KW COMMERCIAL
THE HOKUTEN GROUP

BROKER OPINION OF VALUE / PUBLIC METHODOLOGY SAMPLE

Apex Select Suites *- a worked example.*

Bellwether Crossing, Anytown, USA | Illustrative Midwest secondary market

120-key select-service hotel | Built 2008 | Renovated 2019 | Fictional independent flag

ILLUSTRATIVE SAMPLE / FICTIONAL PROPERTY / INVENTED NUMBERS

A decision tool, not a promise.

Apex Select Suites does not exist. Every property fact, operating figure, comparable, financing assumption and value conclusion in this report is invented solely to demonstrate the structure of a broker-led hotel BOV. Nothing is a past deal, client result, offer, appraisal or guarantee.

120 FICTIONAL KEYS	\$17.6M SUPPORTED POINT	8.25%-9.00% DIRECT-CAP SENSITIVITY	90 days DECISION REVISIT

EXECUTIVE CONCLUSION

Supported value: \$16.80M-\$18.50M, with a selected point of \$17.60M. Recommended posture: PREPARE / MARKET-TEST. Illustrative launch guidance of \$18.50M-\$19.25M is deliberately separated from the supported value conclusion and from the fictional seller expectation of \$20.50M.

The conclusion is anchored to current TTM after-reserve NOI, direct-cap sensitivity, synthetic per-key evidence and a five-year DCF cross-check. Replacement cost is used only as a reasonableness test. Conditional recovery upside is shown separately and is not treated as present value.

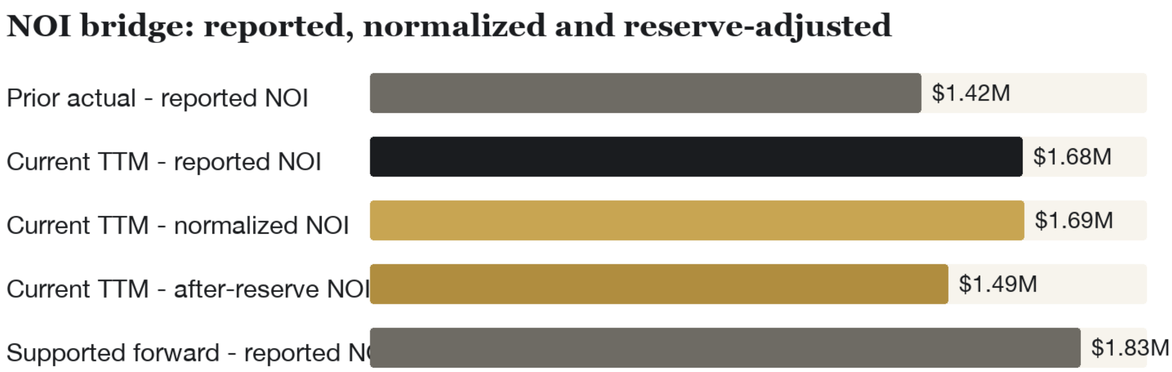
01 / OPERATING EVIDENCE

Start with the cash flow *- then name every adjustment.*

Reported performance, normalized cash flow and reserve-adjusted NOI are different measures. This sample keeps each lane visible instead of letting a single headline NOI absorb assumptions.

PERIOD	OCC.	ADR	ROOM REVENUE	TOTAL REVENUE	REPORTED NOI
Prior actual	65.0%	$136	$3,871,920	$4,491,920	$1,420,000
Current TTM	68.0%	$142	$4,229,328	$4,899,328	$1,680,000
Supported forward	69.5%	$146	$4,444,386	$5,144,386	$1,830,000

Illustrative room revenue check: available room nights x occupancy x ADR. Forecasts are labeled; they are not substituted for actual TTM performance.



CURRENT TTM NORMALIZATION	EFFECT
Reported NOI	$1,680,000
Nonrecurring legal addback	+$60,000
Excess owner payroll addback	+$35,000
Market management-fee adjustment	-$90,000
Normalized NOI before reserve	$1,685,000
4.0% reserve on current TTM revenue	-$195,973
After-reserve NOI used for income routes	$1,489,027

02 / ROUTE RECONCILIATION

No mechanical average *- every route has a job.*

Direct capitalization is the primary operating-value route. Synthetic per-key evidence, a five-year DCF and replacement cost test the reasonableness of that conclusion; they are not automatically equal-weighted.

Route indications and selected supported range

ROUTE	ASSUMPTION	INDICATION	USE IN CONCLUSION
Direct cap	$1.489M after-reserve NOI / 9.00%-8.25%	$16.54M-$18.05M	Primary
Synthetic per key	120 keys x $140K-$158K	$16.80M-$18.96M	Market cross-check
Five-year DCF	2.5% growth; 11.0% discount; 9.0% exit; 2.0% sale cost	$16.64M	Income cross-check
Replacement test	$27.0M new cost less 33% obsolescence	$18.09M	Reasonableness only

SYNTHETIC COMPARABLE EVIDENCE

FICTIONAL COMP	KEYS	INVENTED PRICE	$/KEY	ILLUSTRATIVE DIFFERENCE
Illustrative Comp A	115	$17.10M	$148,696	Newer renovation; smaller key count
Illustrative Comp B	132	$19.50M	$147,727	Stronger brand affiliation; similar service level
Illustrative Comp C	98	$13.70M	$139,796	Older physical plant; better freeway visibility

These are synthetic examples, not actual transactions, databases, brokers, brands or market sources. A live BOV would name and verify every comparable before use.

03 / THE PRICE CONVERSATION

Three numbers *- three different decisions.*

SUPPORTED VALUE

$16.80M-$18.50M *Current evidence*

What the illustrative operating evidence supports today, after reserve and before conditional recovery upside.

LAUNCH GUIDANCE

$18.50M-$19.25M *Market-test lane*

An owner-authorized asking-price strategy intended to test demand. It is not added to, averaged with or substituted for the supported value conclusion.

FICTIONAL SELLER EXPECTATION

$20.50M *Expectation only*

A hypothetical target requiring either stronger sustainable NOI, a tighter cap rate, or both. It is not the broker's present value conclusion.

ILLUSTRATIVE FINANCEABILITY AT THE $17.60M POINT

60%	$10.56M	14.1%	1.66x
ILLUSTRATIVE LTV	LOAN AMOUNT	DEBT YIELD	BASE DSCR

FINANCING ASSUMPTION	ILLUSTRATIVE RESULT
Interest / amortization	7.00% / 25 years
Annual debt service	$895,631
Base DSCR	1.66x on $1.489M after-reserve NOI
Downside case	10% NOI decline to $1.340M
Downside DSCR	1.50x

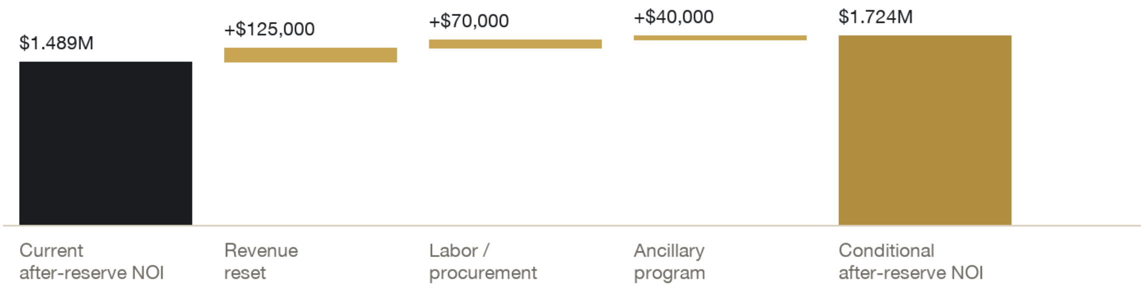
Financeability is an underwriting reasonableness check, not a loan quote, lender commitment or prediction of available proceeds. A live assignment requires current lender terms, capital needs and borrower-specific underwriting.

04 / RECOVERY AND VALUE LEVERS

Show the bridge *- do not book the upside early.*

The recovery case is a conditional future operating scenario. It identifies actions, cash cost, timing and execution risk so the owner can compare selling now with improving the asset first.

Conditional operating recovery bridge



ACTION	ANNUAL NOI GAIN	CASH COST	TIMING	EXECUTION
Revenue management and channel-mix reset	$125,000	$120,000	6-9 months	Medium-high
Labor scheduling and procurement controls	$70,000	$40,000	3-6 months	High
Ancillary revenue and local-account program	$40,000	$75,000	6-12 months	Medium
PIP/capital-scope documentation and vendor pricing	$0	$25,000	30-60 days	High

CONDITIONAL FUTURE CASE / NOT PRESENT VALUE

$20.28M at an illustrative 8.50% cap

If the $235K annual NOI gain is achieved, after-reserve NOI reaches approximately $1.724M. The case requires about $260K of cash cost and 9-15 months; it is neither a guarantee nor the present value conclusion.

CORRECTED COST-OF-WAIT ARITHMETIC

A 200-basis-point occupancy decline equals 876 fewer occupied room nights (43,800 × 2.0%). At a $142 ADR, lost room revenue is $124,392. After a 40% variable-expense offset, the NOI loss is $74,635 - not the full revenue loss. At an 8.50% cap, the illustrative value effect is about $878,061.

05 / RECOMMENDATION AND BUYER FIT

PREPARE / MARKET-TEST *- with a 90-day decision loop.*

Prepare the evidence package, price the near-term capital scope and test the market within the stated launch lane. Do not represent the seller expectation as supported present value, and do not market the conditional recovery case as completed performance.

LIKELY BUYER PROFILES

- Regional owner-operator seeking a 100-150-key select-service asset
- Private-capital or family-office buyer comfortable with a 60-90-day operating plan
- Franchise-network buyer able to assess brand conversion or retention economics

ILLUSTRATIVE 90-DAY DECISION SEQUENCE

WINDOW	OWNER DECISION AND EVIDENCE
Days 0-30 / Prepare	Confirm operating source package, reserve convention, capital scope, property rights, buyer-facing fact set and launch thresholds.
Days 31-60 / Test	Open the controlled market test, qualify buyer fit and financing logic, and log inquiries, tours, indications and objections without upgrading them into offers.
Days 61-90 / Decide	Compare verified response with the supported range and seller objective. Continue, reprice, execute a recovery plan, refinance/hold, or pause with a dated revisit.

WHAT CHANGES THE RECOMMENDATION

- **Raise or defend the range:** verified sustainable NOI above the forward case, lower documented capital needs, or property-specific market evidence that supports tighter pricing.
- **Reduce or defer:** weaker TTM performance, unpriced capital needs, scope or rights defects, new competitive supply, or financeability below the buyer pool's thresholds.
- **Choose recovery first:** when the execution-adjusted net value gain reasonably exceeds cash cost, carrying cost and market risk within the owner's timing.

REVISIT CONTROL

Re-underwrite at day 90.

The revisit is a decision checkpoint, not an automatic price reduction. Update TTM, buyer response, capital scope, financing assumptions and the reason for any change.

06 / SOURCES, ASSUMPTIONS AND CHECKS

Make the work reproducible *- and the limitations unmistakable.*

ILLUSTRATIVE INPUT	STATUS / TREATMENT
Prior actual and current TTM operating statements	Invented; arithmetic tied to the reported periods shown
Supported-forward operating case	Invented forecast; labeled and kept separate from actuals
Synthetic comparable set	Invented transactions; no actual database, property, source or broker
Capital / reserve convention	4.0% reserve on current TTM revenue; hypothetical only
Debt assumptions	60% LTV, 7.00% interest, 25-year amortization; not a quote
Recovery actions and costs	Invented; conditional and not included in present value
Property condition, title, environmental and franchise evidence	Not represented in this fictional sample; a live assignment requires named verification

DETERMINISTIC CHECK LOG

- Room revenue recomputed as available room nights x occupancy x ADR for all three periods.
- Current TTM normalization ties: $1.680M + $60K + $35K - $90K = $1.685M before reserve.
- Reserve ties to 4.0% of $4.899M current TTM revenue = $195,973; after-reserve NOI = $1,489,027.
- Direct-cap indications recomputed at 9.00% and 8.25%; per-key indications recomputed at 120 keys.
- Five-year DCF uses year-one after-reserve NOI without an immediate growth step, 2.5% annual growth thereafter, 11.0% discount rate, 9.0% exit cap and 2.0% sale cost.
- Debt service, debt yield, base/downside DSCR, recovery bridge and cost-of-wait arithmetic recomputed independently.
- Value, launch guidance, seller expectation and conditional recovery outcome remain visibly separate.

SCOPE AND RELIANCE DISCLAIMER

This fictional sample demonstrates report architecture only. A Broker Opinion of Value is a broker's professional opinion for a stated assignment and is not an appraisal, fairness opinion, tax opinion, lender commitment, legal opinion or guarantee of sale price. A live opinion depends on the engagement, verified sources, assumptions, scope, limitations, licensing and broker review identified in that report. Where law, regulation or a lender requires an appraisal, engage a licensed appraiser.

No property is offered for sale through this sample. No actual owner, lender, brand, comparable, address, source, client, offer, debt balance or transaction is described or should be inferred.

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Published as an illustrative methodology sample; not an appraisal or client-specific value conclusion.