

## **Accommodations Market Study Draft Final Report**

### **Executive Summary:**

As part of its 2017 work plan, the Community Development Department prepared and circulated a Request for Proposal for a consulting firm to study the accommodations market in Prince Edward County. The goal of the study was to advise the Community and Economic Development Commission and Community Development Staff on the needs and potential opportunities in the accommodations sector. This information could be used to assist potential roofed accommodation developers determine the feasibility of building or expanding in Prince Edward County.

A draft of the report has been prepared by the consultant CBRE and is being presented to the Commission for review and feedback. The report contemplates the potential for one of two different development opportunities – either a 50 room Inn or a 60 room limited service hotel. CBRE further indicates that the most suitable areas for a potential development of this kind would be Picton, Consecon or Wellington.

### **Recommendation:**

**THAT the report of the Community Development Department dated September 25, 2017 regarding the draft Accommodations Market Study be received.**

### **Purpose:**

The purpose of this report is to present a draft of the Accommodations market Study to the CEDC for review and feedback before finalizing the study.

### **Background:**

The Community Development Strategic Plan approved in February 2014 calls for the following activities:

***15. Target the attraction of more roofed hotel accommodation to the County in an effort to derive more economic impact from the County's tourism sector and extend the sector's shoulder season.***

***15.1. Develop an accommodation attraction package that includes profile and potential incentives to be circulated to top accommodations developers to gauge interest.***

***15.2. Conduct a hotel feasibility study that can be used in the attraction of investment if the accommodations development community requires.***

For 2017, the Community and Economic Development Commission (CEDC) approved the following action and budget allocation as part of their Strat Plan Implementation:

**Release RFP for accommodations feasibility study; carry out study and leverage to attract branded, family-friendly accommodations**

**Allocation: \$20,000**

A Request for Proposal (RFP) for the study was issued on January 23, 2017 and closed on February 14, 2017, with three (3) firms responding to the opportunity.

The CEDC awarded the work to CBRE Limited at its March 22<sup>nd</sup> meeting. CBRE has completed a draft report for the CEDC with their findings and recommendations.

**Analysis/Comment:**

Competitive Market Overview

To assess the potential needs/opportunities for accommodation development in Prince Edward County, a regional competitive market was considered that included the communities of Northumberland County, Belleville, Trenton, Napanee, and Prince Edward County.

This is a summary of the regional accommodation market information that was presented:

- Includes approximately 1,586 rooms
- Comprised of focused service, limited service, and full service or boutique/inn properties, as well as some resort properties, and B&Bs.
- Dominated by the corporate and leisure segments
  - Generates approximately 79% of the occupied room nights.
- Solid base of government/crew demand
  - Generates approximately 13% of occupied room nights.
- Meeting/conferences account for an estimated 8% of the occupied room nights.
- Demand for occupied room nights in the market has grown by 7% from 2012-2016,
- There has been a 7% increase in supply (new rooms in the market)
- Market occupancy rates have improved from a low of 54% in 2015 to 57% at the end of 2016.
- Market Average Daily Rate (ADR) has increased by more than \$20 or over 18%
- Attributed to the opening of the two new hotels
- Increase in occupied room nights
- Has allowed operators to maximize yield.
- Seasonality of demand is also evident in the regional market
- Peak demand occurring in the summer months when occupancy can reach 90%
- Winter occupancies drop as low as 40% in the areas of the overall region.

The County's specific accommodation market information is presented as follows:

- This market is predominantly leisure focused
- Comprised of resorts, inns, boutique hotels, and B&Bs.

- Dominated by the leisure segment which generates approximately 78% of the occupied room nights.
- Meeting/Conference demand is estimated at 16%
- Government/Other and Corporate demand accounts for a combined 7%

In 2016, the Prince Edward County accommodation market achieved approximately 51% occupancy with an average daily rate of about \$172.

### Future Demand Factors

The limited amount of corporate / business travel coming to The County typically looks for the following:

- Amenities and services comparable to a traditional hotel.
- Restaurant on-site
- well-appointed guest rooms
  - Include a proper work space
  - Available good quality wifi.

Current business travel traditionally stays in a regional branded hotel often located near the 401 in Belleville, Quinte West and Napanee.

With growing recognition as a popular tourist destination, local attractions such as Sandbanks Provincial Park, wineries and breweries, local food purveyors, festivals and events are helping to grow annual visitation. These primary attractions are supported by further attractions like local museums, outdoor tours and experiences, arts and artisans.

Speaking with large and small tour operators indicated:

- Wine tours are a very popular excursion for those visiting
  - Wineries are often the primary factor in choosing Prince Edward County as a destination
- Demand for tours often exceeds what they are able to accommodate, particularly during the peak season of July to September.
- Finding accommodations for guests is the number one challenge for tour operators that bring or facilitate tour business in Prince Edward County.

### Development Potential

Based on the findings, CBRE indicates that there is the potential for Prince Edward County to attract one of two alternate development options. The study contemplates either a 50 room Inn or a 60 room limited service hotel. Each of these options is outlined below:

#### **Alternative 1 – 50 Room Independent Inn Development**

- 50-room unbranded inn with conference facilities
- Would include approximately 2,500 square feet of meeting space
  - Allow the property to accommodate approximately 200 people
- An on-site 40-seat restaurant (with additional outdoor seating)
- Suitable complimentary amenities such as a wellness studio, fitness classes, hiking trails, bicycle rentals, spa treatment rooms, etc.

The Independent Inn positioning of future accommodation in Prince Edward County is based on these primary factors:

- This type of accommodation development would appeal to leisure travelers, which represents a significant proportion of travelers and occupied room night demand within the local area.
- An independent inn would allow for greater flexibility in design, amenities, and positioning of the property.
- This type of accommodation can include a greater amount of meeting space and food and beverage amenities that will provide additional revenue for the property and allow it to attract more meeting/conference demand in off-peak periods.

### **Alternative 2 – 60 Room Branded Limited Service Hotel**

- A branded, 60-unit, limited service hotel.
- Examples of brands that could be considered include, but are not limited to:
  - Best Western GLo, Tru by Hilton, Moxy Hotels, and TRYP by Wyndham Hotels.
- hotel would include a breakfast room
- 1,200 square feet of meeting space
- Allow the property to accommodate approximately 100 people
- A fitness room
- A small convenience shop

The potential positioning of future accommodation in Prince Edward County as a limited service hotel is based on these primary factors:

- This level of hotel can appeal to a broad range of guests and types of travelers.
- The design prototypes for these brands are of strong quality.
- This level of hotel is more cost effective to develop relative to other higher service level hotels.
- This level of hotel is more cost effective to operate relative to other higher service hotels.
- Branding would enhance the appeal of the property to the hotel investment and lending community.

### **Location Considerations**

When determining the optimum location and site for an accommodation development, developers typically consider the following characteristics:

- Access
- Ingress/Egress
- Visibility
- Proximity to demand generators
- Proximity to support amenities
- Availability of Municipal servicing

The following three primary areas in the County, which present the strongest potential for these types of developments, are:

1. Picton
2. Consecon
3. Wellington

These three areas represent the places that a developer would most likely look to develop a new accommodation product in The County. Although Bloomfield is an established area with existing commercial and accommodation developments there are limitations with respect to the availability of municipal servicing in this area. Consecon is also a partially serviced area, however, there is a significant level of private interest in this community, and with the proximity to Highway 401, it is considered a more attractive location.

#### Next Steps

Staff is seeking feedback from the CEDC which will be provided to CBRE regarding this draft study. A final report will follow with a formal recommendation from staff.

#### **Strategic Plan/Priority Implications:**

##### ***Prince Edward County Community Development Strategic Plan***

*15. Target the attraction of more roofed hotel accommodation to the County in an effort to derive more economic impact from the County's tourism sector and extend the sector's shoulder season.*

*15.1. Develop an accommodation attraction package that includes profile and potential incentives to be circulated to top accommodations developers to gauge interest.*

*15.2. Conduct a hotel feasibility study that can be used in the attraction of investment if the accommodations development community requires.*

##### ***Prince Edward County Corporate Strategic Plan***

#### **4. Stable Employment and Affordable Housing**

Council has identified affordable housing as a top priority in the recently adopted Corporate Strategic Plan. The investment in and development of more visitor accommodations in Prince Edward County may help to satisfy the demand for short term accommodations which could in turn help slow the current rate of vacation rental conversion and investor speculation in single family dwellings.

Further, the development of roofed accommodation that operates year-round would bring more full time equivalent employment to the community and could support other business sectors and community initiatives (sports tourism, off-season corporate travel, etc.).

#### **Financial Implications:**

None identified for the recommendations of this report

**Policy Implications:**

None identified for the recommendations of this report

**Notice/Consultation:**

None identified for the recommendations of this report

**Other Options:**

None identified for the recommendations of this report

**Attachments:**

1. Accommodations Needs Study – Final Draft

Prepared by: Todd Davis, Community Development Coordinator, September 21, 2017

Director Approval:



Neil Carbone  
Director of Community Development

September 21, 2017

CAO Approval:



James Hepburn  
Chief Administrative Officer

September 21, 2017

# ACCOMMODATION NEEDS ASSESSMENT REPORT

Prince Edward County, Ontario

CBRE File No.: 17-APPRHOTELS-0049

Prepared for:  
Mr. Todd Davis  
Community Development Coordinator  
The Corporation of the County of Prince Edward  
280 Picton Main Street  
Picton, ON, K0K 2T0





CBRE Limited  
Valuation & Advisory Services  
145 King St. W., Suite 1100  
Toronto, ON, M5H 1J8  
647.943.3740 Tel  
416.362.8085 Fax  
www.cbre.ca

CBRE File No. :: 17-APPRHOTELS-0049

September 18, 2017

Mr. Todd Davis  
Community Development Coordinator  
The Corporation of the County of Prince Edward  
280 Picton Main Street  
Picton, ON, K0K 2T0

**RE: Accommodation Needs Assessment, Prince Edward County, Ontario**

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Dear Mr. Davis,

At your request and authorization, CBRE Limited has completed the research and analysis relating to the preliminary assessment of the potential to expand the accommodation industry in Prince Edward County, Ontario. It is our understanding that The Corporation of the County of Prince Edward (the 'Client') is looking to understand the current accommodation market in the County, as well as the feasibility and potential for new accommodation development in Prince Edward County, with an interest in attracting third party developers should new accommodation development be economically feasible. Lastly, the County is looking to understand the criteria utilized in site selection for accommodation developments.

This report has been prepared for and is property of The Corporation of the County of Prince Edward. This report may be shared with interested parties or as otherwise required under the MFIPPA. The intended use of the report is to assist the Client in understanding the potential for growth in the accommodation industry in the County and in attracting potential accommodation investment. As the conclusions offered in this report are preliminary in nature, and are subject to change should a specific site and accommodation development program be identified; the report cannot be relied upon, by any person or entity other than the Client, without the express prior written consent of CBRE, and the individual(s) who authored the Advisory Report. The report is subject to the Assumptions and Limiting Conditions in Addendum A.

The projections are based on a review of market information and interviews with market participants. The entire study, including all findings and conclusions, pertains to the Prince Edward County market area and is based on our knowledge and information with respect to current and projected economic data, expected growth in the supply of and demand for accommodation, proposed construction of facilities, which could be deemed to be competitive, and the status of the competitive market as at the completion of our field work on June 21, 2017. Our conclusions presented in this report are reflective of this fieldwork date.

As in all studies of this type, the projected results are based on competent and efficient management and presume no significant change in the competitive position of the accommodation industry in the immediate area except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared based on available information and our experience in the industry.

If you have any further questions concerning our analysis, or if CBRE Limited can be of further assistance to you, please contact us.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brian Stanford". The signature is written in a cursive style.

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Brian Stanford, CMC, ISHC  
Senior Managing Director  
CBRE Hotels  
Valuation & Advisory Services  
CBRE Limited  
Phone: 647.943.3741

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## Executive Summary

## EXECUTIVE SUMMARY

### Project Overview:

- In March 2017, CBRE Hotels was retained by The Corporation of the County of Prince Edward to prepare a Market Study to assess the market potential for accommodation growth in Prince Edward County, Ontario.
- To assess the feasibility of accommodation development in the County, we first considered various forms of potential accommodation development, with the intent of determining the most suitable accommodation product for further analysis. Independent hotel/motel and inn developments were considered, as well as resorts, smaller scale hotels, mid-scale branded hotels and upper scale branded hotels. Our suggestion for the most suitable product to be considered for development was based on identifying products would best satisfy local demand, while at the same time would lead to the greatest level of investor interest and support from the traditional lending community.
- For the purposes of this analysis, it is assumed that a new accommodation property in Prince Edward County would be developed and fully operational by January 1, 2020.

### Competitive Market Overview

- To assess the potential performance of the proposed accommodation development, we considered a regional competitive market including the communities of Northumberland County, Belleville, Trenton, Napanee, and Prince Edward County. This market includes approximately 1,586 rooms and is comprised of focused service, limited service, and full service or boutique/inn properties, as well as some resort properties, and B&Bs.
  - Demand for hotels in the regional competitive market is dominated by the corporate and leisure segments, which combined, generate an estimated 79% of occupied room nights. The market does have a solid base of government/crew demand with this segment generating about 13% of occupied room nights. The meeting/conference market accounts for an estimated 8% of annual occupied room nights.
  - Demand for occupied room nights in the market has grown by 7% from 2012-2016, generally absorbing the new supply. The market occupancy has improved from a low of 54% in 2015 to 57% at the end of 2016. Market ADR has increased by more than \$20 or over 18% driven by the opening of the two new hotels and an increase in occupied room nights allowing operators to maximize yield.
  - Seasonality of demand is evident in the regional market, with peak demand occurring in the summer months when occupancy can reach 90%, and occupancies falling as low as 40% in the winter months.
- New accommodation in Prince Edward County would also compete with the local Prince Edward County accommodation market. This market is predominantly leisure focused and consists of resorts, inns, boutique hotels, and B&Bs.
  - The segmentation of demand for Prince Edward County differs from the overall regional market and is comprised primarily of Leisure demand (78%), with some Meeting/Conference demand (16%), and only a small amount of Government/Other and Corporate demand (a combined 7%).
  - In 2016, the Prince Edward County accommodation market achieved approximately 51% occupancy with an average daily rate of about \$172. The accommodation market experienced a significant increase in average daily rate in 2015, as this was the first full year of operations for the Drake Devonshire and the market average was increased as a result

- of this new property entering the market and positioning itself as a premium property with an ADR that is significantly higher than other properties.
- The Prince Edward County market experiences significant fluctuations in demand and ADR based on seasonality. Peak demand occurs in July and August when occupancies approach 90%, with slightly softer demand in the shoulder periods of May/June, and September/October. The winter and early spring/late fall periods experience the lowest levels of demand, with occupancies falling between 25% and 35% and ADR reduced by as much as 100%.
  - Based on the prevalence of Inns and B&B within Prince Edward County, a review of the competitive Ontario Inns market has been prepared. If the accommodation market in The County were to be expanded through the addition of a new Inn product it would primarily compete within the Ontario Inn competitive market for leisure and meeting/conference demand sources. This market is highly seasonal, is primarily leisure focused, and is comprised of unbranded, independent inns and boutique hotels.
    - Demand for accommodation in the Ontario Inn market is primarily comprised of Leisure and Meeting/Conference demand, which account for 53% and 45% of the total occupied room nights, respectively. Approximately 2% of demand at Ontario Inns is generated by Corporate demand, while less than 2% is generated by Government/Other sources.
    - In 2016, the Ontario Inn accommodation market achieved approximately 65% occupancy with an average daily rate of about \$222. The Ontario Inn market has shown growth between 2015 and 2016, with occupancy increasing by 3 points and ADR growth of 4%.
    - The inn market experiences significant fluctuations in demand and average daily rates on a monthly basis. Peak demand occurs in July and August when occupancies approach 90%, with softer demand in the shoulder periods of May/June, and September/October, and the lowest monthly occupancy occurring in the winter months where occupancy falls as low as 40%.

#### Future Demand Factors:

- Prince Edward County is generating a limited amount of Corporate and Commercial accommodation demand. It is our understanding that these Corporate travelers are coming from within the Greater Golden Horseshoe area into the County for one or two nights specifically to do business in the County, with the exception of film crews who may have longer stays. In choosing accommodation in the County they typically look for an accommodation product that has the amenities and services that are comparable to a traditional hotel. In general, the Corporate demand generated in the region is utilizing hotels in the Belleville, Quinte West and Napanee due to proximity to work, the highway system and the support amenities such as restaurants and shopping.
- Prince Edward County is a popular tourist destination. It is home to numerous attractions and is a destination for those looking to visit unique restaurants, farmer's markets, wineries, breweries, and food vendors. The County has emerged as a food and wine destination in recent years and is home to over 40 winemakers, and a number of breweries. The tourist/leisure traveler segment represents a considerable portion of demand for the County and is an important source of demand for overnight accommodations.
- There are 14 primary venues in Prince Edward County currently being used for larger scale social events and corporate meetings. In 2016, events hosted in the County generated an estimated 475 event days (including multi-day events), and 33,700 attendees, for an average of 71 visitors per event, and approximately 9,100 potential room nights for fixed roof accommodations. Weddings and other social events generate a significant level of accommodation demand within Prince Edward County and the surrounding area. In addition, it is our understanding that there is also

unaccommodated demand for corporate retreats within the County. This source of business represents a potentially important generator of occupied room night and event demand, particularly in off-peak periods for new accommodation in Prince Edward County.

- Discussions with Prince Edward County recreational facilities management indicated that there are numerous sports teams and associations that currently make use of County facilities (i.e. tournaments). These types of groups are typically looking for accommodations that are well located relative to major arterial roads, close to restaurants and entertainment, and are large enough to accommodate the entire group. It is our understanding that accommodation demand generated by sports teams is typically accommodated in nearby branded accommodations in Belleville and Trenton. Sports demand represents a potentially important source of business for new accommodation in Prince Edward County.

### Development Overview:

Based on information gathered, we have prepared two alternative development programs and analyzed them accordingly:

- The first development option is that of a 50-room inn property, while the second is that of a 60-room branded, limited service hotel property.
- The first development option contemplates a 50-room unbranded inn with conference facilities. It is expected that this development option would include approximately 2,500 square feet of meeting space, an on-site 40-seat restaurant (with additional outdoor seating), and suitable complimentary inn amenities such as a wellness studio, fitness classes, hiking trails, bicycle rentals, spa treatment rooms, etc. The inclusion of 2,500 square feet of meeting space would allow the property to accommodate approximately 200 people and to compete for weddings and other events, as well as to host corporate retreats, corporate or association based multi-day meetings, and conferences. Based on stakeholder interviews, it is our understanding that there is a growing interest in corporate retreats in the County and that this is a valuable source of off-peak demand.
- The second development alternative is that of a branded, 60-unit, limited service hotel. Examples of brands that could be considered for such a development include, but are not limited to, Best Western GLo, Tru by Hilton, Moxy Hotels, and TRYP by Wyndham Hotels. In this scenario, branding is recommended in that it will not only enhance the marketability of the project, but will also enhance the potential for project financing. Feedback from local stakeholders and visitors to the County indicated that the country feel and unique character of the County were important factors when choosing to visit the area and that it would be important for any new accommodation to fit with the character of the local area. The hotel brands indicated above offer unique design options with some flexibility in the amenities and services provided that would allow the proposed hotel to better align with the current positioning of the County as a destination.
- The communities of Picton, Wellington, and Consecon were evaluated based on their suitability as possible locations for accommodation facilities. Each area has distinct pros and cons as a result of proximity to key demand generators, accessibility, proximity to support amenities, and suitability for accommodation development. Overall, Consecon and Wellington would be most suitable for development of an inn, while Wellington and Picton would be most suitable for development of a limited service hotel.

**Inn Property Projections:**

- Based on current and expected market supply/demand dynamics, the proposed inn is projected to achieve the following top line results:

**Proposed Prince Edward County Inn Segmentation**

	Year 1 01-Jan-20	Year 2 01-Jan-21	Year 3 01-Jan-22	Year 4 01-Jan-23	Year 5 01-Jan-24	Year 6 01-Jan-25
<b>SUBJECT ROOM DEMAND BY SEGMENT</b>						
CORPORATE	214	228	243	243	243	243
% of Demand	2.15%	2.18%	2.20%	2.20%	2.20%	2.20%
MEETING	2,062	2,343	2,629	2,629	2,629	2,629
% of Demand	20.73%	22.36%	23.87%	23.87%	23.87%	23.87%
LEISURE	7,624	7,854	8,088	8,088	8,088	8,088
% of Demand	76.64%	74.97%	73.44%	73.44%	73.44%	73.44%
OTHER	47	50	54	54	54	54
% of Demand	0.48%	0.48%	0.49%	0.49%	0.49%	0.49%
Total Subject Demand	9,947	10,476	11,014	11,014	11,014	11,014
<b>SUBJECT OCCUPANCY</b>	<b>54.5%</b>	<b>57.4%</b>	<b>60.3%</b>	<b>60.3%</b>	<b>60.3%</b>	<b>60.3%</b>
Total Rooms Revenue	\$2,287,887	\$2,457,623	\$2,635,523	\$2,688,234	\$2,741,998	\$2,796,838
SUBJECT ADR	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96	\$253.94
SUBJECT RevPAR	\$125.36	\$134.66	\$144.41	\$147.30	\$150.25	\$153.25

Source: CBRE Hotels

- The proposed Inn is expected to generate approximately 73% of total demand from the leisure segment, 24% of demand from the Meeting/Conference segment, 2% of demand from Corporate/Commercial, and less than 1% of demand from Government/Other sources.
- Prince Edward County has a strong base of recreational leisure tourism demand. As such, the proposed accommodation development is expected to capture reasonable levels of demand from leisure sources and this segment is projected to account for a significant amount of total demand at the property. Leisure demand is highly seasonal and tends to be concentrated on weekends and in the summer months. As a result, the hotel will be limited in the amount of leisure demand it can reasonably capture by its functional capacity in the peak demand periods.
- Based on stakeholder feedback, it is our understanding that the event and corporate retreat market represents a significant opportunity for new accommodation within Prince Edward County. There is a lack of sufficient meeting space with on-site accommodations that is capable of hosting larger groups for both on-site multi-day meetings or events. The proposed Inn will contain 2,500 square feet of meeting space and 50 accommodation units and is expected to be an attractive option for social events, weddings, association meetings, corporate trainings, and corporate retreats.
- Corporate/Commercial and Government/Other demand are not expected to represent a significant source of demand for the proposed inn as a result of the lack of Corporate demand generators within the local area. A greater number of corporate and/or government demand generators such as major processing and manufacturing facilities in the immediate area would be needed to allow the facility the opportunity to capture a greater number of occupied room nights from this segment of demand, and to support weekday occupancy levels, particularly during the shoulder and off seasons.
- Overall, occupancy for the proposed inn development is projected to be 55% in Year 1 and to improve to a stabilized occupancy of 60% by Year 3. Average Daily Rate (ADR) for the hotel is projected to be \$230 in the first year of operations, increasing to \$239 by Year 3. The hotel's rate positioning is predicated on the hotel being developed as a mid to upscale inn property with on-site amenities and services.

- The proposed hotel is projected to achieve strong weekend and weekday occupancy levels in the summer, as well as strong weekend occupancies in the spring and fall. However, mid-week occupancy, in the off peak periods, will present a significant challenge in achieving sustainable business levels.

Seasonality and Capacity Analysis

TOTAL DEMAND		Winter (Jan-Mar)		Spring (Apr-Jun)		Summer (Jul-Sep)		Fall (Oct-Dec)	
occupied room nights	11,014	1,670		2,627		4,091		2,627	
% demand	100.0%	15.2%		23.8%		37.1%		23.8%	
period occupancy	60.3%	37.1%		57.7%		88.9%		57.1%	
		Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat
occupied room nights	11,014	700	969	1,437	1,190	2,817	1,274	1,437	1,190
% demand	100.0%	42.0%	58.0%	54.7%	45.3%	68.9%	31.1%	35.1%	64.9%
period occupancy		21.6%	74.5%	44.2%	91.5%	86.7%	98.0%	44.2%	91.5%

Source: CBRE Hotels

Limited Service Hotel Projections:

- Based on current and expected market supply/demand dynamics, the proposed hotel, as a branded, limited service hotel is projected to achieve the following top line results:

Proposed Prince Edward County Limited Service Hotel Segmentation

	Year 1 01-Jan-20	Year 2 01-Jan-21	Year 3 01-Jan-22	Year 4 01-Jan-23	Year 5 01-Jan-24	Year 6 01-Jan-25
<b>SUBJECT ROOM DEMAND BY SEGMENT</b>						
CORPORATE	286	396	632	632	632	632
% of Demand	2.54%	3.34%	5.06%	5.06%	5.06%	5.06%
MEETING	919	1,000	1,074	1,074	1,074	1,074
% of Demand	8.17%	8.43%	8.59%	8.59%	8.59%	8.59%
LEISURE	9,219	9,542	9,777	9,777	9,777	9,777
% of Demand	81.92%	80.45%	78.26%	78.26%	78.26%	78.26%
OTHER	829	923	1,009	1,009	1,009	1,009
% of Demand	7.37%	7.78%	8.08%	8.08%	8.08%	8.08%
Total Subject Demand	11,254	11,861	12,492	12,492	12,492	12,492
<b>SUBJECT OCCUPANCY</b>	51.4%	54.2%	57.0%	57.0%	57.0%	57.0%
Total Rooms Revenue	\$1,575,530	\$1,693,732	\$1,819,498	\$1,855,888	\$1,893,006	\$1,930,866
SUBJECT ADR	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54	\$154.57
SUBJECT RevPAR	\$71.94	\$77.34	\$83.08	\$84.74	\$86.44	\$88.17

Source: CBRE Hotels

- The proposed hotel is expected to generate approximately 78% of total demand from the leisure segment, 9% of demand from the Meeting/Conference segment, 5% of demand from Corporate/Commercial, and less than 8% of demand from Government/Other sources.
- Prince Edward County has a strong base of recreational leisure tourism demand. As such, the proposed limited service hotel is expected to capture a significant portion of demand from the leisure demand segment. The proposed limited service hotel is expected to be an attractive accommodation choice for families, wedding guests, and sports teams, as well as those traveling in and around the County. However, leisure demand is highly seasonal and tends to be concentrated on weekends and in the summer months. As a result, the hotel will be limited in the amount of leisure demand it can reasonably capture by its functional capacity in the peak demand periods.
- The proposed limited service hotel is not expected to capture a significant portion of demand from Meeting/Conference demand. With approximately 1,200 square feet of meeting space and 60 on-site accommodation units, the property will attract some corporate meetings, social events, and weddings; however, the limited amenities and service offerings at the property will not allow it to effectively compete for corporate retreats. Thus, the ability of the property to attract more demand from this segment will be limited by functional capacity, as the majority of the social events and weddings that occur take place during the peak leisure demand season.

- Corporate/Commercial and Government/Other demand are expected to represent a slightly more significant source of demand for the proposed hotel as a result of its brand affiliation and nature of amenities and services. The proposed hotel will be an attractive choice for those traveling on business within the County and would likely attract some amount of crew demand and extended stay guests. The success of transient hotels (like the proposed subject development), is highly contingent on a strong base of Sunday to Thursday demand. In urban centres, the corporate demand segment can account for as much as 50% to 60% of all occupied room nights. A greater number of corporate and/or government demand generators in the immediate area would be needed to allow the facility the opportunity to capture a greater number of occupied room nights from this segment of demand, and to support weekday occupancy levels, particularly during the shoulder and off seasons.
- Overall, occupancy for the proposed hotel development is projected to be 51% in Year 1 and to improve to a stabilized occupancy of 57% by Year 3. Average Daily Rate (ADR) for the hotel is projected to be \$140 in the first year of operations, increasing to \$146 by Year 3. The hotel's rate positioning is predicated on the hotel being branded as a limited service hotel including but not limited to; Best Western GLo, Tru by Hilton, Moxy Hotels, and TRYP by Wyndham Hotels.
- The proposed hotel is projected to achieve strong weekend and weekday occupancy levels in the summer, as well as strong weekend occupancies in the spring and fall. However, mid-week occupancy, in the off-peak periods, will present a significant challenge in achieving sustainable business levels.

Seasonality and Capacity Analysis

TOTAL DEMAND		Winter (Jan-Mar)		Spring (Apr-Jun)		Summer (Jul-Sep)		Fall (Oct-Dec)	
occupied room nights	12,492	1,943		2,855		4,838		2,855	
% demand	100.0%	15.6%		22.9%		38.7%		22.9%	
period occupancy	57.0%	36.0%		52.3%		87.7%		51.7%	
		Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat
occupied room nights	12,492	672	1,271	1,528	1,327	3,343	1,496	1,528	1,327
% demand	100.0%	34.6%	65.4%	53.5%	46.5%	69.1%	30.9%	31.6%	68.4%
period occupancy		17.2%	81.5%	39.2%	85.1%	85.7%	95.9%	39.2%	85.1%

Source: CBRE Hotels

Implications:

- When evaluating the top line or "occupancy" performance of an accommodation facility, operators will most often look for projects with expected annual occupancy at or above 70%. Occupancy results at this level provide a clear indication that the property will reasonably be able to capture an adequate number of occupied room nights year-round. The following table summarizes the key conclusions for each accommodation option.

	Proposed Inn	Proposed Limited Service Hotel
Number of Rooms	50	60
Gross Floor Area	30,450 sq. ft.	33,000 sq. ft.
Gross Floor Area per Room	609 sq. ft.	550 sq. ft.
Location Conclusions	Wellington, Consecon	Wellington, Picton
Capital Cost Range (per room)	\$200,000+	\$140,000-\$150,000
Occupancy (Year 5)	60%	57%
ADR (Year 5)	\$254	\$155
Rooms Revenue (Year 5)	\$2.8 million	\$1.9 million

Source: CBRE Hotels

- A lack of significant Corporate demand generators in the surrounding area will limit the ability of any new accommodation to capture weekday demand during off-peak periods such as the winter, spring, and fall. The seasonal nature of leisure demand will limit the number of occupied room nights an accommodation facility can reasonably expect to capture from leisure demand sources, as it is highly concentrated on weekends and in the summer months.
- Based on the study findings, it was determined that there is demand and community support for a hotel development in the community. However, because of the seasonality of visitation and the current lack of significant corporate demand generators in the immediate area, both accommodation options are not projected to generate strong enough year-round occupancies to meet typical investor/developer criteria. Traditional investors and lenders typically look for an accommodation development to reach an annual occupancy at or above 70%, which indicates that the property operates at a stabilized level and is able to capture a reasonable number of occupied room nights year-round.
- Overall, while the proposed accommodation developments may not meet traditional hotel investor/developer performance criteria, there is considerable interest and potential for future growth within Prince Edward County. Should significant new corporate or off-peak leisure demand generators be introduced within the local market, Prince Edward County is well positioned to attract hotel development interest. In addition, while the proposed developments may not meet the criteria of traditional hotel investors and developers, Prince Edward County is a unique and growing destination that could potentially attract investors that are interested in a more unique investment opportunity. The prevalence of recreational travel within the County could also allow the opportunity for investors to consider additional sources of revenue that would enhance the profitability of a future accommodation development. Income producing amenities such as wellness services, spas, restaurants, shops, and other unique attractions could attract a broader range of guests and provide additional sources of revenue for an accommodation property.



## Project Overview

## PROJECT OVERVIEW

In March 2017, CBRE Hotels was retained by The Corporation of the County of Prince Edward to prepare a Market Study to **assess the market potential** for accommodation growth in Prince Edward County, Ontario.

At the outset of this engagement, through our initial consultation with County officials, we were advised that local stakeholders have expressed a need for additional accommodation to be located within Prince Edward County. More specifically, there was discussion that the County would be best served with new accommodations that cater to a greater variety of travelers, including families and sports teams, and that this type of development would satisfy a segment of travelers who are not currently well served by the existing accommodation product in the County.

With some segments of the existing lodging demand currently utilizing accommodations in nearby communities, there was a consensus among council and community members that additional accommodation could help to capture the revenue and potential spending being lost due to the current lack of suitable overnight accommodations in the immediate area.

This report presents the research and analysis pertaining to the economic and market potential of new accommodation development. The analysis herein has assumed an opening date for the proposed new developments of January 1, 2020.

The objectives of this assignment have been to:

- To gain an understanding of the current accommodation market within Prince Edward County;
- Evaluate the market potential for accommodation growth within Prince Edward County;
- To identify the gaps in services currently offered and to determine the additional capacity that could be sustained within the competitive market;
- To determine the ideal accommodation product in terms of number of rooms, positioning, level of service, and amenities; and,
- Develop criteria to identify suitable sites for development.

To complete our analysis, we have undertaken the following steps:

- A review of the provincial and regional economic and tourism market conditions and indicators including reviewing all relevant background materials and economic data, researched major developments and projects, and identified complementary businesses, attractions, and facilities that could influence future accommodation market performance.

- A review of the provincial, regional, local and Ontario Inn accommodation markets including a five-year history of top line performance, segmentation and sources of demand as well as seasonality of demand;
- Engaged in stakeholder consultation through interviews and surveying of key local and regional stakeholders including accommodation operators, attraction operators, sports associations, tour operators, event facilities, festival and event operators, local developers and event attendees;
- A review of the potential development areas within the County relative to typical site selection criteria to identify the areas which are likely best suited to a new accommodation development within the County;
- Identified two development alternatives, including room count, facilities and amenities, which represent the most suitable accommodation product for the County based on the research conducted in the previous steps;
- An estimate of future growth in supply of, and demand for accommodation in the competitive market area;
- Preparation of room night demand by market segment, occupancy and Average Daily Rate (ADR) projections for the two proposed development alternatives over the projection period of January 1, 2020 to December 31, 2024, based on the recommended facilities, and market orientation; and
- Documentation of study research, findings and conclusions.

The following pages present a summary of our research and analysis as it relates to the two alternative accommodation developments.



## **Economic Overview**

Provincial Economic Overview

Local Economic Overview

Competitive Market Analysis

Supply Demand Analysis

## ECONOMIC OVERVIEW

Ontario is located in Central Canada, bordered by the Great Lakes, Hudson Bay and James Bay. It is Canada's second largest province in total land area. The largest border is with the province of Manitoba to the west and then the province of Quebec to the east. Ontario also shares borders with the U.S. states of Minnesota to the west, New York to the south east, and Michigan to the south west.

### Population

The largest concentration of people and cities is in the "Golden Horseshoe" along the western end of Lake Ontario including the Greater Toronto Area, Hamilton, and Niagara Falls. The "Greater Golden Horseshoe" describes the metropolitan area outside the core region and which includes Kitchener-Waterloo area, Barrie, and Peterborough.



In northern Ontario, smaller municipalities have evolved at strategic points along the original railway lines that opened up the wilderness to mining and logging. The cities that have evolved include Kenora, Sudbury, North Bay, Sault Ste. Marie, Thunder Bay and Timmins.

According to data collected from Sitewise, Ontario’s demographics are summarized below:

### Ontario Economic Profile Demographics

Population 2016 Estimate	% of Canadian Total	% Change 2011-2016	Average Annual Growth Rate 2011-2016	
13,925,380	38.42%	5.0%	1.00%	
Household Income – 2016 Average				
% Above/Below National Average	Total Income 2016 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
5.84% Above	\$538,680,878,000	39.01%	\$38,468	35.30%
Household Spending – 2016 Average				
% Above/Below National Average	Total Household Spending 2016 Estimate	% Canadian Total	Per Capita	Per Household
10.81% Above	\$651,214,658,227	40.85%	\$46,765	\$121,720

Source: Sitewise, 2016

### Transportation

More than 16,500 km of provincial highways link Ontario's cities and towns, including the Queen Elizabeth Way (QEW) and the 400 series of highways. Highway 401 stretches 820 km from Windsor to the Quebec border, and is one of the busiest roads in the world.

The railways were largely responsible for opening up northern Ontario, beginning in the 1880s when copper and nickel were discovered. Today, railways are important for both passenger and freight service.

The St. Lawrence Seaway makes it possible for freighters to travel between Thunder Bay and the Atlantic Ocean, carrying goods to and from overseas markets.

Ontario is an important province to the Canadian economy, contributing about 41% of Canada's Gross Domestic Product (the total value of all goods and services produced in Canada). In addition, Ontario accounts for almost 60% of all manufactured exports coming out of Canada. Ontario leads the provinces as Canada's manufacturing heartland.

### Economy

The following table provides the most recent outlook for the Province of Ontario as prepared by the Conference Board of Canada.

	ONTARIO ECONOMIC INDICATORS							
	2014	2015	2016F	2017F	2018F	2019F	2020F	2021F
Real GDP Growth at Basic Price (\$2007)	602,010	617,457	634,341	647,146	660,725	672,981	684,340	696,459
Annual % Change	2.6%	2.6%	2.7%	2.0%	2.1%	1.9%	1.7%	1.8%
Population (Thousands)	13,671	13,786	13,961	14,151	14,301	14,443	14,582	14,721
Annual % Change	1.0%	0.8%	1.3%	1.4%	1.1%	1.0%	1.0%	1.0%
Employment (Thousands)	6,877	6,923	6,999	7,071	7,161	7,251	7,336	7,417
Annual % Change	0.8%	0.7%	1.1%	1.0%	1.3%	1.3%	1.2%	1.1%
Unemployment Rate	7.3%	6.8%	6.6%	6.3%	6.3%	6.0%	5.9%	5.8%
Personal Income Per Capita (\$)	\$43,262	\$44,936	\$46,300	\$47,519	\$48,845	\$50,322	\$51,743	\$53,208
Retail Sales (\$ millions)	\$176,719	\$184,143	\$193,291	\$200,558	\$204,960	\$210,159	\$215,223	\$219,985
Annual % Change	5.0%	4.2%	5.0%	3.8%	2.2%	2.5%	2.4%	2.2%
CPI (Annual Change)	2.3%	1.2%	1.8%	1.8%	2.0%	2.1%	2.1%	2.0%

Source: Conference Board of Canada, Spring 2017

Notable highlights regarding Ontario's economic environment are provided below and have been sourced from the Conference Board of Canada, Spring 2017 Outlook:

- Ontario's labour market continues to be stronger than that of other provinces and Ontario households are projected to benefit from a strong business sector resulting in strong consumer spending.
- The trade outlook is projecting modest growth due to both the lower Canadian dollar and uncertainty around U.S. trade policy. Total exports are projected to increase by 1.8% in 2017, followed by 2.8% in 2018.

- Weaker residential investment and investment in machinery and equipment are expected to contribute to a 0.7% decline in real business investment in 2017. Reduced government spending as a result of the \$4.3 billion provincial deficit has also impacted business investment levels.
- Ontario consumers are expected to continue to drive growth in the province over the next two years. With stronger labour markets and employment increasing by 1.0% in 2017, gains are expected in real household consumption of 2.3% in 2017 and 2.1% in 2018. Demand for goods is expected to outweigh demand for services with 3.5% growth expected in the demand for goods in the balance of 2017. However, spending on housing-related services will remain strong in the next few years, with growth of 3.1% in 2017 and 3.4% in 2018.
- Nearly half of all Ontario businesses are operating near capacity, with industrial businesses reaching a capacity utilization rate of 90%. As a result, growth in total exports is expected to be hampered by the limited ability of the industry to grow. Total exports are projected to increase by 1.8% in 2017, while international exports expected to see growth of only 1.7%. Stronger growth is expected in interprovincial exports at 2.3% in 2017.
- Real total imports are projected to increase in the near future as consumption of goods increases, by 2.2% in 2017 and by 2.8% in 2018.

Overall, the Ontario economy is expected to grow by 2.0% in 2017, driven mainly by household consumption. GDP growth is then expected to increase slightly to 2.1% in 2018.

## Tourism

In Spring 2017, the Conference Board of Canada released the most recent Travel Market Outlooks for the 2016 to 2020 period. The projections are summarized below.

PROVINCIAL TRAVEL MARKET OUTLOOK					
Ontario	2016e	2017f	2018f	2019f	2020f
Total ('000s overnight province visits)	60,532	62,932	64,788	66,494	67,912
	4.5	4.0	2.9	2.6	2.1
Domestic	44,411	45,884	47,107	48,294	49,259
	2.5	3.3	2.7	2.5	2.0
Business	3,667	3,755	3,842	3,923	4,001
	2.1	2.4	2.3	2.1	2.0
Pleasure	17,203	17,792	18,306	18,774	19,191
	2.6	3.4	2.9	2.6	2.2
United States	13,081	13,761	14,188	14,514	14,775
	9.6	5.2	3.1	2.3	1.8
Overseas	3,040	3,287	3,494	3,686	3,877
	14.6	8.1	6.3	5.5	5.2
Total Expenditures (\$ millions)	17,295	18,537	19,598	20,587	21,525
	8.4	7.2	5.7	5.0	4.6

Source: The Conference Board of Canada

- Domestic travel will account for approximately 72.5% of overnight travel by 2020, generating more than 49 million overnight visits. Domestic pleasure travel was up in 2016

with several high-profile sporting events taking place in the City of Toronto, such as the 2016 NBA All-star Week and the World Cup of Hockey. Domestic travel in the region is also buoyed by the weaker Canadian dollar, relative to the US dollar, acting as an incentive for Canadians to travel within Canada as opposed to traveling to the US.

- The U.S. visitation to Ontario is expected to grow at 5.2% in 2017 after posting strong growth of 9.6% in 2016. Growth in 2016 was attributed in part to the exchange rate of the USD vs. CAD, and in part to the one-time events mentioned above. Despite recent political tensions in the United States, visitation to Canada is expected to continue to increase.
- Overall, visitation within Ontario is expected to grow by 2.0 – 4.0% over the 2017 – 2020 period.

## NORTHUMBERLAND COUNTY ECONOMIC OVERVIEW

The local accommodation market in Prince Edward County is influenced by economic and tourism conditions in the surrounding communities. Northumberland County (including the major municipalities of Cobourg, Port Hope, and Brighton) has a well-established and growing commercial business base. The following section summarizes the economic positioning of Northumberland County.

### Overview of Northumberland County

Northumberland County is located on the north shore of Lake Ontario and includes the municipalities of Cobourg, Port Hope, Trent Hills, Brighton, Hamilton, Alnwick/Haldimand, and Cramahe. The County is easily accessed via Highway 401 and both Toronto and Kingston are within a 1-1.5-hour drive. The following table summarizes the demographics of Northumberland County.

#### Northumberland County Economic Profile Demographics

Population	% of Canadian	% Change		Average Annual Growth Rate	
2016 Estimate	Total	2011-2016		2011-2016	
87,328	0.24%	3.90%		0.78%	

Household Income – 2016 Average					
% Above/Below National Average	Total Income Estimate	2016	% Canadian Total	Per Capita	Hhlds. \$100,000+
6.07% Below	\$3,240,805,000		0.23%	\$37,111	32.70%

Household Spending – 2016 Average					
% Above/Below National Average	Total Household Spending	% Canadian Total		Per Capita	Per Household
	2016 Estimate				
7.17% Below	\$3,703,973,655	0.23%		\$42,415	\$102,501

Source: Sitewise, 2017

The largest industries by employment in Northumberland County are manufacturing (13.1%), retail trade (11.9%), health care and social assistance (11.3%), construction (8.0%), and educational services (6.9%). Northumberland County is also proximate to the Darlington Nuclear Generating Station in Bowmanville, Ontario. This facility is currently undergoing a refurbishment project that will create jobs and boost the Ontario GDP by \$15 billion over the next 10 years. In addition, the investment into the facility ensures its continued operation for at least another 30 years following the completion of the refurbishment.

Northumberland County also features a variety of attractions and activities for visitors including popular beaches, hiking trails, cycling routes, fishing, snowmobiling, golfing, and hunting opportunities. Some notable attractions within the area include Cobourg Beach, Northumberland County Forest, Ganaraska Forest, Rice Lake, and the Trent River.

## HASTINGS COUNTY ECONOMIC OVERVIEW

Similarly, the local accommodation market in Prince Edward County is influenced by economic and tourism conditions in Hastings County (including the major municipalities of Belleville and Quinte West). The following sections outlines the key economic and tourism drivers in this area.

### Overview of Hastings County

Stretching almost 160 kilometers from Algonquin Park to the Bay of Quinte, Hastings County is the second largest county in Ontario. Hastings County is comprised of 14 member municipalities (Town of Bancroft, Township of Carlow/Mayo, Municipality of Centre Hastings, Town of Deseronto, Township of Faraday, Hastings Highlands, Township of Limerick, Township of Madoc, Municipality of Marmora & Lake, Township of Stirling-Rawdon, Township of Tudor & Cashel, Municipality of Tweed, Township of Tyendinaga and the Township of Wollaston), as well as the cities of Belleville and Quinte West.

Located centrally in eastern Ontario, many areas of Hastings County can be accessed by car in less than three hours driving from major cities (Toronto, Kingston, Ottawa etc.), as well as the U.S. Border. The County is accessible via Highway 401, TransCanada Highway 7, and four other provincial highways. Transit offerings within Hastings County include services from five local Greyhound bus stops and two VIA train stations. The closest international airports to Prince Edward County are in Toronto and Ottawa, which are both within a 2-hour drive of the County.

In 2013, Hastings County (CD 12) saw visitation from approximately 2.4 million people. Approximately 55% of visitors originate from the CMAs of Toronto, Ottawa, Oshawa and Kingston and same-day visits accounted for 62% of all trips (38% overnight visits). Apart from Q1 (January through March), visitation to Hastings County was relatively well distributed throughout the year in 2013, with 30% of person visits occurring during Q2 and Q3 respectively, and 27% of visitation occurring during Q4.

Hastings County features unique tourist attractions ranging from a variety of outdoor experiences (trail systems, hiking, biking, skiing, fishing etc.) to art galleries/activities (among top 10 rural municipalities for high concentration of artists), and rockhounding (one of most unique geological areas globally – attracts recreational rock hounding). Local food offerings and the County's known trademark as the Cheese Capital of Canada are also draws for tourists.

## BELLEVILLE ECONOMIC OVERVIEW

The City of Belleville is the largest urban centre in Quinte Region, serving the communities west of Kingston and east of the GTA. The City is located 1.5 hours (150 km) east of the GTA along the mouth of the Moira River on the Bay of Quinte.

### Economy

Data relating to Belleville's local economy are included in the following table:

#### Belleville Economic Profile Demographics

Population	% of Canadian	% Change	Average Annual Growth Rate	
2016 Estimate	Total	2011-2016	2011-2016	
95,671	0.26%	0.70%	0.14%	
Household Income – 2016 Average				
% Above/Below National Average	Total Income 2016 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
24.16% Below	\$3,091,088,000	0.22%	\$32,310	26.10%
Household Spending – 2016 Average				
% Above/Below National Average	Total Household Spending 2016 Estimate	% Canadian Total	Per Capita	Per Household
34.73% Below	\$3,289,416,443	0.21%	\$34,383	\$81,534

Source: Sitewise, 2017

The community Belleville is a well-balanced economy with strengths in food processing, logistics, plastics and packaging, and advanced manufacturing.

The top 10 labour force industries in Belleville by number of employees are outlined in the following table:

**TOP 10 LABOUR FORCE INDUSTRIES – BELLEVILLE  
2016 ESTIMATES**

Industry	Number of Employees	% of Total Employees
Retail Trade	7,042	14%
Public Administration	6,108	13%
Manufacturing	5,397	11%
Health Care and Social Assistance	5,085	10%
Accommodation and Food Services	3,560	7%
Educational Services	3,104	6%
Admin and Support, Waste Mgmt and Remediation Services	2,991	6%
Construction	2,750	6%
Transportation and Warehousing	2,375	5%
Professional, Scientific and Technical Services	1,463	3%
<b>Total Labour Force</b>	<b>47,880</b>	

Source: Sitewise 2017

The most significant private sector industries situated within the local market area include: Sears Canada, Proctor & Gamble, Tyco International, Kellogg, Goodyear Tire and Rubber Company, Norampac, Bioniche Life Sciences and Exxon Mobil. Discussions with Economic Development note that the local economy was well insulated during the recession in late 2008 and 2009. While there was a definite slowdown in manufacturing and other businesses over this period, the massive closures and shut downs experienced in many other Ontario communities were not realized in this market. The fact that the City of Belleville, and the regional area is home to a diverse and growing economy is a very positive indicator for the accommodation and tourism sectors. With the challenges Sears Canada is currently facing, its future in the region is unknown.

The following is a list of the recent and upcoming major developments in Belleville:

- Triangle Fluid Controls is expanding their existing operation by 13,000 square feet. The three-year project is expected to cost \$1.9 million and create 10 new jobs upon completion.
- A new food processor plant opened in 2016 with a 30,000-square foot facility. The facility now employs 70 to 100 people full time.
- The new Shorelines Casino opened in January 2017 in Belleville. The new facility contains slots, table games, a restaurant, and bar/lounge. The facility is expected to hire up to 300 people and is estimated to realize more than 550,000 visits annually.

Although new accommodation would not be located in Belleville, the surrounding developments will have a positive impact on future operations, as improvements and an expanded economy leads to further population growth and therefore greater potential visitation.

## Tourism

Outdoor recreation and sports tourism are the main tourism attractions for the Belleville area, particularly during the summer season. The area has extensive biking, walking and hiking trails along the waterfront. The city also is home to the Yardmen Arena and the Quinte Sports & Wellness Centre, which host a number of local sports teams, tournaments, competitions, and events. Belleville also serves as a gateway to Prince Edward County, typically to those arriving from the east such as visitors from Ottawa and Montreal.

There is also a local commitment to increase the profile of the community within the sports tourism sector. The communities already attract a wide variety of sporting events each year, as there are an abundance of fields and arenas for soccer, baseball, lacrosse, track and field, hockey, curling, swimming and other sports. With the investment in the Quinte Sports and Wellness Centre, demand from this target market is projected to increase as it hosts a number of notable tournaments and events, including the International Floor Ball Competition in May 2016, which attracted 30-40 players per team competing from 16 different countries.

Belleville also hosts festivals and events, which attract both local visitors as well as those from out of town. Some popular festivals include the Belleville Waterfront Festival, which attracts up to 30,000 people, and RockFest, which attracts up to 10,000 people annually.

## QUINTE WEST ECONOMIC OVERVIEW

Quinte West is a city in Southern Ontario that was formed through the amalgamation of the City of Trenton, the village of Frankford, and the townships of Murray and Sidney in 1998. The city is located approximately 150 km east of the City of Toronto and contains the Lake Ontario terminus of the Trent-Severn Waterway.

### Economy

The economy of Quinte West is comprised of government and military offices and bases, as well as several manufacturing businesses, including: Metro Paper Industries, Nestle Canada Inc., Electro Cables Inc., and Canada Blast Freezers, amongst others. The military also has a strong presence in the community, with the CFB Trenton base employing 3,000 to 4,000 people. This base is the primary air transportation hub for the Canadian Armed Forces and contains a Canadian Border Services Agency office to accommodate international flights.

The following is a list of the recent and upcoming major developments in Quinte West:

- At CFB Trenton, three major infrastructure projects were recently completed: a new maintenance hangar for the C-17 Globemasters (\$122.6 million), an Air Mobility Training Centre which will house the equipment and personnel required to train operators and complete maintenance of the C-130J aircraft (\$84.2 million) and the construction of an Electrical/Mechanical Engineering (EME) and Transportation Garage (\$75 million). There are long term plans for continued investment and development of CFB Trenton lands over the next 10 years, with total investment in the base reaching close to \$1 billion.
- CFB Trenton is also expected to be the future home of the JTF2 counter terrorism unit. While the relocation of this equipment from Ottawa to Trenton has been delayed, it is now expected to arrive in 2019 or 2020. CFB Trenton obtained 800 acres of land for this development, which is expected to bring 600-800 enlisted people to the base and 300 more non-enlisted jobs.
- The new Quinte West marina, opened in June 2016, is located on the Trenton waterfront. The 380-slip marina will service boaters on the Bay of Quinte and the Trent Severn Waterway. The marina contains a 6,000-square foot facility that will house boater facilities (washrooms, showers, etc.) as well as patios and a public gathering space.

### Tourism

Outdoor recreation is one of the main tourism attractions for the Quinte West area, particularly during the summer season. The area has extensive biking, walking and hiking trails along the waterfront and is a well-known area for year-round fishing and boating. The Trenton area serves as a gateway for Prince Edward County which largely attracts visitors from the GTA and Eastern Ontario.

The Quinte West Region is also home to the Brighton Apple Festival, as well as a number of other festivals and events.

## PRINCE EDWARD COUNTY ECONOMIC OVERVIEW

The most important influence on the accommodation market in Prince Edward County is the economic and tourism conditions in the County which drives all segments of demand to the area.

Consisting of approximately 1,050 square kilometres in land area, Prince Edward County is an island community in south eastern Ontario. It is located at the eastern end of Lake Ontario and encompasses more than 800 kilometres of shoreline. The County is situated east of Toronto (203km) and southwest of both Ottawa (258km) and Montreal (371km), and approximately 90km west of Kingston.

Prince Edward County is accessible to non-local visitors by train, plane or motor vehicle. While most visitors to the county arrive by car, a VIA Rail train station is located about 10 minutes outside of the County in Belleville, Ontario. In addition, the Kingston Airport is located within 75 kilometres of the County and offers seven daily flights between Toronto Pearson International Airport and Kingston. The Mountain View Airport is located in Ameliasburgh, and is primarily used by Air Cadets that participate in glider pilot training and familiarization flights. However, as a military airport, it is generally closed to public air traffic. However, the Loch Sloy airport in Picton, which is a decommissioned military base, now serves as a private industrial park and airport for public use.

### Economy

Prince Edward County's economic profile is as follows:

#### Prince Edward County Demographics

Population	% of Canadian	% Change	Average Annual Growth Rate	
2016 Estimate	Total	2011-2016	2011-2016	
25,882	0.07%	0.30%	0.06%	
Household Income – 2016 Average				
% Above/Below National Average	Total Income 2016 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
5.61% Below	\$991,455,000	0.07%	\$38,307	29.40%
Household Spending – 2016 Average				
% Above/Below National Average	Total Household Spending 2016 Estimate	% Canadian Total	Per Capita	Per Household
1.85% Above	\$1,231,452,202	0.08%	\$47,579	\$111,879

Source: Sitewise, 2017

In 2016, there were an estimated 25,882 residents and 13,000 people made up the labour force in Prince Edward County. With regards to total number of employees, the largest industries in 2016 were: Health Care and Social Assistance (14% of total), Retail Trade (accounting for 13% of total employees) and Construction (8% of total).

The following chart identifies the top 10 labour force industries by number of employees in the Prince Edward County market:

**TOP 10 LABOUR FORCE INDUSTRIES – PRINCE EDWARD COUNTY  
2015 ESTIMATES**

Industry	Number of Employees	% of Total Employees
Health Care and Social Assistance	1,765	14%
Retail Trade	1,695	13%
Construction	1,014	8%
Manufacturing	1,004	8%
Agriculture, Forestry, Fishing and Hunting	985	8%
Accommodation and Food Services	964	7%
Public Administration	886	7%
Educational Services	650	5%
Admin and Support, Waste Mgmt and Remediation Services	634	5%
Professional, Scientific and Technical Services	633	5%
<b>Total Labour Force</b>	<b>13,000</b>	

Source: Sitewise 2017

Employment in the area is defined by a strong agriculture base, as well as information technology, innovative light manufacturing and food processing businesses that have grown in terms of employment and economic significance. Industries and businesses that provide support (housing, service etc.) for the expanding senior citizen population are thriving and there are expectations for continued growth into the future. With the development of a strong and growing agri-tourism sector, growth of the wine producing and viticulture industry, the craft brewing industry, as well as increased interest in the local food movement, Prince Edward County has become and will continue to be a primary tourism destination.

Between December 2013 and June 2016, the total number of businesses in Prince Edward County has increased from 1,907 to 2,774. A large proportion of the businesses in the County are small, with approximately 30% having less than 20 employees.

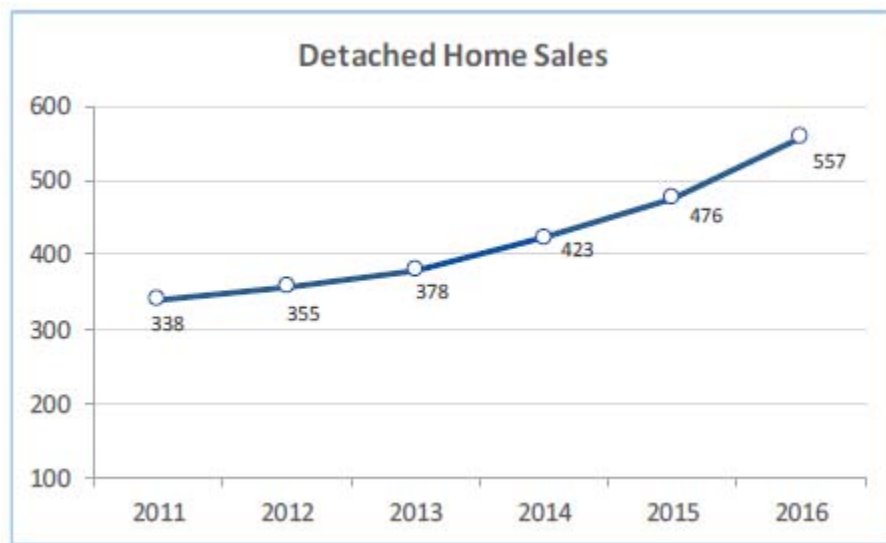
Notable projects underway in Prince Edward County are provided below:

- As of March 2016, Prince Edward County's Downtown Revitalization Project for Bloomfield, Consecon, Picton, Rossmore and Wellington moved into the design and plan development phase. Preliminary development plans for downtown Picton include features such as key

wayfinding locations, proposed public washrooms, opportunities for public art, and intersection improvements.

- Picton's Main Street Rehabilitation Project will be completed in 2017. The project cost \$2.8 million and included upgrades to the streetscape design (sidewalks, lighting, curbs), as well as revitalized water mains, connections and sewers.
- The Picton Harbour is considered a key asset for the County, and efforts are currently underway to develop a plan for the harbour lands. In January 2017, the Picton Harbour Development Vision was released, which outlines themes for redevelopment including creating a quality of place, accessibility, amenities, and activities.

The residential real estate market in Prince Edward County has performed very well over the last few years, and has turned into a seller's market with demand outpacing supply. As shown in the following graph, 557 homes sold in 2016, the highest amount in the last five years. Over the last five years homes have been able to sell in a shorter period of time, an increasing number of homes sold over listing price, and the average price has increased by 22% between 2011 and 2016.



Source: Treat Hull & Associates

## Tourism

Tourism is a growing and vibrant sector in Prince Edward County (CD13), with total visitation reaching approximately 574,000 in 2013, a 129% increase over 2011 figures when total visitation was 445,102. An estimated 43% of visitors travelling to Prince Edward County stayed overnight in 2013 (249,100), while 57% made same-day trips. An estimated 98% of visits to the County in 2013 were for the purposes of Pleasure, VFR, Shopping or other personal reasons.

As the only destination in Canada to be placed on the list of top 50 places to visit worldwide by Travel & Leisure Magazine, Prince Edward County's tourism sector is essential to the economy and represents the sector with the largest growth potential. Discussions with local Community Development officers indicate that an increase in residential housing sales has expanded the seasonal visitor market in recent years, due to an increasing number of owners renting their properties out to tourists.

The County's local food movement continues to grow, featuring more than 40 wineries and 5 craft breweries currently open to the public, 5 breweries under development, and a wide variety of locally sourced menus and farm-to-table culinary experiences<sup>1</sup>. Prince Edward County is considered to be the fastest growing Viticulture Region in Ontario, showing strong annual growth over the past 20 years. A major local food attraction is the Arts Trail/Taste Trail, which includes an itinerary of more than 100 local farmer's markets, wineries, cafes and artisan shops. The area's prominent agricultural base has led to continuing growth in new business ventures focused on wine, breweries, local food and other agri-tourism products.

As a well-established attraction, Sandbanks Provincial Park is the largest tourist demand generator in the County, attracting an over 500,000 visits per year and over 605,000 person visits in 2014. Another popular outdoor destination is Lake on the Mountain, which is one of Ontario's natural wonders and is situated above Picton Bay. Other outdoor recreational experiences offered include cycling and tour routes, boating, watersports, fishing, hiking and golfing. The County also offers an array of festivals/events including the Great Canadian Cheese Festival, which is the largest of its kind in Canada, as well as Maple in the County, Taste! A Celebration of Regional Cuisine, PEC Music Festival, PEC Jazz Festival, and many others. Other tourist offerings include arts and cultural attractions (galleries, theatres, vineyards, museums, heritage parks etc.) and unique shopping opportunities.

In terms of seasonality, visitation is highest in July and August; however, the shoulder seasons are beginning to see increased demand as a result of new festivals and events, and an increasing number of wineries operating year-round. Featured winter activities in the County include cross country skiing, ice fishing and walking trails.

With respect to tourism development, the County has witnessed significant levels of investment within the past 10 to 15 years. The Huff Estates Winery opened to the public in 2004, and based on the popularity of its offerings, ownership went on to develop a 21-suite inn, which opened in 2006. In addition - the property now known as the Drake Devonshire Inn - was purchased by the Toronto-based Drake Hotel Properties in 2012 for an estimated \$1.3 Million, and has since been re-established as a boutique inn and restaurant

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<sup>1</sup> <https://www.thestar.com/life/2017/04/08/craft-beer-taps-into-prince-edward-county.html>

driving significant demand from the GTA to Prince Edward County, as well as helping to improve average rates for other local accommodations.

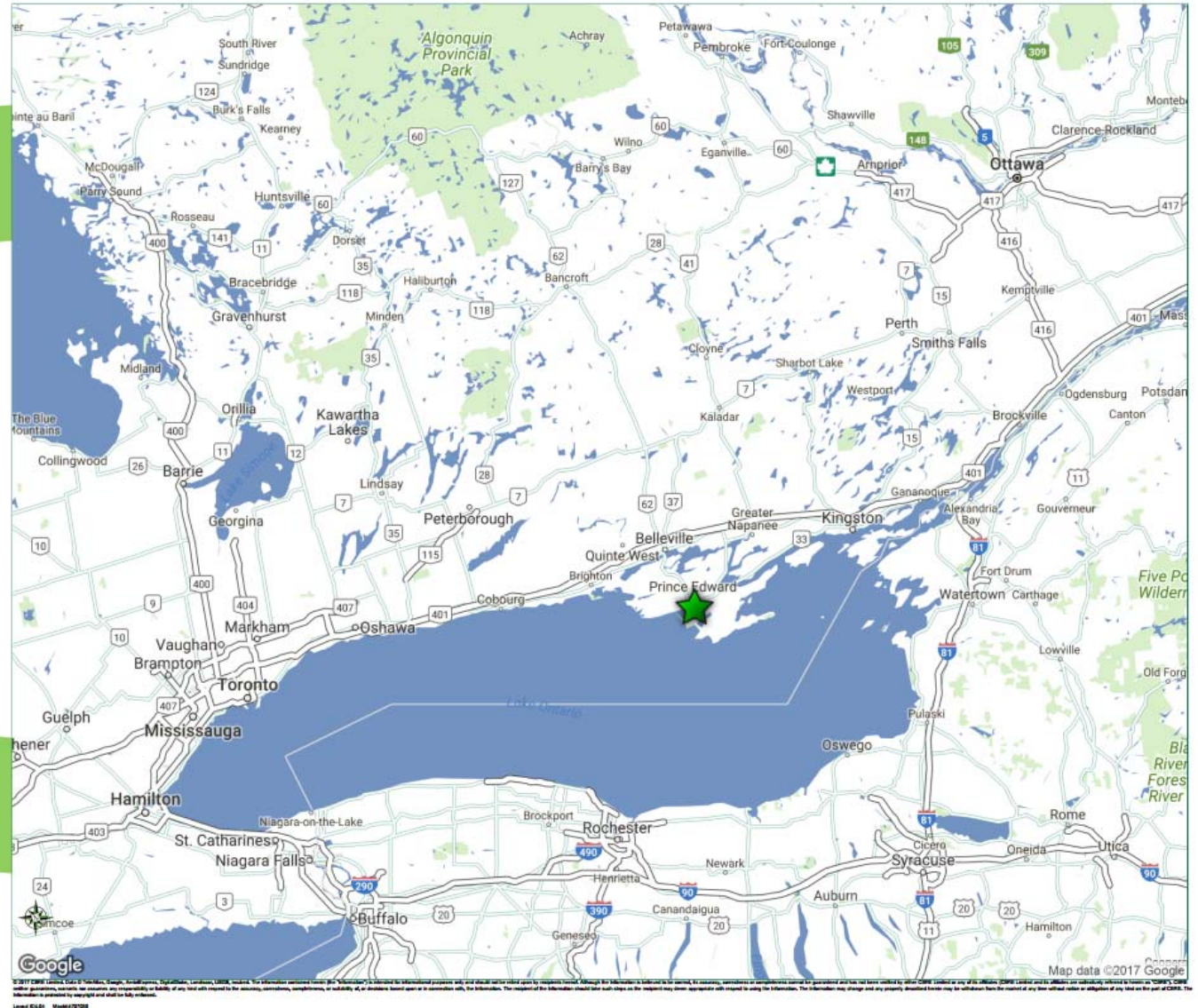
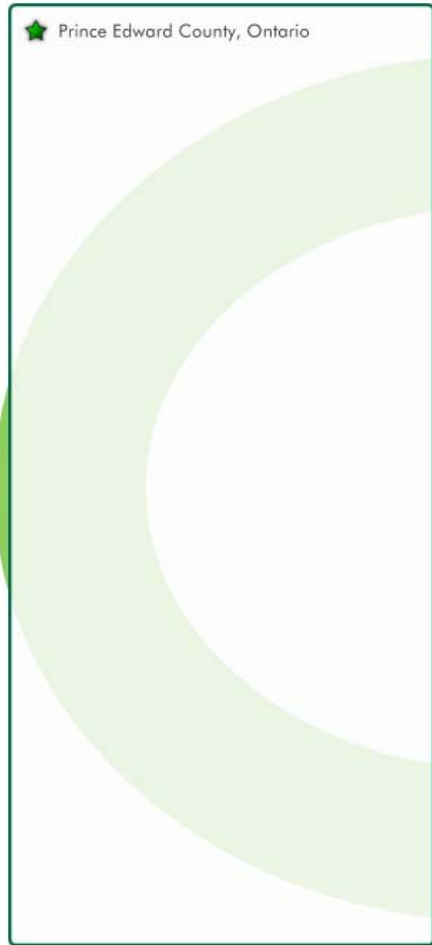
The Royal Hotel is also currently under construction in downtown Picton. The Royal Hotel was purchased by Greg Sorbara in 2013 and is currently undergoing a historic renovation and restoration to create a 28-room boutique hotel which will include a bakery, café, a bar with a fireplace, dining room to seat 120 people, and a library for hotel guests. The property is expected to open in 2019. It is also our understanding that the Drake Devonshire Inn is currently considering expansion of the existing property.

In addition, we understand that a developer has purchased the grist mill in Consecon and is looking to develop potentially four accommodation units and an on-site restaurant. This development is expected to be completed over the next five years.

While CBRE Hotels has made attempts to determine the level of new supply entering the market, it is impossible to determine every hotel that will be developed in the future, when they will be completed or their potential impact on the accommodation market.

Overall, the region's accommodation sector has seen growth in the last few years demonstrating increasing interest in this region from both a tourist and investment perspective.

### REGIONAL MAP





**Competitive Market Analysis**  
Provincial and Regional Market Analysis  
Competitive Market Analysis

## PROVINCIAL MARKET ANALYSIS

The following is the data compiled and published by CBRE for the Ontario accommodation market. While the provincial market performance does not have a direct impact on the performance of the accommodation market in the County it has been included to provide context for the regional and local accommodation market.

### Ontario Market Performance Results

Year	Occupancy	ADR	ADR % Growth	RevPAR	RevPAR % Growth
2005	62.1%	\$120.91	-	\$75.09	-
2006	63.0%	\$124.79	3.2%	\$78.62	4.7%
2007	62.8%	\$126.20	1.1%	\$79.25	0.8%
2008	61.4%	\$119.13	-5.6%	\$73.15	-7.7%
2009	57.1%	\$114.62	-3.8%	\$65.45	-10.5%
2010	60.4%	\$117.65	2.6%	\$71.06	8.6%
2011	61.0%	\$119.08	1.2%	\$72.64	2.2%
2012	61.6%	\$120.26	1.0%	\$74.08	2.0%
2013	62.3%	\$119.69	-0.5%	\$74.57	0.7%
2014	64.1%	\$122.41	2.3%	\$78.46	5.2%
2015	65.2%	\$138.62	13.2%	\$90.38	15.2%
2016	67.6%	\$146.05	5.0%	\$98.79	9.0%
<b>CAGR</b>	<b>0.8%</b>	<b>1.7%</b>		<b>2.5%</b>	

Source: CBRE Hotels

- Occupancy levels hovered in the 62% to 63% range over the 2005 to 2007 period. ADR improved over this period, increasing from \$120.91 to \$126.20.
- Provincial occupancy levels started to decline in 2008, falling to 61.4%. Results were impacted by a softening in the global economy, particularly in the 4th quarter of that year. In an effort to attract/maintain demand, many hotels across the province implemented discounting strategies, which resulted in an overall decline in ADR of 5.6%.
- The 2009 results reflect the continued impact of the weak economy and challenges in key areas such as the auto sector. The Province saw a decline in occupancy to a low of 57.1%. ADR continued to decline, particularly due to the fall off in corporate and M&C travel, with ADR declining 3.8% to \$114.62.
- Occupancy and ADR have improved since 2010. Hotel Supply/Demand fundamentals have remained solid in Ontario, with modest levels of new hotel supply, and continued increases in demand. As the global economy recovered, and the Ontario economy in particular improved, the hotel sector in the Province has benefitted.
- Provincial occupancy reached a new high in 2015 of 65.2%. Healthy demand levels, buoyed in part by major sporting events across the province, as well as the general health in the economy, also supported a healthy 13.2% lift in ADR to \$138.62 last year.
- 2016 results indicate strong performance in Ontario over the year with occupancy up 2.4 points and ADR seeing 5.0% growth. Overall, RevPAR increased 9.0% in Ontario.

- Continued strength is anticipated for the Ontario accommodation market in the short to mid-term as a result of the economic growth and increasing domestic travel.

## COMPETITIVE REGIONAL MARKET ANALYSIS

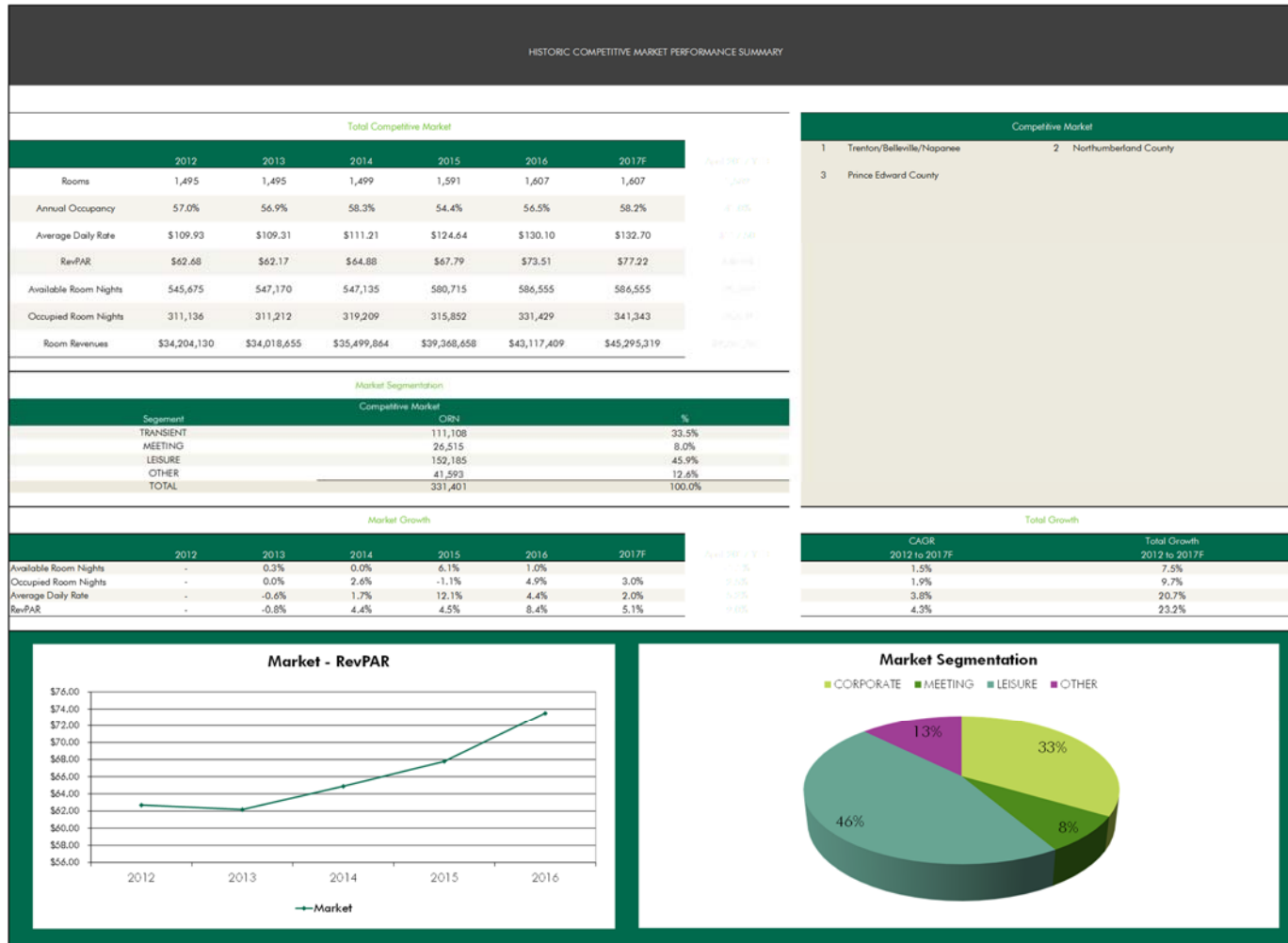
CBRE Hotels, through our Monthly Trends program collects top line (occupancy and average daily rate) data on close to 1,900 properties across Canada representing over 60% of the Canadian industry's 370,000 rooms. Our database is considered a standard source of reliable data for most markets.

In order to more precisely identify accommodation market trends as they relate to the potential for additional accommodation development in The County, CBRE has prepared a market specific analysis using data collected by CBRE Hotels.

While a new accommodation development located in Prince Edward County would benefit directly from the local economies of Belleville/Trenton/Quinte West, from an accommodation perspective, the property would compete directly with properties in Belleville, Trenton, Napanee, and Northumberland County. As such, CBRE has defined the competitive regional accommodation market as comprising 1,586 rooms as of December 2016. This market includes the full service, focused service, and limited service branded accommodation, as well as unbranded, independent inns, bed & breakfasts, resorts, and boutique hotels throughout the region.

**Market Performance**

The competitive regional market has achieved the following results in recent years.



- The regional competitive market includes all limited service, focused service, full-service and extended stay hotels in Port Hope, Cobourg, Quinte West, Belleville and Napanee, as well as the B&B's, Inns, hotels and resorts in Prince Edward County.
- As of the end of 2016, the competitive market was comprised of approximately 1,586 rooms or 578,890 available room nights with more than 60% of the rooms concentrated in the Belleville/Quinte West/Napanee area.
- Supply fluctuations over the past five years are primarily attributable to the opening of the 100-room TownePlace Suites in Belleville in 2015 and the opening of the 13-room Drake Devonshire in late 2014.
- Demand for occupied room nights in the market has grown by 7% from 2012-2016, generally absorbing the new supply. The market occupancy has improved from a low of 54% in 2015 to 57% at the end of 2016.
- Historically this regional market has performed in the mid to upper 50% range with the properties in the Belleville/Quinte West/Napanee area performing in the low 60% range and Port Hope/Cobourg area performing in the mid to upper 50% range.
- The occupancy levels in the region have declined over the historic period, the market ADR has increased by more than \$20 or over 18% driven by the opening of the two new hotels and an increase in occupied room nights allowing operators to maximize yield.
- With the improvements in demand and ADR, the market RevPAR has grown by over 17% or an average of 4% per annum.
- In 2017 occupancy is forecast to increase to 58.2% as a result of 3.0% growth in occupied room night demand, with ADR projected to increase to \$132.70.

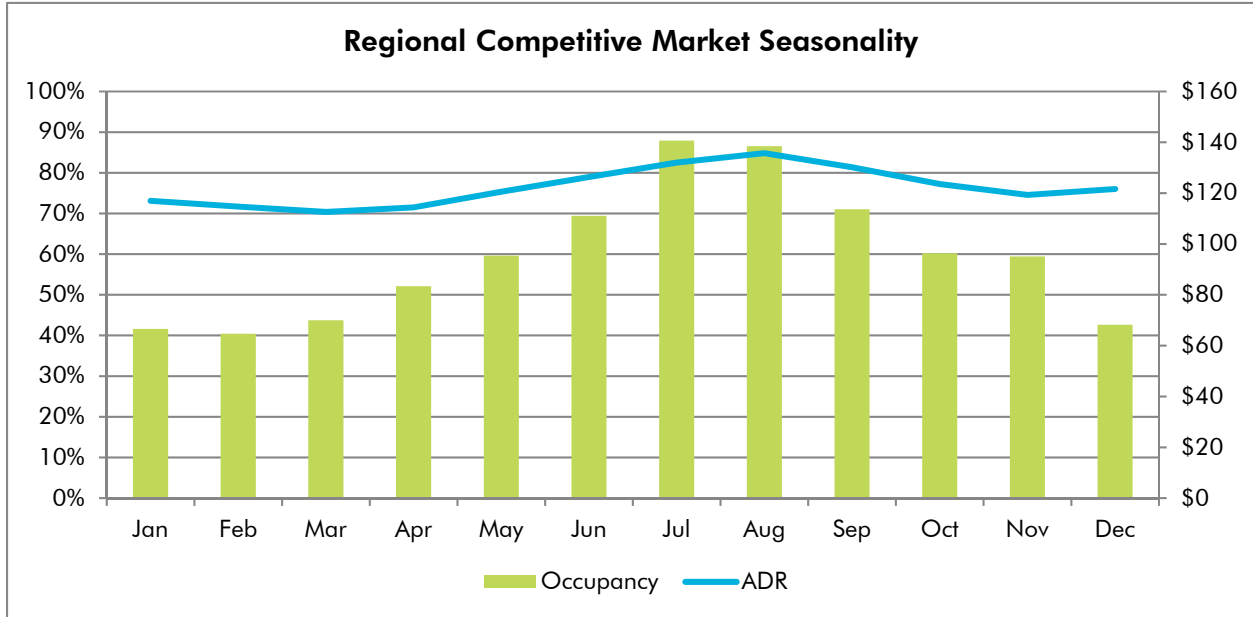
The following table summarizes the performance of each regional market in 2015 and 2016. The Northumberland County market has performed at the highest occupancy levels in recent years, reaching 59% in 2016, followed by the Belleville/Trenton/Napanee market at 58%. Prince Edward County has historically operated at the lowest annual occupancy as a result of its more significant seasonality, with occupancy in this sub-market reaching 51% in 2016. However, Prince Edward County has historically had the highest ADR at \$172, followed by Trenton/Belleville/Napanee and Northumberland County.

#### Accommodation Submarket Performance

	2015			2016		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Trenton/Belleville/Napanee	56%	\$116	\$65	58%	\$121	\$71
Northumberland County	58%	\$105	\$61	59%	\$108	\$64
Prince Edward County	47%	\$166	\$78	51%	\$172	\$87

Source: CBRE Hotels

Data compiled by CBRE relating to the seasonality of the competitive regional market in 2016 is summarized in the following chart.

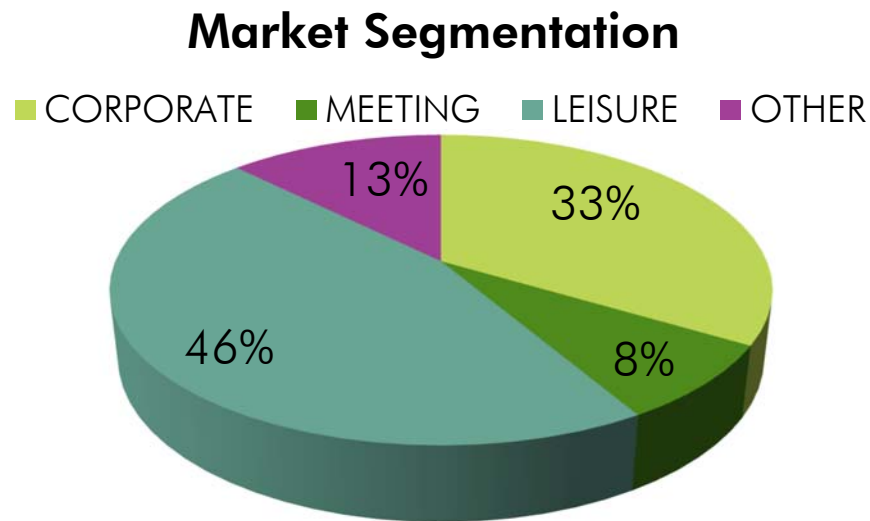


As shown, the competitive regional market experiences fluctuations in demand and average daily rates on a monthly basis. Peak demand occurs in July and August when occupancies approach 90%, with softer demand in the shoulder periods of May/June, and September/October, and the lowest monthly occupancy occurring in the winter months where occupancy falls as low as 40%. Fluctuations in demand levels also limit the ability of properties within the competitive market to achieve higher average daily rates. The lowest rates are typically seen in the weaker demand months, with the strongest rates achieved in July and August when demand is high.

## REGIONAL MARKET SEGMENTATION ANALYSIS

In most markets, overall demand varies based on the nature of travel. Lodging demand is typically generated from four different segments: Corporate, Meeting/Conference, Leisure, and Other.

On the basis of CBRE Hotels market research, and discussions with local accommodation operators the estimated market segmentation for the competitive regional market in 2016 is presented below:



Demand Segmentation - Competitive Regional Market 2016

Segment	Room Night Demand	%
CORPORATE	111,108	33.5%
MEETING	26,515	8.0%
LEISURE	152,185	45.9%
OTHER	41,593	12.6%

*Compiled by CBRE Hotels*

The following section provides details on various segments of demand growth for the regional market.

### Corporate Segment

Corporate travelers are defined as business people attracted by businesses in the area. Commercial transient demand includes individuals visiting the companies in the immediate area or passing through town.

Corporate volume demand is generated by local firms and includes employees of the company or others doing business with the firm. Most demand from the corporate segment is generated between Monday and Thursday nights, declines Friday and Saturday nights, and increases somewhat on Sundays. This equates to approximately 200-250 key Corporate demand days throughout the year. The typical duration of occupancy is one to three days and is characterized by single occupancy. Historically, this demand segment has been somewhat less price sensitive than other segments. Rates are often pre-negotiated with the hotel and are sometimes discounted in return for a high number of occupied rooms. Often, these types of travelers are influenced by quality of the accommodation, brand loyalty, and location. Overall, the corporate segment is highly desirable as it provides a solid base of demand and tends to pay higher room rates than other segments.

In 2016, this segment generated approximately 111,108 occupied room nights or 33.5% of demand within the competitive regional market. Belleville, Trenton, and Northumberland County are the strongest corporate markets in the regional area as there are several major companies, manufacturing facilities, and corporate offices in cities such as Belleville, Trenton, Port Hope, and Cobourg. Corporate demand in the local area would also be generated by the smaller corporate and manufacturing companies.

### Meeting/Conference

Group and Meeting travelers are defined as any group occupying five or more rooms on a given night. This segment includes corporate groups, associations, SMERF (social, military, educational, religious, and fraternal) groups. This segment is typically attracted by a hotel's meeting facilities and recreational amenities in the area. Demand from corporate groups is typically generated between Sunday and Thursday nights, and can include corporate functions, holiday parties, incentive groups, etc. Often, corporate groups pay high rates, especially incentive groups, where companies "wine and dine" their top salesman and upscale/luxury hotels. Corporate groups tend to have a high level of single occupancy, while other groups tend to have more double occupancy. Associations and SMERF groups have a more varied occupancy pattern and often hold weekend meetings. This demand segment tends to be somewhat price sensitive. The typical stay for group demand is between two and five days. There is a perception (often true) that by occupying a block of rooms, a volume discount should be given. Tour group demand is also included within this segment.

Group/meeting travelers have a tendency to stay at full-service hotels and resorts and utilize a hotel's food and beverage facilities. This segment is seasonal, and repeat business on an annual basis is not guaranteed. Overall, the group/meeting segment is desirable as it provides for a full utilization of hotel facilities.

In 2016, the group/meetings segment generated approximately 26,515 occupied room nights or 8.0% of demand within the competitive market. Meeting/conference demand within the competitive regional market is primarily generated by the accommodation facilities in the region that offer significant meeting space. Meeting/Conference demand within the local area would also be generated by events taking place at local facilities in areas such as Belleville, Trenton, Napanee, and Northumberland County.

### Leisure Segment

Leisure travelers generally include vacationers or travelers passing through the area. This category effectively includes all non-commercial related travellers too small to be defined as a group. This segment is typically attracted by a hotel's location relative to area attractions (including friends/relatives). Demand from leisure travelers is typically generated throughout the week during peak periods, with more weekend demand in shoulder seasons. This equates to approximately 100 to 150 key leisure demand days throughout the year, including holidays. Leisure travelers tend to have a high level of double occupancy. This demand segment tends to be less price sensitive. The typical length of stay for leisure travelers is between one and four nights.

In 2016, this segment generated approximately 152,185 occupied room nights or 45.9% of demand within the competitive market. The leisure travel segment represents a significant source of demand for the competitive market. Leisure demand within the regional market is primarily generated by leisure and recreational travel to Prince Edward County, as well as a significant amount of sports tourism demand generated by the recreational facilities in Belleville and Napanee.

### Other / Contract

Other/Contract demand includes any airline contracts or construction and maintenance crew business as well as rooms generated online through third party providers such as Hot Wire, Expedia, Priceline, etc., and by brand loyalty redemptions or associate stays. Government demand is also included in this segment. Demand in this segment is typically represented by sources which are highly rate sensitive and are normally provided with significantly discounted room rates. Demand within this segment typically occurs during the Sunday to Thursday period, although a portion of this demand is also likely to occur on the weekends. Overall, this equates to approximately 200-250 key Other demand days throughout the year.

In 2016, the other/contract segment generated approximately 41,593 occupied room nights or 12.6% of demand within the competitive market. Other demand within the competitive market is generated by government sources, crew business (construction and work crews) and by other discounted sub-segments such as third party online bookings from online travel agents such as Booking.com or Expedia. Trenton contains several government services and military bases including the Canadian Forces Base (CFB) Trenton. As a result, the Trenton market typically captures a higher proportion of government demand than the rest of the competitive market.

## PRINCE EDWARD COUNTY MARKET ANALYSIS

New accommodation within Prince Edward County would compete within the regional accommodation market for occupied room night demand, and would primarily compete against the properties located immediately within Prince Edward County for leisure and tourist demand.

The Prince Edward County accommodation market operates within the regional market and is predominately made up of smaller inns, resorts, boutique hotels, and B&Bs that are largely leisure focused and highly seasonal. There is also a significant number of vacation rentals, cottages, campgrounds, and RV parks which typically operate only seasonally, but account for a substantial amount of overnight accommodation during the summer season. The following table summarizes the accommodation market supply within Prince Edward County.

Prince Edward County Competitive Market

No.	Name	Location	Rooms	Type	Total Meeting Space (Capacity)	Restaurant	Lounge	Other
1	Drake Devonshire	Wellington	13	Inn/Boutique Hotel	50	X	X	Beachfront, store, art, in-room spa services
2	The Inn at Huff Estates	Bloomfield	21	Inn/Boutique Hotel	30	X	X	Winery
3	The Waring House Inn	Pictou	49	Inn/Boutique Hotel	175	X	X	Cookery school
4	Claramount Inn	Pictou	10	Inn/Boutique Hotel		X		Spa, pool, aquafit classes
5	Angeline's Inn	Bloomfield	17	Inn/Boutique Hotel	150	X		Shop
6	Bell's & Whistles Family Inn	Pictou	4	Inn/Boutique Hotel				
7	Isaiah Tubbs Inn & Resort	Pictou	74	Resort	300	X		Beachfront, outdoor sports, water sports, camps
8	The Manse Boutique Inn	Pictou	7	Inn/Boutique Hotel	32	X		Outdoor swimming pool
9	Jackson's Falls Country Inn	Milford	9	Inn/Boutique Hotel		X		Chef's dinners, live entertainment
10	Lakeside Village Inn	Wellington	8	Inn/Boutique Hotel				BBQ, gazebo, firepits
11	Merrill Inn	Pictou	13	Inn/Boutique Hotel		X		Gift shop
12	Pictou Harbour Inn	Pictou	29	Inn/Boutique Hotel		X		Boat slips
13	Queen's Inn	Pictou	8	Inn/Boutique Hotel				
14	Empire Inn & Suites	Bloomfield	8	Inn/Boutique Hotel		X		
15	The Newsroom Suites	Wellington	3	Inn/Boutique Hotel				
16	The Inn at Lake on the Mountain	Glenora	5	Inn/Boutique Hotel	100	X	X	Brewery
17	The June Motel	Pictou	16	Motel				Yoga
18	Balance of Inns & B&Bs	Various	88	B&B				
<b>Total</b>			<b>382</b>					

According to the inventory data provided through RTO9, there are approximately 80 bed & breakfast (B&B) establishments located in the County, with anywhere from one to four bedrooms or suites. Most of these properties are open on seasonal basis, typically from mid May to mid October. Our competitive market analysis has only focused on 52 currently operating properties in the County. As of 2016, our research indicates the 52 local B&B's represented 156 rooms, and 32,120 available room nights for the operating season, which equates to an average of 88 rooms available per day on an annualized basis.

In 2016, the Prince Edward County accommodation market achieved approximately 51% occupancy with an average daily rate of about \$172. The accommodation market experienced a significant increase in average daily rate in 2015, as this was the first full year of operations for the Drake Devonshire and the market average was increased as a result of this new property entering the market and positioning itself as a premium property with an ADR that is significantly higher than other properties. Occupancy is forecast to increase to 53% in 2017, with rates forecast to increase by 2% to \$175.

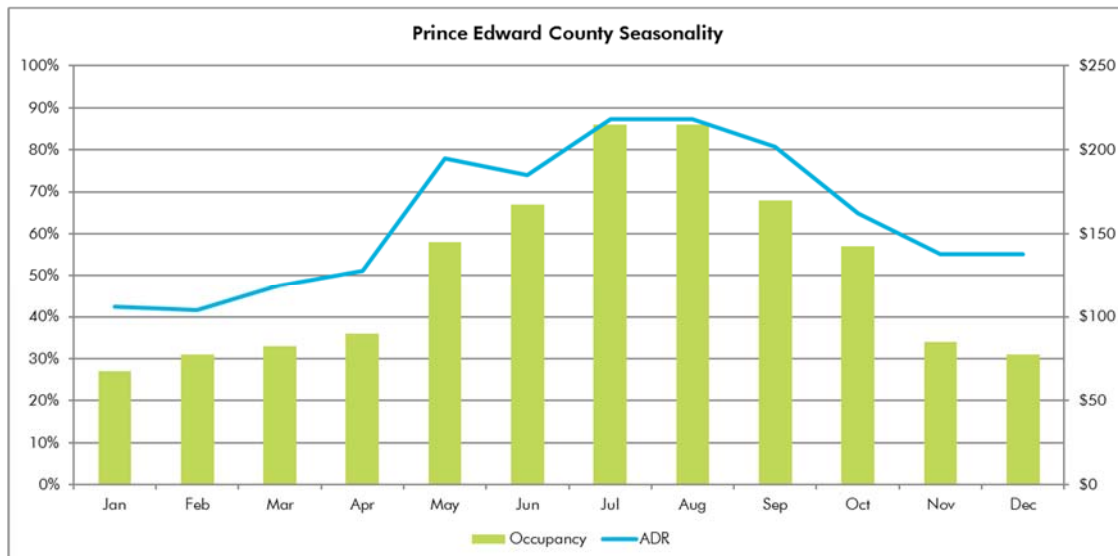
### Competitive Market Performance Results

Year	Occupancy	Point Change	ADR	% Change	RevPAR	% Change
2015	47%	-1	\$166	25%	\$78	23%
2016	51%	4	\$172	4%	\$87	11%
2017F	53%	2	\$175	2%	\$93	7%

Source: CBRE Hotels

In Prince Edward County, the heavy reliance on the leisure travel segment has resulted in a highly seasonal market, with peak occupancies occurring in Prince Edward County between June and September, weaker occupancies seen in the shoulder periods of October/November and April/May, and minimal demand occurring during December to March. Many accommodations and businesses in the County operate seasonally and close during the December to March period.

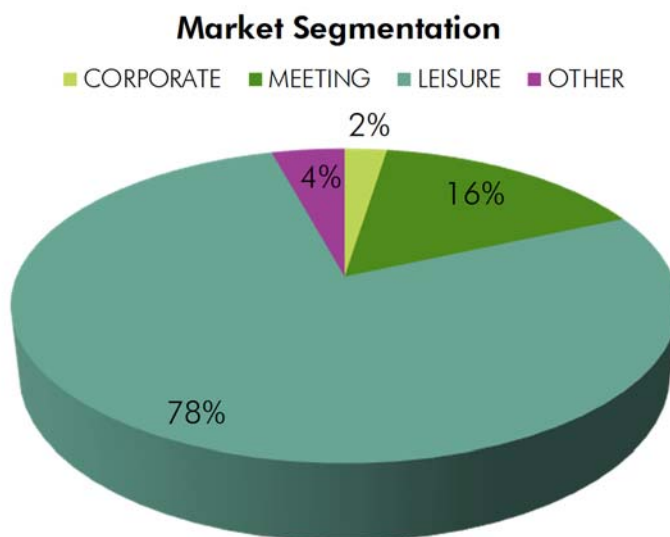
Data compiled by CBRE relating to the seasonality of the Prince Edward County in 2016 is summarized in the following chart.



As shown, the Prince Edward County market experiences significant fluctuations in demand and ADR based on seasonality. Peak demand occurs in July and August when occupancies approach 90%, with slightly softer demand in the shoulder periods of May/June, and September/October. The winter and early spring/late fall periods experience the lowest levels of demand, with occupancies falling between 25% and 35% and ADR reduced by as much as 100%. The significance of the leisure travel segment within the Prince Edward County market, and the absence of significant corporate demand or winter season attractions limit the ability of the market to improve off-peak demand periods.

## PRINCE EDWARD COUNTY MARKET SEGMENTATION ANALYSIS

On the basis of CBRE Hotels market research, and discussions with local operators the estimated market segmentation for the competitive Prince Edward County market in 2016 is presented below:



### Demand Segmentation - Prince Edward County Market 2016

Segment	Room Night Demand	%
CORPORATE	1,724	2.4%
MEETING	11,201	15.9%
LEISURE	54,701	77.5%
OTHER	2,985	4.2%

Compiled by CBRE Hotels

The segmentation for Prince Edward County differs from the overall regional market and is comprised primarily of Leisure demand, with some Meeting/Conference demand, and only a small amount of Government/Other and Corporate demand.

The following section provides details on various segments of demand growth for the regional market.

### Corporate Segment

In 2016, this segment generated approximately 1,724 occupied room nights or 2.4% of demand within the local Prince Edward County market. Corporate demand in the local area is generated by a number of the smaller construction and construction supply businesses, as well as farming and agricultural businesses. With a lack of significant corporate businesses such as manufacturing facilities, offices, or regional headquarters, Prince Edward County attracts a very small proportion of total demand for the Corporate travel segment.

### Meeting/Conference

In 2016, the group/meetings segment generated approximately 11,201 occupied room nights or 15.9% of demand within the competitive market. Meeting/conference demand within the competitive market is primarily generated by the resorts in the region that offer significant meeting space. The Drake Devonshire, Huff Estates, Isaiah Tubbs Resort and Conference Centre, and The Waring House are popular meeting and conference venues in Prince Edward County, while the Fairfield Inn & Suites and Travelodge in Belleville are also popular meeting destinations. Meeting/Conference demand within the local area would also be generated by events taking place at local facilities such as Crystal Palace, Wellington & District Community Centre, and Lake on the Mountain.

### Leisure Segment

In 2016, this segment generated approximately 54,701 occupied room nights or 77.5% of demand within the competitive local market. The leisure travel segment represents a significant source of demand for Prince Edward County. Local attractions include numerous wineries, breweries, restaurants, markets, and boutique shops. The County is also home to two major natural attractions; Sandbanks Provincial Park, and Lake on the Mountain. Cycling, hiking, swimming, birdwatching, and boating are popular recreational activities for visitors to the County.

### Other / Contract

In 2016, the other/contract segment generated approximately 2,985 occupied room nights or 4.2% of demand within the competitive market. Other demand within the competitive market is generated by government sources, crew business (construction and work crews) and by other discounted sub-segments such as third party online bookings from online travel agents such as Booking.com or Expedia. The operators in the local market typically make use of third-party booking channels in off-peak periods to bolster demand levels.

## ONTARIO INN MARKET ANALYSIS

Based on the prevalence of Inns and B&B within Prince Edward County, a review of the competitive Ontario Inns market has been prepared. If the accommodation market in The County were to be expanded through the addition of new Inn product it would primarily compete within the Ontario Inn competitive market for leisure and meeting/conference demand sources. This market is highly seasonal, is primarily leisure focused, and is comprised of unbranded, independent inns and boutique hotels. The following table summarizes a cross section of the accommodation market supply within the Ontario Inn market.

### Competitive Market

No.	Name	Location	Rooms	Type
1	Bayview-Wildwood Resorts	Severn Bridge, ON	62	Resort
2	The Pillar & Post Inn, Spa & Confer	Niagara-on-the-Lake, ON	122	Inn & Conference Centre
3	Queen's Landing Inn & Conference Re	Niagara-on-the-Lake, ON	141	Inn & Conference Centre
4	The Prince of Wales Hotel	Niagara-on-the-Lake, ON	110	Inn
5	Millcroft Inn & Spa	Alton, ON	52	Inn
6	Inn at Christie's Mill	Port Severn, ON	42	Inn
7	Langdon Hall	Cambridge, ON	52	Inn
8	Ste Anne's Inn & Spa	Grafton, ON	30	Inn
9	Windermere Manor, London	London, ON	47	Inn
<b>Total</b>			<b>658</b>	

In 2016, the sample of Ontario Inn accommodations achieved approximately 65% occupancy with an average daily rate of about \$222. This Ontario Inn market has shown growth between 2015 and 2016, with occupancy increasing by 3 points and ADR growth of 4%. Forecasts for 2017 show occupancy is projected to remain flat at 65%, with ADR to grow by 2% to \$226.

### Competitive Market Performance Results

Year	Occupancy	Change	ADR	% Change	RevPAR	% Change
2015	62%	1	\$214	5%	\$132	6%
2016	65%	3	\$222	4%	\$144	9%
2017F	65%	-	\$226	2%	\$148	3%

Source: CBRE Hotels

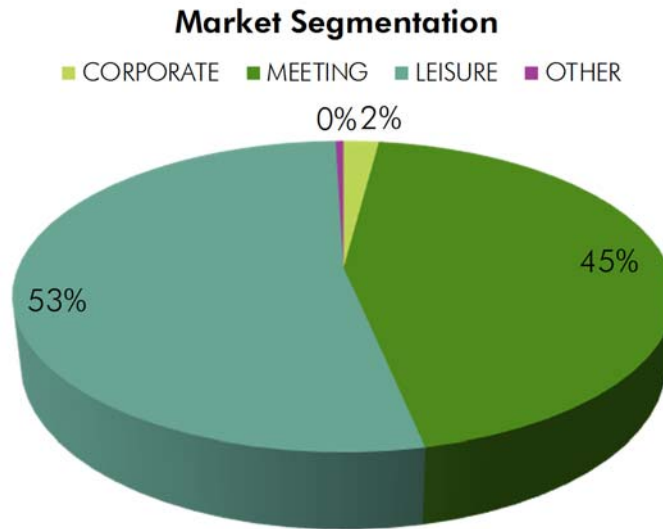
Data compiled by CBRE relating to the seasonality of this competitive inn market in 2016 is summarized in the following chart.



As shown, the inn market experiences significant fluctuations in demand and average daily rates on a monthly basis. Peak demand occurs in July and August when occupancies approach 90%, with softer demand in the shoulder periods of May/June, and September/October, and the lowest monthly occupancy occurring in the winter months where occupancy falls as low as 40%. Average daily rates follow a similar pattern as occupancies. The significance of the leisure travel segment on the competitive inn market limits the ability of the market to improve off-peak demand periods as leisure travel is typically very limited outside the summer months.

## ONTARIO INN MARKET SEGMENTATION ANALYSIS

On the basis of CBRE Hotels market research, and discussions with Inn operators the estimated market segmentation for the Ontario Inn market in 2016 is presented below:



### Demand Segmentation - Ontario Inn Market 2016

Segment	Room Night Demand	%
CORPORATE	3,206	2.1%
MEETING	69,455	44.7%
LEISURE	82,180	52.8%
OTHER	709	0.5%

*Compiled by CBRE Hotels*

The following section provides details on various segments of demand growth for the regional market.

### Corporate Segment

In 2016, this segment generated approximately 3,206 occupied room nights or 2.1% of demand within the competitive regional market. The corporate demand segment does not generate a significant amount of room nights within the Ontario Inn market. Corporate demand would primarily be generated by corporate businesses and operations in the local area.

### Meeting/Conference

In 2016, the group/meetings segment generated approximately 69,455 occupied room nights or 44.7% of demand within the competitive market. Meeting/conference demand within the competitive Ontario Inn market is primarily generated by the inns throughout the region that offer significant meeting space. Meeting/Conference demand within the Ontario Inn market is generated by social events, corporate meeting, seminars, and trainings, as well as corporate retreats. Meeting/Conference demand within this market tends to be concentrated on the Sunday through Thursday period and provides a valuable source of demand during shoulder and off-peak periods.

### Leisure Segment

In 2016, this segment generated approximately 82,180 occupied room nights or 52.8% of demand within the Ontario Inn market. The leisure travel segment represents a significant source of demand for the competitive market. Inns are primarily leisure focused and offer attractive on-site amenities to enhance a leisure stay including restaurants, spa services, health and fitness centres, recreational activities, etc. Inns within the competitive market are often located in popular tourist destinations that include a number of attractions and local amenities.

### Other / Contract

In 2016, the other/contract segment generated approximately 709 occupied room nights or 0.5% of demand within the competitive market. Other demand within the competitive market is generated by government sources, crew business (construction and work crews) and by other discounted sub-segments such as third party online bookings from online travel agents such as Booking.com or Expedia.



## Future Demand Factors

## FUTURE DEMAND FACTORS

In order to gain a better understanding of the existing or future demand which may exist for the potential accommodation development, we conducted interviews with stakeholders such as local businesses, local accommodation operators, event venues, event and festival organizers, attraction operators, as well as local sports facilities. This is in addition to discussions we had with representatives of Prince Edward County.

### Stakeholder Overview

The stakeholders contacted as part of our research program are listed below along with a summary of the key insights gained from these interviews.

#### Stakeholder Interviews

Contacted (Interview Conducted)		Contacted (No Response/Interview Declined)	
PEC Chamber of Commerce	Property.ca Realty Ltd.	Sunshine Cottages	Ontario Coachway
PEC Sports & Recreation	Picton Harbour Inn	Lakeside Village Inn	County Sailing Adventures
County Holiday Homes	Isaiah Tubbs Resort	Sandbanks Summer Residences	Quinte Royals
Sandbanks Provincial Park	Picton Pirates	Claramount Inn & Spa	Brew Tours
PEC Community Development Department	Wellington Dukes	Merrill Inn	Beyond the Vine
Sandbanks Vacations	Prince Edward Curling	The Inn at Lake on the Mountain	The Waring House
Twin Birches Cottages	The Inn at Huff Estates	Stoneburg Cove Resort	Hydro One
The June Motel	The Manse Boutique Inn	Jackson's Falls Country Inn	Vicki's Veggies
Fields at West Lake	Angeline's Inn	Alanna's Lakeside B&B	Smart Green Technologies
Casa Dea Estate Wineries	A County Experience	Hayes Inn Waupoos	Whistle Stop Productions Inc.
PEC Winegrowers Association (9 members)	Great Canadian Cheese Festival participants	The Mystic Dandelion	
Highline Mushrooms	Drake Devonshire	Reilly Home and Property Management	
The Great Canadian Cheese Festival – Georgs Kolesnikovs	The Acoustic Grill/Picton Golf & Country Club	Empire Inn & Suites	
Ephra Events	Sandbanks Music Festival	The Hayloft	
Seasoned Events		Lake on the Mountain Resort	

### Corporate Market

Prince Edward County is generating a limited amount of Corporate and Commercial accommodation demand. A number of companies were identified through our discussion that are bringing some level of corporate demand to the market. These include construction and construction supply businesses, farming and agricultural businesses, heavy equipment or agricultural machine/technology specialists as well as film crews. It is our understanding that these Corporate travelers are coming from within the Greater Golden Horseshoe area into the County for one or two nights specifically to do business in the County, with the exception of film crews who may have longer stays. In choosing accommodation in the County they typically look for an accommodation product that has the amenities and services that are comparable to a traditional hotel, such as a restaurant on-site and well-appointed guest rooms with a proper work space and good

quality wifi. It is our expectation that these sources may have the potential to generate additional demand which is not satisfied with the existing accommodation product in the County. The majority of the Corporate business in the regional market is concentrated in Belleville, near Highway 401. In general, the Corporate demand generated by these businesses are utilizing hotels in the Belleville, Quinte West and Napanee due to proximity to work, the highway and the support amenities such as restaurants and shopping.

### Attractions

Prince Edward County is a popular tourist destination, particularly during the summer months. It attracts visitors from the local, regional, national, and international areas, with a significant number of visitors originating from major metropolitan areas within Ontario and Quebec. The County is home to numerous culinary tourism attractions, and is a unique destination for those looking to visit restaurants, farmer's markets, wineries, breweries, and food vendors. As an emerging food and wine destination, the County is now home to over 40 winemakers, and a number of breweries. As part of our research program, a survey of the members of the Prince Edward County Winegrowers Association was undertaken. Key findings of this survey are summarized as follows:

- Between 1,500 and 25,000 average annual visitation per winery.
- Operators expectations are for an increase in visitation over the next 1-3 years.
- Factors influencing visitation include increasing popularity of the County as a tourist destination and exposure and attention in the media.
- Peak visitation occurs in the summer with between 30% and 80% of total business, with strong visitation also seen in the fall of between 10% and 40%.
- Between 60% and 85% of total visitation is from independent leisure travelers, with the balance being generated by group leisure travelers and corporate groups.
- The majority of visitation is generated by people traveling from the Greater Toronto Area, with local travelers (Belleville, Trenton, Napanee, Prince Edward County) generating the second highest amount of visitation, followed by those coming from elsewhere in Ontario and from Quebec.
- Operators estimated that of their total visitation being generated from outside the local area, between 60% and 100% utilize local accommodation.
- 86% of respondents indicated that their total visitation would increase if there were more accommodations in the local area.
- 50% of operators thought an inn/boutique hotel would be most appropriate for the local area, while 38% thought a resort would be most appropriate.

Other attractions within the County include: the Wellington Heritage Museum, Rose House Museum, Ameliasburgh Heritage Museum, and tours and experiences such as shipwreck diving, bicycling routes and trails, brewery tours, wine tours, fishing charters, and sailing adventures. Discussions with tour operators within the County indicated that wine tours are a very popular excursion for those visiting the County, and the wineries are often the primary factor in choosing Prince Edward County as a destination. Larger tour operators indicated that they typically organize wine tours for about 200 people per week during the busiest months of July, August, and September while smaller, independent tour operators indicated that they can accommodate as many as 100 tours throughout the year. All tour operators in the County expressed that the

demand for tours often exceeds what they are able to accommodate, particularly during the peak season of July to September. In addition, tour operators are often asked to recommend a place to stay when people are booking tours and expressed that this can be difficult to do for last minute reservations, one night stays, and during the summer months. Feedback from tour operators also indicated that there is an existing strain on the infrastructure within the County in terms of utilities for existing businesses and support amenities for overnight guests. Some tour operators indicated that they receive guest feedback about their inability to secure tours, products, admission to attractions, and reservations at restaurants during peak travel times, negatively impacting their experience in the County.

Sandbanks Provincial Park is also a significant attraction within Prince Edward County, particularly for families. The park is a popular destination because of its sandy dunes and beaches, scenic hiking trails, and camping. Discussions with representatives from Sandbanks Provincial Park indicated that the park sees approximately 800,000 visitor days, which would equate to approximately 100,000 cars entering the park each year. Approximately 60% of the total usage of the park is day use, while 40% is camping and overnight stays. It was also indicated that there is strong visitation to the park from those who are vacationing in Prince Edward County. Visitation to the park for day use is often heavily reliant on the weather, with many guests choosing the days with the nicest weather to visit the park during their vacation. The park can accommodate 2,200 cars and once these parking spaces are full the park is closed to additional visitors. Park management indicated that there are an estimated six days in the summer, with a total of 10 days year-round, where the park reaches full capacity and the gates are closed.

A recent survey completed by Ontario Parks in April 2016 indicated that Sandbanks Provincial Park is one of the busiest parks in the province. The following summarizes some of the key findings of the survey:

- 68% of survey respondents want better selection of camping sites
- A higher proportion of respondents indicated that they take trips to local attractions
- Campers travelled an average of 3.4 hours to reach the park (higher than average)
- Campers stay an average of 3.7 nights (higher than average)
- 44% of survey respondents were families
- 24% of respondents were from outside of Canada (higher than average)
- 29% of respondents were from outside of Ontario (higher than average)
- Respondents generally have a higher income and higher level of education than average

Overall these results show that the park generates a higher than average level visitation and attracts people from a larger area than most provincial parks. As well, the park generates a higher than average level of demand for services, accommodations, and attractions within the local area, as indicated by respondents' high propensity to visit surrounding attractions. Park management also indicated that the overall visitation to the park is generally part of planned vacation, both for campers, and day-use visitors, which is a unique feature and testament to the popularity of the park. According to a custom analysis of Ontario Beach Tourism utilizing the most recent Statistics Canada data for 2014, 49% of visitors to beaches in Ontario derived from Quebec. Anecdotal information and license plate data confirms that Sandbanks Provincial Park receives a

high proportion of families from metropolitan areas in Quebec, who come to the area specifically for the beaches and campgrounds.

### Festivals and Events

The County is also home to a number of festivals and events. Some of the most notable events include the Great Canadian Cheese Festival, Maple in the County, County Terroir, Sandbanks Music Festival, and County Pop. Attendance at these events vary, but generally range from 500 to over 5,000 people. As part of our research program, attendees to the Great Canadian Cheese Festival were surveyed on June 3 & 4, 2017. The results of this survey are included in Appendix A, and some key findings are summarized below:

- Cheese Festival attendance increased by 8% over last year.
- 20% of all respondents travelled from Toronto, while 14% traveled from Kingston.
- 54% were travelling with family.
- 42% of respondents indicated their trip involved an overnight stay.
- 40% indicated they would be staying two nights, while 36% indicated they would be staying one night.
- The most important factor when choosing accommodation was the location, followed by other guest reviews/experiences, and price.
- Of those not staying overnight, 89% indicated their reason for this was that they had only planned a day trip.
- 87% of respondents had travelled to Prince Edward County before.
- 38% indicated that their preferred option for new accommodations would be an inn/boutique hotel, while 21% indicated they would prefer a B&B and 16% indicated they would prefer a branded hotel.

### Accommodation Market

Interviews with local accommodation and vacation rental operators also indicated that there is strong demand for accommodations in the local area as a result of leisure and recreational travel. Our research indicated that the majority of hotel and motel accommodations and campgrounds operate at or near full capacity in the peak summer months of July and August, with strong weekend and relatively strong weekday demand seen in the shoulder periods of May, June, September, and October. Demand declines during the off-season in December through March, and many accommodation operators and vacation rental properties close during this time. Although the peak summer and early fall periods generate higher than average occupancy and rate levels at County properties, annual occupancies generally range from 35% to 55% annually, with average daily rates within the range of \$100 to \$200 per night. It should be noted that almost all of the inns, bed & breakfasts, and resorts impose a minimum booking length of between 3 and 7 nights in the peak July and August period, and a 2 or 3-day minimum booking period in busy periods from May/June/September/October. Respondents indicated that they often receive inquiries for shorter stays during these times that they are not able to accommodate. This indicates an opportunity for a potential accommodation development that would not require a minimum length of stay to accommodate shorter term stays.

Vacation and cottage rentals are also an important accommodation option in the County. There are 3 professional vacation rental companies in Prince Edward County that each manage between 50 and 90 properties. Vacation rental properties are most attractive to leisure travelers and can accommodate larger groups such as families, wedding parties, reunions, and groups for special events. Vacation rentals and cottages often operate only seasonally between approximately May to October and rates for a rental during this time can be in the range of \$3,000 to \$5,000 per week.

Accommodation operators also indicated that the growth of Airbnb accommodation rentals in the County poses a significant problem for traditional accommodation operators. A number of vacation rentals, inns, and bed & breakfasts indicated that they have lowered rates in order to more effectively compete with these types of accommodations. A summary report provided to the County by Airbnb indicated the following statistics as of August 1, 2017:

- 580 active Airbnb listings in Prince Edward County
- 380 active hosts in Prince Edward County
- 79% of active listings are entire homes
- 28,000 inbound guest arrivals between August 2016 and August 2017
- 140% growth year over year in inbound guests
- Average 2.5 night stay
- Average group size of 3.7 people

Feedback from local accommodation operators has indicated that the existing operators have noticed an impact within the market as a result of the prevalence of Airbnb rentals in recent years. Vacation rental companies noted increased competition as a result of entire home or cottage listings on Airbnb and indicated that they have had to adjust their pricing strategies in order to remain competitive.

Other accommodation options in Prince Edward County include campgrounds and RV facilities, which accommodated 12% of all overnight stays in 2014. The largest and most notable campgrounds in Prince Edward County include: Quinte's Isle Campark and Sandbanks Provincial Park. Other campgrounds and RV parks are located throughout the County and offer a range of services and amenities including water access, kids play areas, and sandy beaches. The campground/RV accommodation industry is also highly seasonal with few facilities offering year-round services and caters to leisure travelers with a focus on family vacations.

### Event Venues and Demand

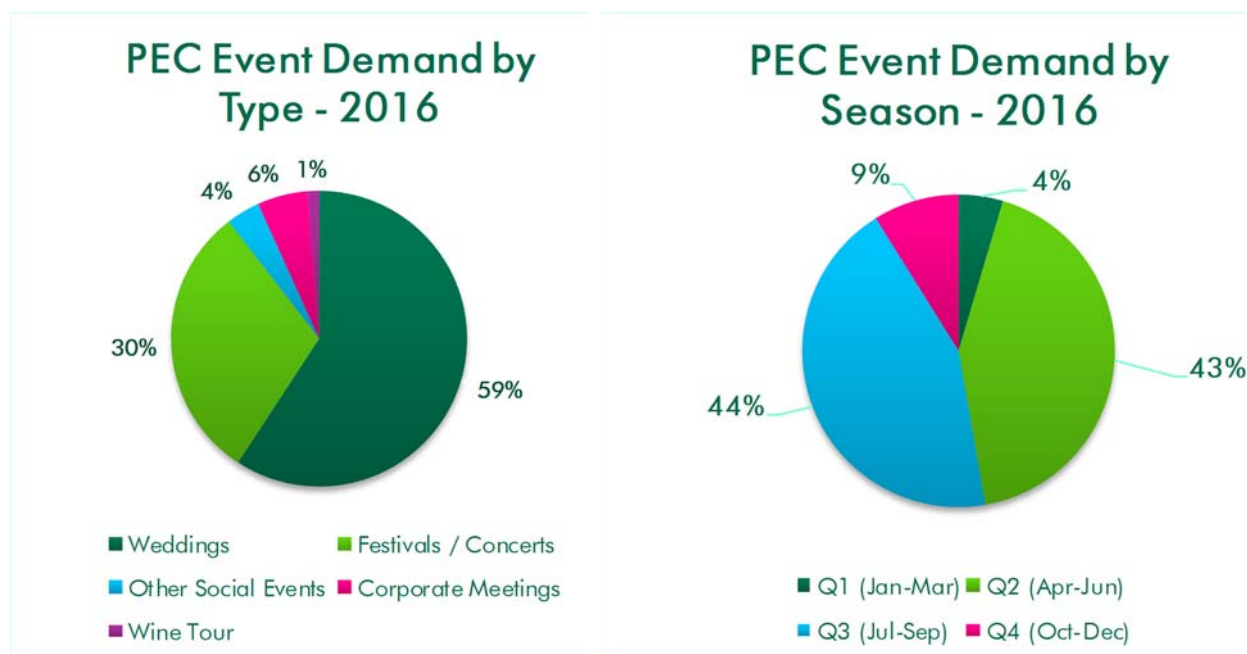
There are 14 primary venues in Prince Edward County currently being used for larger scale social events and corporate meetings. These include:

- Wellington & District Community Centre
- Crystal Palace

- Prince Edward County Community Centre
- Fields on West Lake
- The Hayloft
- Prince Edward County Yacht Club
- Picton Golf & Country Club
- Isaiah Tubbs Resort & Conference Centre
- Drake Devonshire Inn
- The Waring House
- Lake on the Mountain Pavilion
- Waupoos Estates Winery
- Casa Dea Estates
- Inn at Huff Estates

These venues operated on an annual season of 260 days in 2016, with a total of 32 meeting rooms and a combined capacity of about 3,270 people or 102 people per room. There are also several event planning companies in the County who organize weddings, other social events, and corporate retreats, primarily at estate grounds and smaller wineries throughout the area.

In 2016, events hosted in the County generated an estimated 475 event days (including multi-day events), and 33,700 attendees, for an average of 71 visitors per event, and approximately 9,100 potential room nights for fixed roof accommodations. An estimated 59% of guests to PEC events were wedding guests (20,000), averaging 128 guests per event, followed by festivals and concert attendees at 30% (10,200 attendees). More than 87% of events that take place in the county occurred in Q2 and Q3 in 2016. Characteristics of event demand within the County are summarized in the following figures:



Over and above social and corporate events, the County generates a significant level of sport tourism. Although not included in this analysis, an estimated 26 event days were generated by Junior A Hockey games at the Wellington Arena, generating over 5,800 visitors to the area in Q1 and Q4 in 2016.

Our research also indicated that weddings and other social events generate a significant level of accommodation demand within Prince Edward County and the surrounding area. There are a number of wedding venues that indicated they are generally fully booked during the prime event days in the summer months. In addition, a number of stakeholders indicated that they impose a cap on the number of weddings they will do in a given year, and receive a number of requests beyond what they are able to accommodate. The wedding market is highly seasonal with the majority of celebrations taking place in the summer months. In addition, it was indicated that the minimum stay requirement causes many wedding parties and guests to stay in nearby hotels in Belleville, Trenton, and Napanee where a minimum length of stay is not required.

### Sports Tourism

Discussions with Prince Edward County recreational facilities management indicated that there are numerous sports teams and associations that currently utilize County facilities (i.e. for tournaments). The Wellington Dukes are a Junior A hockey team that have 19 to 21 home games between September and February. The players on the team are billeted, but are usually from out of town and have family and friends attend the games who choose to stay in Belleville and Trenton as a result of a lack of suitable accommodations within the County and the typical 2 nights minimum. Other tournaments and events that have happened in the past or are upcoming include the Central Canada Cup, Dudley Hewitt Cup, the Minor Hockey Milk league tournament, and the March Break house league tournament. Facility management also indicated that there

are a number of meetings and events that occur at the County facilities including quarterly meetings and trainings for Hydro One, and approximately 1 week of corporate meetings per month with an average of 12 to 50 attendees. Other existing sports associations within the community include a number of baseball leagues including the Royals (baseball), soccer teams, pickle ball, and curling. Discussions with facility management and sports associations indicated that the lack of suitable accommodation within the County and the 2-night minimum stay limit the tournaments, associations meetings, and conferences that can be attracted to the area. These types of groups are typically looking for accommodations that are well located relative to major arterial roads, close to restaurants and entertainment, and are large enough to accommodate the entire group.

### Millennial Travel Segment

In addition to the future growth implications discussed above, growth in the millennial travel segment is also expected to have an impact on travel trends and visitation growth in the future. The following paragraphs provide a summary of the Canadian Tourism Commission's Canada Millennial Domestic Travel Summary Report which examined the demographics of this group as well as their travel values and preferences.

Over the last decade "Millennial" travel (i.e. generation born between 1981-2000) has become a significant segment of the international tourism sector. In Canada, millennials have become an increasingly valuable segment for the tourism sector. In 2014, there were approximately 8.25 million millennials in Canada, accounting for 23% of Canada's total population and 29% of the adult population. This age group is growing at a moderate pace of about 1.2% per annum, a slightly higher growth rate than that of the overall Canadian population (1.1%). Canadian millennials tend to travel more to international destinations (staying for longer periods of time) than to domestic locations within Canada. In addition, Millennials tend to enjoy a greater amount of discretionary time, which allows them to travel more frequently and spend more within the destination that they choose. While the GenX generation (i.e. persons born between 1966-1980) currently represents most young families, with 65% of these households living with children in Canada; as compared to Millennials at 21% of households living with children, the Millennial generation will increasingly become a significant segment of the family travel market as they age and start families.

Characteristics of the millennial travel segment and decision criteria for when, where, how and why they travel, is typically different from other travel segments. Some of the differences that make the millennial travel segment unique include:

- **Values and Culture:**
  - Highly value travel as a life experience, an essential component of personal growth and learning.
  - Embrace social values, innovation and environmental consciousness.
  - Seek social and experiential travel activities and experiences, and value authenticity, new and unique things, self-confidence and technology.
- **Key Trip Planning & Decision Criteria:**

- Price, climate and presence of attractions/events as key driver for destination selection.
- Time of travel: price is a key factor (high importance placed on when they can get vacation time from work and school, their friends' availability and the best time to visit the destination).
- The internet is the top booking and planning channel (62% book their trip online and of these 68% use separate websites to book travel arrangements, 17% book through a discount or last-minute site and 15% through vacation-packaging site. Less than 12% booked through a travel agent).
- **Travel Patterns:**
  - Top trip drivers: Outdoors, Culture, Spectator Sports, Theme Parks, Historic Sites/Buildings, Culinary, Shopping.
  - Preferred travel activities: Eat and drink local food, popular tourist attractions, cultural attractions, visit beach, meet local people, visit family or friends, attend festivals and events, get off the beaten track, go hiking/trekking.
  - Destinations visited:
    - Canada and US are the most popular destinations for recent pleasure trips of seven nights or more taken by millennials, followed by the Caribbean/Mexico, Europe and Asia.
    - About 45% of millennials have travelled within Canada (out-of-province) and almost 50% have travelled abroad for at least three consecutive days in the last three years.
    - Approximately 34% of Canadian millennials travelled within Canada (out-of-province) and 31% to the US for trips of seven nights or more.
  - Incidence and length of pleasure travel:
    - Millennial residents from Ontario and the Atlantic provinces tend to take more out-of-province trips on average than those from other provinces, such as Quebec, where millennials take the smallest average number of out-of-province pleasure trips.
    - Average trip length is 13.6 nights for the entire Canadian millennial segment (longer for the 19 to 24 year old segment at 14.2 nights and short for the 25 to 29 year old segment at 12.7 nights).
    - The most popular time to travel for Canadian millennials is in July.
  - Travel Spending
    - Millennials are cost-conscious when choosing services like accommodation and transportation, but travel for longer periods of time, resulting in higher trip spends.
    - Six out of ten would have chosen a different destination on their most recent trip of seven nights or longer if their travel budget had been larger.

- More than half of millennials spent \$2,000 or less during their last seven nights or longer pleasure trip, inclusive of 23% who spent less than \$1,000. The average spend per trip within Canada by Canadian millennials is \$1,500.
- **Interest in Travelling Within Canada:**
  - Nine out of ten Canadian millennials are somewhat or very interested in visiting a Canadian destination beyond their home province.
  - Provincially, British Columbia holds the greatest appeal, followed by Ontario, Quebec and Alberta.

Overall, Canada is facing significant competition from other destinations that attract the millennial travel segment. Canadian millennials are spending a larger amount of their travel dollars outside of Canada and are currently eight times more likely to take a long vacation outside of the country than travel to a domestic destination. The amount of outbound travel by Canadian millennials has become a major issue since Canada's youth account for a huge source of travel spending and if spent in Canada, could contribute to picking up the slack as the aging baby boomers begin to slow down. The number one issue preventing Canada's youth from travelling nationally is the high cost, with the average daily cost of travelling abroad often lower. Other weaknesses with respect to national travel by Canadian millennials include: an unfavourable perception of Canada (foreign countries viewed as more exotic), a lack of focus on millennials by the tourism industry, a lack of awareness of Canada's tourism product offerings and a lack of millennial-oriented tourism infrastructure.<sup>2</sup>

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<sup>2</sup> Sources: The Globe and Mail, Canadian Tourism Commission's Canada Millennial Domestic Travel Summary Report, 2015



## **Development Overview**

Development Concept

Location Analysis

## DEVELOPMENT OVERVIEW

### Development Concept

When determining the ideal product for accommodation growth within Prince Edward County, the motivations and priorities of the hotel investment and lending community were also considered along with the market factors. Typically, if a community is going to be successful in attracting private sector hotel investment, a comprehensive and independent third-party assessment of the opportunity is required. The hotel investment community is exposed to a wide range of projects, and has many communities soliciting their development interest. They are looking for formal independent confirmation that a project has merit. Typical hotel investors have several key criteria they consider when determining how/where to invest their funds, the most important of which are:

1. **Return on Investment:** Return on Investment measures the gain or loss generated on an investment relative to the amount of money invested. Hospitality property is considered to be a secondary form of real estate investment due to its specialized nature, requirement for strong management and higher risk associated with the income stream. Investors require a higher rate of return on hospitality property as compared to more traditional real estate investments. Our experience in the industry indicates that typical hotel investors expect a return on investment in the range of 10% to 15%, far higher than what is characteristic of other real estate classes.
2. **Availability and Likelihood of Financing:** The availability and cost of financing has a direct impact on the value of a hotel, and hence hotel financing parameters play an integral role in the feasibility of new hotels. In today's lending environment, obtaining financing on a non-branded asset is highly challenging. The support of large, well-known international brand mitigates the performance risk of an asset with the premier brands almost always outperforming second tier brands or independent hotels. In addition, the support of a large brand / reservation system and national marketing network, also makes a hotel asset much less vulnerable to new supply. Further, when considering construction financing on new build assets, lenders will finance on the lower of capital cost or estimated market value ~ which directly impacts the level of equity required to move a project forward. In the most ideal situation, capital cost and estimated market value are equal.
3. **Liquidity/Exit Strategy:** Both lenders and developers consider the ultimate exit strategy when evaluating a hotel investment opportunity. Research shows that branding also helps to reduce the liquidity risk of an asset, in the sense that there would be more potential purchasers for product carrying strong brands that are not specific to one owner/operator/developer.

These are critical factors that influence a hotel developer's investment decision and these should be considered when evaluating the opportunity for attracting accommodation development to any community. Throughout the engagement CBRE consistently evaluated the potential for accommodation development in Prince Edward County bearing in mind these "typical" development and investment parameters. All recommendations, such as the size of the project, the nature of the accommodation (i.e. branded vs. un-

branded) were based on what our experience in the industry has shown would give the community the best means for attracting an interested developer, and ensuring a development with the greatest long-term potential for success is developed, taking into account all of the market and investment factors of Prince Edward County.

Based on our review of the existing accommodation product within the competitive local and regional markets and the historic market performance, there is a limited opportunity for a new accommodation development within The County in the range of 50-60 rooms.

While it may be possible for these additional rooms to be developed in The County through expansion of existing properties, it is not possible within the scope of this study to comment on the economic feasibility of this alternative as it would be specific to each individual property's operating model and business dynamics.

Further, while additional accommodation rooms could be developed in The County through the development of multiple smaller properties (i.e. five 10 rooms Inns), this alternative is unlikely to generate the private sector investment that The County is looking to attract. In addition, as the seasonality of the local market impacts the year-round performance of existing accommodation operators, it would be beneficial to the market if accommodation growth incorporated features or amenities that would assist in expanding the base of demand within the County and increasing visitation during the shoulder and low seasons.

Taking into account the nature of local demand generators and the economic operating conditions for accommodations in Canada and developer criteria, the two development alternatives which have been considered for Prince Edward County are:

1. A 50-room Inn; or
2. A 60-room branded Limited Service hotel

Our research indicates that there is an opportunity for new accommodations to capture unaccommodated transient leisure and group demand, corporate meetings/groups, and corporate retreats. Through our analysis of these two distinct development alternatives we will make efforts to quantify the current and future level of demand from these key sources and to determine what implications this may have for future accommodation developments. Although the two development alternatives proposed are divergent in many of their key features and demand segments served, there are some overlaps.

As discussed at the outset, in order to attract private sector hotel investment to The County it is necessary for the development to satisfy the "typical" development and investment parameters. The recommendations, with

respect to the size of the project, the nature of the accommodations (i.e. branded vs. un-branded) have been based on what our experience in the industry has shown would give the community the best means for attracting an interested developer, and ensuring a development with the greatest long-term potential for success is developed, taking into account all of the market and investment factors of Prince Edward County.

### Alternative 1 – 50 Room Independent Inn Development

The first development option contemplates a 50-room unbranded inn with conference facilities. It is expected that this development option would include approximately 2,500 square feet of meeting space, an on-site 40-seat restaurant (with additional outdoor seating), and suitable complimentary amenities such as a wellness studio, fitness classes, hiking trails, bicycle rentals, spa treatment rooms, etc. While these additional amenities may not necessarily generate additional revenue, they would provide a well-rounded inn experience and would be necessary to compete effectively in the Ontario Inn market as well as the local accommodation market. The inn would include a variety of guestrooms, including standard one or two bedded rooms, and a mixture of suite configurations. It is expected that the proposed inn would be mid to upscale and offer a clean, contemporary design. Other services that would be available at the inn would include laundry services and a small convenience shop. The inclusion of 2,500 square feet of meeting space would allow the property to accommodate approximately 200 people and to compete for weddings and other events, as well as to host corporate retreats, corporate or association based multi-day meetings, and conferences. Based on stakeholder interviews, it is our understanding that there is a growing interest in corporate retreats in the County and that this is a valuable source of off-peak demand.

The potential positioning of future accommodation in Prince Edward County as an inn development is based on these primary factors:

- This type of accommodation development would appeal to leisure travelers, which represents a significant proportion of travelers and occupied room night demand within the local area.
- An independent inn would allow for greater flexibility in design, amenities, and positioning of the property.
- This type of accommodation can include a greater amount of meeting space and food and beverage amenities that will provide additional revenue for the property and allow it to attract more meeting/conference demand in off-peak periods.

The ability of the property to attract sufficient demand in off-peak periods is critical in achieving sustainable business levels year-round. The inclusion of a 50-seat restaurant would allow the property to compete more effectively within the local market, and would also generate additional revenue by attracting local guests and those staying elsewhere in the County. The following table summarizes the preliminary facility program for the inn development option.

## PROPOSED HOTEL FACILITY PROGRAM - INN

GUESTROOMS	% of Room Mix	Keys	Sq. Ft./Rm	Total GFA
Queen	20%	10	325	3,250
King	50%	25	350	8,750
Suite	30%	15	410	6,150
<b>Total</b>	<b>100%</b>	<b>50</b>	<b>363</b>	<b>18,150</b>
FOOD & BEVERAGE / BANQUETS		Seats	Sq. Ft./Rm	Total GFA
Restaurant / Bar		50	20	1,000
Indoor		40	16	800
Outdoor		10	4	200
<b>Total</b>		<b>50</b>	<b>20</b>	<b>1,000</b>
MEETING/CONFERENCE FACILITIES		Capacity	Sq. Ft./Rm	Total GFA
Meeting Room 1		125	30	1,500
Meeting Room 2		42	10	500
Meeting Room 3		21	5	250
Meeting Room 4		21	5	250
<b>Total</b>		<b>208</b>	<b>50</b>	<b>2,500</b>
OTHER			Sq. Ft./Rm	Total GFA
Fitness Room / Pool			16	800
Lobby / Public Spaces			60	3,000
BOH / Circulation			100	5,000
<b>Total Hotel GFA</b>			<b>609</b>	<b>30,450</b>

Source: CBRE Hotels

## Alternative 2 – 60 Room Branded Limited Service Hotel

The second development alternative is that of a branded, 60-unit, limited service hotel. Examples of brands that could be considered for such a development include, but are not limited to, Best Western GLo, Tru by Hilton, Moxy Hotels, and TRYP by Wyndham Hotels. In this scenario, branding is recommended in that it will not only enhance the marketability of the project, but will also enhance the potential for project financing. Feedback from local stakeholders and visitors to the County indicated that the county “feel” and unique characteristics of the County were important factors when choosing to visit the area and that it would be important for any new accommodation to fit with the character of the local area. The hotel brands indicated above offer unique design options with some flexibility in the amenities and services provided that would allow the proposed hotel to better align with the current positioning of the County as a destination.

This development option would include a comprehensive offering of amenities for both business and leisure travelers. Hotels of this nature typically feature a variety of guestrooms, including standard one or two bedded rooms, and a mixture of suite configurations. Guestrooms within this tier of hotels typically include amenities such as a desk or work space, high-speed internet and/or wireless internet access, and in-room coffee making facilities. The proposed development program should include a variety of room types as dictated by the brand development standards. Other services that would be available at the proposed hotel would include a breakfast room, 1,200 square feet of meeting space, a fitness room, and a small convenience shop. The inclusion of a sufficient amount of meeting space to accommodate of approximately 100 people would allow the hotel to attract some meeting/conference business and compete effectively within the market. The meeting space would be suitable to host small corporate meetings and social gatherings.

The potential positioning of future accommodation in Prince Edward County as a limited service hotel is based on these primary factors:

- This level of hotel can appeal to a broad range of guests and types of travelers.
- The design prototypes for these brands are of strong quality.
- This level of hotel is more cost effective to develop relative to other higher service level hotels.
- This level of hotel is more cost effective to operate relative to other higher service hotels.
- Branding would enhance the appeal of the property to the hotel investment and lending community.

The following table outlines a preliminary facility program for the proposed limited service hotel.

**PROPOSED HOTEL FACILITY PROGRAM - BRANDED LIMITED SERVICE HOTEL**

GUESTROOMS	% of Room Mix	Keys	Sq. Ft./Rm	Total GFA
King	46%	27.6	255	7,038
Queen/Queen	46%	27.6	290	8,004
King Deluxe	3%	1.8	360	648
Accessible	5%	3	360	1,080
<b>Total</b>	<b>100%</b>	<b>60</b>	<b>280</b>	<b>16,770</b>
FOOD & BEVERAGE / BANQUETS		Seats	Sq. Ft./Rm	Total GFA
Breakfast Room		60	16	950
<b>Total</b>		<b>60</b>	<b>16</b>	<b>950</b>
MEETING/CONFERENCE FACILITIES		Capacity	Sq. Ft./Rm	Total GFA
Meeting Room 1		83	17	1,000
Meeting Room 2		17	3	200
<b>Total</b>		<b>100</b>	<b>20</b>	<b>1,200</b>
OTHER			Sq. Ft./Rm	Total GFA
Fitness Room / Pool			8	500
Lobby / Public Spaces			42	2,500
BOH / Circulation			185	11,080
<b>Total Hotel GFA</b>			<b>550</b>	<b>33,000</b>

Source: CBRE Hotels

## Location Overview

Consisting of approximately 1,000 square kilometres, Prince Edward County is an island community in south eastern Ontario, located at the eastern end of Lake Ontario approximately mid-way between Toronto and Ottawa. The County is a popular tourist destination as a result of Sandbanks Provincial Park, numerous other beaches and swimming spots, wineries, restaurants, resorts, and other attractions. The County is connected to Highway 401 via three main routes, Loyalist Parkway (Trenton), Route 62 (Belleville) or Route 49 (Marysville) which provides connectivity to the Greater Toronto Area, Kingston, Ottawa, and Quebec.

## Location Considerations

When determining the optimum location and site for an accommodation development, developers typically consider the following characteristics:

- **Access** – An optimal accommodation development site should be easily accessible and ideally situated in a convenient location with easy access to and from major arterial roadways.
- **Ingress/Egress** – An optimal accommodation site should have simple, easily accessible routes of ingress and egress.
- **Visibility** – An optimal accommodation development site should allow for the facility to be oriented in such a way that the building could be seen by traffic in all directions. It would still be necessary to supplement the building visibility with appropriate signage along major roadways and on the building and site itself.
- **Proximity to demand generators** – An optimal accommodation development site should be reasonably proximate to the local demand generators such as major businesses or industrial parks as well as recreation and leisure attractions.
- **Proximity to support amenities** – An optimal accommodation development site should be within walking distance or reasonably proximate to a concentration of support amenities such as restaurants, entertainment, and retail.
- **Availability of Municipal servicing** – An optimal accommodation development site would ideally include existing access to the water and sewer systems. It is generally not feasible for accommodation development to be built on private water and sewer services and the additional cost to connect to municipally provided services could impact the economic viability of any development.

In general, all of the factors noted above are important considerations, however, the type of accommodation product being contemplated will influence the relative importance of one factor over another. As an example, a limited service hotel would likely place a greater weight on the sites accessibility and visibility in order to improve the opportunity to capture “drive by” business. Conversely, an Inn or Resort development would not consider visibility to be as important because this type of property doesn’t usually have “drive by” guest business and some level of seclusion or privacy is part of the experience. As such, two developers may view the same sites very differently depending on what they are looking to develop.

If the location characteristics for a prospective accommodation development are not optimized for the type of product, it would have an impact on the proposed property's ability to achieve the results projected herein.

### Development Area Review

It was not within the scope of this study to review or source specific development sites for the alternatives however, we have reviewed a number of areas within the County that would likely be considered by accommodation developers. The following map identifies the three primary areas in the County, which have been considered:

1. Picton
2. Consecon
3. Wellington

These three areas represent the places that a developer would most likely look to develop a new accommodation product in The County. Although Bloomfield is an established area with existing commercial and accommodation developments, it is our understanding based on discussions with representatives of The County that there are limitations with respect to the availability of municipal servicing in this area. Consecon is also a partially serviced area, however, there is a significant level of private interest in this community, and with the proximity to Highway 401, it is considered a more attractive location.

### MAP OF POTENTIAL LOCATIONS



The following identifies the strengths and weaknesses of each of the possible locations as it relates to a potential accommodation development.

	<b>Strengths</b>	<b>Weaknesses</b>
<b>No. 1 Picton</b>	<ul style="list-style-type: none"> <li>• Main commercial centre for The County</li> <li>• Easily accessible from Marysville via Route 49 and Belleville via Route 33/62</li> <li>• Close proximity to retail stores, restaurants, wineries and cultural attractions</li> <li>• Full municipal servicing is available</li> <li>• Close proximity to the corporate and commercial demand generators in The County</li> <li>• Proximate to the ferry crossing in Glenora</li> </ul>	<ul style="list-style-type: none"> <li>• Located at the far eastern edge of The County</li> <li>• Less proximate to Sandbanks or the Wellington &amp; District Community Centre</li> </ul>
<b>No. 2 Consecon</b>	<ul style="list-style-type: none"> <li>• Western gateway to Prince Edward County</li> <li>• Reasonably proximate to Sandbanks</li> <li>• Easily accessible from Brighton and Trenton</li> <li>• Significant areas of vacant/unimproved land appear to be available</li> </ul>	<ul style="list-style-type: none"> <li>• Limited retail and restaurants in the immediate area.</li> <li>• Less proximate to cultural attractions, wineries.</li> <li>• Not proximate to the Wellington &amp; District Community Centre</li> <li>• Water servicing available, but no wastewater services.</li> </ul>
<b>No. 3 Wellington</b>	<ul style="list-style-type: none"> <li>• Located along the southwestern edge of The County between Consecon and Sandbanks</li> <li>• Accessible from Brighton and Trenton via Route 33</li> <li>• Full municipal servicing is available</li> <li>• Reasonably proximate to retail stores and restaurants</li> <li>• Proximate to the Wellington &amp; District Community Centre</li> </ul>	<ul style="list-style-type: none"> <li>• Less proximate to the corporate and commercial demand generators in The County</li> <li>• Less proximate to corporate or commercial demand generators in the area</li> </ul>

As noted, the potential development areas identified all have strengths and weaknesses relative to the developers site criteria outlined previously; however, the type of accommodation product being contemplated will influence the relative importance of each of the factors.

Based on the dynamics of each development area and the type of accommodation being contemplated we offer the following comments:

### **Inn Development**

For this type of development, the two key considerations would be:

- Access to and from major transportation routes
- Proximity to cultural and tourist attractions

The primary driver for a location for an Inn property would differ slightly based on what other amenities the facility would offer. Based on the development program contemplated an Inn developer would be less concerned with the proximity to support amenities given that the property would have full food and beverage services and amenities on-site. Similarly, proximity to the cultural and tourist attractions in the area would be important so that excursions could be planned as part of the guests programming. Unlike a hotel property, an inn, especially a destination inn or retreat property would benefit from a location that is somewhat removed from the main active areas of the community.

Based on this, the most likely development area for an Inn would be in **Wellington** or **Consecon**.

### **Limited Service Hotel Development**

For this type of development, the three key considerations would be:

- Access to and from major transportation routes;
- Proximity to restaurants, retail and other support amenities
- Corporate and commercial demand generators

For a hotel of this nature, being located somewhere that is easily accessible for guests increases the likelihood of capturing “drive in” demand. The proximity to support amenities for guests, particularly restaurants, is critical because the food and beverage facilities at this type of hotel would be limited, usually just a breakfast room. This type of accommodation product would be attractive for families and corporate travelers in The County and as such should be located in an area where it is easy to get around, even if driving is required. In addition, proximity to the Wellington & District Community Centre and Essroc Arena would be beneficial in attracting sports tourism demand.

Based on this the most likely development area for a limited service hotel would be in **Picton** or **Wellington**.

### Conclusion

While there are several possible locations for a proposed accommodation development within The County it is not possible to recommend one particular area over the other until the type of accommodation product is identified.



## **Competitive Market Projections**

Supply Projections

Market Demand and ADR Projections

## REGIONAL COMPETITIVE MARKET PROJECTIONS

### Room Supply Changes

CBRE Hotels includes the following factors in determining which additions to supply may affect the competitive market:

- Distance from the subject accommodation development
- The type of facilities and amenities to be offered
- Information from accommodation operators on “who” would be considered a primary competitor

It should be noted that information regarding proposed accommodation developments may vary once the planning department grants approvals or hotel development financing is finalized. While CBRE Hotels has made attempts to determine the level of new supply entering the market, it is impossible to determine every hotel that will be developed in the future, when they will be completed or their potential impact on the subject hotel. The inherent risk of any future new accommodation supply has been implicitly considered in the selection of a stabilized occupancy level for the subject property.

Between 2012 and 2016 a couple of new properties have entered the market including the Drake Devonshire in Prince Edward County, and the TownePlace Suites in Belleville.

Based on information available, discussions with hotel operators and our general knowledge of the industry, several new hotels are expected to enter the competitive regional market within the projection period.

Summary of Proposed New Supply						
1	Proposed Prince Edward County Hotel	60	100%	Subject	1-Jan-20	SUBJECT
2	Country Inn & Suites Belleville	67	100%	Limited Service Hotel	1-Jan-18	UNDER CONSTRUCTION
3	Hampton Inn & Suites Belleville	101	100%	Focused Service Hotel	1-Jan-19	UNDER CONSTRUCTION
4	Royal Hotel Picton	28	100%	Inn/Boutique Hotel	1-Jan-19	UNDER CONSTRUCTION
<i>Total</i>		256				

- The 67-room Country Inn & Suites is currently under construction in Belleville and is expected to open by January 2018.
- The 101-room Hampton Inn & Suites hotel in Belleville is currently under construction and is projected to open in January 2019.
- The 28-room Royal Hotel in downtown Picton is currently undergoing a significant renovation and restoration and is projected to open in 2019.

In addition to the projects noted above, there are a number of other accommodation developments that are rumoured or in the preliminary stages of planning and development. As a result, these projects have not been included in our projections, but the implications and possibility of future development were implicitly considered in our projections. Some of these projects include a proposed 60-room Best Western GLo in Napanee, the potential renovation and re-positioning of the Travelodge in Belleville, as well as a number of rumoured expansions/ developments within Prince Edward County including the potential redevelopment of a heritage building into a boutique hotel/inn, the expansion of a number of existing properties, as well as the possible addition of cottages and/or B&Bs at some local wineries and event venues.

### Market Demand and ADR Projections

The demand projections prepared for the competitive regional market (Prince Edward County, Belleville, Trenton, Napanee, Northumberland County) are based on the economic and tourism outlook for the Province and local area, as well as on current market dynamics and anticipated changes in demand patterns throughout the projection period. The following summarizes our projections for future room demand and ADR growth.

Overall Accommodation Demand for Competitive Market									
	Projection 2017	Projection 2018	Projection 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025
Available Room Nights	586,555	611,010	658,095	679,995	679,995	679,995	679,995	679,995	679,995
Occupied Room Nights	341,350	351,590	365,654	380,280	387,886	391,765	395,682	395,682	395,682
<b>Market Occupancy</b>	<b>58.2%</b>	<b>57.5%</b>	<b>55.6%</b>	<b>55.9%</b>	<b>57.0%</b>	<b>57.6%</b>	<b>58.2%</b>	<b>58.2%</b>	<b>58.2%</b>
Demand Growth	3.0%	3.0%	4.0%	4.0%	2.0%	1.0%	1.0%	0.0%	0.0%
<b>Market Average Daily Rate</b>	<b>\$132.70</b>	<b>\$135.35</b>	<b>\$138.06</b>	<b>\$140.82</b>	<b>\$143.64</b>	<b>\$146.51</b>	<b>\$149.44</b>	<b>\$152.43</b>	<b>\$155.48</b>
Rate Growth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

- Based on year-to-date data, demand growth is projected to be 3.0% in 2017 because of increases in leisure travel in Prince Edward County and Belleville, as well as several projects and developments driving growth in areas such as Belleville, Trenton and Northumberland County.
- In 2018, demand is projected to increase by a further 3.0% with the opening of the Country Inn & Suites in Belleville.
- In 2019 and 2020 demand is projected to increase at 4.0% per annum as a result of the opening of the Hampton Inn & Suites in Belleville and the Royal Hotel in Picton in 2019 and the proposed subject property in Prince Edward County in 2020.
- Market demand is then projected to increase by 2.0% in 2021, before increasing by 1.0% per annum throughout the remainder of the projection period. Market occupancy is projected to stabilize at 58.2% in 2023.
- The seasonality and functional capacity limits of the competitive regional market will limit the ability of the overall market to surpass these performance levels. Properties generally operate at full capacity during peak periods and in the absence of any new significant off-peak demand generators, the market is expected to see limited occupancy growth over the projection period.
- In terms of Average Daily Rate (ADR), based on historic market performance the market is projected to achieve 2.0% ADR growth throughout the projection period.



### **Subject Property Projections**

Occupancy and Rate Projections – Inn

Occupancy and Rate Projections – Limited

Service Hotel

## INN PROPERTY OCCUPANCY AND RATE PROJECTIONS

The subject property projections examine the future occupancy and Average Daily Rate (ADR) for the proposed inn development based on numerous factors including economic influences and the actual and projected supply/demand relationship in the competitive markets.

### Projected Subject Occupancy and Average Daily Rate

In assessing the projected occupancy and rate performance of the proposed inn a market penetration analysis was undertaken, in which the concept of “fair market share” was utilized. This concept states that, all things being equal, a property will attract rooms demand in the same proportion as its share of rooms supply. Market penetration in excess of 100.0% indicates that a property possesses competitive advantages relative to the market as a whole, while competitive weaknesses are reflected in penetrations of less than 100.0%. The marketing philosophy and pricing strategy for a property can also impact its penetration. Accordingly, there are other factors besides competitive weakness that can contribute to a penetration of less than fair share. For the proposed inn property, the market penetration analysis was undertaken against the Ontario Inn market competitive set, as the properties within this market are most closely aligned with the proposed positioning of the proposed inn.

The following analysis assesses the projected market position/occupancy, average rate, and RevPAR levels for the subject property. The projections are based on numerous factors including the economic influences, the projected supply/demand relationship in the competitive market, interviews with local stakeholders and expected growth in demand for accommodations in the local area.

It is assumed that there are no significant changes in the market over the projection period that would impact the current status of the competitive rooms supply other than as currently identified.

The average daily rate and the overall occupancy of a lodging facility are the foundation for the property's financial performance. While a property's other revenue components (food and beverage, telephone, spa, other income, etc.) are crucial to the operation of the property, they are dependent on the overall number of occupied rooms. Furthermore, the occupancy and average daily rate of a property are highly correlated. In reality, one cannot make a projection of one without a projection of the other.

The following section presents our projections of demand for the subject property by market segment.

### Corporate/Commercial Segment

The Corporate/Commercial market segment consists of rooms' demand, which is generated by, and specifically related to, business and corporate activity. Within this market, both individual and volume (or preferred) corporate accounts are included.

The proposed inn development is projected to capture approximately 243 occupied room nights within the Corporate/Commercial segment in its stabilized year, 2022, representing 2% of the inn's total demand. The majority of these occupied room nights within the Corporate/Commercial segment will be captured over the Sunday through Thursday period throughout the year.

Properties within the competitive Ontario inn market typically capture approximately 2% of total demand from the Corporate/Commercial demand segment. The proposed inn is projected to capture approximately its fair share of Corporate/Commercial demand within the competitive market. Projections in this segment are based on the following:

- The proposed accommodation facility will be a newly built inn facility, and will be positioned in the upper midscale to upscale market tier. As such, it will be well suited to attract Leisure and Meeting/Conference demand.
- There are a limited amount of Corporate/Commercial business within Prince Edward County. The existing Corporate/Commercial demand is primarily generated by some construction and construction supply businesses, farming and agricultural businesses, and agricultural machine and technology specialists. The limited number of corporate demand generators in the area will make it difficult for the property to attract a significant number of room nights in this segment.
- Stakeholder interviews indicated that while a number of businesses do utilize local accommodations, many respondents also indicated that their clients and customers would still prefer to stay in a branded hotel in a larger town such as Belleville to take advantage of the amenities and attractions there.
- The proposed inn is not expected to induce Corporate demand into the market, rather it will re-capture a portion of existing demand that was either being accommodated in other local accommodations or in the surrounding cities and towns.
- While the inn will be in proximity to strong Corporate/Commercial markets such as Trenton, Belleville, and Napanee, the proposed positioning of the inn and its location within Prince Edward County, removed from major corporate demand generators, will limit its ability to achieve above fair market share in this demand segment.

The proposed inn's projected performance within the Corporate/Commercial demand segment is summarized below.

	Corporate/Commercial Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	214	228	243	243	243
Penetration Rate	90.0%	95.0%	100.0%	99.0%	99.0%
Ratio to Total Demand	2.2%	2.2%	2.2%	2.2%	2.2%

Source: CBRE Hotels

Upon stabilization, the inn will attract about 1-2 corporate room nights per day over the key 200-250 primary corporate demand days annually.

### Meeting/Conference Segment

The Meeting/Conference market segment typically consists of rooms' demand generated for the purpose of attending meetings and/or conferences internally within area hotels, which offer public assembly facilities. Conference delegates who may be attending a meeting elsewhere in the vicinity may also generate demand. Within the Ontario inn market, this segment of demand also consists of demand generated by corporate retreats and corporate group excursions. Properties within the competitive market typically capture approximately 45% of their total demand from the Meeting/Conference demand segment.

The proposed inn is projected to generate a lower proportion of annual demand from this segment, at 24% of total demand or 2,629 occupied room nights upon stabilization in 2022. Projections in this segment are based on the following:

- The proposed accommodation facility will be a newly built inn, and will contain approximately 2,500 square feet of meeting space with a maximum capacity of approximately 200 people.
- The proposed inn is expected to attract many in house meetings each year, of which a proportion will generate occupied room night demand for the inn, as well as capture demand from meetings and events in the local area.
- Our analysis indicates that it is reasonable to project the proposed inn to capture approximately 13 to 18 on-site weddings per year, approximately 10 other social events, and 20 small corporate meetings.
- Corporate retreats are expected to represent a significant opportunity within Prince Edward County and are an important source of demand in shoulder and off-peak periods. The inn is projected to accommodate approximately 13-18 corporate retreats annually upon stabilization.
- While the local area does have a number of meeting and event venues, stakeholder feedback indicated that there is still a shortage of suitable facilities to host weddings, corporate retreats, and other events. In addition, the lack of on-site accommodations at the existing event facilities limit the number and type of events that they can capture.
- With 2,500 square feet of meeting space as well as on-site accommodations, the proposed inn is expected to be an attractive option for multi-day meetings and events in Prince Edward County.

The proposed inn's projected performance within the Meeting/Conference demand segment is summarized below.

**Meeting/Conference Segmentation**

	2020	2021	2022	2023	2024
Occupied Room Nights	2,062	2,343	2,629	2,629	2,629
Penetration Rate	40.0%	45.0%	50.0%	49.5%	49.5%
Ratio to Total Demand	20.7%	22.4%	23.9%	23.9%	23.9%

Source: CBRE Hotels

The proposed inn is projected to generate demand from both in house meetings/functions as well as from those held at venues off-site. Upon stabilization, the inn is projected to generate an estimated 2,629 room nights per year from the Meeting/Conference Segment.

**Leisure/Tourist Segment**

The Leisure/Tourist market segment consists of rooms' demand generated by independent tourists, group tours, and a variety of sports teams/events throughout the year. It includes individuals and families visiting as tourists, the "VFR" market (visiting friends or relatives). This market also consists of demand generated by groups whose primary purpose is of a leisure or transient nature and not related to corporate business.

Occupied room night demand within the Leisure/Tourist segment will be generated from a variety of sources including, recreational and pleasure travel to Prince Edward County, sports tournaments, cultural events and festivals, as well as visiting friends and family. Prince Edward County is a popular tourist destination and attracts many recreational visitors each year.

Properties within the competitive Ontario inn market typically capture approximately 53% of their total annual demand from the Leisure demand segment. The proposed inn is projected to capture a higher proportion of demand from this segment, at 73.4% of total demand or 8,088 occupied room nights upon stabilization in 2022, the third year of operations. Projections in this segment are based on the following:

- The proposed inn will be a newly built inn with attractive on-site amenities which may include spa services, water access, hiking trails, a restaurant, lounge, etc.
- Prince Edward County is strong tourist destination, attracting a large number of recreational travelers throughout the year, with the largest volumes of visitors occurring between May and September.
- Festival/event demand is expected to generate a significant amount of occupied room nights for the inn; however, it will be limited by seasonal and functional capacity issues as these events are typically concentrated over a 2 to 3-day period.
- The proposed inn is not expected to be positioned to accommodate demand from sports tourism as the quality of accommodation, level of service, and price point will likely not be conducive to accommodating teams. However, friends and families of sports players may be accommodated at the property.
- Given that much of the leisure demand in the competitive market is highly seasonal, and concentrated on weekends and in the summer season, the capacity limits of the inn will

impact the amount of demand the property can reasonably expect to capture from this demand segment.

- The County is a popular destination for outdoor recreational activity, particularly in the summer months. The local area has many attractions and amenities including wineries, breweries, local shops and restaurants, Sandbanks Provincial Park, Lake on the Mountain, and recreational trails.

It is expected that the proposed inn would be able to capture a portion of Leisure demand that was previously staying outside of Prince Edward County or was not able to stay in the County due to lack of available accommodations, particularly during peak travel seasons. The proposed inn's projected performance within the Leisure demand segment is summarized below.

	Leisure/Tourist Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	7,624	7,854	8,088	8,088	8,088
Penetration Rate	125.0%	127.5%	130.0%	128.7%	128.7%
Ratio to Total Demand	76.6%	75.0%	73.4%	73.4%	73.4%

Source: CBRE Hotels

Upon stabilization, the inn will attract about 45-50 leisure room nights per day over the key 120-180 primary leisure demand days annually.

### Government/Other Segment

The Government/Other market segment consists of demand generated by crew contracts, government officials, travel agents, hotel employees, and to a lesser extent, smaller specialty markets. Demand in this segment is typically represented by sources, which are highly rate sensitive and are normally provided with significantly discounted room rates.

It is expected that the inn would benefit from some extended stay demand that exists within the market. However, this segment of demand is typically highly rate sensitive and while it is reasonable to expect the proposed inn to capture a portion of this existing demand, it would be at a lower rate. The proposed inn is also expected to utilize online travel websites to capture demand within the 'Other' segment, particularly during periods of low demand. This segment of demand is also typically offered at a highly discounted rate.

Properties within the competitive market typically capture less than 1% of their total demand from the Government/Other demand segment. The proposed inn is projected to capture a level of demand from this segment that is in line with the Ontario inn market, at approximately 0.5% of total demand in 2022, the third year of operations. Projections in this segment are based on the following:

- The proposed inn will be a newly built inn, positioned in the upper midscale to upscale tier of accommodations.
- Stakeholder interviews indicated that there is some demand in the local market for extended stay accommodations and the proposed inn is expected to capture some demand from extended stay guests; albeit at a lower rate.
- The proposed inn is expected to make use of online travel agency websites to fill rooms during lower demand periods.

The proposed inn's projected performance within the Government/Other demand segment is summarized below.

	Government/Other Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	47	50	54	54	54
Penetration Rate	90.0%	95.0%	100.0%	99.0%	99.0%
Ratio to Total Demand	0.5%	0.5%	0.5%	0.5%	0.5%

Source: CBRE Hotels

### Subject Inn Average Daily Rate Projections

In terms of Average Daily Rate (ADR), the ADR for the proposed inn is projected to be \$230 in its opening year, 2020. The proposed inn is projected to achieve an ADR slightly below similar assets within the competitive Ontario inn market, taking into consideration the proposed facilities program and the property's location within the Prince Edward County. This rate will position the proposed inn as one of the top performing properties in the Prince Edward County market.

	Subject Property Average Daily Rate Penetration				
	2020	2021	2022	2023	2024
Subject Average Daily Rate	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96
Rate Penetration	95.8%	95.8%	95.8%	95.8%	95.8%

Source: CBRE Hotels

The proposed inn's ADR is expected to be at a slight discount to that of the properties in the Ontario Inn market, while it will be at a premium to most of the properties in the local competitive market including Prince Edward County, Belleville, Napanee, Trenton, and Northumberland County. Rates within the local market will limit the ability of the property to achieve a rate penetration above 100% within the Ontario inn market.

### Summary of Property Projections

Projections by segment of demand for the proposed inn including occupancy, ADR, and RevPAR are shown below:

#### Proposed Prince Edward County Inn Segmentation

	Year 1 01-Jan-20	Year 2 01-Jan-21	Year 3 01-Jan-22	Year 4 01-Jan-23	Year 5 01-Jan-24	Year 6 01-Jan-25
<b>CORPORATE</b>						
Fair market share	238	240	243	245	245	245
Projected market share	90%	95%	100%	99%	99%	99%
Demand captured by subject	214	228	243	243	243	243
Room Demand Growth	0.00%	6.61%	6.32%	0.00%	0.00%	0.00%
Corporate ADR	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96	\$253.94
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Corporate Room Revenue	\$49,251	\$53,557	\$58,078	\$59,240	\$60,425	\$61,633
<b>MEETING</b>						
Fair market share	5,155	5,206	5,258	5,311	5,311	5,311
Projected market share	40%	45%	50%	50%	50%	50%
Demand captured by subject	2,062	2,343	2,629	2,629	2,629	2,629
Room Demand Growth	0.00%	13.63%	12.22%	0.00%	0.00%	0.00%
Meeting ADR	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96	\$253.94
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Meeting Room Revenue	\$474,235	\$549,627	\$629,140	\$641,722	\$654,557	\$667,648
<b>LEISURE</b>						
Fair market share	6,099	6,160	6,222	6,284	6,284	6,284
Projected market share	125%	128%	130%	129%	129%	129%
Demand captured by subject	7,624	7,854	8,088	8,088	8,088	8,088
Room Demand Growth	0.00%	3.02%	2.98%	0.00%	0.00%	0.00%
Leisure ADR	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96	\$253.94
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Leisure Room Revenue	\$1,753,507	\$1,842,592	\$1,935,459	\$1,974,168	\$2,013,651	\$2,053,924
<b>OTHER</b>						
Fair market share	53	53	54	54	54	54
Projected market share	90%	95%	100%	99%	99%	99%
Demand captured by subject	47	50	54	54	54	54
Room Demand Growth	0.00%	6.61%	6.32%	0.00%	0.00%	0.00%
Other ADR	\$230.00	\$234.60	\$239.29	\$244.08	\$248.96	\$253.94
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Room Revenue	\$10,894	\$11,847	\$12,847	\$13,104	\$13,366	\$13,633
<b>SUBJECT ROOM DEMAND BY SEGMENT</b>						
CORPORATE	214	228	243	243	243	243
% of Demand	2.15%	2.18%	2.20%	2.20%	2.20%	2.20%
MEETING	2,062	2,343	2,629	2,629	2,629	2,629
% of Demand	20.73%	22.36%	23.87%	23.87%	23.87%	23.87%
LEISURE	7,624	7,854	8,088	8,088	8,088	8,088
% of Demand	76.64%	74.97%	73.44%	73.44%	73.44%	73.44%
OTHER	47	50	54	54	54	54
% of Demand	0.48%	0.48%	0.49%	0.49%	0.49%	0.49%
Total Subject Demand	9,947	10,476	11,014	11,014	11,014	11,014
<b>SUBJECT OCCUPANCY</b>	<b>54.5%</b>	<b>57.4%</b>	<b>60.3%</b>	<b>60.3%</b>	<b>60.3%</b>	<b>60.3%</b>
Total Rooms Revenue	\$2,287,887	\$2,457,623	\$2,635,523	\$2,688,234	\$2,741,998	\$2,796,838
<b>SUBJECT ADR</b>	<b>\$230.00</b>	<b>\$234.60</b>	<b>\$239.29</b>	<b>\$244.08</b>	<b>\$248.96</b>	<b>\$253.94</b>
<b>SUBJECT RevPAR</b>	<b>\$125.36</b>	<b>\$134.66</b>	<b>\$144.41</b>	<b>\$147.30</b>	<b>\$150.25</b>	<b>\$153.25</b>

Source: CBRE Hotels

### Seasonality of Demand

The following graph presents the monthly seasonality of demand and capacity analysis for the proposed inn in its stabilized year based on the above projections for each demand segment.

Seasonality and Capacity Analysis

TOTAL DEMAND		Winter (Jan-Mar)		Spring (Apr-Jun)		Summer (Jul-Sep)		Fall (Oct-Dec)	
occupied room nights	11,014	1,670		2,627		4,091		2,627	
% demand	100.0%	15.2%		23.8%		37.1%		23.8%	
period occupancy	60.3%	37.1%		57.7%		88.9%		57.1%	
		Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat
occupied room nights	11,014	700	969	1,437	1,190	2,817	1,274	1,437	1,190
% demand	100.0%	42.0%	58.0%	54.7%	45.3%	68.9%	31.1%	35.1%	64.9%
period occupancy		21.6%	74.5%	44.2%	91.5%	86.7%	98.0%	44.2%	91.5%

Source: CBRE Hotels

The proposed inn is expected to follow a similar pattern of seasonality as the regional market. Peak demand will occur in July and August when leisure travel demand is highest, with softer demand levels seen in the shoulder periods. Winter will generally be the slowest season with the lowest demand levels expected to occur in December and January. Average daily rates are expected to fluctuate in line with demand throughout the year, with the highest rates achieved in July and August and the lowest rates in November and December.

Overall, Summer is expected to be the busiest season for the proposed inn, with 37% of total demand and an average occupancy of approximately 89% between July and September. This is followed by spring and fall, which are expected to represent approximately 24% of demand each, and occupancy of approximately 57% to 58%. Winter will represent the lowest period of demand at approximately 15% of total demand, and occupancy of approximately 37%. As shown, the proposed inn is projected to achieve strong weekend occupancy year-round as leisure travel to the County is strongest on the weekends, as well as strong weekday occupancy in the summer season. Weekday occupancy will be lower in the fall and spring periods, and lowest in the winter as the lack of Corporate demand in the area limits the ability of the property to attract occupied room night demand during these periods. Mid-week occupancy, particularly in the off-peak periods, presents a significant challenge in achieving sustainable business levels.

The following presents the seasonality implications for each of the demand segments:

- Corporate – Corporate travel in the region is concentrated in the spring, summer, and fall months; however, some corporate demand does exist in the winter months as well. The seasonal nature of business travel within the area presents a challenge for capturing corporate demand during the winter months. Corporate demand is typically concentrated between Sunday and Thursday.
- Meeting/Conference – Meeting and Conference demand provides a relatively consistent source of demand throughout the year, with slightly higher demand periods in the spring and fall. Meeting and conference demand typically occurs between Sunday and Thursday.
- Leisure – Leisure demand is typically concentrated throughout the summer months when travelers are more likely to book vacations, add vacation time onto a business trip or conference, host a wedding or event, or visit friends and relatives. In this market, there is also some off-peak recreational travel, which would generate some demand on the

weekends in the winter and shoulder periods. Leisure demand generally occurs on weekends; however, in the summer months weekday leisure demand increases.

- Government/Other – Government/Other demand provides a relatively consistent source of demand throughout the year, albeit in very low volumes. Demand within this segment is typically concentrated throughout the week.

## LIMITED SERVICE HOTEL OCCUPANCY AND RATE PROJECTIONS

The subject property projections examine the future occupancy and Average Daily Rate (ADR) for the proposed limited service hotel development based on numerous factors including economic influences and the actual and projected supply/demand relationship in the competitive markets.

### Projected Subject Occupancy and Average Daily Rate

The following analysis assesses the projected market position/occupancy, average rate, and RevPAR levels for the subject property. The market penetration analysis for the proposed limited service hotel property was undertaken in comparison to the local accommodation market including properties in Prince Edward County, Belleville, Trenton, Napanee, and Northumberland County. The following section presents our projections of demand for the subject property by market segment.

#### Corporate/Commercial Segment

The proposed subject hotel is projected to capture approximately 632 occupied room nights within the Corporate/Commercial segment in its stabilized year, 2022, representing 5% of the hotel's total demand. Most of these occupied room nights within the Corporate/Commercial segment will be captured over the Sunday through Thursday period throughout the year.

Hotels within the competitive market typically capture approximately 34% of total demand from the Corporate/Commercial demand segment. The proposed hotel is projected to capture less than is typical within the competitive market. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded hotel, which is expected to help in attracting some local corporate demand.
- There are a limited amount of Corporate/Commercial business within Prince Edward County. The existing Corporate/Commercial demand is primarily generated by some construction and construction supply businesses, farming and agricultural businesses, and agricultural machine and technology specialists. The limited number of large corporate demand generators in the area will make it difficult for the property to attract a significant number of room nights in this segment.
- Stakeholder interviews indicated that while a number of businesses do utilize local accommodations, a number of respondents indicated that their clients and customers would still prefer to stay in a branded hotel in a larger town such as Belleville to take advantage of the proximity to major transportation routes and the support amenities and attractions there.
- The proposed hotel is not expected to induce Corporate demand into the market, rather it will re-capture a portion of existing demand that was either being accommodated in other local accommodations or in the surrounding cities and towns.

The proposed hotel's projected performance within the Corporate/Commercial demand segment is summarized below.

	Corporate/Commercial Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	286	396	632	632	632
Penetration Rate	7.0%	9.5%	15.0%	14.9%	14.9%
Ratio to Total Demand	2.5%	3.3%	5.1%	5.1%	5.1%

Source: CBRE Hotels

Upon stabilization, the hotel will attract about 2-3 corporate room nights per day over the key 200-250 primary corporate demand days annually.

### Meeting/Conference Segment

Hotels within the competitive market typically capture approximately 10% of their total demand from the Meeting/Conference demand segment. It is important to note that while almost all of the hotels in the market capture some level of demand from this segment, the majority of the Meeting/Conference demand in the competitive market is generated by resorts and inns within Prince Edward County that have on-site meeting space including The Inn at Huff Estates, Isaiah Tubbs Resort & Conference Centre, and Lake on the Mountain.

The proposed hotel is projected to generate a lower proportion of annual demand from this segment, at 8% of total demand or 1,074 occupied room nights upon stabilization in 2022. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded hotel, and will contain approximately 1,200 square feet of meeting space with a maximum capacity of approximately 100 people.
- The proposed hotel is expected to attract many in house meetings each year, of which a proportion will generate occupied room night demand for the hotel, as well as capture demand from meetings and events in the local area.
- Our analysis indicates that it is reasonable to project the proposed hotel to capture approximately 8 to 12 on-site weddings per year, approximately 5 other social events, and 10 to 15 small corporate meetings.
- While the local area does have a number of meeting and event venues, stakeholder feedback indicated that there is still a shortage of suitable facilities to host weddings, corporate retreats, and other events. In addition, the lack of on-site accommodations at the existing event facilities limit the number and type of events that they can capture.
- With 1,200 square feet of meeting space as well as on-site accommodations, the proposed inn is expected to be an attractive option for multi-day meetings and events in Prince Edward County. However, the proposed positioning of the limited service hotel is not expected to be suitable to attract a significant amount of corporate retreats.

The proposed hotel's projected performance within the Meeting/Conference demand segment is summarized below.

	Meeting/Conference Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	919	1,000	1,074	1,074	1,074
Penetration Rate	75.0%	80.0%	85.0%	84.2%	84.2%
Ratio to Total Demand	8.2%	8.4%	8.6%	8.6%	8.6%

Source: CBRE Hotels

The subject hotel is projected to generate demand from both in house meetings/functions as well as from those held at venues off-site. Upon stabilization, the hotel is projected to generate an estimated 607 room nights per year from the Meeting/Conference Segment. This would equate to 1 to 2 meetings per month hosting 15 to 20 delegates over 1 to 2 nights.

### Leisure/Tourist Segment

Hotels within the competitive market typically capture approximately 44% of their total annual demand from the Leisure demand segment. The proposed hotel is projected to capture a higher proportion of demand from this segment, at 78% of total demand or 9,777 occupied room nights upon stabilization in 2022, the third year of operations. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded limited service hotel.
- The proposed hotel is expected to be an attractive accommodation choice for sports groups traveling to the Wellington District Community Centre and Essroc Arena, visitors to Sandbanks Provincial Park, and those attending weddings, festivals, and events, and visiting friends and relatives in Prince Edward County.
- Sports tourism and festival/event demand is expected to be an important source of occupied room night demand for the hotel; however, it will be limited by seasonal and functional capacity issues as these events are typically concentrated over a 2 to 3-day period.
- Given that much of the leisure demand in the competitive market is highly seasonal, and concentrated on weekends and in the summer season, the capacity limits of the hotel will impact the amount of demand the property can reasonably expect to capture from this demand segment.
- The County is a popular destination for outdoor recreational activity, particularly in the summer months. The local area has many attractions and amenities including wineries, breweries, local shops and restaurants, Sandbanks Provincial Park, Lake on the Mountain, and recreational trails.
- There is a lack of quality, branded accommodation in the immediate area, with the closest hotels located in Belleville and Trenton.

It is expected that the proposed hotel would be able to capture a portion of Leisure demand that was previously staying outside of Prince Edward County or was not able to stay in the County due to lack of

available accommodations, particularly during peak travel seasons. The proposed hotel's projected performance within the Leisure demand segment is summarized below.

	Leisure/Tourist Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	9,219	9,542	9,777	9,777	9,777
Penetration Rate	170.0%	172.5%	175.0%	173.3%	173.3%
Ratio to Total Demand	81.9%	80.4%	78.3%	78.3%	78.3%

Source: CBRE Hotels

Upon stabilization, the hotel will attract about 55-60 leisure room nights per day over the key 120-180 primary leisure demand days annually.

### Government/Other Segment

It is expected that the hotel would benefit from some demand from local work and construction crews that are working throughout the region, in addition to some extended stay demand that exists within the market. However, this segment of demand is typically highly rate sensitive and while it is reasonable to expect the proposed hotel to capture a portion of this existing demand, it would be at a lower rate. The proposed hotel is also expected to utilize online travel websites to capture demand within the 'Other' segment. This segment of demand is also typically offered at a highly discounted rate.

Hotels within the competitive market typically capture approximately 12% of their total demand from the Government/Other demand segment. The proposed hotel is projected to capture a lower proportion of occupied room nights from this segment, at 8% of total demand or 1,009 occupied room nights in 2022, the third year of operations. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded limited service hotel.
- The proposed hotel is expected to be an attractive accommodation choice for crew demand generated by road and hydro work within the local area.
- Stakeholder interviews indicated that there is some demand in the local market for extended stay hotel accommodations and the proposed hotel is expected to capture some demand from extended stay guests; albeit at a lower rate.
- The proposed hotel is expected to make use of online travel agency websites to fill rooms during lower demand periods.

The proposed hotel's projected performance within the Government/Other demand segment is summarized below.

	Government/Other Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	829	923	1,009	1,009	1,009
Penetration Rate	55.0%	60.0%	65.0%	64.4%	64.4%
Ratio to Total Demand	7.4%	7.8%	8.1%	8.1%	8.1%

Source: CBRE Hotels

### Subject Hotel Average Daily Rate Projections

In terms of Average Daily Rate (ADR), the ADR for the proposed subject hotel is projected to be \$140 in its opening year, 2020. The subject hotel is projected to achieve an ADR similar to hotel assets within the competitive regional market, taking into consideration the proposed facilities program and **Error! Reference source not found.** brand affiliation.

	Subject Property Average Daily Rate Penetration				
	2020	2021	2022	2023	2024
Subject Average Daily Rate	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54
Rate Penetration	99.4%	99.4%	99.4%	99.4%	99.4%

Source: CBRE Hotels

The proposed hotel's ADR is expected to be generally in line with the properties in the surrounding markets. As a newly built, branded hotel it will be able to achieve a rate in line with the market average.

## Summary of Property Projections

Projections by segment of demand for the proposed hotel including occupancy, ADR, and RevPAR are shown below:

### Proposed Prince Edward County Limited Service Hotel Segmentation

	Year 1 01-Jan-20	Year 2 01-Jan-21	Year 3 01-Jan-22	Year 4 01-Jan-23	Year 5 01-Jan-24	Year 6 01-Jan-25
<b>CORPORATE</b>						
Fair market share	4,091	4,173	4,215	4,257	4,257	4,257
Projected market share	7%	10%	15%	15%	15%	15%
Demand captured by subject	286	396	632	632	632	632
Room Demand Growth	0.00%	38.43%	59.47%	0.00%	0.00%	0.00%
Transient ADR	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54	\$154.57
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Transient Room Revenue	\$40,094	\$56,611	\$92,085	\$93,927	\$95,805	\$97,721
<b>MEETING</b>						
Fair market share	1,226	1,250	1,263	1,276	1,276	1,276
Projected market share	75%	80%	85%	84%	84%	84%
Demand captured by subject	919	1,000	1,074	1,074	1,074	1,074
Room Demand Growth	0.00%	8.80%	7.31%	0.00%	0.00%	0.00%
Meeting ADR	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54	\$154.57
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Meeting Room Revenue	\$128,723	\$142,852	\$156,364	\$159,491	\$162,681	\$165,935
<b>LEISURE</b>						
Fair market share	5,423	5,531	5,587	5,643	5,643	5,643
Projected market share	170%	173%	175%	173%	173%	173%
Demand captured by subject	9,219	9,542	9,777	9,777	9,777	9,777
Room Demand Growth	0.00%	3.50%	2.46%	0.00%	0.00%	0.00%
Leisure ADR	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54	\$154.57
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Leisure Room Revenue	\$1,290,647	\$1,362,536	\$1,424,028	\$1,452,509	\$1,481,559	\$1,511,190
<b>OTHER</b>						
Fair market share	1,507	1,538	1,553	1,568	1,568	1,568
Projected market share	55%	60%	65%	64%	64%	64%
Demand captured by subject	829	923	1,009	1,009	1,009	1,009
Room Demand Growth	0.00%	11.27%	9.42%	0.00%	0.00%	0.00%
Other ADR	\$140.00	\$142.80	\$145.66	\$148.57	\$151.54	\$154.57
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Other Room Revenue	\$116,066	\$131,733	\$147,021	\$149,961	\$152,960	\$156,020
<b>SUBJECT ROOM DEMAND BY SEGMENT</b>						
CORPORATE	286	396	632	632	632	632
% of Demand	2.54%	3.34%	5.06%	5.06%	5.06%	5.06%
MEETING	919	1,000	1,074	1,074	1,074	1,074
% of Demand	8.17%	8.43%	8.59%	8.59%	8.59%	8.59%
LEISURE	9,219	9,542	9,777	9,777	9,777	9,777
% of Demand	81.92%	80.45%	78.26%	78.26%	78.26%	78.26%
OTHER	829	923	1,009	1,009	1,009	1,009
% of Demand	7.37%	7.78%	8.08%	8.08%	8.08%	8.08%
Total Subject Demand	11,254	11,861	12,492	12,492	12,492	12,492
<b>SUBJECT OCCUPANCY</b>	<b>51.4%</b>	<b>54.2%</b>	<b>57.0%</b>	<b>57.0%</b>	<b>57.0%</b>	<b>57.0%</b>
Total Rooms Revenue	\$1,575,530	\$1,693,732	\$1,819,498	\$1,855,888	\$1,893,006	\$1,930,866
<b>SUBJECT ADR</b>	<b>\$140.00</b>	<b>\$142.80</b>	<b>\$145.66</b>	<b>\$148.57</b>	<b>\$151.54</b>	<b>\$154.57</b>
<b>SUBJECT RevPAR</b>	<b>\$71.94</b>	<b>\$77.34</b>	<b>\$83.08</b>	<b>\$84.74</b>	<b>\$86.44</b>	<b>\$88.17</b>

Source: CBRE Hotels

## Seasonality of Demand

The following graph presents the monthly seasonality of demand and capacity analysis for the proposed hotel in its stabilized year based on the above projections for each demand segment.

Seasonality and Capacity Analysis

TOTAL DEMAND		Winter (Jan-Mar)		Spring (Apr-Jun)		Summer (Jul-Sep)		Fall (Oct-Dec)	
occupied room nights	12,492	1,943		2,855		4,838		2,855	
% demand	100.0%	15.6%		22.9%		38.7%		22.9%	
period occupancy	57.0%	36.0%		52.3%		87.7%		51.7%	
		Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat	Sun-Thur	Fri-Sat
occupied room nights	12,492	672	1,271	1,528	1,327	3,343	1,496	1,528	1,327
% demand	100.0%	34.6%	65.4%	53.5%	46.5%	69.1%	30.9%	31.6%	68.4%
period occupancy		17.2%	81.5%	39.2%	85.1%	85.7%	95.9%	39.2%	85.1%

Source: CBRE Hotels

The proposed hotel is expected to follow a similar pattern of seasonality as the regional market. Peak demand will occur in July and August when leisure travel demand is highest, with softer demand levels seen in the shoulder periods. Winter will generally be the slowest season with the lowest demand levels expected to occur in December and January. Average daily rates are expected to fluctuate in line with demand throughout the year, with the highest rates achieved in July and August and the lowest rates in November and December.

Overall, Summer is expected to be the busiest season for the proposed hotel, with 39% of total demand and an average occupancy of approximately 88% between July and September. This is followed by spring and fall, which are expected to represent approximately 23% of demand each and occupancy of approximately 52%. Winter will represent the lowest period of demand at 16% of total demand, and occupancy of approximately 36%. As shown, the proposed hotel is projected to achieve strong weekend occupancy year-round as leisure travel to the County is strongest on the weekends, as well as strong weekday occupancy in the summer season. Weekday occupancy will be lower in the fall and spring periods, and lowest in the winter as the lack of Corporate demand in the area limits the ability of the property to attract occupied room night demand during these periods. Mid-week occupancy, particularly in the off-peak periods, presents a significant challenge in achieving sustainable business levels.

The following presents the seasonality implications for each of the demand segments:

- Corporate – Corporate travel in the region is concentrated in the spring, summer, and fall months; however, some corporate demand does exist in the winter months as well. The seasonal nature of business travel and limited volume of corporate travel within the area presents a challenge for capturing corporate demand during the winter months. Corporate demand is typically concentrated between Sunday and Thursday.
- Meeting/Conference – Meeting and Conference demand provides a relatively consistent source of demand throughout the year, with slightly higher demand periods in the spring and fall. Meeting and conference demand typically occurs between Sunday and Thursday.
- Leisure – Leisure demand is typically concentrated throughout the summer months when travelers are more likely to book vacations, add vacation time onto a business trip or conference, host a wedding or event, or visit friends and relatives. In this market, there is also a fair amount of winter sport tourism demand, which would generate some demand in

the winter and shoulder periods. Leisure demand generally occurs on weekends; however, in the summer months weekday leisure demand increases.

- Government/Other – Government/Other demand provides a relatively consistent source of demand throughout the year. Demand within this segment is typically concentrated throughout the week.



**Implications**  
Implications

## IMPLICATIONS

Prince Edward County is a popular tourist destination, and contains many unique attraction and events including wineries, breweries, restaurants, and parks. The County is a popular destination for hosting events including weddings, social events, reunions, and corporate retreats. The majority of overnight accommodation demand in the County is generated by leisure travel, with some demand also being generated by Meeting/Conference guests. The Corporate/Commercial and Government/Other segments represent a very small proportion of total demand as there are limited corporate demand generators within the County. Overall, given the competitive market characteristics, it was determined that an accommodation development in the 50 to 60 room range would be ideal. Taking into consideration that the primary source of demand within the County is generated by the leisure travel segment, we identified two alternative accommodation developments and analyzed them accordingly. It is important to note that Prince Edward County is successfully branded as a unique and charming 'County' getaway. Any accommodation development within the County should be developed to complement the existing character of the local area.

1. A 50-room Inn
2. A 60-room branded, limited service hotel

Each development option has distinct strengths in attracting demand. Both properties are expected to be attractive to the leisure travel segment; however, the inn property is expected to be positioned in the mid to upscale market and achieve a higher ADR, while the limited service hotel would achieve a lower ADR and be more attractive to families and sports teams. Our research indicated that corporate retreats represent a significant opportunity for a new accommodation property to capture demand in shoulder and off-peak seasons. The inn development would be expected to capture a reasonable amount of demand from this source as its positioning, amenities, and service levels would be well suited to hosting corporate retreats. The limited service property is not expected to be well positioned to capture this source of demand. In terms of Corporate/Commercial and Government/Other demand, the proposed inn is not expected to capture a significant amount of demand from this segment, as a result of its positioning and higher price point. However, the limited service hotel would be well positioned to capture demand from these segments.

The following table summarizes the key features and performance metrics of the two accommodation options.

	Proposed Inn	Proposed Limited Service Hotel
Number of Rooms	50	60
Gross Floor Area	30,450 sq. ft.	33,000 sq. ft.
Gross Floor Area per Room	609 sq. ft.	550 sq. ft.
Location Conclusions	Wellington, Consecon	Wellington, Picton
Capital Cost Range (per room)	\$200,000+	\$140,000-\$150,000
Occupancy (Year 5)	60%	57%
ADR (Year 5)	\$254	\$155
Rooms Revenue (Year 5)	\$2.8 million	\$1.9 million

Source: CBRE Hotels

While leisure demand for the proposed accommodation options is expected to be strong, a lack of significant Corporate demand generators and limitations caused by seasonality of demand are expected to present a challenge for the proposed operations. The proposed properties are expected to operate at peak occupancy levels on weekends and in peak leisure demand periods such as the summer and during festivals or events. Without the ability to attract stronger demand in off-peak periods and on weekdays, the inn is projected to stabilize at an annual occupancy of 60% while the limited service hotel is projected to stabilize at an annual occupancy of 57%.

While the revenue potential for the proposed inn development is greater than that of the proposed limited service hotel, the capital costs required to construct the facility are also greater, at a minimum of approximately \$10 million versus approximately \$9 million for the limited service hotel.

Based on the study findings, it was determined that there is demand and community support for a hotel development in the community. However, because of the seasonality of visitation and the current lack of significant corporate demand generators in the immediate area, both accommodation options are not projected to generate strong enough year-round occupancies to meet typical investor/developer criteria. Traditional investors and lenders typically look for an accommodation development to reach an annual occupancy at or above 70%, which indicates that the property operates at a stabilized level and is able to capture a reasonable number of occupied room nights year-round.

Overall, while the proposed accommodation developments may not meet traditional hotel investor/developer performance criteria, there is considerable interest and potential for future growth within Prince Edward County. Should significant new corporate or off-peak leisure demand generators be introduced within the local market, Prince Edward County is well positioned to attract hotel development interest. In addition, while the proposed developments may not meet the criteria of traditional hotel investors and developers, Prince Edward County is a unique and growing destination that could potentially attract investors that are interested in a more unique investment opportunity. The prevalence of recreational travel within the County could also allow the opportunity for investors to consider additional sources of revenue that could enhance the

profitability of a future accommodation development. Income producing amenities such as wellness services, spas, restaurants, shops, and other unique attractions could attract a broader range of guests and provide additional sources of revenue for an accommodation property.

It is important to note that the scope of this engagement relates to evaluating the most suitable form of accommodation growth within Prince Edward County. As such, we have identified two development alternatives; that of a 50-room inn and a 60-room branded, limited service hotel. These properties were considered as new development would provide the greatest opportunity for an expansion and broadening of the existing amenities and services offered within the County, and to allow for the development of off-peak travel. The two development alternatives were selected taking into consideration the needs of the most predominant sources of existing and growing accommodation demand in Prince Edward County. Should a specific site be identified or a specific development be proposed, further analysis would be required to determine the economic viability of any specific project.



**Addendum "A"**

Assumptions and Limiting Conditions

## ASSUMPTIONS AND LIMITING CONDITIONS

1. This Advisory Report prepared by CBRE, is intended for the exclusive use of the Client, and is not intended to be relied upon, by any other person or entity, without the express prior written consent of CBRE, and the individual(s) who authored the Advisory Report.
2. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the report. Unless otherwise specifically noted in the report, CBRE has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE of any questions or errors. CBRE does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the real property furnished by the Client to CBRE and contained in any report prepared by CBRE.
3. The date to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any opinion herein rendered is based upon the purchasing power of the Canadian Dollar on that date. This advisory report is based on market conditions existing as of the date of this report. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the report. However, CBRE will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
4. The conclusions, which may be defined within the body of this report, are subject to change with market fluctuations over time.
5. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE.
6. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE to buy, sell, or hold the properties. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
7. The report has been prepared at the request of the client, and for the exclusive (and confidential) use of the client. The report may not be duplicated in whole or in part without the specific written consent of CBRE nor may this report or copies hereof be disclosed to third parties without said written consent, which consent CBRE reserves the right to deny. If consent is given, it will be on condition that CBRE will be

provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CBRE, by a party satisfactory to CBRE. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE which consent CBRE reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security". Any third party which may possess this report is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE shall have no accountability or responsibility to any third party.

8. The maps, plans, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
9. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate advisors.
10. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Advisor nor CBRE assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
11. CBRE assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
12. It is assumed that there is full compliance with all applicable federal, provincial, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the report.
13. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the herein, as of the effective date of this appraisal, cannot be relied upon as of any other date without subsequent advice of CBRE.
14. Client shall indemnify and hold CBRE fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client, and for which recovery is sought against CBRE by that third party.



**Addendum "B"**  
Glossary of Industry Terms

**Supply: Available Room Nights (ARNs)**

Available Rooms Nights refers to the total number of rooms at a property multiplied by the total number of nights the property is open during a given operating season. For example, a 25-room property open year-round (365 nights) would have 9,125 Available Room Nights.

**Demand: Occupied Room Nights (ORNs)**

Occupied Rooms Nights refers to the sum of the number of nights that each available unit was occupied at a given property during one operating season.

**Occupancy Rate**

Occupied Rooms refer to the total number of rooms occupied by transient, group and contract guests, without consideration to the number of guests in each room. Occupancy Rate is expressed as the percentage of rooms occupied out of the total rooms available at a property. The calculation is:

$$\text{Occupancy Rate (\%)} = (\text{Rooms Occupied} / \text{Rooms Available}) \times 100$$

**Average Daily Rate (ADR)**

Although room rates may vary seasonally, by market segment, or by room type within a property, most properties calculate an overall average daily rate (ADR). This rate reveals the average rate charged per occupied room and is calculated by dividing total rooms revenue for a period (usually one year), by the number of rooms occupied during that period. The calculation is as follows:

$$\text{ADR} = \text{Total Rooms Revenue} / \text{Rooms Occupied}$$

**Rooms Revenue per Available Room (RevPAR)**

RevPAR measures the rooms revenue yield a property achieves, relative to the rooms available in the property for a period of time (usually one year). The metric is influenced by 2 factors – occupancy and overall average daily rates (ADR). RevPAR can be used to compare rooms revenue results with prior period results or to compare actual to budgeted results. In addition, since the rooms revenue is scaled by the number of rooms at the property, it can be used as one comparison of the rooms revenue yield of a property to its competitors or comparable properties. The calculation is as follows:

$$\text{RevPAR} = \text{Total Rooms Revenue} / \text{Rooms Available}$$

**Market Segmentation**

Refers to the subdividing of a market into distinct subsets of users that behave in the same way or have similar needs. The hotel market segments most commonly used are Corporate, Meeting/Conference, Leisure, and Government/Other.