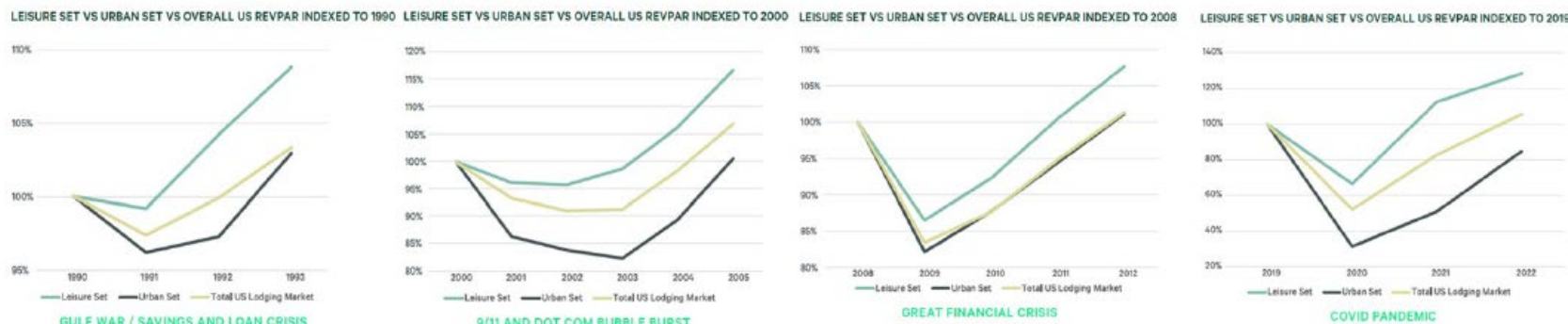


Risks & Mitigants

Risk: Economic Uncertainty and Recession Fears

Mitigant: In a period of economic uncertainty, the historical resiliency of the Valley and its ability to rebound from the Great Financial Crisis has contributed to Crescent's conviction in this deal. Viewed as one of the top leisure submarkets in the United States according to CBRE, the greater Aspen Valley has consistently outperformed the broader US lodging industry during past recessions alongside other submarkets in a defined "Leisure Set." This grouping of 25 markets is heavily oriented toward drive-to-leisure demand and includes areas like Napa Valley, the Upper Florida Keys, Scottsdale, and the Coastal Carolinas. Since 1987, there have been four periods of RevPAR decline for the overall U.S. market and during each of these corrections in the broader economy, the Leisure Set dramatically outperformed the US average and "Urban Set".

Most recently, the RevPAR impact of the COVID-19 pandemic was the worst ever recorded in U.S. history, but the Leisure Set proved extraordinarily resilient and reached 2019 RevPAR levels nearly a year before the entirety of the U.S. lodging market.



Risk: Threats of New Supply

Mitigant: While the Hotel is currently the only premium select-service product within the Aspen Valley, Dallas-based Bedford Lodging pushes forward with the development of a 4-story, 122-room Hilton Tapestry set to be located across Highway 82 from Willits Town Center. Anticipated to open in Spring of 2024, the Tapestry Collection hotel will be immersed in Basalt's latest development known as Tree Farm. Although this hotel aims to fill the need for an upscale Hilton product in the Valley, this addition will likely create a higher profile for lodging in the area and lift rates. The timing of this opening and the anticipated completion of Crescent's refresh currently align with one another, and is likely to create an opportunity for the Element to push rates closer to that of the market's newest product.

Although not competitive due to their luxury nature, the 81-key Gorsuch Haus and 52-key Lift One Lodge are two other ongoing hotel developments set to join the Aspen market. In March, the 1-acre parcel that will contain the Gorsuch Haus was purchased for \$76.25 million by a Russian oligarch. Aside from the pending completion of the Tapestry in Basalt, supply is likely to remain constrained in the immediate region due to prolonged and expensive construction processes, lack of available land, and strict land use regulations. The opposition from local residents and municipalities also impede future hotel development. Please note our base underwriting does not include any income associated with the vacant retail space.