

OFFERING MEMORANDUM

SUPER 8 BY WYNDHAM **CUT BANK**

609 WEST MAIN STREET, CUT BANK, MONTANA 59427



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TABLE OF CONTENTS

PRESENTED BY

WILLS ALLEN

(404)-558-2366

wallen@ngkf.com

RRE-BRO-LIC-41859

Newmark Knight Frank

676 Ferguson Ave, Suite 1

Bozeman MT 59718

01 EXECUTIVE SUMMARY

Investment Highlights

Investment Summary

02 PROPERTY DESCRIPTION

Property Details

Hotel Amenities

Regional Maps

03 FINANCIAL ANALYSIS

Debt

Profit & Loss Data

5-Yr Pro Forma

5-Yr Return

04 MARKET OVERVIEW

Demographics

Hospitality Market Dashboards



EXECUTIVE
SUMMARY



FINANCIAL HIGHLIGHTS

\$1,950,000

SALE PRICE

\$31,967

PRICE PER KEY

2.98

RRM

5.18%

CAP RATE

OFFERING HIGHLIGHTS

- Ideal for Owner Operator or Local Management
- #1 Hotel in Cut Bank per TripAdvisor
- Located One Hour From Glacier National Park
- Priced below a 3x Room Revenue Multiplier
- Significant Room for Upside in RevPAR with 3rd Party Marketing
- Priced Below Replacement Costs at \$31k/Key
- 19% Levered 5 Year IRR

FINANCIAL SUMMARY

PRICING

Price	\$2,225,000
Price per Key	\$36,475
CAP Rate	5.25%
Other Costs	\$330,000
<hr/>	
Total Acquisition Cost	\$2,555,000
Per Key	\$41,885

OTHER COSTS

PIP/Key Estimate	\$5,000
PIP Estimate	\$305,000
Initial Franchise Fee	\$25,000
<hr/>	
Total Acquisition Cost	\$2,285,000





PROPERTY
DESCRIPTION

PROPERTY DESCRIPTION

The Super 8 Cut Bank Montana is a 61 unit, two-story, interior corridor, economy scale hotel built in 1978. Ideal for an owner operator or local management, this hotel performs well and is ranked as the #1 Hotel in Cut Bank, Montana. Located just one hour east of Glacier National Park, this hotel is ideally situated to accommodate local, transient highway travel, and destination guests heading to the 1,000,000+ acre national park. Currently priced below replacement costs and increasing in revenue, this investment property represents the opportunity to acquire a high-performing asset in a highly desirable market with over a 27% levered 5 year Internal rate of return. The current hotel ownership has maintained the property's condition and performance well, however, there is significant room to increase revenue and decrease expenses with experienced on-site management.





PROPERTY OVERVIEW

Address	609 W Main Street Cut Bank, MT 59427
Room Count	61
Average Daily Rate	\$79.00
Occupancy	36.85%
RevPAR	\$29.11
Lot Size (Acres)	1.64 Acres
Gross Leasable Area (SF)	19,076 SF
Year Built	1978
Number of Buildings	1
Number of Stories	3



COMMON AREA AMENITIES

- Laundry Facilities
- Non-Smoking Hotel
- Indoor Pool
- Fitness Center
- Complimentary Breakfast
- RV & Truck Parking Available

GUEST ROOM AMENITIES

- Free High-Speed Wi-Fi Throughout
- Individually Controlled PTAC Units in Each Guest Room (Packaged Terminal Air Conditioner)
- Spacious Updated Accommodations
- Daily Housekeeping
- Flat Screen Televisions
- Coffee/Tea Maker





Cut Bank
Harvest Foods

A Buck
or \$2.00

Village
Dining



Snack
Shop



Main Street

1st Street



SUPER 8 BY WYNDHAM
CUT BANK MONTANA

Village Dining

A Buck or \$2.00



Skyland Road

Cut Bank Harvest Foods

Snack Shop



True Value



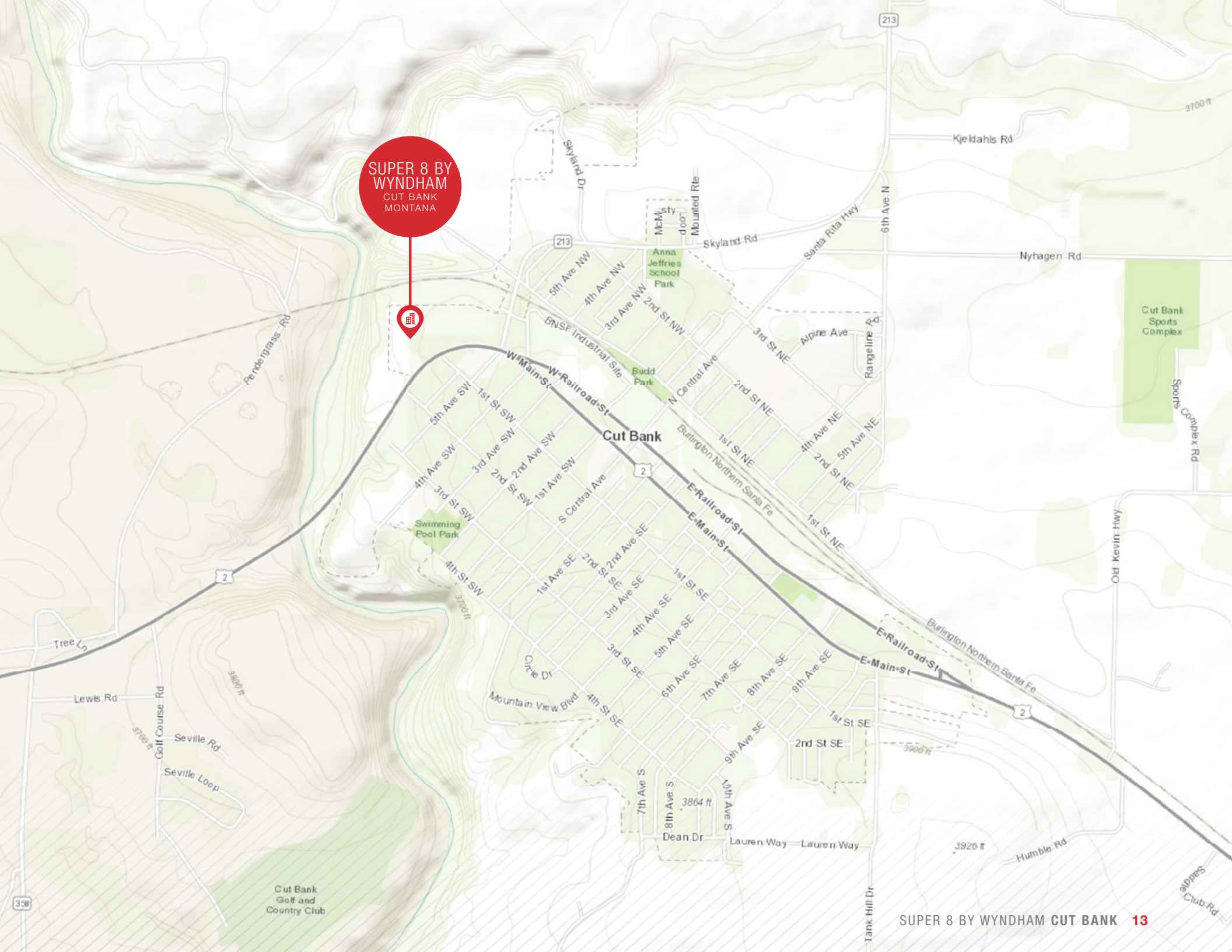
Main Street

1st Street

SUBWAY



SUPER 8 BY WYNDHAM
CUT BANK MONTANA





FINANCIAL
ANALYSIS

DEBT

Debt Financing	New Loan	Loan Cash Flow Summary	Jun 2020	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Loan Name/Type	SBA 504	SBA					
Origination Date	July-2019	Interest	\$95,104	\$93,149	\$91,089	\$88,918	\$86,631
LTV	80.0%	Principal	\$36,347	\$38,302	\$40,362	\$42,533	\$44,820
Loan Balance	\$1,828,000						
Interest Rate	5.25%	Total Interest	\$95,104	\$93,149	\$91,089	\$88,918	\$86,631
Term (Years)	10 Years	Total Principal	\$36,347	\$38,302	\$40,362	\$42,533	\$44,820
Maturity Date	June-2029	Take-Out Loan	\$0	\$0	\$0	\$0	\$0
Interest Only Period (Months)		Remaining Balance	\$0	\$0	\$0	\$0	\$0
Amortization Period (Years)	25 Years	Loan Origination Fee	\$0	\$0	\$0	\$0	\$0
Loan Constant	7.19%	Prepayment Penalty (\$)	\$0	\$0	\$0	\$0	\$0
Annual Debt Service Payment (P&I only)	(\$131,451)	Cash Flow From Financing	\$131,451	\$131,451	\$131,451	\$131,451	\$131,451
Equity	\$457,000						
Outstanding Loan Balance at Maturity	\$1,362,676						
Term Remaining (Months)	120 Months						
Loan Origination Fee (0.00%)							
Prepayment Penalty (\$)							

HISTORICAL P&L

INCOME	YE 2016		YE 2017		YE 2018		TT 6/2019	
Rooms	61		61		61		61	
Available Rooms	22,265		22,265		22,265		22,265	
Rooms Sold	8,067		7,461		8,512		8,205	
Occupancy	36.2%		33.5%		38.2%		36.9%	
ADR	\$86.72		\$91.85		\$87.76		\$79.00	
RevPAR	\$31.42		\$30.78		\$33.55		\$29.11	
Revenue/Room	\$11,575		\$11,326		\$12,405		\$10,816	
INCOME								
Room Revenue	\$701,865	99.4%	\$685,768	99.3%	747,289	98.8%	\$651,000	98.7%
Misc. Income	\$4,229	0.6%	\$5,148	0.7%	9,408	1.2%	\$8,800	1.3%
TOTAL REVENUE	\$706,095	100.0%	\$690,916	100.0%	\$756,697	100.0%	\$659,800	100.0%
EXPENSES								
DEPARTMENTAL EXPENSES								
Rooms	\$74,082	10.5%	\$72,831	10.5%	\$80,255	10.6%	\$69,718	10.6%
Food & Beverage	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Other Operated Depts & Rentals	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
Total Departmental Expenses	\$74,082	10.5%	\$72,831	10.5%	\$80,255	10.6%	\$69,718	10.6%
GROSS OPERATING INCOME	\$632,012	89.5%	\$618,085	89.5%	\$676,442	89.4%	\$590,082	89.4%
UNDISTRIBUTED OPERATING EXPENSES								
Administration & General	\$297,554	42.1%	\$307,652	44.5%	\$322,028	42.6%	\$279,746	42.4%
Marketing	\$17,565	2.5%	\$20,140	2.9%	\$24,689	3.3%	\$20,915	3.2%
Franchise Fees	\$77,673	11.0%	\$74,285	10.8%	\$81,497	10.8%	\$70,590	10.7%
Utility Costs	\$39,570	5.6%	\$42,437	6.1%	\$45,447	6.0%	\$39,216	5.9%
Property Operations & Maintenance	\$91,823	13.0%	\$51,414	7.4%	\$55,272	7.3%	\$47,931	7.3%
Total Undistributed Operating Expenses	\$524,184	74.2%	\$495,929	71.8%	\$528,932	69.9%	\$458,398	69.5%
GROSS OPERATING PROFIT	\$107,828	15.3%	\$122,156	17.7%	\$147,510	19.5%	\$131,684	20.0%
FIXED EXPENSES								
Property Taxes	\$18,136	2.6%	\$18,421	2.7%	\$19,344	2.6%	\$19,344	2.9%
Insurance	\$9,569	1.4%	\$10,211	1.5%	\$11,356	1.5%	\$11,356	1.7%
Total Fixed Charges	\$27,705	3.9%	\$28,633	4.1%	\$30,700	4.1%	\$30,700	4.7%
TOTAL EXPENSES	\$625,971	88.7%	\$597,393	86.5%	\$639,887	84.6%	\$558,816	84.7%
Amount Available for Debt Service & Other Fixed Charges	\$80,123	11.3%	\$93,523	13.5%	\$116,810	15.4%	\$100,984	15.3%
NET OPERATING INCOME (EBITDA)	\$80,123	11.3%	\$93,523	13.5%	\$116,810	15.4%	\$100,984	15.3%

5 YEAR PRO FORMA

PRO FORMA	T12 JUNE 2019		2019		2020		2021		2022		2023	
Rooms	61		61		61		61		61		61	
Available Rooms	22,265		22,265		22,265		22,265		22,265		22,265	
Rooms Sold	8,205		8,451		8,704		8,965		9,234		9,511	
Occupancy	36.9%		38.0%		39.1%		40.3%		41.5%		42.7%	
ADR	\$79.00		\$80.19		\$81.39		\$82.61		\$83.85		\$85.11	
RevPAR	\$29.11		\$30.43		\$31.82		\$33.26		\$34.78		\$36.36	
Revenue/Room	\$10,816		\$11,264		\$11,776		\$12,312		\$12,872		\$13,457	
INCOME												
Room Revenue	\$651,000	98.7%	\$677,627	98.6%	\$708,425	98.6%	\$740,623	98.6%	\$774,284	98.6%	\$809,475	98.6%
Misc. Income	\$8,800	1.3%	\$9,465	1.4%	\$9,923	1.4%	\$10,400	1.4%	\$10,897	1.4%	\$11,414	1.4%
TOTAL REVENUE	\$659,800	100.0%	\$687,092	100.0%	\$718,348	100.0%	\$751,023	100.0%	\$785,181	100.0%	\$820,889	100.0%
EXPENSES												
DEPARTMENTAL EXPENSES												
Rooms	\$69,718	10.6%	\$59,156	8.6%	\$63,106	8.8%	\$65,896	8.8%	\$68,796	8.8%	\$71,811	8.7%
Total Departmental Expenses	\$69,718	10.6%	\$59,156	8.6%	\$63,106	8.8%	\$65,896	8.8%	\$68,796	8.8%	\$71,811	8.7%
GROSS OPERATING INCOME	\$590,082	89.4%	\$627,936	91.4%	\$655,242	91.2%	\$685,127	91.2%	\$716,384	91.2%	\$749,078	91.3%
UNDISTRIBUTED OPERATING EXPENSES												
Administration & General	\$279,746	42.4%	\$204,000	29.7%	\$204,000	28.4%	\$210,000	28.0%	\$212,400	27.1%	\$216,000	26.3%
Marketing	\$20,915	3.2%	\$24,960	3.6%	\$25,140	3.5%	\$25,380	3.4%	\$25,800	3.3%	\$26,400	3.2%
Franchise Fees	\$70,590	10.7%	\$74,539	10.8%	\$77,927	10.8%	\$81,469	10.8%	\$85,171	10.8%	\$89,042	10.8%
Utility Costs	\$39,216	5.9%	\$46,057	6.7%	\$48,309	6.7%	\$50,655	6.7%	\$53,098	6.8%	\$55,642	6.8%
Property Operations & Maintenance	\$47,931	7.3%	\$54,930	8.0%	\$57,448	8.0%	\$60,068	8.0%	\$62,794	8.0%	\$66,580	8.1%
Total Undistributed Operating Expenses	\$458,398	69.5%	\$404,486	58.9%	\$412,824	57.5%	\$427,572	56.9%	\$439,263	55.9%	\$453,664	55.3%
GROSS OPERATING PROFIT	\$131,684	20.0%	\$223,450	32.5%	\$242,417	33.7%	\$257,555	34.3%	\$277,121	35.3%	\$295,413	36.0%
FIXED EXPENSES												
Property Taxes	\$19,344	2.9%	\$19,368	2.8%	\$19,392	2.7%	\$19,416	2.6%	\$19,440	2.5%	\$19,464	2.4%
Insurance	\$11,356	1.7%	\$11,364	1.7%	\$11,388	1.6%	\$11,412	1.5%	\$11,436	1.5%	\$11,460	1.4%
Total Fixed Charges	\$30,700	4.7%	\$30,732	4.5%	\$30,780	4.3%	\$30,828	4.1%	\$30,876	3.9%	\$30,924	3.8%
TOTAL EXPENSES	\$558,816	84.7%	\$494,373	72.0%	\$506,710	70.5%	\$524,296	69.8%	\$538,935	68.6%	\$556,400	67.8%
Amount Available for Debt Service & Other Fixed Charges	\$100,984	15.3%	\$192,718	28.0%	\$211,637	29.5%	\$226,727	30.2%	\$246,245	31.4%	\$264,489	32.2%
Capital Replacement Reserve	\$0	0.0%	\$27,484	4.0%	\$28,734	4.0%	\$30,041	4.0%	\$31,407	4.0%	\$32,836	4.0%
Management Fee	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%
NET OPERATING INCOME (EBITDA)	\$100,984	15.3%	\$165,235	24.0%	\$182,903	25.5%	\$196,686	26.2%	\$214,838	27.4%	\$231,654	28.2%

5 YEAR RETURNS

DEVELOPMENT/ACQUISITION COSTS - SOURCES/USES	AMOUNT	PER KEY	% OF TOTAL	CAP RATE	RRM
Base Price	\$1,950,000	\$31,967	85.3%	5.18%	3.00
Initial PIP Estimate	\$305,000	\$5,000	13.3%		
Initial Franchise Fee Estimate	\$25,000	\$410	1.1%		
Estimated Closing Cost	\$5,000	\$82	0.2%		
Contingency	\$0	\$0	0.0%		
Total	\$2,285,000	\$37,459		4.42%	3.51

OPERATING CASH FLOW SUMMARY	Year Ending	YEAR 1 JUNE 2020	YEAR 2 JUNE 2021	YEAR 3 JUNE 2022	YEAR 4 JUNE 2023	YEAR 5 JUNE 2024
Net Operating Income		\$165,235	\$182,903	\$196,686	\$214,838	\$231,654
Debt						
Primary Loan		(\$131,451)	(\$131,451)	(\$131,451)	(\$131,451)	(\$131,451)
Refinancing		\$0	\$0	\$0	\$0	\$0
Other Financing Costs		\$0	\$0	\$0	\$0	\$0
Net Cash Flow After Debt Financing		\$33,784	\$51,452	\$65,235	\$83,387	\$100,203
Debt Service Coverage Ratio		1.26	1.39	1.50	1.63	1.76
Terminal Cap Rate		10.0%				
Disposition Cost		6.0%				

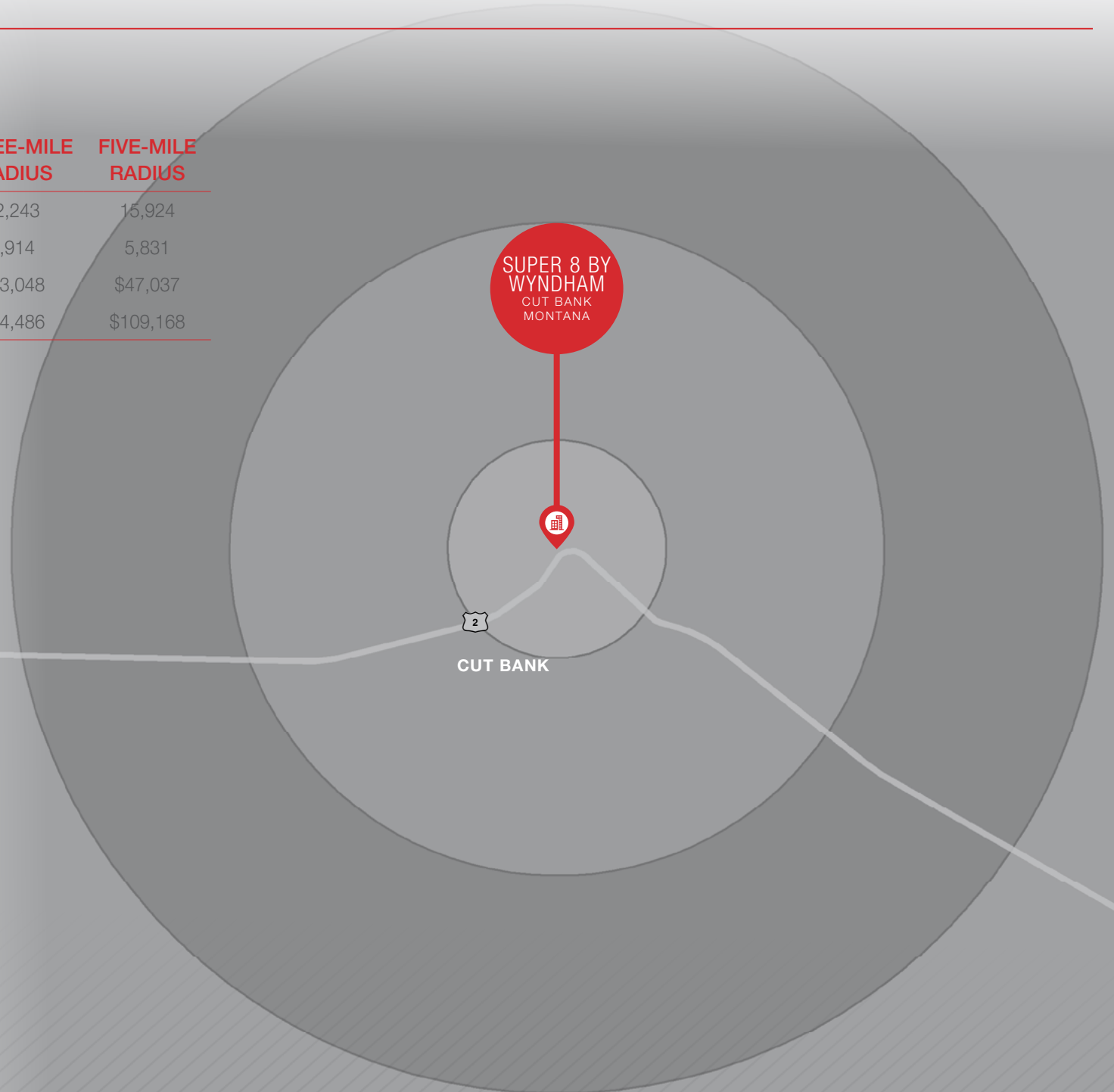
OVERALL PROJECT RETURN SUMMARY	Year Ending	YEAR 0 JUNE 2019	YEAR 1 JUNE 2020	YEAR 2 JUNE 2021	YEAR 3 JUNE 2022	YEAR 4 JUNE 2023	YEAR 5 JUNE 2024
Initial Equity		(\$457,000)					
Cash Flow Before Debt Service			\$165,235	\$182,903	\$196,686	\$214,838	\$231,654
Cash Flow After Debt Service			\$33,784	\$51,452	\$65,235	\$83,387	\$100,203
Gross Selling Price							\$2,497,858
Less: Primary Loan (Balloon)							(\$1,670,456)
Less: Refinanced Loan (Balloon)							\$0
Less: Disposition Cost							(\$149,871)
Unlevered Return		(\$1,950,000)	\$165,235	\$182,903	\$196,686	\$214,838	\$2,579,640
Levered Return		(\$457,000)	\$33,784	\$51,452	\$65,235	\$83,387	\$777,733
Unlevered Annual Cash-on-Cash Return			8.47%	9.38%	10.09%	11.02%	11.88%
Levered Annual Cash-on-Cash Return			7.39%	11.26%	14.27%	18.25%	21.93%
Levered IRR			19.84%				
Unlevered IRR			13.10%				



AREA
OVERVIEW

CUT BANK, MONTANA

	ONE-MILE RADIUS	THREE-MILE RADIUS	FIVE-MILE RADIUS
POPULATION	2,817	12,243	15,924
HOUSEHOLDS	1,042	4,914	5,831
INCOME	\$44,503	\$43,048	\$47,037
HOME VALUE	\$96,785	\$94,486	\$109,168



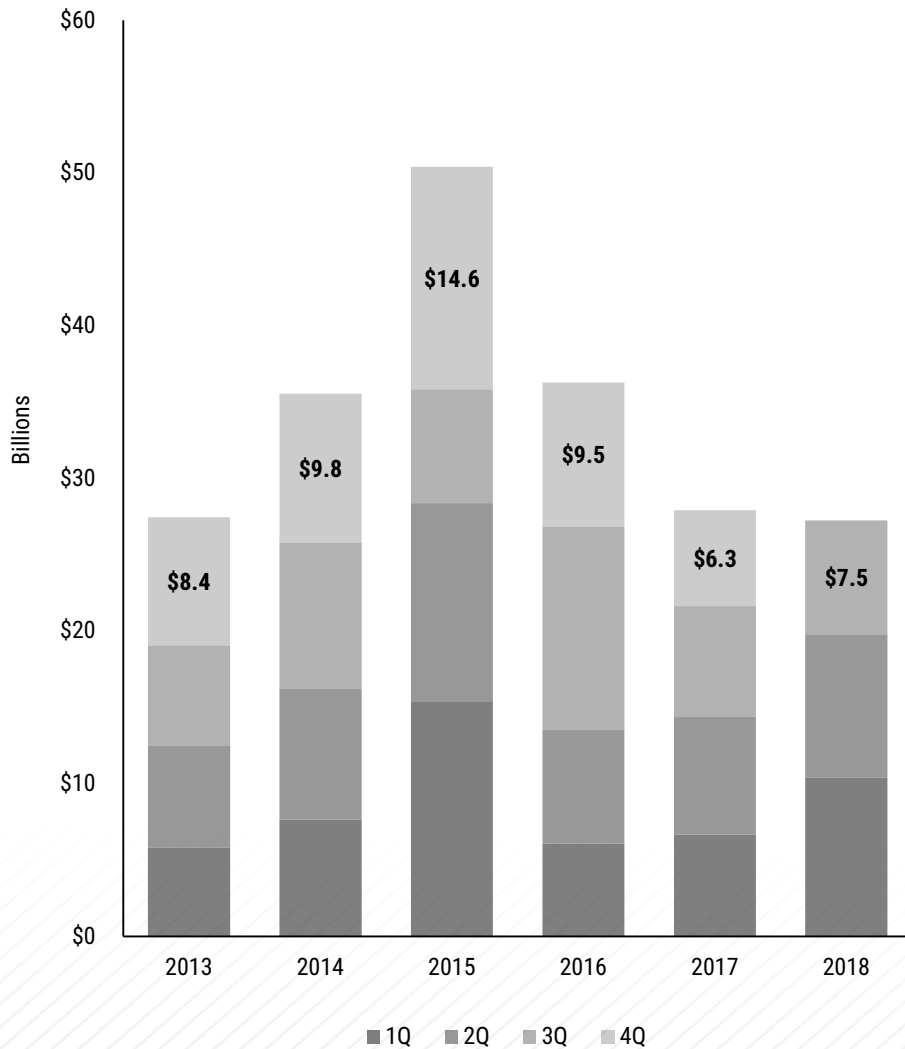
DEMOGRAPHICS

		1 MILE	3 MILES	5 MILES
POPULATION	2019 Total Population	2,676	3,422	3,682
	2024 Total Population	2,676	3,422	3,683
	2010 Total Population	2,717	3,478	3,740
	2000 Total Population	2,938	3,727	3,968
	2019-2024 Annual Rate	0.00%	0.00%	0.01%
	2019 Median Age	41.2	41.2	41.2
HOUSEHOLDS	2019 Households	1,144	1,447	1,553
	2024 Est. Households	1,147	1,451	1,557
	2010 Census Households	1,158	1,467	1,573
	2000 Census Households	1,169	1,484	1,597
	2019-2024 Annual Rate	0.05%	0.06%	0.05%
	2019 Average Household Size	2.30	2.29	2.26
HOUSING	2019 Housing Units	1,359	1,701	1,815
	2019 Occupied Units	84.2%	85.2%	85.5%
	2019 Vacant Units	15.8%	14.9%	14.4%
	2019 Owner Occupied Units	54.6%	56.3%	57.1%
	2019 Renter Occupied Units	29.6%	28.9%	28.4%
	2019 Median Home Value	\$129,873	\$131,529	\$132,016
INCOME	2019 Median Household Income	\$39,495	\$40,893	\$41,664
	2024 Prj. Median Household Income	\$45,087	\$47,076	\$48,268
	2019 Per Capita Income	\$25,661	\$25,501	\$25,171
	2024 Prj. Per Capita Income	\$30,856	\$30,489	\$29,975
EMPLOYEES	Total 2019 Population 18+	1,330	1,720	1,864
	White Collar	48.0%	49.0%	49.4%
	Services	26.7%	24.3%	23.4%
	Blue Collar	25.2%	26.7%	27.2%

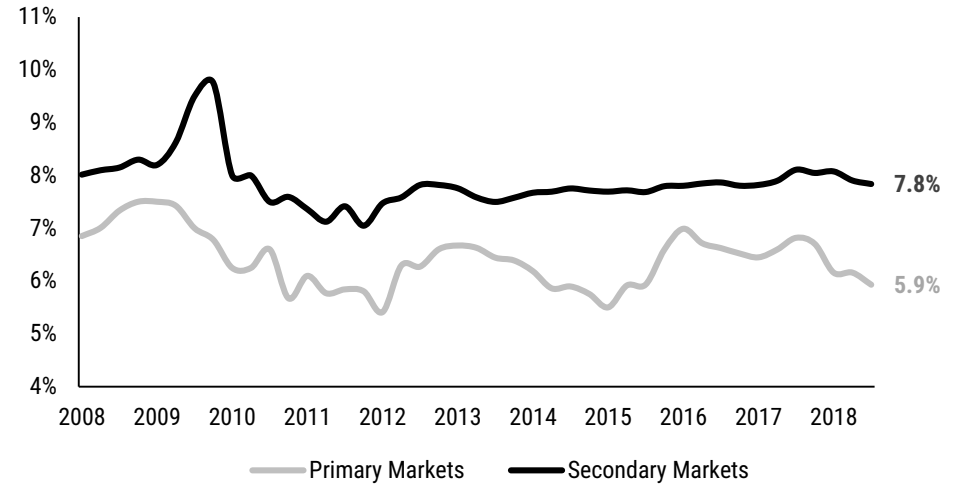
HOSPITALITY DASHBOARD

Hospitality volume has rebounded in 2018 and reached \$27.2 billion, nearly surpassing 2017's total of \$27.9 billion. Large sales have returned to primary markets, with Manhattan in particular recording 2.4 billion in year-to-date volume, a 205.4% increase from the first three quarters of 2017.

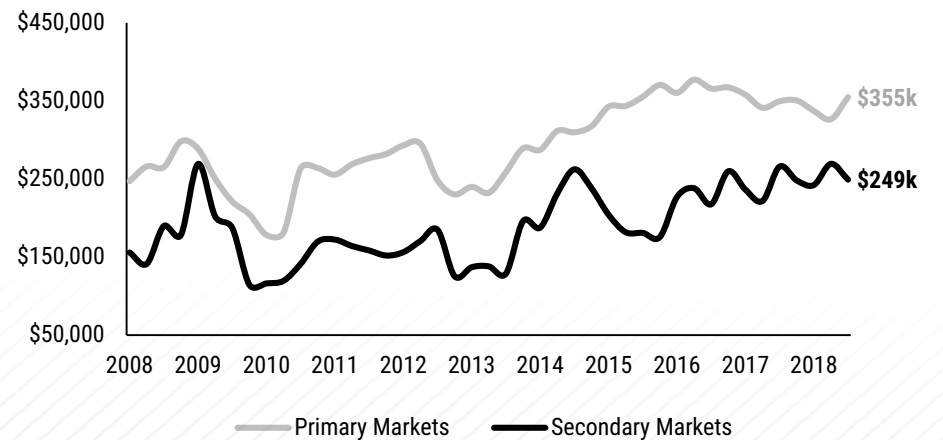
NATIONAL SALES VOLUME



CAP RATES



PRICE PER KEY



Source: NKF Research, Real Capital Analytics

PRESENTED BY

WILLS ALLEN

(404)-558-2366

wallen@ngkf.com

RRE-BRO-LIC-41859

Newmark Knight Frank

676 Ferguson Ave, Suite 1

Bozeman MT 59718

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