently offer visitors.



# Market Comparison

AirDNA ranks each short-term rental market against the ‘Top 2000 Global AirBnB Markets.’ Based on comparative performance, each market (with sufficient rentals) is graded and ranked in several categories relating to performance. A higher ranking relates to a market’s ability to positively perform compared to other markets.

## Henderson

Market Grade:

N/A\*

Rental Demand:	78%
Revenue Growth	4%
Seasonality:	N/A*
Investibility:	N/A*

## Evansville

Market Grade:

A (89%)

Rental Demand:	82%
Revenue Growth:	47%
Seasonality:	80%
Investability:	92%

## Owensboro

Market Grade:

A (88%)

Rental Demand:	91%
Revenue Growth:	45%
Seasonality:	81%
Investability:	80%

\* Insufficient number of rentals to calculate grade

# Interview: L&N Bed & Breakfast

The L&N Bed & Breakfast is a restored Victorian home, adjacent to the railroad overpass in downtown Henderson. The hotel has four bedrooms, each with a private bath. The owner resides in the house next door.

**HSP interviewed ownership and management of the L&N B&B. This conversation is summarized below.**

**Occupancy & Rate.** The house is an 1890s residence, but with modernized amenities. Given the age of the building, occupancy rates are not strong, while rates are relatively higher than market. Average daily rates fluctuate between \$119 to \$155 and occupancy varies between 50 and 60 percent.

**Seasonality.** The busiest times of the year are June and July, when there are festivals in Henderson, as well as the holiday months of October, November, and December.

**Visitors.** The hotel receives a lot of repeat visitors. Most of the repeat visitors are business travelers or extended family members that do not have room at their relative's home. The bed and breakfast believes about 30 percent of its guests are business travelers and 70 percent are leisure travelers.

**The Project.** Downtown is the only place a new hotel should go. This hotel should be between 40 and 70 rooms. Management estimates its segmentation would be 70 percent leisure and 30 percent business travelers. The only major concern about a new hotel would be the high marketing effort needed in its first few years of operation.





# Interview: The Nest (AirBnB)

**HSP interviewed ownership of The Nest, a short-term rental in downtown Henderson. This conversation is summarized below.**

The property opened on Memorial Day in 2022. The property is averaging \$3,000 per month in revenue and is the most expensive overnight option in the Henderson market.

**Bookings.** Since May of 2022, there have been two or three non-booked weekends going into October. With colder weather, there have been some ten-day windows with no bookings. Overall, The Nest's occupancy is around 60 percent.

**Customers.** Originally conceived as a corporate rental, most of The Nest's business comes from the leisure market. An estimated 50 percent of customers use the AirBnB to visit Henderson, while the other 50 percent stay to visit Evansville.

**The Project.** The Nest ownership suggests 25 to 30 rooms for a boutique hotel. In order to garner legitimacy within the market, likely a branding partner would be needed, but with such a small room count that could be a difficult task. The development of the hotel would encourage more restaurant and retail within the market.

The Soaper Building is the most interesting option for a hotel, and a development could likely be a mix of condos and hotel rooms. The Nest owners expressed interest in hotel ownership if the market is there for such a project.

The Project would need to cater to the higher-end visitor, marketing the property as a luxury option close to downtown with many walkable restaurant options. Marketing would need to also focus on capturing Evansville visitors, as that is a larger market with few options of the Project's quality.

**Ownership of The Nest also owns a 24-space parking lot at 225 2<sup>nd</sup> St. near the Soaper Building. This lot is currently not utilized and could be an option for accommodating hotel parking needs.**





# AirDNA Implications

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The short-term rental market in Henderson is limited in size and scale. With these limitations, the market provides limited data to analyze the market and its potential. With the market ranking in the 78<sup>th</sup> percentile in rental demand, it is likely the market is in its early stages of AirBnB investment.

Looking at the Evansville and Owensboro AirBnB markets provides insight into the future for Henderson. These two markets have a plethora of options from hotels to short-term rentals. Because of the abundance of options, as well as nearby attractions and amenities, these hotels and short-term rentals tend to outperform those in Henderson



The background image is a composite of two photographs. The left side shows a park area with several water fountains spraying water upwards. Children are visible playing in the water. A large, dark blue semi-transparent rectangle is overlaid on the left half of the image, containing the number '05' and the text 'Comparables Analysis'. The right side of the image shows a large, rusted steel truss bridge spanning a body of water. In the foreground, a woman in a blue shirt and light-colored pants is walking away from the camera towards the water. Other people are visible in the distance near the water's edge.

# 05

## Comparables Analysis





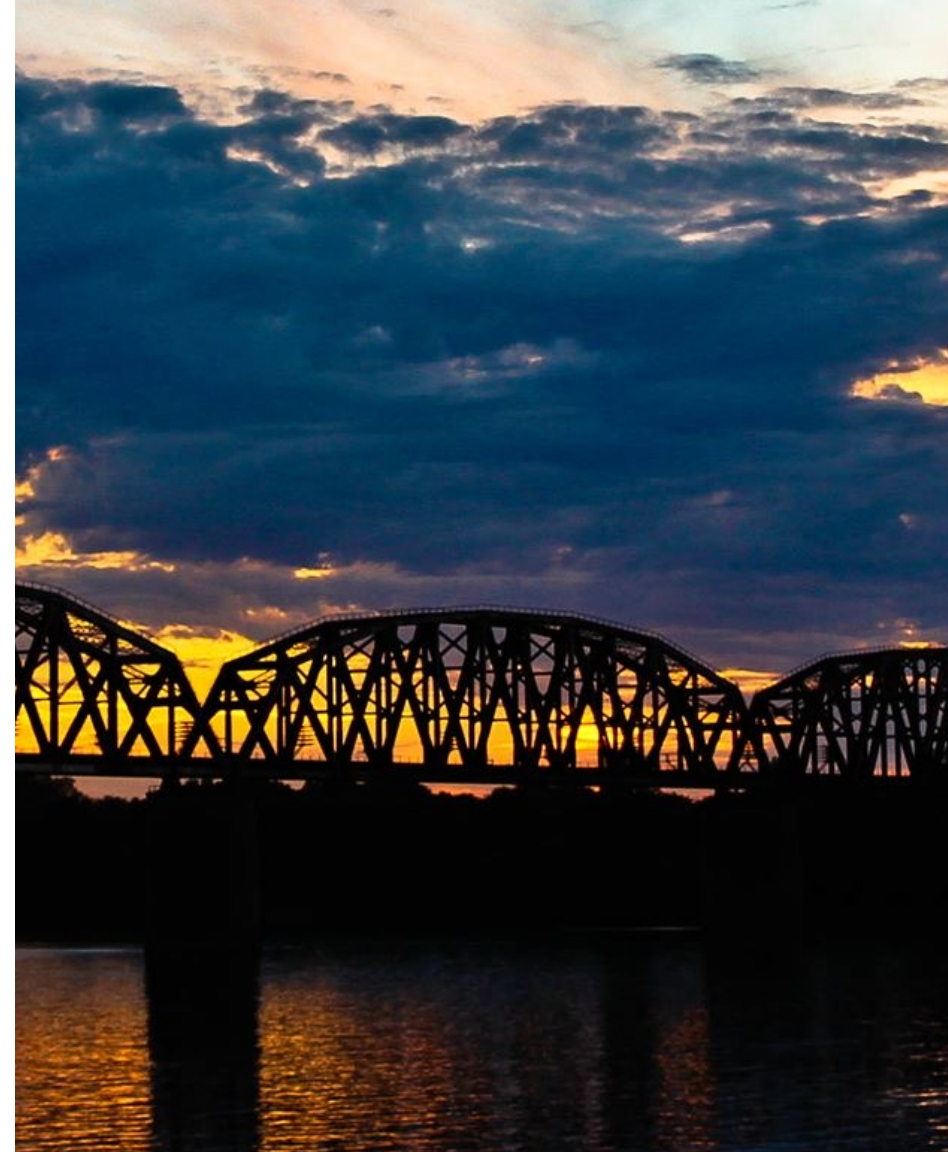
# Overview

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HSP identified a number of boutique hotels from around the country that can serve as examples for the Project. Understanding what makes these successful is key to establishing a path forward for the Project. The case studies profiled in this chapter include:

- The Barfield, Autograph Collection – Amarillo, TX
- Hotel Covington – Covington, Kentucky
- The Charmant Hotel – La Crosse, Wisconsin
- The Alluvian Hotel – Greenwood, Mississippi
- The George – Montclair, New Jersey

All of these hotels were redevelopments of historic properties.





# **The Barfield, Autograph Collection**

## Amarillo, Texas



# The Barfield, Autograph

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Location: Amarillo, Texas

Opening Date: 2021

Rooms: 110 (400 SF / Room)

Class: Upper Upscale

Operator: Marriott International

Meeting Space: 1,200 SF Ballroom

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The original structure was built in 1927 and was designed as an office building in downtown Amarillo. After sitting vacant for many years, the ten-story building was purchased for \$800,000 and renovated into a high-end boutique hotel. The total project cost was a reported \$35 million, nearly \$320,000 per room.

Today The Barfield is the top hospitality asset in Amarillo. The hotel operates at an 85 percent occupancy rate, even with the highest rates in the market.

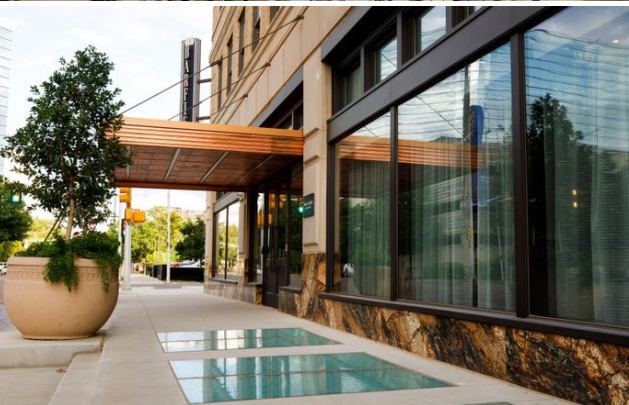




# The Barfield, Autograph

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## An Inside Look





# The Barfield



The Barfield

Embassy Suites  
Amarillo Downtown

Courtyard  
Amarillo Downtown

Amarillo Civic Center

Hodgetown Stadium  
(Minor League Baseball)

## LEGEND

The Barfield

Hotel

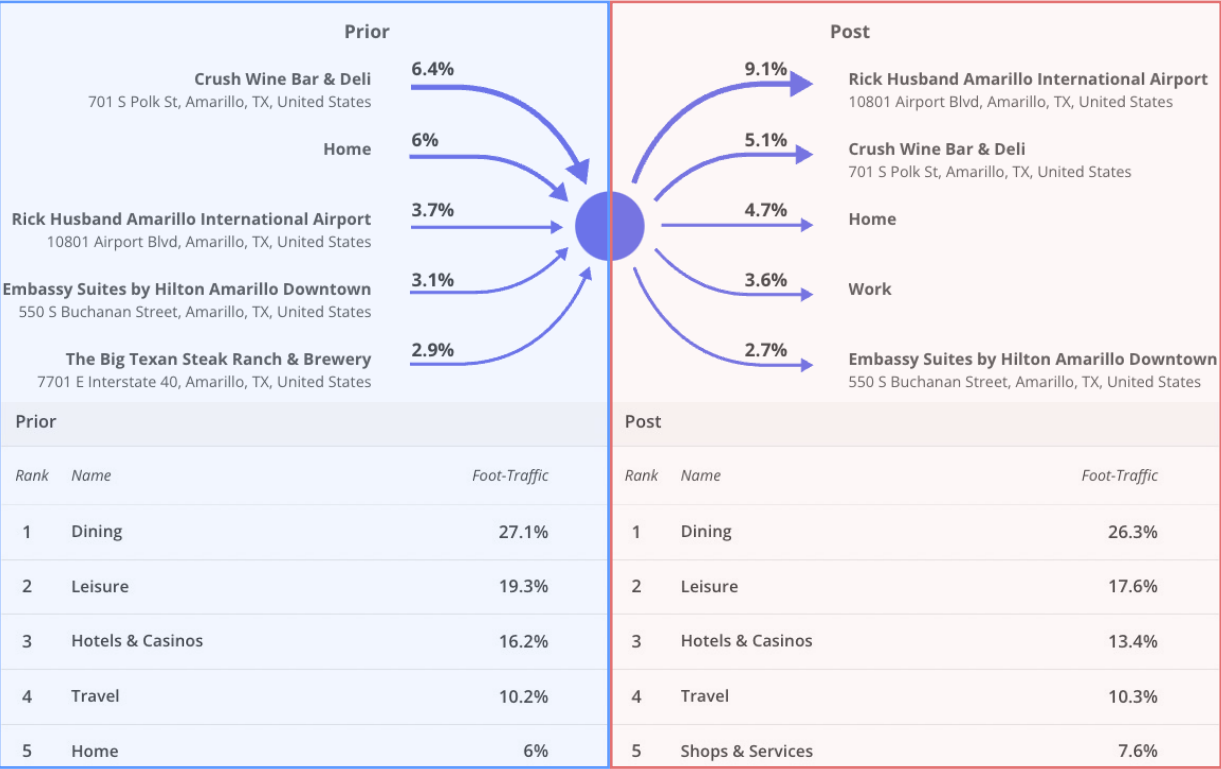
Tourism Driver



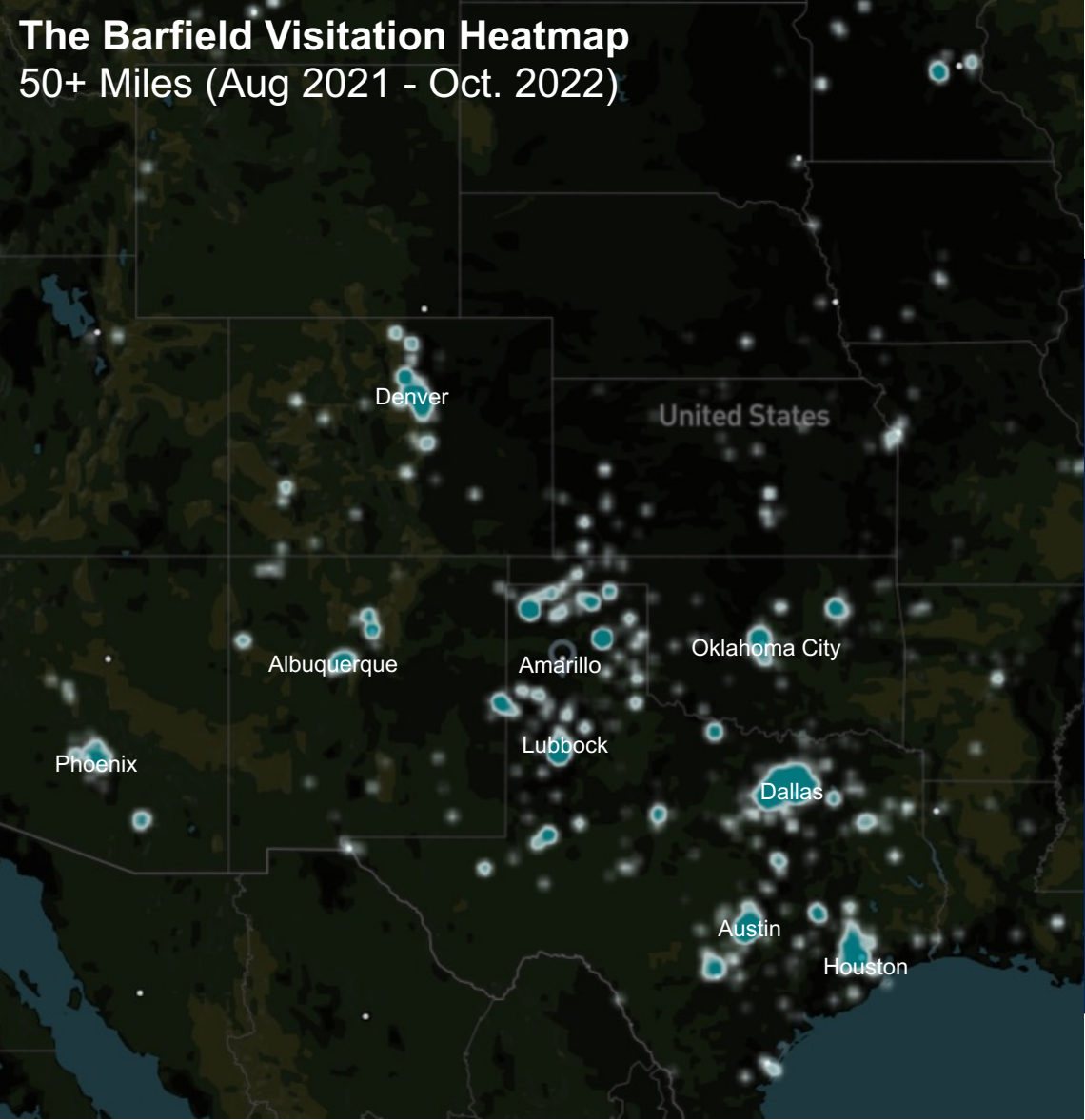
# The Barfield Visitation (50+ Miles)

The Barfield pulls from the largest markets within Texas and the top MSAs in Arizona, Colorado, New Mexico and Oklahoma.

Over 25 percent of guests visit dining establishments before and after visiting the hotel.



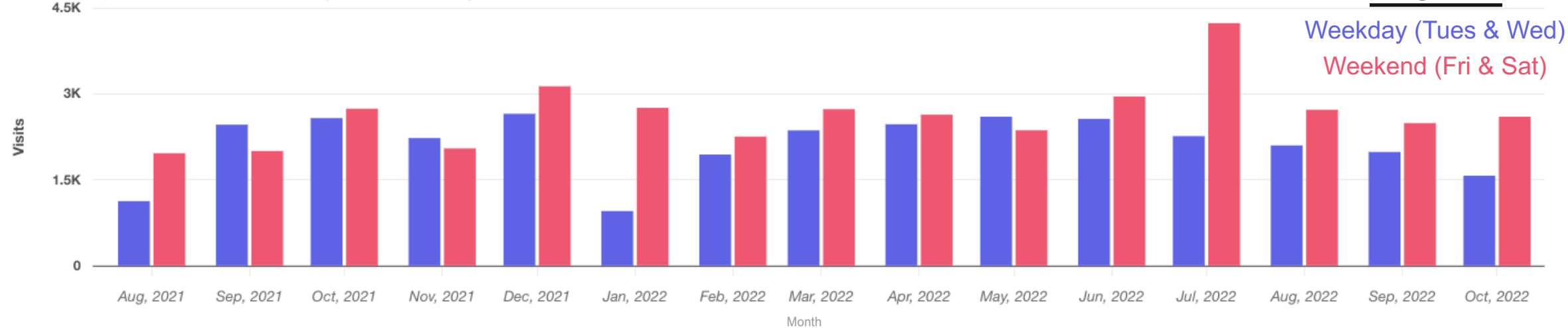
The Barfield Visitation Heatmap 50+ Miles (Aug 2021 - Oct. 2022)



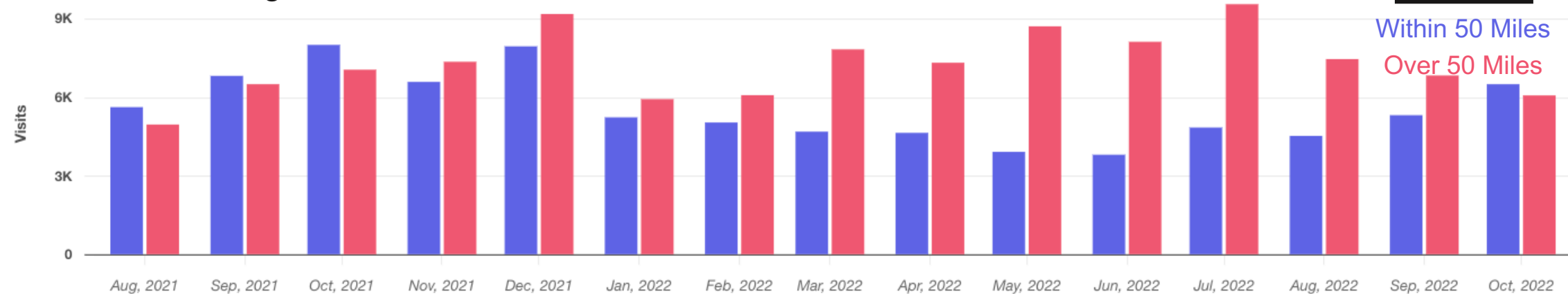


# The Barfield Visitation

Weekday vs. Weekend (50+ Miles)



Visitors: Local vs Long-Distance



# Interview: The Barfield, Autograph Collection

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HSP interviewed ownership of The Barfield. A summary of the conversation is outlined below.

The idea behind The Barfield hotel was to bring a new full-service offering to downtown Amarillo. After identifying this opportunity in the market, the hotel was built to cater to executives, business professionals and travelers in the Amarillo market. Similar to Henderson, the bread and butter of the Amarillo market is the business traveler, but leisure guests are abundant as well. These leisure guests come to Amarillo for the Palo Duro Canyon State Park (second largest canyon in the US) or are simply drive-through customers along Interstate 40 or 27. The Barfield targets customers looking for an experience rather than just a one-night stay.

The hotel is branded through Marriott, which has helped garner overnight room blocks, events and brand guests. The franchise fee is three percent of revenue from room nights only. Branding is one of the many reasons the hotel has an occupancy level of 85 percent, with the property stabilizing in less than one month. As of December 2022, the operating margin of the hotel hovers around 45 percent on rooms and 27 percent on food operations.





**Hotel Covington**

Covington, Kentucky

# Hotel Covington

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Location: Covington, KY

Opening Date: 2016

Rooms: 114

Class: Luxury

Operator: vR Hospitality MG

Total Building Area: 74,100 SF (3,926 SF of Meeting Space)

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In 1908 this facility was first built as the Coppin's Department Store building. The historical site was re-developed for \$22 million and in 2016 the Hotel Covington opened with 114 rooms. Developers noted this was an ideal location due to its proximity to the Madison Events Center which hosts hundreds of events each year. Covington has a current population of approximately 40,000 people.

The hotel features Coppin's Restaurant, a coffee bar, a fitness center, approximately 4,000 of indoor meeting and event spaces, as well as an outdoor lawn.

The hotel is currently expanding the hotel by repurposing the Covington YMCA building to include an additional 53 luxury suites and a ballroom that can host over 500 guests, at a cost of \$26 million. This development utilized KTDA incentives to help finance the project. Additionally, the Hotel Covington has added an extended stay component, marketing itself to longer term visitors within the market.





# Hotel Covington

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## An Inside Look





# Hotel Covington

Duke Energy  
Convention Center

## DOWNTOWN CINCINNATI

Great American  
Ball Park

Newport  
Aquarium

Paycor Stadium

Northern Kentucky  
Convention Center

Hotel Covington

Lodging Summary - Hotel Covington (Within 5 Miles)

Chainscale	Rooms	% of Total Rooms	Hotels	Rooms per Hotel	Average Opening Year	Average Age (Years)
Luxury	156	2%	1	156	Nov-12	10.0
Upper Upscale	3,133	45%	12	261	May-96	26.5
Upscale	1,336	19%	9	148	Mar-09	13.6
Upper Midscale	1,552	22%	14	111	Dec-08	13.9
Midscale	287	4%	2	144	Dec-94	28.0
Economy	344	5%	4	86	Oct-79	43.0
Independent	224	3%	4	56	Feb-90	32.7
<b>Total/Average</b>	<b>7,032</b>	<b>100%</b>	<b>46</b>	<b>137</b>	<b>Nov-98</b>	<b>24.0</b>

Source: Smith Travel Research



# Hotel Covington



Hotel Covington

The Madison  
Event Center

Madison  
Theater

Braxton Brewing  
Company

Various  
Restaurants

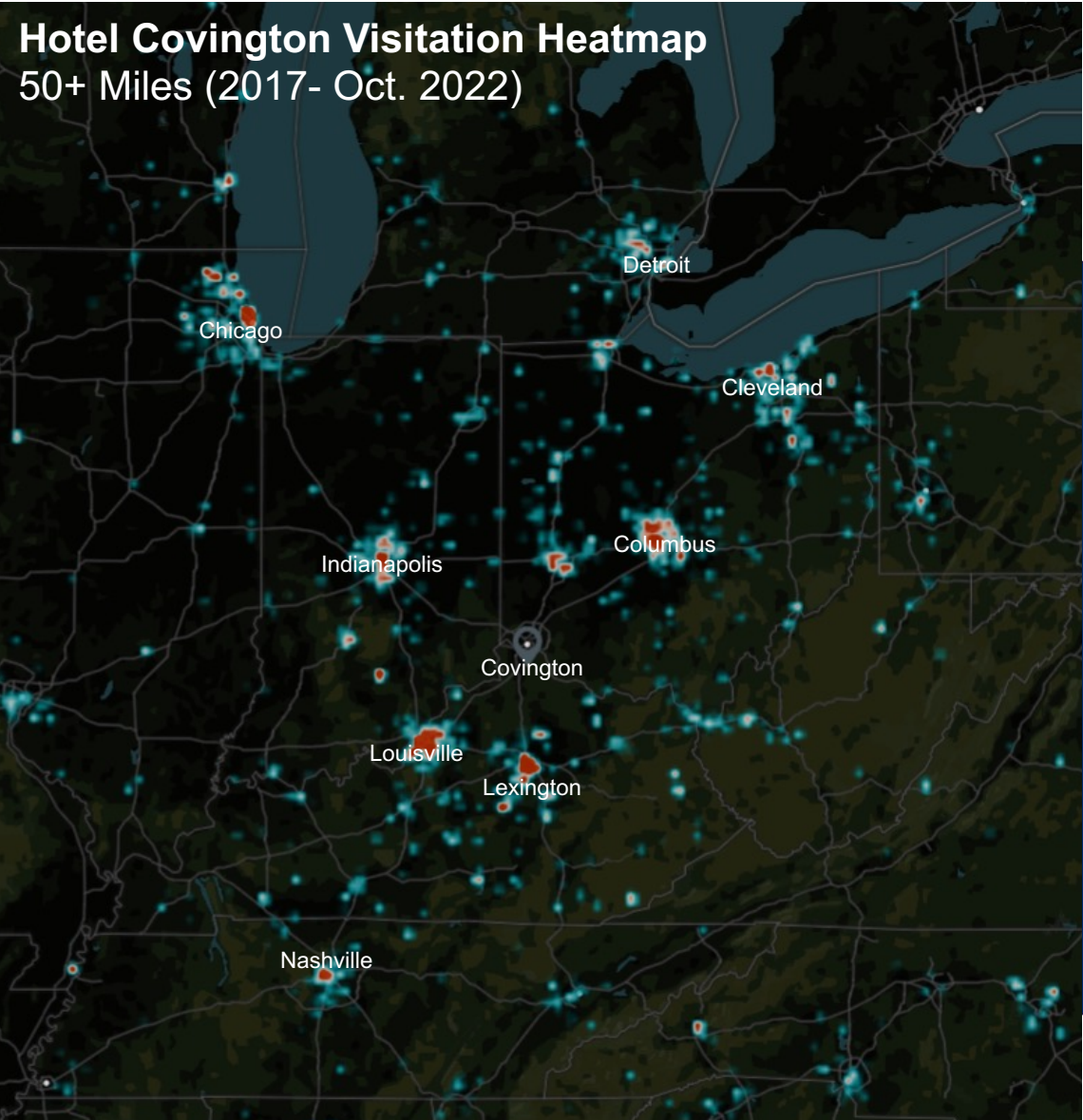
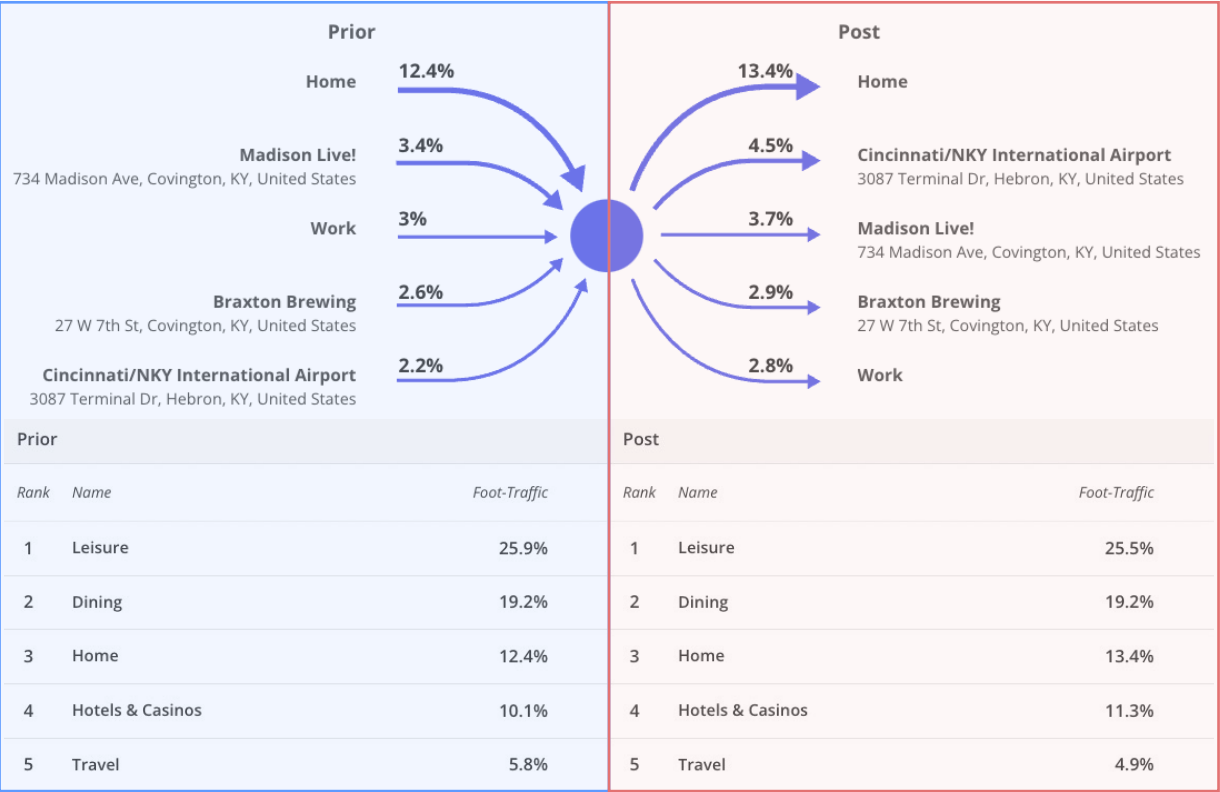
Various  
Restaurants



# Hotel Covington Visitation (50+ Miles)

The Hotel Covington pulls from the major markets of Chicago, Indianapolis, Columbus, Louisville and Lexington.

Madison Live!, Braxton Brewing and the airport are the top prior and post locations of visitors to the Hotel Covington

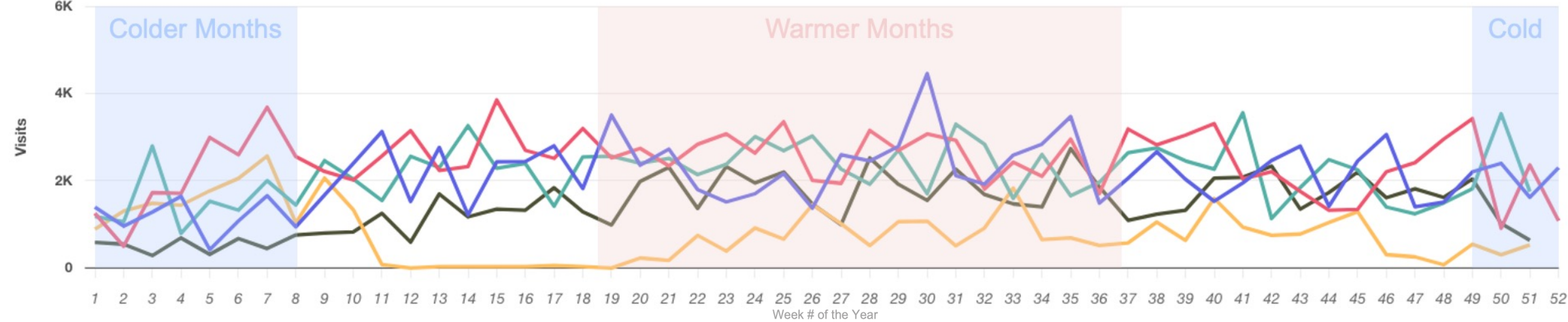




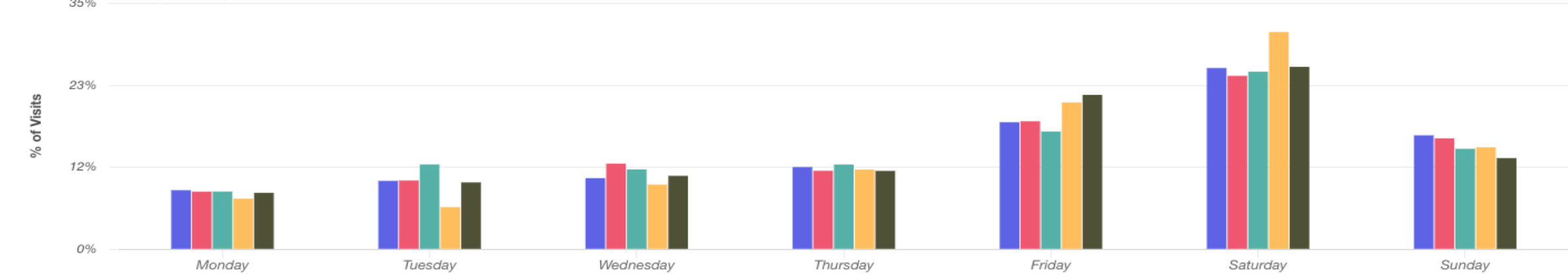
# Hotel Covington Visitation (50+ Miles)



Timeliness of Visitation



Visitation by Day of Week





# **The Charmant Hotel**

## La Crosse, Wisconsin



# The Charmant Hotel

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Location: La Crosse, WI

Opening Date: 2015

Rooms: 67

Class: Upscale

Management Company: Private

Total Building Area: 43,980 SF (951 SF of Meeting Space)

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The Charmant Hotel opened in 2015 after an extensive \$29 million renovation of the historic 1898 Funke Candy Company factory. This hotel was the first of its kind in the city of La Crosse, with the goal of filling a void in the local hospitality market with a city population of approximately 52,000.

The hotel features a set of uniquely designed guest rooms starting at under \$200 per night, multiple dining options, a rooftop terrace, and meeting spaces. The hotel is located near area seasonal festivals and recreational activities, and is within walking distance to the Mississippi River, convention center, arts venues, restaurants, and breweries.





# The Charmant Hotel

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# An Inside Look





# The Charmant Hotel



## LEGEND

The Charmant

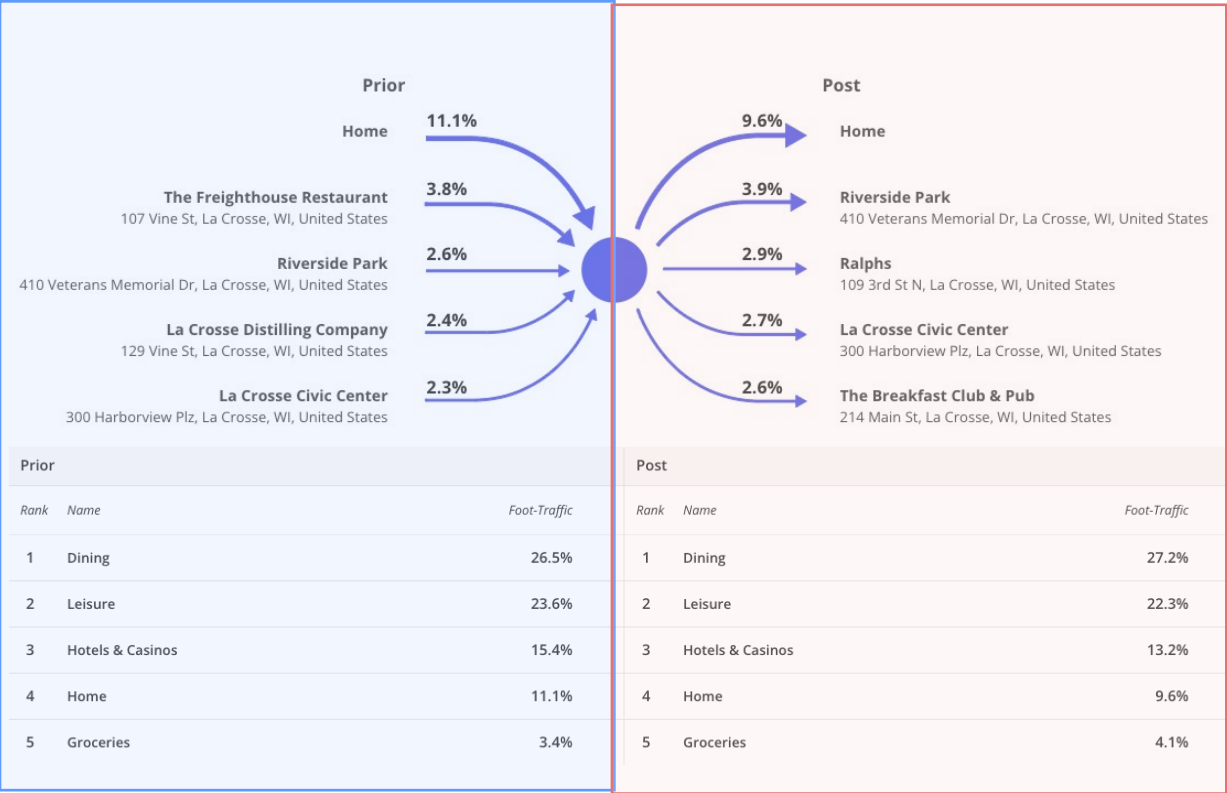
Hotel

Meeting/Event Venue

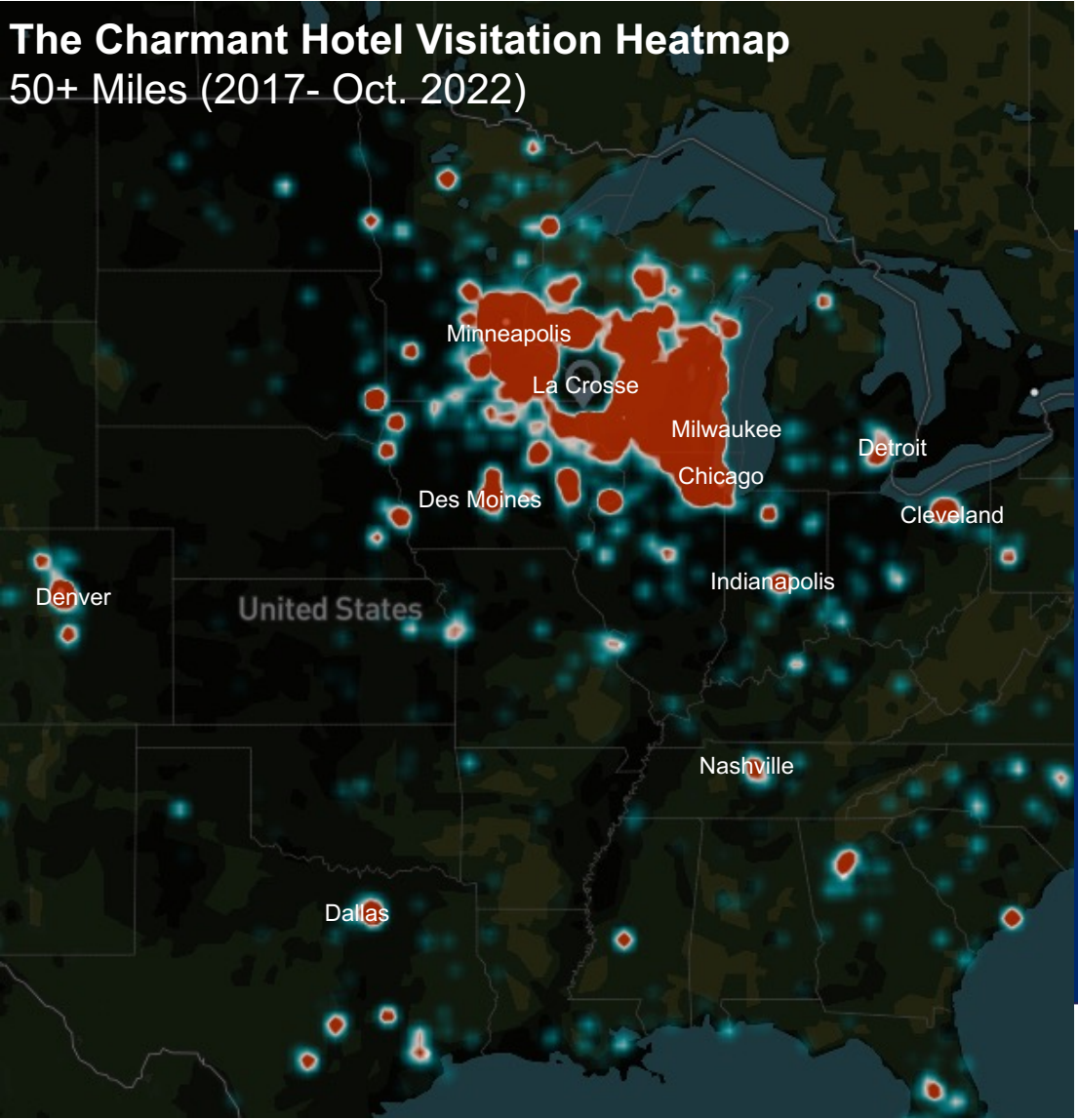


# The Charmant Hotel Visitation (50+ Miles)

Visitation to The Charmant Hotel is primarily driven from guests coming from within the state of Wisconsin, but also draws visitation from other major national cities. Dining establishments and leisure / tourism assets along the Mississippi River are primary destinations prior and post visitation to The Charmant Hotel.



The Charmant Hotel Visitation Heatmap  
50+ Miles (2017- Oct. 2022)

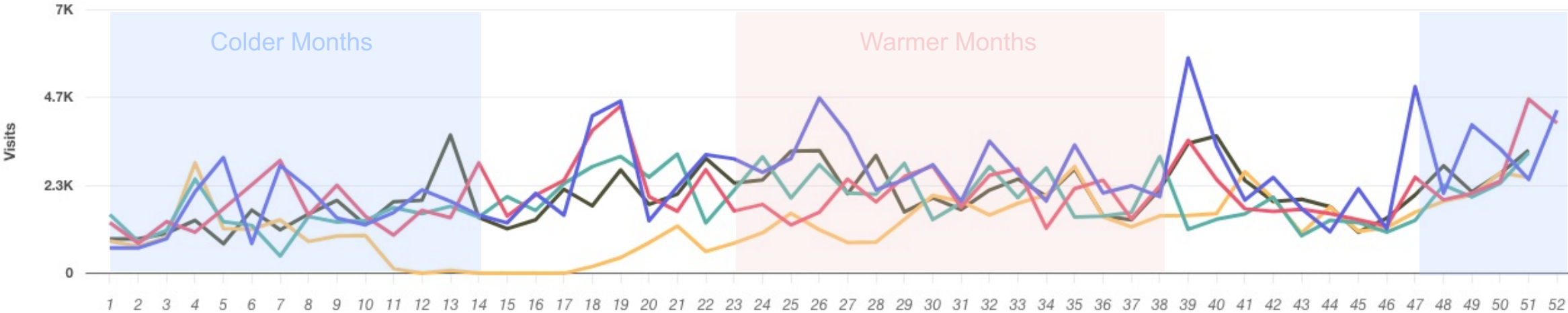




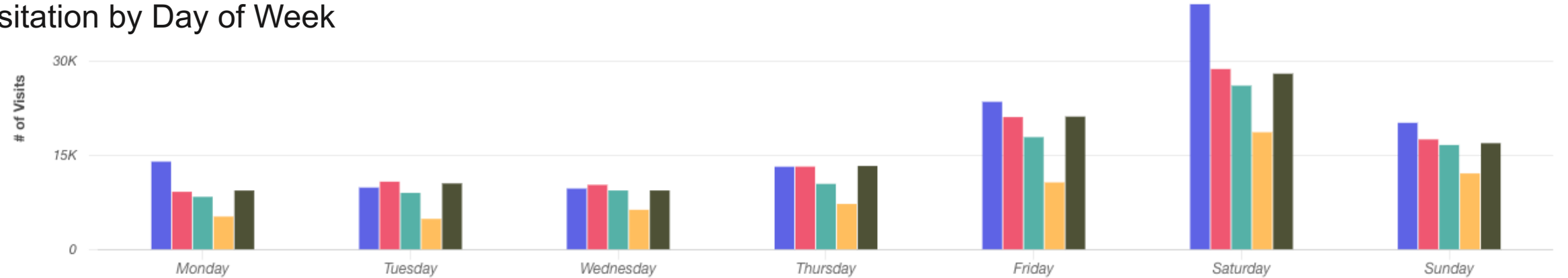
# The Charmant Hotel Visitation (50+ Miles)



Timeliness of Visitation



Visitation by Day of Week





**The Alluvian**

Greenwood, Mississippi



# The Alluvian Hotel

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Location: Greenwood, MS

Opening Date: 2003

Rooms: 50

Class: Luxury

Ownership: Viking Hospitality Group

Total Building Area: 52,320 SF (5,653 SF of Meeting Space)

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The Alluvian Hotel was recreated from the 1917 Hotel Irving, which closed in the 1980s. The Alluvian Hotel is ranked #1 out of eight hotels in the Greenwood market, with nightly rates starting at \$350. It is advertised as a one-of-a-kind experience in the Mississippi Delta. Greenwood has a current population of approximately 14,000 people.

The hotel features 45 guest rooms and five loft suites, and includes Giardina's Restaurant, the Viking Cooking School, and 7,000 SF Alluvian Spa, as well as a yoga studio, over 5,500 SF of meeting and event space, and a connected courtyard and terrace.





# The Alluvian Hotel

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# An Inside Look



Alluvian Spa



Viking Cooking School

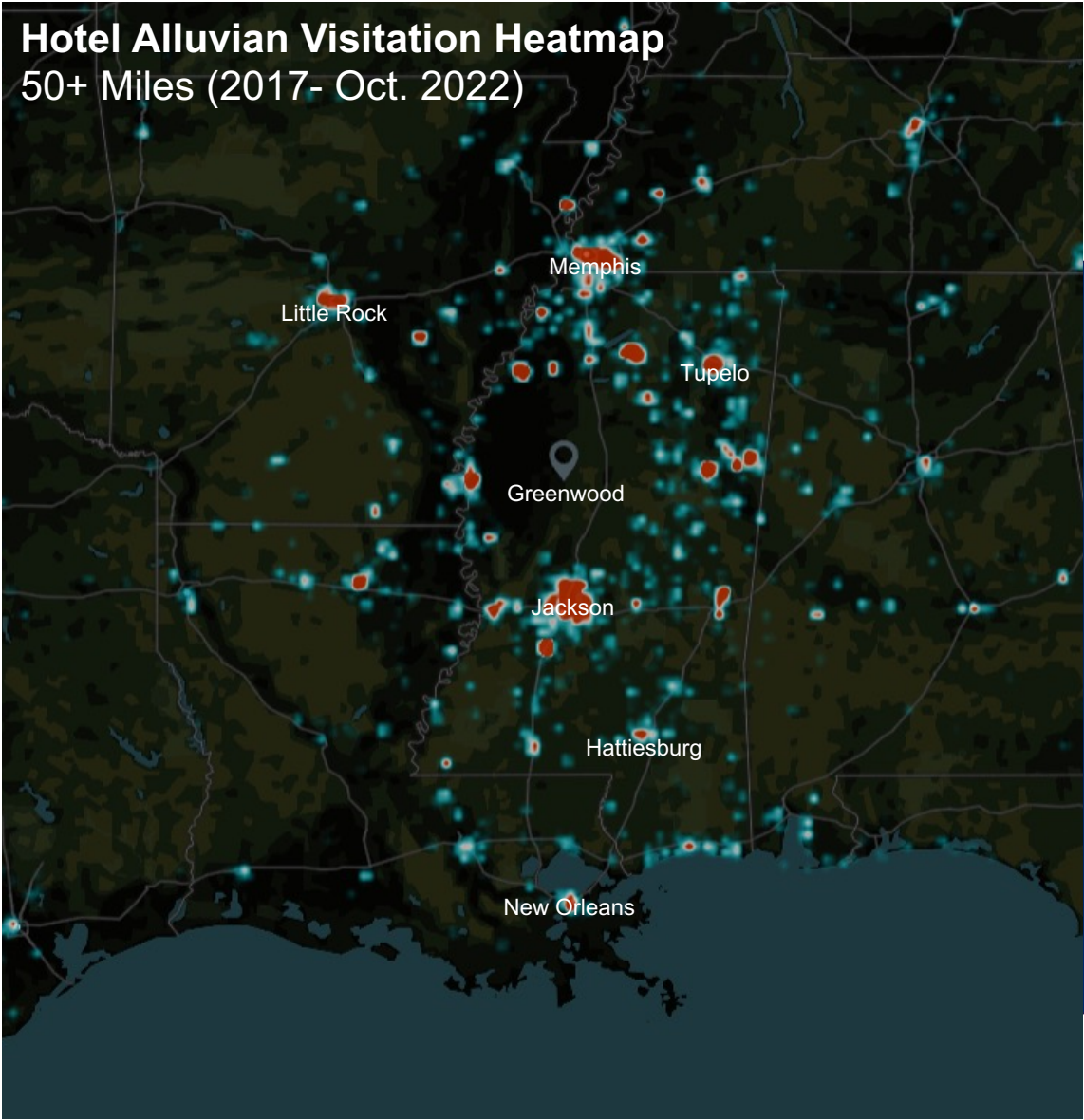
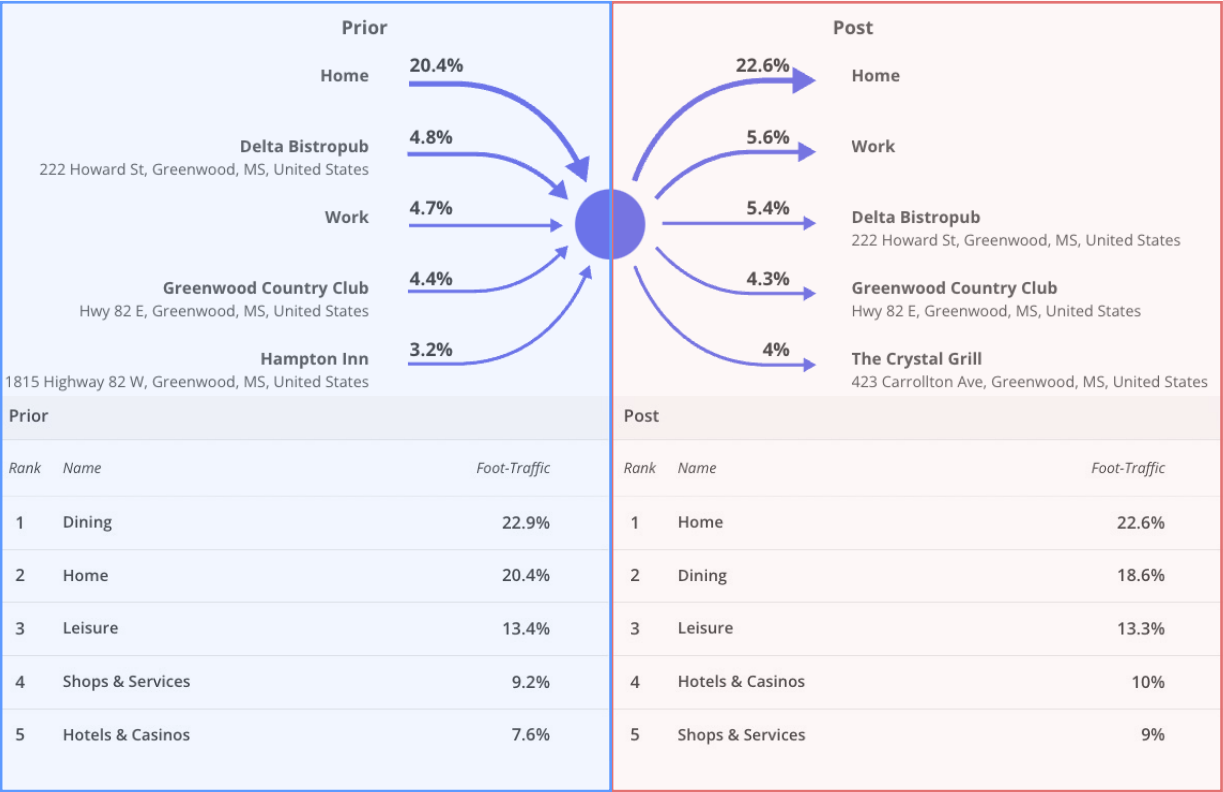




# The Alluvian Hotel Visitation (50+ Miles)

The Hotel Alluvian pulls from the markets of Memphis, Jackson, New Orleans, and Little Rock.

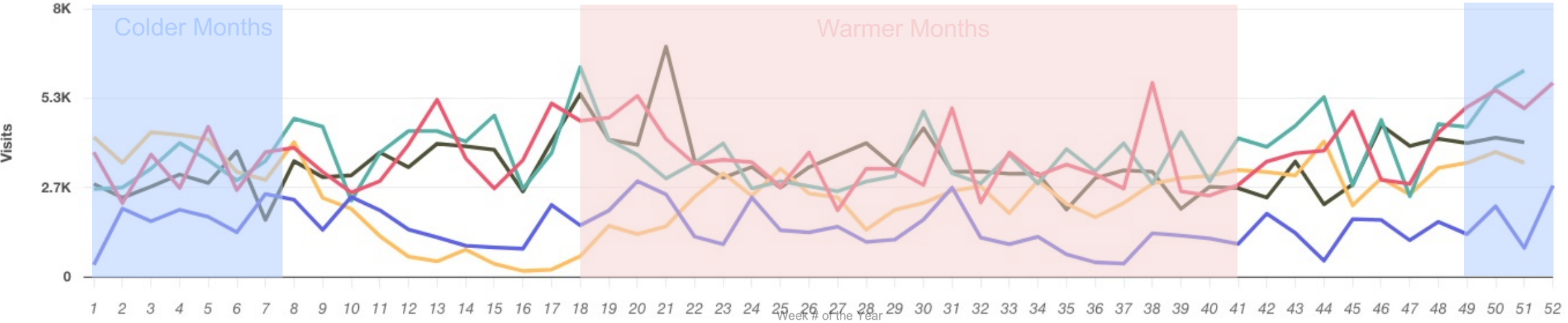
Prior to guests visiting the hotel, nearly 23 percent of guests visit dining establishments, while 18 percent visit dining establishments after the hotel.



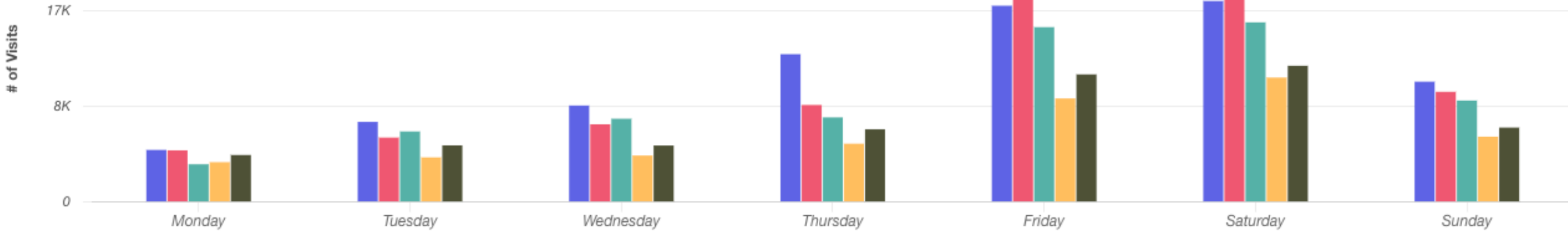
# The Alluvian Hotel Visitation (50+ Miles)



Timeliness of Visitation



Visitation by Day of Week







# The George Montclair, New Jersey

# The George

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Location: Montclair, NJ

Opening Date: 2018

Rooms: 31

Class: Luxury

Management Company: Private

Total Building Area: 10,740 SF

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Originally built in 1902 as a private home, the property was later converted into the Georgian Inn in the 1940s. The building was granted landmark status in 2008, and later purchased before a full renovation prior to reopening in the Spring of 2018.

The hotel is located in Montclair, New Jersey, which has a current population of approximately 40,000. The hotel features 32 guest rooms and suites and offers complimentary grab and go breakfast, a gym, and a nightly wine reception in a library lounge area. The hotel also includes larger suites and family-style apartments and has a large outdoor area that is used for weddings and private events. Opening room rates ranged from \$199 to \$419 but have since increased to \$300 to \$500+ per night.

The hotel is located a block from a significant amount of cafes, restaurants, and bars as well as the Montclair Art Museum.

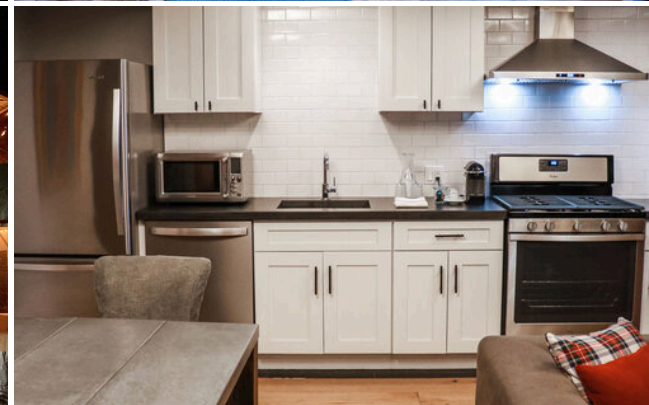




# The George

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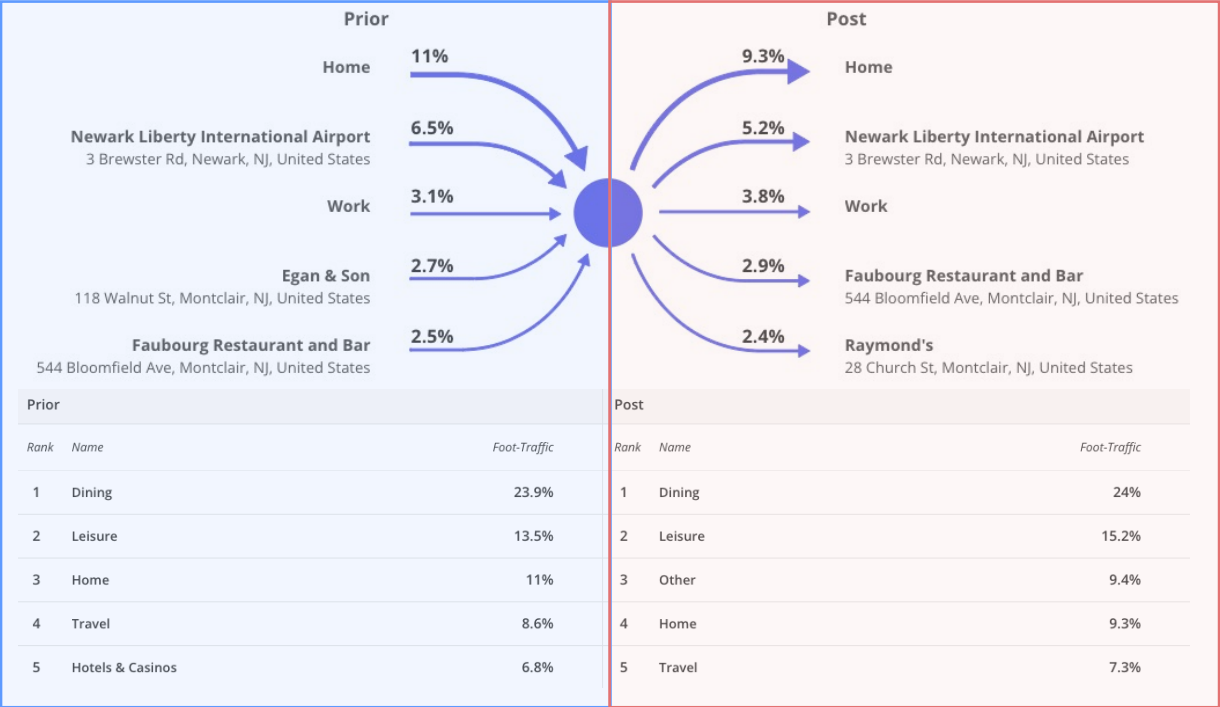
## An Inside Look



# The George Visitation (50+ Miles)

The George brings in visitation from the Northeastern United States as well as other major hubs such as Atlanta, Charlotte, and the Miami / Ft. Lauderdale area.

Dining and leisure are the highest destination categories prior and post visitation to The George.

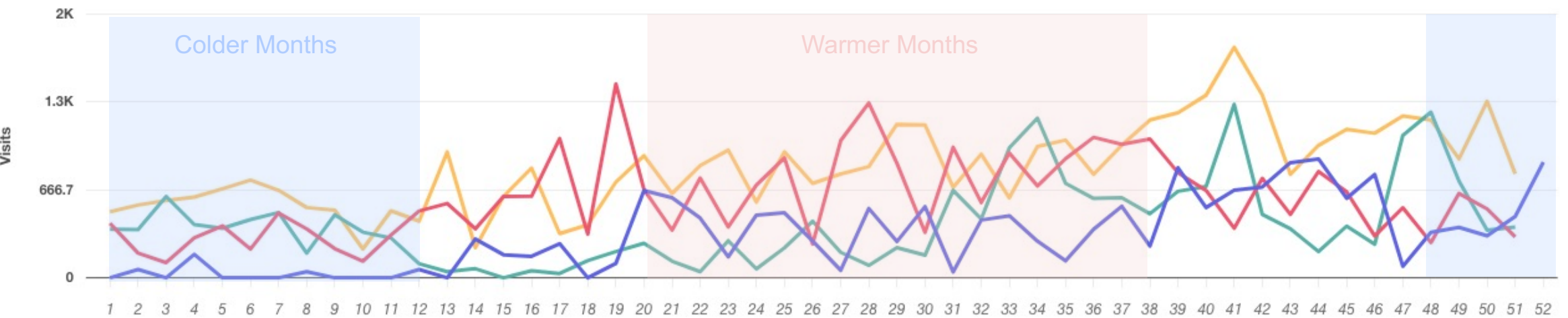




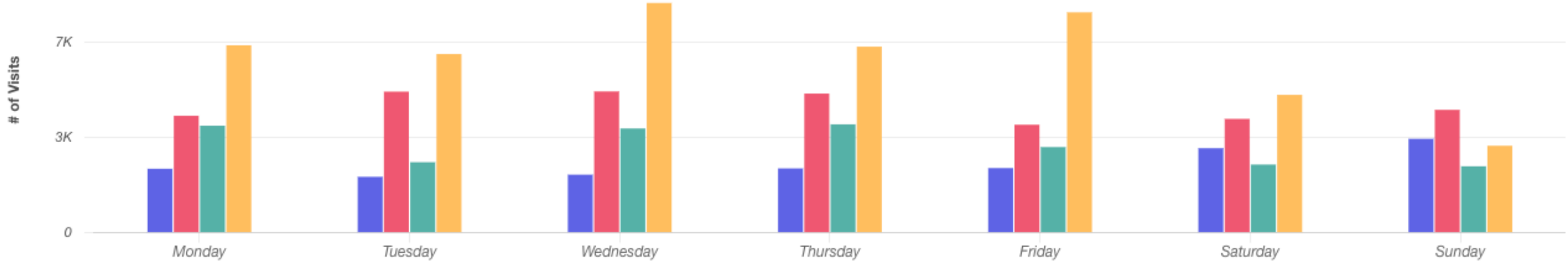
# The George Visitation (All distances)



Timeliness of Visitation



Visitation by Day of Week





# Implications

- Historic buildings provide an opportunity for revitalization that can elevate these facilities into unique hotel concepts with a design and feel that represents the local area and heritage.
- Even in smaller cities and towns, boutique hotel concepts have proven to be successful, charging higher than market rates due to increased appeal.
- Hotels that offering on-site amenities such as spas, meeting and event space, outdoor elements, and high-quality restaurant products add to the appeal of these properties.
- These hotel concepts are most successful when surrounded by other area amenities such as diverse dining experiences, entertainment, and tourism attractions.



The background image is a composite of two photographs. The left side shows a water park area with several people, including children, playing in water fountains. A large, rusted steel truss bridge spans a body of water in the background. The right side shows a woman in a blue shirt and light-colored pants standing in a water fountain, with a child nearby. The bridge and water are also visible in this section. The sky is blue with scattered white clouds.

# 06

## Demand and Financial Projections

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# Projections Overview

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The following section provides projections for a 50-room boutique hotel that would be located in downtown Henderson.

First HSP will cover market segmentation, followed by estimates on how the Project would penetrate the Henderson market. Following a penetration analysis, HSP provides an investment analysis showing a proforma, supportable financing and a discounted cash flow valuation analysis.

As an alternative option to a 50-room hotel, HSP also included projections for a 35-room hotel option.

For the sake of this analysis, HSP assumed the hotel would open in 2025.





# **50-Room Boutique Hotel**

## Market Penetration

# Competitive Set Growth

Based on interviews with local stakeholders and HSP’s understanding of the market and future developments, demand segment growth was estimated through 2027. The Henderson hospitality market is largely driven by business travelers, with approximately 70 percent of guests falling in the corporate transient segment. Leisure is the second largest group in the market accounting for 24 percent of total room nights. Group business is expected to grow to the greatest degree following The Vault’s opening, increasing 44 percent in the first year of operations.

Estimated Competitive Set Demand Growth by Segment												
Year	Corporate Transient	% Change	Group	% Change	Leisure	% Change	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2022	40,523	5.0%	3,309	1.0%	14,029	5.0%	57,860	4.8%	137,415	0.0%	376	42.1%
2023	42,143	4.0%	3,970	20.0%	14,590	4.0%	60,704	4.9%	137,415	0.0%	376	44.2%
2024	43,408	3.0%	4,248	7.0%	15,028	3.0%	62,684	3.3%	137,415	0.0%	376	45.6%
2025	49,051	13.0%	6,117	44.0%	17,884	19.0%	73,052	16.5%	155,665	13.3%	426	46.9%
2026	52,484	7.0%	7,647	25.0%	19,314	8.0%	79,445	8.8%	155,665	0.0%	426	51.0%
2027	54,584	4.0%	8,641	13.0%	20,280	5.0%	83,505	5.1%	155,665	0.0%	426	53.6%
2028	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2029	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2030	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2031	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2032	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2033	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%
2034	54,584	0.0%	8,641	0.0%	20,280	0.0%	83,505	0.0%	155,665	0.0%	426	53.6%

Source: Hunden Strategic Partners

Estimated Competitive Set Segmentation	
Corporate Transient	70%
Group	6%
Leisure	24%
Total	100%

Source: Hunden Strategic Partners



# Market Penetration & Business Segmentation

HSP estimated how the hotel would perform comparatively to the Henderson hotel market. By offering a new level of quality and local amenities, the Project is expected to recapture lost room nights and attract new visitors. For this reason, at stabilization, the hotel is expected to achieve an occupancy rate 12 points greater than the current Henderson market.

Estimated Market Penetration for 50-Room Hotel						
Year	Corporate Transient	Group	Leisure	Total Penetration	Projected Set Occupancy	Subject Occupancy
2025	90%	150%	100%	97%	47%	46%
2026	100%	160%	115%	109%	51%	56%
2027	110%	170%	135%	122%	54%	66%
2028	110%	170%	135%	122%	54%	66%
2029	110%	170%	135%	122%	54%	66%
2030	110%	170%	135%	122%	54%	66%
2031	110%	170%	135%	122%	54%	66%
2032	110%	170%	135%	122%	54%	66%
2033	110%	170%	135%	122%	54%	66%
2034	110%	170%	135%	122%	54%	66%

Source: Hunden Strategic Partners

Projected Hotel Stabilized Demand Mix vs. Comp Set		
Segment	Hotel at Stabilization	Competitive Set
Corporate	59%	65%
Group	14%	10%
Leisure	27%	24%
Total	100.0%	100%

Stabilization year: 2027

Source: Hunden Strategic Partners

# Projected Demand & Occupancy

The hotel is expected to stabilize operations by Year 3, achieving a 65.6 percent occupancy rate. Contributing to this occupancy rate, 59 percent of visitors are expected to be corporate guests, 14 percent group visitors and 27 percent leisure guests.

Projected Demand for Proposed 50-Room Hotel												
Year	Corporate Transient	% Demand	Group	% Demand	Leisure	% Demand	Total Demand	% Change	Total Supply	% Change	Total Rooms	Occupancy
2025	5,176	62.0%	1,076	12.9%	2,097	25.1%	8,348	–	18,250	–	50	45.7%
2026	6,153	60.4%	1,434	14.1%	2,604	25.6%	10,192	22.1%	18,250	0.0%	50	55.8%
2027	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	17.5%	18,250	0.0%	50	65.6%
2028	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2029	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2030	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2031	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2032	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2033	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%
2034	7,039	58.8%	1,722	14.4%	3,210	26.8%	11,971	0.0%	18,250	0.0%	50	65.6%

Source: Hunden Strategic Partners



# Average Daily Rate

The Project would be the newest and highest quality offering in the Henderson market. Because of this, HSP estimates it will be able to demand rates nearly double of the current market.

Average Daily Room Rate Projections Henderson Boutique Hotel (50 Rooms)					
Year	Comp. Set ADR	Annual Increase	Hotel Rate Penetration	Projected Hotel Rate	Annual Increase
2019	\$86	–	–	–	–
2020	\$79	-8.4%	–	–	–
2021	\$90	14.2%	–	–	–
2022	\$97	8.0%	–	–	–
2023	\$103	6.0%	–	–	–
2024	\$105	2.0%	–	–	–
2025	\$107	2.0%	193%	\$207	–
2026	\$111	3.0%	192%	\$212	2.5%
2027	\$114	3.0%	191%	\$218	2.6%
2028	\$117	3.0%	191%	\$224	3.0%
2029	\$121	3.0%	191%	\$231	3.0%
2030	\$125	3.0%	191%	\$238	3.0%
2031	\$128	3.0%	191%	\$245	3.0%
2032	\$132	3.0%	191%	\$252	3.0%
2033	\$136	3.0%	191%	\$260	3.0%
2034	\$140	3.0%	191%	\$268	3.0%

Source: Hunden Strategic Partners



# **50-Room Boutique Hotel** Investment Analysis



# Proforma

The 50-room boutique hotel is expected to generate \$592,000 in net operating income in Year 1, at a 27 percent operating margin.

By Year 5, the hotel is projected to operate at a 30 percent operating margin, generating \$1 million in net operating income.

Projection of Revenue - Henderson Hotel (50 Rooms)														
	Year 1				Year 2	Year 3	Year 4	Year 5		Year 6	Year 7	Year 8	Year 9	Year 10
Room Count	50				50	50	50	50		50	50	50	50	50
Available Room Nights	18,250				18,250	18,250	18,250	18,250		18,250	18,250	18,250	18,250	18,250
Occupancy Rates	45.7%				55.8%	65.6%	65.6%	65.6%		65.6%	65.6%	65.6%	65.6%	65.6%
Occupied Room Nights	8,348				10,192	11,971	11,971	11,971		11,971	11,971	11,971	11,971	11,971
Average Daily Rate	\$ 206.98				\$ 212.16	\$ 217.68	\$ 224.21	\$ 230.93		\$ 237.86	\$ 245.00	\$ 252.35	\$ 259.92	\$ 267.71
RevPAR	\$ 94.68				\$ 118.48	\$ 142.79	\$ 147.07	\$ 151.48		\$ 156.03	\$ 160.71	\$ 165.53	\$ 170.49	\$ 175.61
RevPAR % Ch. From Prior Year	—				25.1%	20.5%	3.0%	3.0%		3.0%	3.0%	3.0%	3.0%	3.0%
(In \$000s)	\$	%	PAR	POR	\$	\$	\$	\$	%	\$	\$	\$	\$	\$
REVENUE														
Rooms	\$ 1,728	79.0%	\$ 34,557	\$ 207	\$ 2,162	\$ 2,606	\$ 2,684	\$ 2,765	78.9%	\$ 2,847	\$ 2,933	\$ 3,021	\$ 3,112	\$ 3,205
Restaurant	\$ 417	19.1%	\$ 8,348	\$ 50	\$ 525	\$ 635	\$ 654	\$ 674	19.2%	\$ 694	\$ 715	\$ 736	\$ 758	\$ 781
Parking	\$ 42	1.9%	\$ 835	\$ 5	\$ 52	\$ 64	\$ 65	\$ 67	1.9%	\$ 69	\$ 71	\$ 74	\$ 76	\$ 78
Total Revenue	\$ 2,187	100.0%	\$ 43,740	\$ 262	\$ 2,740	\$ 3,304	\$ 3,403	\$ 3,506	100.0%	\$ 3,611	\$ 3,719	\$ 3,831	\$ 3,946	\$ 4,064
DEPARTMENTAL EXPENSES														
Rooms	\$ 518	30.0%	\$ 10,367	\$ 62	\$ 638	\$ 756	\$ 765	\$ 774	28.0%	\$ 797	\$ 821	\$ 846	\$ 871	\$ 897
Restaurant	\$ 309	74.0%	\$ 6,178	\$ 37	\$ 386	\$ 464	\$ 474	\$ 485	72.0%	\$ 500	\$ 515	\$ 530	\$ 546	\$ 562
Total Dept. Expenses	\$ 836	38.2%	\$ 16,728	\$ 100	\$ 1,035	\$ 1,233	\$ 1,253	\$ 1,273	36.3%	\$ 1,309	\$ 1,347	\$ 1,386	\$ 1,426	\$ 1,467
Gross Operating Income	\$ 1,351	61.8%	\$ 27,012	\$ 162	\$ 1,705	\$ 2,072	\$ 2,151	\$ 2,233	63.7%	\$ 2,301	\$ 2,372	\$ 2,444	\$ 2,519	\$ 2,596
UNDIST. OP. EXPENSES														
Administrative and General	\$ 179	8.2%	\$ 3,587	\$ 21	\$ 221	\$ 261	\$ 264	\$ 266	7.6%	\$ 274	\$ 283	\$ 291	\$ 300	\$ 309
Marketing	\$ 155	7.1%	\$ 3,106	\$ 19	\$ 190	\$ 225	\$ 226	\$ 228	6.5%	\$ 235	\$ 242	\$ 249	\$ 256	\$ 264
Utility Costs	\$ 94	4.3%	\$ 1,881	\$ 11	\$ 115	\$ 135	\$ 136	\$ 137	3.9%	\$ 141	\$ 145	\$ 149	\$ 154	\$ 158
Property Operations and Maint.	\$ 101	4.6%	\$ 2,012	\$ 12	\$ 123	\$ 145	\$ 146	\$ 147	4.2%	\$ 152	\$ 156	\$ 161	\$ 166	\$ 171
Total Undistributed Expenses	\$ 529	24.2%	\$ 10,585	\$ 63	\$ 649	\$ 767	\$ 773	\$ 778	22.2%	\$ 802	\$ 826	\$ 850	\$ 876	\$ 902
Gross Operating Profit	\$ 821	37.6%	\$ 16,427	\$ 98	\$ 1,055	\$ 1,305	\$ 1,378	\$ 1,455	41.5%	\$ 1,500	\$ 1,546	\$ 1,594	\$ 1,643	\$ 1,694
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -
FIXED EXPENSES														
Property Taxes	\$ 28	1.3%	\$ 560	\$ 3	\$ 29	\$ 30	\$ 31	\$ 32	0.9%	\$ 32	\$ 33	\$ 34	\$ 35	\$ 37
Insurance	\$ 26	1.2%	\$ 525	\$ 3	\$ 32	\$ 36	\$ 36	\$ 35	1.0%	\$ 32	\$ 33	\$ 34	\$ 36	\$ 37
Management Fee	\$ 109	5.0%	\$ 2,187	\$ 13	\$ 137	\$ 165	\$ 170	\$ 175	5.0%	\$ 181	\$ 186	\$ 192	\$ 197	\$ 203
Reserve for Replacement	\$ 66	3.0%	\$ 1,312	\$ 8	\$ 96	\$ 132	\$ 153	\$ 175	5.0%	\$ 181	\$ 186	\$ 192	\$ 197	\$ 203
Total Fixed Expenses	\$ 229	10.5%	\$ 4,584	\$ 27	\$ 293	\$ 363	\$ 390	\$ 417	11.9%	\$ 426	\$ 439	\$ 452	\$ 466	\$ 480
Net Operating Income	\$ 592	27.1%	\$ 11,842	\$ 71	\$ 762	\$ 942	\$ 989	\$ 1,038	29.6%	\$ 1,074	\$ 1,107	\$ 1,142	\$ 1,178	\$ 1,215
Operating Margin	27%				28%	28%	29%	30%		30%	30%	30%	30%	30%
Source: Hunden Strategic Partners														

# Supportable Financing

HSP assumed an initial loan interest rate of 8.5 percent, amortized over 25 years.

To produce a debt service coverage ratio of 1.40 in year two and an average 10-year return on equity of 18 percent, the operations of the 50-room hotel support \$8.25 million in private debt and equity financing, equal to \$165,000 per room.

Supportable Financing   50-Room Boutique Hotel (\$000s)												
	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$592	\$762	\$942	\$989	\$1,038	\$1,074	\$1,107	\$1,142	\$1,178	\$1,215
Interest and Debt Reserve W/D	\$118	\$354	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$118	\$354	\$592	\$762	\$942	\$989	\$1,038	\$1,074	\$1,107	\$1,142	\$1,178	\$1,215
Debt Service Payment	(\$118)	(\$354)	(\$542)	(\$542)	(\$542)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)
Net Income to Repay Equity	\$0	\$0	\$50	\$220	\$399	\$480	\$529	\$565	\$598	\$633	\$669	\$706
Princ. Amount*	\$1,388	\$4,163	\$5,550	\$5,479	\$5,403	\$5,320	\$5,250	\$5,174	\$5,092	\$5,003	\$4,906	\$4,802
Interest	\$118	\$354	\$472	\$466	\$459	\$439	\$433	\$427	\$420	\$413	\$405	\$396
Less Payment	(\$118)	(\$354)	(\$542)	(\$542)	(\$542)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)	(\$509)
Loan Balance	\$1,388	\$4,163	\$5,479	\$5,403	\$5,320	\$5,250	\$5,174	\$5,092	\$5,003	\$4,906	\$4,802	\$4,689
Assumptions						Refi						
Loan Amount	\$5,550					\$5,320						
Amortization Period (Years)	25					25						
Loan Interest Rate	8.50%					8.25%						
Annual Debt Service Payment	(\$542)					(\$509)						
Sources												
Equity Contribution	\$2,700		33%									
Debt	\$5,550		67%									
Total Supportable Private Financing	\$8,250	100%	\$165,000 per room (actual)									
	10-Yr Avg											
Debt Service Coverage Ratio	1.94		1.09	1.41	1.74	1.94	2.04	2.11	2.18	2.24	2.31	2.39
Return on Equity	18.0%		1.8%	8.1%	14.8%	17.8%	19.6%	20.9%	22.2%	23.4%	24.8%	26.1%
Return on Cost	12.2%		7.2%	9.2%	11.4%	12.0%	12.6%	13.0%	13.4%	13.8%	14.3%	14.7%
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												



# Value Analysis - Discounted Cash Flow

HSP also conducted a discounted cash flow valuation analysis.

Assuming a cost of capital in line with the supportable financing, the present value of the 50-room hotel after 10 years of operations is \$154,300 per room or \$7.7 million.

Utilizing a 12-year (10 years post construction) terminal capitalization rate of 9.5 percent, the 50-room hotel option is expected to yield a 12-year leveraged return of 20 percent.

This return is only calculated off of the supportable financing amount of \$8.25 million. Additional development costs would likely require public subsidy, or if funded by private investment, would reduce overall projected returns on equity and leveraged returns.

Hotel Value Analysis (\$000s) - Henderson 50-Room Boutique Hotel													
Year	Construction		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	Constr. Yr1	Constr. Yr2											
Unleveraged Cash Flow	\$0	\$0	\$592	\$762	\$942	\$989	\$1,038	\$1,074	\$1,107	\$1,142	\$1,178	\$1,215	
Leveraged Cash Flow	\$0	\$0	\$50	\$220	\$399	\$480	\$529	\$565	\$598	\$633	\$669	\$706	
Discount Rate (WACC)			11.6%										
Present Value Summary		5 Year	10 Year	Year 5 Net CF				\$1,038	Year 10 Net CF				\$1,215
PV Residual		\$4,941	\$3,342	Terminal Cap Rate				9.5%	Terminal Cap Rate				9.5%
PV Income Stream		\$2,455	\$4,373	Year 5 Residual Value				\$10,922	Year 10 Residual Value				\$12,787
Present Value		\$7,396	\$7,716	(-) Closing Costs (2.5%)				\$273	(-) Closing Costs (2.5%)				\$320
Present Value Per Room (Actual \$)		\$147,922	\$154,318	Net Reversion Proceeds				\$10,649	Net Reversion Proceeds				\$12,467
Equity Contribution		\$ 2,700	33%										
Debt		\$ 5,550	67%										
Supportable Financing		\$ 8,250	100%										
7-Year Unleveraged Return*	14%	\$ (2,063)	\$ (6,188)	\$592	\$762	\$942	\$989	\$11,687					
7-Year Leveraged Return*	22%	\$ (675)	\$ (2,025)	\$50	\$220	\$399	\$480	\$6,004					
12-Year Unleveraged Return*	13%	\$ (2,063)	\$ (6,188)	\$592	\$762	\$942	\$989	\$1,038	\$1,074	\$1,107	\$1,142	\$1,178	\$13,682
12-Year Leveraged Return*	20%	\$ (675)	\$ (2,025)	\$50	\$220	\$399	\$480	\$529	\$565	\$598	\$633	\$669	\$8,484
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2													
Source: Hunden Strategic Partners													



# **35-Room Boutique Hotel**

## **Performance & Investment Analysis**



# Average Daily Rate & Occupancy

HSP expects a decreased supply of hotel rooms would allow the 35-room hotel option to charge a three percent rate premium compared to the 50-room hotel option. Additionally, it is projected a 35-room hotel would achieve an occupancy rate 1.5 points higher than a 50-room hotel.

Performance Projections Henderson Boutique Hotel (35 Rooms)				
Year	ADR	Occupancy	RevPAR	Ann. Growth
2025	\$212	47%	\$100	—
2026	\$218	57%	\$125	24.7%
2027	\$224	67%	\$150	20.1%
2028	\$231	67%	\$155	3.0%
2029	\$237	67%	\$159	3.0%
2030	\$245	67%	\$164	3.0%
2031	\$252	67%	\$169	3.0%
2032	\$259	67%	\$174	3.0%
2033	\$267	67%	\$179	3.0%
2034	\$275	67%	\$185	3.0%

Source: Hunden Strategic Partners

# Proforma

The 35-room boutique hotel is expected to generate \$351,000 in net operating income in Year 1 at a 22 percent operating margin.

By Year 5, the hotel is projected to operate at a 24 percent operating margin, generating \$623,000 in net operating income.

The 35-room hotel option is expected to operate with a lower profit margin, with personnel and fixed costs apportioned across a lower number of rooms.

Projection of Revenue - Henderson Hotel (35 Rooms)														
	Year 1				Year 2	Year 3	Year 4	Year 5		Year 6	Year 7	Year 8	Year 9	Year 10
Room Count	35				35	35	35	35		35	35	35	35	35
Available Room Nights	12,775				12,775	12,775	12,775	12,775		12,775	12,775	12,775	12,775	12,775
Occupancy Rates	47.2%				57.4%	67.1%	67.1%	67.1%		67.1%	67.1%	67.1%	67.1%	67.1%
Occupied Room Nights	6,031				7,329	8,575	8,575	8,575		8,575	8,575	8,575	8,575	8,575
Average Daily Rate	\$ 212.42				\$ 217.94	\$ 223.79	\$ 230.50	\$ 237.42		\$ 244.54	\$ 251.87	\$ 259.43	\$ 267.21	\$ 275.23
RevPAR	\$ 100.28				\$ 125.04	\$ 150.21	\$ 154.72	\$ 159.36		\$ 164.14	\$ 169.07	\$ 174.14	\$ 179.36	\$ 184.75
RevPAR % Ch. From Prior Year	—				24.7%	20.1%	3.0%	3.0%		3.0%	3.0%	3.0%	3.0%	3.0%
(In \$000s)	\$	%	PAR	POR	\$	\$	\$	\$	%	\$	\$	\$	\$	\$
REVENUE														
Rooms	\$ 1,281	79.4%	\$ 36,600	\$ 212	\$ 1,597	\$ 1,919	\$ 1,977	\$ 2,036	79.3%	\$ 2,097	\$ 2,160	\$ 2,225	\$ 2,291	\$ 2,360
Restaurant	\$ 302	18.7%	\$ 8,615	\$ 50	\$ 377	\$ 455	\$ 469	\$ 483	18.8%	\$ 497	\$ 512	\$ 527	\$ 543	\$ 559
Parking	\$ 30	1.9%	\$ 862	\$ 5	\$ 38	\$ 45	\$ 47	\$ 48	1.9%	\$ 50	\$ 51	\$ 53	\$ 54	\$ 56
Total Revenue	\$ 1,613	100.0%	\$ 46,077	\$ 267	\$ 2,013	\$ 2,419	\$ 2,492	\$ 2,567	100.0%	\$ 2,644	\$ 2,723	\$ 2,805	\$ 2,889	\$ 2,975
DEPARTMENTAL EXPENSES														
Rooms	\$ 410	32.0%	\$ 11,712	\$ 68	\$ 503	\$ 595	\$ 603	\$ 611	30.0%	\$ 629	\$ 648	\$ 667	\$ 687	\$ 708
Restaurant	\$ 232	77.0%	\$ 6,634	\$ 39	\$ 289	\$ 346	\$ 354	\$ 362	75.0%	\$ 373	\$ 384	\$ 395	\$ 407	\$ 420
Total Dept. Expenses	\$ 649	40.2%	\$ 18,535	\$ 108	\$ 800	\$ 950	\$ 966	\$ 982	38.3%	\$ 1,011	\$ 1,040	\$ 1,070	\$ 1,101	\$ 1,133
Gross Operating Income	\$ 964	59.8%	\$ 27,542	\$ 160	\$ 1,213	\$ 1,469	\$ 1,526	\$ 1,584	61.7%	\$ 1,633	\$ 1,683	\$ 1,734	\$ 1,788	\$ 1,842
UNDIST. OP. EXPENSES														
Administrative and General	\$ 155	9.6%	\$ 4,423	\$ 26	\$ 190	\$ 225	\$ 228	\$ 231	9.0%	\$ 238	\$ 245	\$ 252	\$ 260	\$ 268
Marketing	\$ 115	7.1%	\$ 3,271	\$ 19	\$ 140	\$ 165	\$ 166	\$ 167	6.5%	\$ 172	\$ 177	\$ 182	\$ 188	\$ 193
Utility Costs	\$ 73	4.5%	\$ 2,073	\$ 12	\$ 89	\$ 104	\$ 105	\$ 105	4.1%	\$ 108	\$ 112	\$ 115	\$ 118	\$ 122
Property Operations and Maint.	\$ 103	6.4%	\$ 2,949	\$ 17	\$ 127	\$ 150	\$ 152	\$ 154	6.0%	\$ 159	\$ 163	\$ 168	\$ 173	\$ 179
Total Undistributed Expenses	\$ 445	27.6%	\$ 12,717	\$ 74	\$ 545	\$ 644	\$ 650	\$ 657	25.6%	\$ 677	\$ 697	\$ 718	\$ 740	\$ 762
Gross Operating Profit	\$ 519	32.2%	\$ 14,825	\$ 86	\$ 667	\$ 826	\$ 875	\$ 927	36.1%	\$ 956	\$ 986	\$ 1,016	\$ 1,048	\$ 1,081
Franchise Fees	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	\$ -	\$ -	\$ -
FIXED EXPENSES														
Property Taxes	\$ 20	1.2%	\$ 560	\$ 3	\$ 20	\$ 21	\$ 21	\$ 22	0.9%	\$ 23	\$ 23	\$ 24	\$ 25	\$ 26
Insurance	\$ 19	1.2%	\$ 553	\$ 3	\$ 23	\$ 27	\$ 26	\$ 26	1.0%	\$ 24	\$ 25	\$ 25	\$ 26	\$ 27
Management Fee	\$ 81	5.0%	\$ 2,304	\$ 13	\$ 101	\$ 121	\$ 125	\$ 128	5.0%	\$ 132	\$ 136	\$ 140	\$ 144	\$ 149
Reserve for Replacement	\$ 48	3.0%	\$ 1,382	\$ 8	\$ 70	\$ 97	\$ 112	\$ 128	5.0%	\$ 132	\$ 136	\$ 140	\$ 144	\$ 149
Total Fixed Expenses	\$ 168	10.4%	\$ 4,799	\$ 28	\$ 214	\$ 265	\$ 284	\$ 304	11.9%	\$ 311	\$ 320	\$ 330	\$ 340	\$ 350
Net Operating Income	\$ 351	21.8%	\$ 10,025	\$ 58	\$ 453	\$ 561	\$ 591	\$ 623	24.3%	\$ 645	\$ 666	\$ 687	\$ 708	\$ 731
Operating Margin	22%				22%	23%	24%	24%		24%	24%	24%	25%	25%
Source: Hunden Strategic Partners														



# Supportable Financing

Similar to the 50-key scenario, HSP assumed an initial loan interest rate of 8.5 percent, amortized over 25 years.

To produce a debt service coverage ratio of 1.40 in year two and an average 10-year return on equity of 18 percent, the operations of the 35-room hotel support just \$4.9 million in private debt and equity financing, equal to \$140,000 per room.

This value is \$25,000 less per room than the 50-room scenario, representing the value of the economies of scale in hotel operations.

Supportable Financing   35-Room Boutique Hotel (\$000s)												
	Constr. Yr1	Constr. Yr2	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Net Operating Income	\$0	\$0	\$351	\$453	\$561	\$591	\$623	\$645	\$666	\$687	\$708	\$731
Interest and Debt Reserve W/D	\$70	\$210	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$70	\$210	\$351	\$453	\$561	\$591	\$623	\$645	\$666	\$687	\$708	\$731
Debt Service Payment	(\$70)	(\$210)	(\$322)	(\$322)	(\$322)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)
Net Income to Repay Equity	\$0	\$0	\$28	\$130	\$238	\$289	\$321	\$343	\$363	\$384	\$406	\$428
Princ. Amount*	\$825	\$2,475	\$3,300	\$3,258	\$3,213	\$3,160	\$3,118	\$3,073	\$3,024	\$2,972	\$2,914	\$2,852
Interest	\$70	\$210	\$281	\$277	\$273	\$261	\$257	\$254	\$250	\$245	\$240	\$235
Less Payment	(\$70)	(\$210)	(\$322)	(\$322)	(\$322)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)	(\$302)
Loan Balance	\$825	\$2,475	\$3,258	\$3,213	\$3,163	\$3,118	\$3,073	\$3,024	\$2,972	\$2,914	\$2,852	\$2,785
<b>Assumptions</b>							<b>Refi</b>					
Loan Amount	\$3,300						\$3,160					
Amortization Period (Years)	25						25					
Loan Interest Rate	8.50%						8.25%					
Annual Debt Service Payment	(\$322)						(\$302)					
<b>Sources</b>												
Equity Contribution	\$1,600	33%										
Debt	\$3,300	67%										
<b>Total Supportable Private Financing</b>	<b>\$4,900</b>	<b>100%</b>	<b>\$140,000 per room (actual)</b>									
			<b>10-Yr Avg</b>									
Debt Service Coverage Ratio			1.96	1.09	1.40	1.74	1.95	2.06	2.13	2.20	2.27	2.34
Return on Equity			18.3%	1.8%	8.1%	14.9%	18.0%	20.0%	21.4%	22.7%	24.0%	25.4%
Return on Cost			12.3%	7.2%	9.2%	11.4%	12.1%	12.7%	13.2%	13.6%	14.0%	14.5%
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2												
Source: Hunden Strategic Partners												

# Value Analysis - Discounted Cash Flow

HSP also conducted a discounted cash flow valuation analysis.

Assuming a cost of capital in line with the supportable financing, the present value of the 35-room hotel after 10 years of operations is \$131,000 per room or nearly \$4.6 million.

Utilizing a 12-year (10 years post construction) terminal capitalization rate of 9.5 percent, the 35-room hotel option is expected to yield a 12-year leveraged return of 20 percent.

This return is only calculated off of the supportable financing amount of \$4.9 million. Additional development costs would likely require public subsidy, or if funded by private investment, would reduce overall projected returns on equity and leveraged returns.

Hotel Value Analysis (\$000s) - Henderson 35-Room Boutique Hotel													
Year	Construction		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	Constr. Yr1	Constr. Yr2											
Unleveraged Cash Flow	\$0	\$0	\$351	\$453	\$561	\$591	\$623	\$645	\$666	\$687	\$708	\$731	
Leveraged Cash Flow	\$0	\$0	\$28	\$130	\$238	\$289	\$321	\$343	\$363	\$384	\$406	\$428	
Discount Rate (WACC)		11.7%											
Present Value Summary		5 Year	10 Year	Year 5 Net CF				\$623		Year 10 Net CF			\$731
PV Residual		\$2,946	\$1,987	Terminal Cap Rate				9.5%		Terminal Cap Rate			9.5%
PV Income Stream		\$1,456	\$2,598	Year 5 Residual Value				\$6,557		Year 10 Residual Value			\$7,691
Present Value		\$4,402	\$4,585	(-) Closing Costs (2.5%)				\$164		(-) Closing Costs (2.5%)			\$192
Present Value Per Room (Actual \$)		\$125,761	\$130,993	Net Reversion Proceeds				\$6,393		Net Reversion Proceeds			\$7,499
Equity Contribution		\$ 1,600	33%										
Debt		\$ 3,300	67%										
Supportable Financing		\$ 4,900	100%										
7-Year Unleveraged Return*	14%	\$ (1,225)	\$ (3,675)	\$351	\$453	\$561	\$591	\$7,016					
7-Year Leveraged Return*	22%	\$ (400)	\$ (1,200)	\$28	\$130	\$238	\$289	\$3,640					
12-Year Unleveraged Return*	14%	\$ (1,225)	\$ (3,675)	\$351	\$453	\$561	\$591	\$623	\$645	\$666	\$687	\$708	\$8,230
12-Year Leveraged Return*	20%	\$ (400)	\$ (1,200)	\$28	\$130	\$238	\$289	\$321	\$343	\$363	\$384	\$406	\$5,142
* Assumes 25% draw in Construction Year 1; 75% average during Construction Year 2													
Source: Hunden Strategic Partners													





# **50 vs 35 Room Hotel** Investment Analysis

# Investment Analysis

Benefitting from economies of scale, the 50-room hotel option would produce a stronger operating margin compared to the 35-room hotel option.

The 50-room hotel can bear \$25,000 more per room in supportable financing compared to the 35-room hotel option, making the 50-room hotel the optimal choice for development in downtown Henderson.

Investment Comparison		
	50 Rooms	35 Rooms
Average Daily Rate (2027)	\$ 218	\$ 224
Occupancy (2027)	65.6%	67.1%
Net Operating Income (2027)	\$ 941,706	\$ 560,510
Operating Margin (2027)	28.5%	23.2%
Supportable Financing	\$ 8,250,000	\$ 4,900,000
Supportable Financing/Room	\$ 165,000	\$ 140,000
10-Year PV/Room	\$ 154,318	\$ 130,993
Source: Hunden Strategic Partners		





07

# Recommendations

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# Implications

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**Recapturing Demand.** Henderson currently lacks supply of quality hotel product. This limits Henderson's ability to capture potential hotel demand, losing overnight stays to Evansville and Owensboro. These markets have high quality hotel accommodations with walkable food and beverage opportunities. Interviews with multiple employers indicated executives desire a destination with high-quality hospitality and food and beverage options, but combined, this does not currently exist in Henderson. By developing a unique boutique hotel concept downtown, Henderson can recapture and induce unaccommodated demand leading to increased economic activity in the downtown area.

**A Development Catalyst.** The proposed hotel is a critical next step for Henderson's downtown growth. The Project will help expand Henderson's tourism and corporate draw, bringing more locals and travelers to the area. Additional activity in downtown Henderson will create additional demand for restaurants, retail and entertainment venues, which can lead to further investment in downtown Henderson.





# Recommendations

HSP recommends redeveloping the Soaper Building into a 50-room boutique hotel. HSP also recommends either a basement speakeasy restaurant/bar or rooftop restaurant/bar (with a portion enclosed on the roof to offer views no matter the weather) within the hotel as well. This will offer executives, groups and leisure guests a complete experience within downtown Henderson. Parking in downtown Henderson is currently a concern. HSP recommends at least one parking space per room be identified for guests (some can be valet/offsite). Alongside street parking, this supply will help accommodate staff, guests and restaurant visitors.

As will be shown, the 50-room property will be able to operate more efficiently and support full-time managerial staff more than a 35-room hotel. So while a smaller hotel will have slightly higher occupancy and rate than a larger hotel, the economics work better at 50 rooms.

Henderson, Kentucky   Boutique Hotel Recommendations	
Site	Soaper Building
Rooms	50 Rooms, 35 Rooms if funding concerns
Meeting Space	–
Food & Beverage	Hometown Roots, Speakeasy and/or Rooftop Bar
Parking	1 Space Per Room
Source: Hunden Strategic Partners	

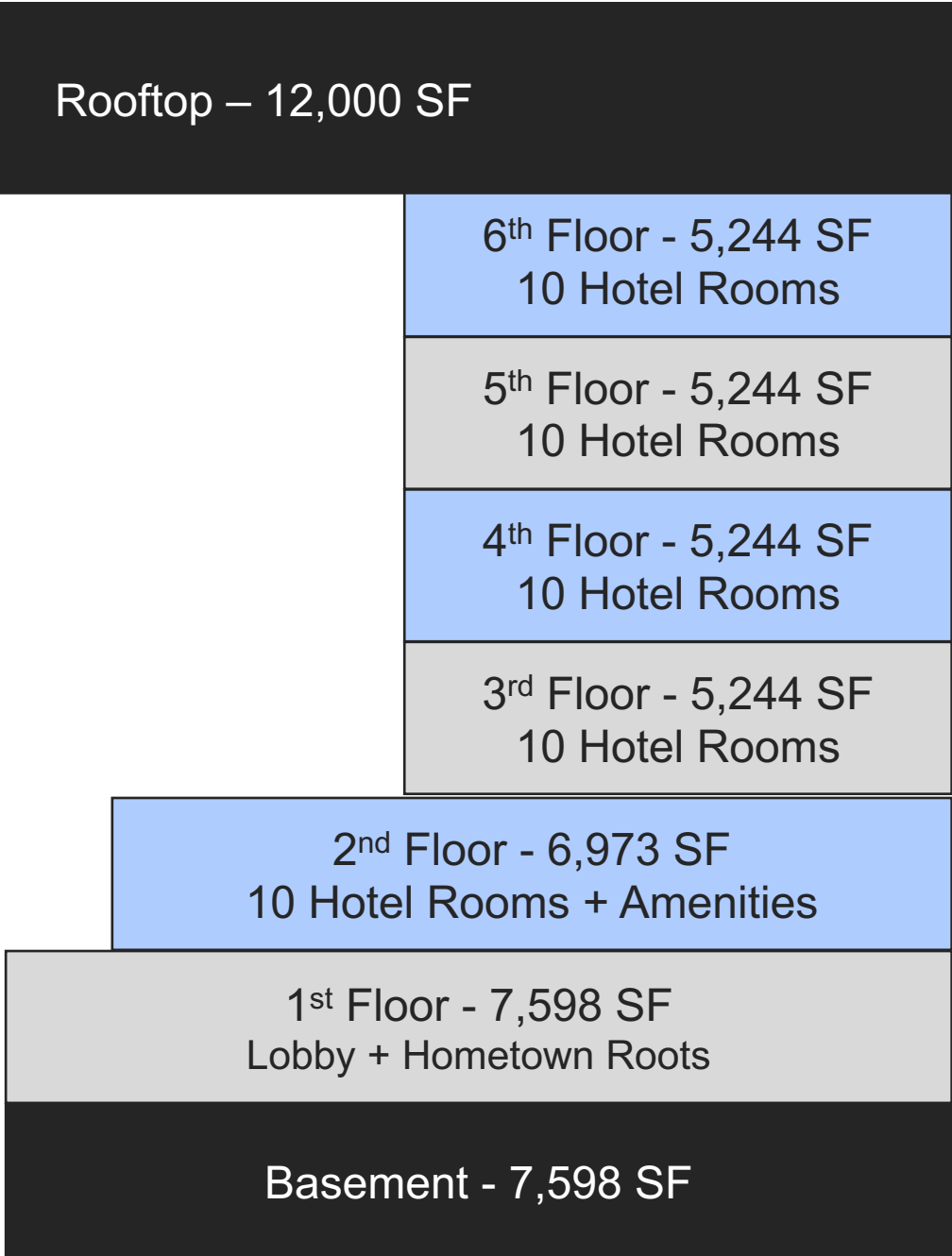
# Hotel Layout

The Soaper Building could fit approximately 10 rooms per floor at 400 square feet per room (50 rooms total). The second floor provides additional space for amenities such as a fitness center, spa, or yoga studio.

The projections also assume an additional F&B offering for the hotel. Alternatively, Hometown Roots could provide the food and beverage service for the hotel.

If the developer decided to build a mixed-use asset of apartments and a hotel, 35 hotel rooms would allow for approximately six to eight apartments.

An architect familiar with hotel design would be necessary to move into a more detailed understanding of how the room count can work ideally within the existing structure. There are many modern hotel brands in historic buildings with very small rooms (e.g. the Motto by Hilton and Moxy by Marriott brands). While these brands are not likely available to Henderson, they are examples of strong-performing boutique hotels with very small guest rooms.







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