



Executive Summary Only

MARKET STUDY

Event Center and Hotel Market Study

GALESBURG, ILLINOIS

SUBMITTED TO:

Mr. Larry Cox
City of Galesburg
1033 South Lake Storey Road
Galesburg, Illinois, 61401

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PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
8134 Big Bend Boulevard
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January 11, 2016

Mr. Larry Cox
City of Galesburg
1033 South Lake Storey Road
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HVS ST. LOUIS

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Re: Event Center and Hotel Market Study
Galesburg, Illinois
HVS Reference: 2015021790

Dear Mr. Cox:

Pursuant to your request, we herewith submit our market study. We have analyzed the market conditions in the Galesburg, Illinois area. We have studied the market area and evaluated the proposed projects, and the results of our fieldwork and analysis are presented in this report.

We hereby certify that our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC

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Jeff Pennington, Senior Project Manager
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1. Executive Summary

Market Study Purpose

The City of Galesburg commissioned this market study to analyze the market for hotels and event space in the local area. We have been asked to evaluate two sites for a potential event/conference center and additional hotel rooms. These two primary sites are the Sandburg Mall, located on the north side of town, and the National Guard Armory building, located on the northern edge of Downtown Galesburg. For these two sites, we have analyzed the viability of potential developments and estimated the economic impact of each respective opportunity. We were also asked to evaluate and consider secondary hotel redevelopment opportunities at the Ferris Moving & Storage building and the Broadview Inn & Suites.

Summary of Conclusions

- The Galesburg market area benefits from a diverse economy that supports a healthy lodging market and generates a moderate amount of demand for event space.
- Based on current hotel demand levels and future base-demand growth expectations, the existing hotel market is currently under supplied; however, the introduction of the new Holiday Inn Express should remedy the lack of supply and meet the needs of the market.
- Demand for event space is, for the most part, adequately served by the existing supply of event spaces; however, there is a lack of space to satisfy the modest amount of demand for large banquets and events.
- If the National Railroad Hall of Fame museum opens and draws expected attendance levels, it will generate a significant amount of new hotel demand.
- If a modern conference center is constructed at the Galesburg Mall site, it will draw a moderate amount of additional visitation and hotel demand to the market. This new demand, along with the induced demand from the National Railroad Hall of Fame museum, will support the profitable operation of an attached midscale hotel with approximately 100 rooms. Without the demand from the National Railroad Hall of Fame museum, the development will not be viable.
- Alternatively, if the Armory building is redeveloped into an event center, it will attract a minimal amount of new visitors to the market. The

redeveloped facility is not expected to generate a significant profit. Its ability to generate enough revenue to cover operating costs is largely dependent on yet-to-be-determined details of the potential redevelopment.

- The Armory event center, on its own, will not support the development of new hotel rooms. However, the potential induced demand from the National Railroad Hall of Fame museum could help support a successful small hotel development in Downtown Galesburg.
- The development of a hotel and conference center at the Galesburg Mall would require a public-private partnership. Public entities would likely need to support the development with subsidies to offset construction and/or operating costs. A private entity would assume the majority of the operational and investment risk. In return, the Galesburg area would benefit from a moderate positive economic impact.
- The redevelopment of the Armory building into an event center would require public investment in the redevelopment costs. Public entities would not be expected to achieve a direct monetary return on that investment and would assume the modest operational risk. In return, the Galesburg area would benefit from a minimal positive economic impact.

Pertinent Dates

The effective date of the report is January 11, 2016. Jeff Pennington and Daniel P. McCoy, MAI visited the Galesburg market and completed extensive fieldwork and market research, including inspections of two proposed sites, on December 2nd and 3rd 2015.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,¹ *Hotels, Motels and Restaurants: Valuations and Market Studies*,² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,³ *Hotels and Motels: A Guide to*

¹ Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

² Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

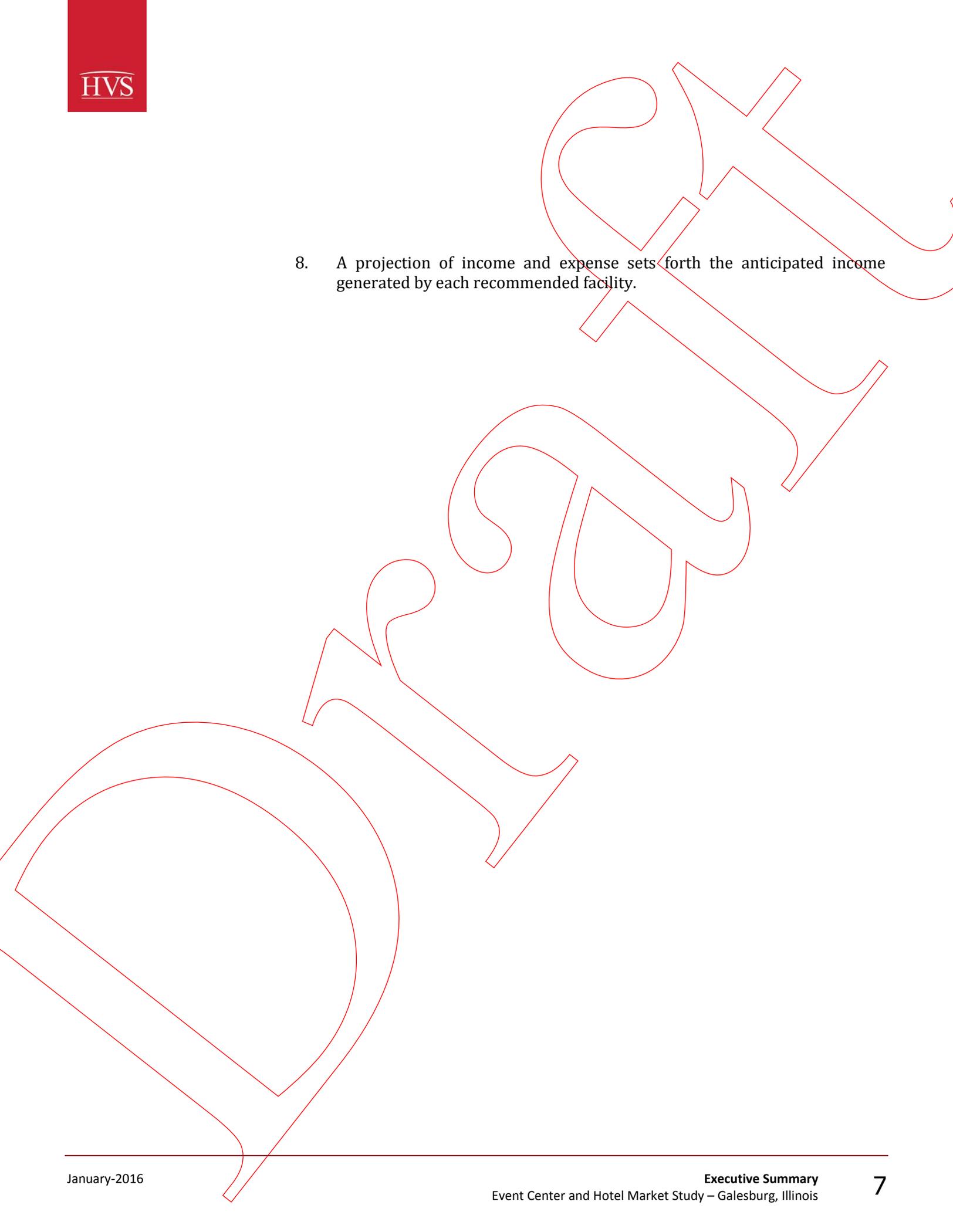
³ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

*Market Analysis, Investment Analysis, and Valuations,*⁴ and *Hotels and Motels – Valuations and Market Studies.*⁵

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information regarding the Armory building was supplied by the City of Galesburg, and information pertaining to the Sandburg Mall was provided by representatives of property ownership.
2. The potential sites have been evaluated from the viewpoint of their physical utility for the future operation of a hotel and/or event facilities, as well as access, visibility, and other relevant factors.
3. The existing improvements at the Armory, Sandburg Mall, and Broadview Inn & Suites have been reviewed for their potential to be redeveloped, including design and layout efficiency.
4. The local economic environment, on county, city, and neighborhood levels, has been reviewed to identify specific economic and demographic trends that may have an impact on future demand for hotels and event space.
5. We have divided the market into individual segments in order to define specific market characteristics for the types of travelers expected to utilize the hotel and event facilities. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed hotels and event centers in the local market, including physical inspections and interviews with management, provides an indication of the current supply and demand dynamics of the market. Additionally, a review of hotel and event facilities in similar and surrounding markets in the region provides an indication of the regional market for meeting and group events and hotel demand. Finally, interviews with local officials and market participants provide insight into the nature of existing demand within the local market and the potential for attracting new demand to the market area.
7. Projections of hotel and event center usage and revenues are based on an analysis of each respective location and recommended facility and its ability to compete in the local and regional marketplace.

⁴ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁵ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

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- A large, stylized red outline watermark of the word 'MARKETING' is oriented diagonally across the page, starting from the top right and moving towards the bottom left.
- 8. A projection of income and expense sets forth the anticipated income generated by each recommended facility.

11. Concluding Summary

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- If the National Railroad Hall of Fame museum opens and draws expected attendance levels, it will generate a significant amount of new hotel demand.
- If a modern conference center were constructed, it would draw a moderate amount of additional visitation and hotel demand to the market. This new demand, along with the induced demand from the National Railroad Hall of Fame museum, would support the profitable operation of a midscale hotel with approximately 100 rooms. Without the demand from the National Railroad Hall of Fame museum, the development would not be viable.
- Alternatively, if the Armory building were redeveloped into an event center, it would attract a minimal amount of new visitors to the market. The redeveloped facility would not be expected to generate a significant

profit. Its ability to generate enough revenue to cover operating costs would be largely dependent on yet-to-be-determined details of the potential redevelopment.

- The Armory event center, on its own, would not support the development of new hotel rooms. However, the potential induced demand from the National Railroad Hall of Fame museum could support the development of a small hotel in Downtown Galesburg.
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