

WASAGA BEACH ACCOMMODATION DEVELOPMENT PLAN - MARKET & FINANCIAL ANALYSIS

Downtown Development Master Plan for Wasaga
Beach, ON

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Prepared for:

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Introduction

INTRODUCTION

Study Background

Over the past 10 years, there have been a number of development plans and studies which have examined various levels of hospitality and tourism development initiatives for Wasaga Beach. These development programs have ranged from an extensive mixed-use, four season resort development on Beach 1- & 2 to stand-alone accommodation developments.

A fire destroyed much of the privately-owned properties along the Wasaga beachfront in 2007, and a developer purchased many of the waterfront properties in 2008/09 with a plan for re-development. Proposed in 2009, the Blue Beach Avenue Development called for a \$500 Million, 15 year development program, including a 250-unit four season Waterpark Hotel, a 200-unit full service resort hotel, a 70,000 square foot Family Entertainment Attraction, a 120,000 square foot retail and foodservice commercial development and a 625-unit resort residential development. Proponents of the project purchased many of the existing businesses along the waterfront for enterprise value in order to develop the lands, however, they ran into financial difficulties and filed for bankruptcy in 2010. CBRE Hotels (formerly PKF Consulting) was actively involved in the market and financial assessment of that project.

CBRE Hotels (formerly PKF Consulting) has also completed a number of studies on behalf of the Town of Wasaga Beach and private sector interests over the past 5 years which have considered:

- A stand-alone branded hotel;
- A mid-scale extended stay hotel of between 65 to 80 units, located within the Upper Main or Lower Main area of Wasaga Beach; and
- A mixed-use Resort Development on Beach 2 with 80 units.

In each of these previous studies, the findings indicated that a stand-alone hotel or resort would not be able to support its development costs off cashflow due to the highly seasonal nature of demand which is largely comprised of summer-time leisure tourists. In order for any hotel/resort development to attract a developer, the equity requirements for the project would need to be mitigated by other sources of revenue to meet the return expectations on the project as a whole for the developer. Typical sources of additional revenue could be realized through the development and sale of adjacent resort residential units, which in turn could generate acceptable development profits to attract a developer to the project. Whether the resort setting is one of sun and sand, or snow and ski, or an indoor waterpark, destination resorts commonly feature some form of real-estate ownership programs.

Through CBRE's previous work in the Town's hospitality sector, the seasonality of Wasaga Beach as a destination was a barrier to the long-term viability of stand-alone hotel development. This has had a strong influence on the determination of the most appropriate "Tourist District" facility program for Wasaga Beach.

To date, the Town of Wasaga Beach has been unsuccessful in its efforts to attract a hotel developer to come into the community. In 2015, the Town of Wasaga Beach took the bold initiative to purchase over 70% of the commercial properties at Beach 1 and 2, and engaged in an extensive community consultation process which has resulted in the subject Downtown Development Master Plan.

Hospitality and Tourism Development Options

For the subject Downtown Development Master Plan for Wasaga Beach, we looked at two different accommodation-based commercial development opportunities for the Beach Tourist District:

1. Waterpark Resort Attraction on Beach 2 – to generate new tourist and residential demand
2. Boutique Hotel on Beach 1 – to support other commercial / residential components

For each of the two development options, we have undertaken the following analysis:

- Evaluated market potential
- Recommended a facility program
- Projected future occupancy, utilization, average daily room rate, per spends and operating performance over a five-year projection period, allowing for economic conditions as well as supply and demand growth prospects
- Provided an overview of the investment and implementation considerations

In meeting the study objectives the results and analysis within the preceding report has involved the following steps:

- Discussions with key regional stakeholders;
- A review of strategic planning documents, tourism-related strategies and population and growth projections for Wasaga Beach;
- A review of the most recent Statistics Canada's Travel Survey of Residents in Canada (TSRC) and International Travel Survey (ITS) for visitor volumes to Simcoe County (CD 43);
- A review of comparable facilities, attractions and accommodations in Ontario;
- A review of existing resort accommodation facilities located in Ontario, including an assessment of facilities offered and proposed, published room rates and market demand segmentation;
- An estimate of future growth in supply of, and demand for hotel accommodation in the competitive market area;
- Preparation of development programs for the proposed facilities; and
- Preparation of preliminary utilization and operating projections for the subject proposed hotels for the first five years of operation, based on identified sources of market demand and attraction generated demand.

Preliminary Conclusions

Based on our market and financial analysis, presented herein, the following preliminary conclusions are offered.

Waterpark Hotel

A 250-unit resort hotel featuring a 60,000 square foot indoor waterpark, restaurants, meeting space, arcade and retail amenities has been proposed as part of the Resort District on Beach 2. This development opportunity is seen as a major attraction for Wasaga Beach, which will generate year-round demand for the community, inducing increased levels of visitation, particularly from the family market, with young children as well as the meeting/conference segment. However, capital costs for this type of development will be significant, at an estimated \$125 Million or \$500,000 per room and as such, this development will likely have economic and investment challenges. In order for a developer to generate an expected return on equity of at least 15%, the developer would need to bring \$50 Million in equity to the project; support \$50 Million in debt from operating cash flow; and would still require another \$25 Million in unencumbered equity (with no expectations of return) for the project. Sources for the unencumbered equity would likely be provided through the profits generated through adjacent residential sales. Unless the waterpark hotel is a significant catalyst to sell additional residential units in the Resort District, this development opportunity is not seen as a short term initiative, but rather part of a Long Term development opportunity for the Town. Furthermore, the likelihood of sourcing an interested developer to invest \$50 Million in equity for this project will be difficult.

Boutique Hotel

An 80-room boutique hotel as part of a mixed-use development adjacent to the Event Plaza at the Main End of the Beach is seen as a development opportunity which has more likelihood of being realized in the short term. This development is seen as a part of an overall mixed use resort residential development, which will include 245 to 400 residential units, as well as retail and foodservice offerings. It is assumed that most of the purchasers of the residential units will likely only use their units while vacationing in the area, and for the balance of the year, will return the unit to the resort operator's rental pool. The Boutique Hotel will in turn manage the rental pool on behalf of the owners, in addition to operating an 80-room hotel for transient use. With capital costs in the order to \$15 Million (\$180,000 per room), this development opportunity has a stronger likelihood of attracting a private sector investor in the near term due to its requirement for a much lower investment of approximately \$5.5 Million in equity, as compared to a Waterpark Hotel. With operating revenues derived from the hotel and a rental pool, the project could support \$9 Million in debt, while providing an adequate return on equity.

Entertainment Zone

A third component, an Entertainment Zone to complement accommodation / commercial / residential components at Beach Areas 1 and 2, is not currently defined at a level in which we could prepare a market or investment analysis, but should be considered as part of the overall conceptual plan.

In order to bring back the “fun” of Wasaga Beach, an entertainment zone has been proposed for the central core of the beachfront, between the Main End Event Plaza and the Resort District. This area will offer seasonal outdoor rides and attractions, geared to all age groups, while also providing a park-like setting with trails, water play areas, and pristine views of the beachfront which can be utilized on a year-round basis. While the Town may choose to be the catalyst developer of this opportunity in the short term, as the full Master Plan is realized, a private sector developer may also be attracted to own and operate the attraction and/or partner with the Town in its development. As noted, we have not prepared projections for this opportunity.

The following sections identify the market dynamics that justify the subject development programs, followed by the full operating projections for each component.

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Economic and Tourism Overview
Regional Overview

ECONOMIC OVERVIEW

Town of Wasaga Beach

Featuring the world's longest freshwater beach at a length of 14 kilometres, Wasaga Beach has been considered one of the premier tourist destinations in Ontario for over a century. The Town of Wasaga Beach has a rich history as one of Ontario's premier summer tourist destinations dating back to the early 1800's. The area's original settlement was a logging and fishing village settled along the shores of the Nottawasaga River, a main waterway that runs through the Town today. In the early 1900's the region progressively transformed into a popular tourist destination for the military families at nearby Base Borden, and GTA residents visiting the area to enjoy the white-sand, freshwater beach.

The Town of Wasaga Beach was incorporated in 1974 when the Wasaga Beach Provincial Park was established. Wasaga Beach Provincial Park, covers a natural area of 6.8 hectares (731,950 sq.ft.) and protecting wildlife habitat and nesting shorebirds.¹ There are six public beach areas numbered from 1 to 6 (one long beach divided into numbered sections), as well as the New Wasaga and Allenwood beaches which are cut off from the other beaches by the mouth of Nottawasaga River, however are frequented just as much by seasonal residents and tourists. Specifically, Beach 1 offers all of the bars, beach-themed shops and fast food restaurants, comfort stations and playground equipment, Beaches 2 to 4 feature shaded trees, comfort stations and picnic areas and Beaches 5 and 6 are utilized by more seasonal and year-round cottage owners. In addition Beach 3 and Allenwood also feature Ontario Kiteboarding Association (OKA) Official Launch zones. The Town has established a positive relationship with Wasaga Beach Provincial Park, partnering on a number of tourism related initiatives geared to improve both the quality of the beach and its use by residents, seasonal cottagers and tourists.

Wasaga Beach is located 25 minutes east of the Blue Mountain Resort area, a four season destination which has evolved from a winter alpine skiing resort, a 30 minute drive from Barrie and 1.5 hour drive from Toronto.

Population

The Town has grown from a cottage community to a full-service urban municipality, with a current population of over 19,645 permanent residents. This growth has been particularly strong since 1996, when Wasaga Beach was seen as one of the fastest-growing municipalities in Canada. The Town also has approximately 9,000 seasonal residents, who own cottages/seasonal homes in the area.

Continued population growth is expected for Wasaga Beach, with the total population projected to reach 21,000 persons by 2021 and 27,500 by 2031, as per the County of Simcoe Official Plan. Data relating to Wasaga Beach's local economy are included in the following table:

¹ Source: *Ontario Parks*

WASAGA BEACH(CMA) ECONOMIC PROFILE

DEMOGRAPHICS

Population 2016 Estimate	% of Canadian Total	% Change 2011-2016	Average Annual Growth Rate 2011-2016	
19,645	0.1%	9.8%	2.0%	
Household Income – 2016 Average				
% Above/Below National Average	Total Income 2016 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
17.6% Below	\$705,939,000	0.1%	\$35,935	30.0%
Household Spending – 2016 Average				
% Above/Below National Average	Total Household Spending 2016 Estimate	% Canadian Total	Per Capita	Per Household
13.1% Below	\$847,952,231	0.1%	\$43,164	\$97,142

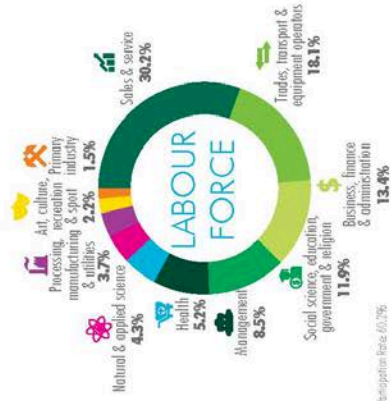
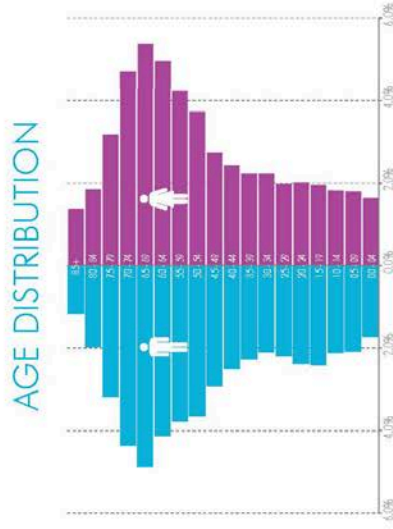
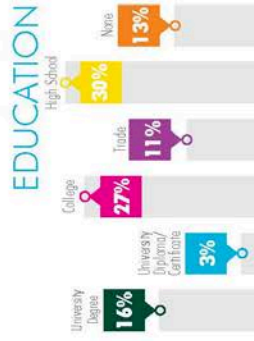
Source: Sitewise, 2016

Economic data relating to Wasaga Beach is summarized below, with further detail in the infographic on the following page.

- As one of Canada's fastest growing communities situated on the world's longest freshwater beach, Wasaga's population has grown by approximately 1,750 people in the past 5 years, specifically expanding by 9.8% over 2011 levels to reach an estimated 19,650 persons in 2016.
- At \$81,000 in 2016, the average household income in Wasaga Beach is estimated to be 18% below the national average, with only 30% of households making more than \$100,000 per year at a per capita income of \$35,900.
- In line with household income, household spending in Wasaga Beach is about 13% below the national average; with a per capita spend of approximately \$43,200.
- At an average of \$17,620, shelter represents the highest level of household spending, with recreation representing about \$4,600 per household.
- The population of 19,645 residents in 2016 represented 8,900 households, at an estimated 2.23 persons per household.
- The median age in Wasaga Beach was 54.4 years in 2016, with a fairly equal distribution of men to women.

2016 Wasaga Beach demographics

DR



HOUSEHOLD EXPENDITURE



For further information regarding demographics, please contact Naz Ali | GIS Team Lead, Canada 604-662-5178, nazali@cbre.com
 This report is based on data from Statistics Canada, 2016 Census of Canada, 90-526-X2016001, 90-526-X2016002, 90-526-X2016003, 90-526-X2016004, 90-526-X2016005, 90-526-X2016006, 90-526-X2016007, 90-526-X2016008, 90-526-X2016009, 90-526-X2016010, 90-526-X2016011, 90-526-X2016012, 90-526-X2016013, 90-526-X2016014, 90-526-X2016015, 90-526-X2016016, 90-526-X2016017, 90-526-X2016018, 90-526-X2016019, 90-526-X2016020, 90-526-X2016021, 90-526-X2016022, 90-526-X2016023, 90-526-X2016024, 90-526-X2016025, 90-526-X2016026, 90-526-X2016027, 90-526-X2016028, 90-526-X2016029, 90-526-X2016030, 90-526-X2016031, 90-526-X2016032, 90-526-X2016033, 90-526-X2016034, 90-526-X2016035, 90-526-X2016036, 90-526-X2016037, 90-526-X2016038, 90-526-X2016039, 90-526-X2016040, 90-526-X2016041, 90-526-X2016042, 90-526-X2016043, 90-526-X2016044, 90-526-X2016045, 90-526-X2016046, 90-526-X2016047, 90-526-X2016048, 90-526-X2016049, 90-526-X2016050, 90-526-X2016051, 90-526-X2016052, 90-526-X2016053, 90-526-X2016054, 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The top PRIZM5 classifies Canadians into one of 68 categories, based on their demographics, marketplace preferences and psychographic social values. Based on CBRE research and analysis, the top 5 lifestyle types in Wasaga Beach by population include segments largely comprised of middle-aged and older residents, many of whom are empty nesters. With a significant proportion of Wasaga's population comprised of retired individuals, the Town is also looking to attract a growing families, young couples, resort recreational residents, as well as retirees.

WASAGA BEACH TOP 5 PRIZM5 LIFESTYLE TYPES BY POPULATION – 2016 ESTIMATES

PRIZM5 Lifestyle Segment(#)	Population in Wasaga Beach	Description
Traditional Town Living (47)	6,767	<ul style="list-style-type: none"> - Middle-aged and older middle-income homeowners - Enjoy the great outdoors, hunting, fishing, gardening and cycling in their free time - When in need of a change of scenery, they might head for the low-key comforts of their favourite campground
Heartland Retirees (33)	6,485	<ul style="list-style-type: none"> - Rural, older and mature lower-middle-income couples - Canada's highest concentration of Baby Boomers - Empty nester couples & retirees living in unpretentious single-detached houses and mobile homes - Enjoy camping and gardening, as well as almost anything with a motor (pickups, power boats, RVs, snowmobiles etc.)
Country Acres (35)	2,320	<ul style="list-style-type: none"> - Middle-aged and older rural couples and families - 9/10 are homeowners, typically living in modest single-family houses - Spend their leisure time outdoors, enjoying hunting, fishing, boating and camping - Typically have to leave town for their entertainment (ex. exhibitions featuring cottages, boats, golfing and pets)
Emptying Nests (10)	1,306	<ul style="list-style-type: none"> - Older, upper-middle-income suburban couples - Consist of married couples over 55 whose children have flown the coop - Tend to live in single-detached and row houses in developments built over the last thirty years - Enjoy cultural activities, going to the ballet and opera performances, community theatres and film festivals, attend exhibitions (craft, cottage, investment & travel shows) - Many have the time and money to travel, allowing for long-haul international trips
Serenity Springs (54)	1,126	<ul style="list-style-type: none"> - Mature, lower-middle-income town singles and couples - Mostly a retirement lifestyle, with more than half the household maintainers over 55 years old and a third are over 65 - Lower-middle-income seniors who are aging in place and watching their wallets - Traditional households where men fish and go boating, while women garden and bake – both enjoy craft and home shows - Often must travel distances for entertainment options - Low rates for visiting other countries, vacation means driving to a provincial park to go boating or bird watching

Source: Environics Analytics, Sitewise 2016

In line with the population clusters currently represented in the Top 5 Prizm categories for Wasaga Beach, there are a number of residential developments currently under construction or recently completed that are geared towards family, resort recreational residents and empty nesters. Some specific examples follow:

- Villas of Upper Wasaga by Baycliffe Homes Inc. is a new single family home development under construction at 26 Wasaga Sands Drive. The development has 367 units with prices ranging from \$379,990 to \$464,990. Phase 1 homes are already sold out, with Phase 2 registration currently occurring.
- BEACH20 luxury 3-bedroom townhouses are currently under development by Bremont Homes in Wasaga Beach, at 878 Mosley Street. The development will have a total of 15 units and completion is scheduled for May 2017. Available units are starting from the low \$400,000's.
- In 2016, the master-planned community of Georgian Sands by Elm Developments was announced. This new four-season community will be located at 305 River Road West beside a golf course and will feature landscaped parks and trails and new cafes and retail shops within walking distance. This townhouse and single family home development will have a total of 273 units and is currently in the preconstruction phase.²

Transportation

The Town of Wasaga Beach is serviced by the main north-south highways of HWY 400 and 27, which direct travelers to the Town via County Road 92 and Highway 26. During the peak summer months, the Town of Wasaga Beach has historically indicated that traffic congestion problems can occur. The congestion issues are due in part to the increased visitation from cottagers and tourists and the lack of road lanes, as the primary access routes within the town are two lane highways.

The nearest public airport to the Town of Wasaga Beach is the Town of Collingwood Municipal Airport. It is equipped with a 5,000-foot jet runway capable of handling small jets. Additionally, the Town of Wasaga Beach is approximately 125 km from Lester B. Pearson International Airport, which has daily flights to most major national and international destinations.

Labour Force

The top five industries in Wasaga Beach by number of employees are outlined in the following table:

TOP 5 INDUSTRIES BY LABOUR FORCE – WASAGA BEACH - 2016 ESTIMATES

Industry	Number of Employees	% of Total Employees
Retail Trade	1,788	17%
Construction	1,115	11%
Accommodation and Food Services	1,021	10%
Health Care and Social Assistance	1,019	10%
Public Administration	873	8%
Total Labour Force	10,390	

Source: Sitewise 2016

² Source: www.buzzbuzzhome.com, www.baycliffehomes.com, www.bremonthomes.com, <http://elmdevelopments.com>

Tourism is the main economic driver for the community. According to the County of Simcoe Economic Development Office, from 2013 to 2015, the fastest growing industries in Wasaga Beach included accommodation and food services, education services, utilities, and professional, scientific and technical services.³ The Town of Wasaga Beach has an estimated labour force of 10,390 persons. Currently, the most significant labour force industry is Retail Trade, employing about 17% of total employees (1,790 persons).

TOP 5 OCCUPATIONS BY LABOUR FORCE – WASAGA BEACH - 2016 ESTIMATES

Occupation	Number of Employees	% of Total Employees
Sales and Service	3,139	30%
Trades, Transport and Equipment Operators & Related	1,875	18%
Business, Finance and Administration	1,388	13%
Social Science, Education, Government Service & Religion	1,236	12%
Management	879	9%
Total Labour Force	10,390	

Source: Sitewise 2016

Sales and Service positions, which include hospitality and tourism, comprise the largest number of jobs, employing approximately 30% of the labour base. The majority of these positions are seasonal.

The following is a list of recently completed and proposed developments in Wasaga Beach:

- A new Main Street Market opened within the former Pedestrian Mall Area at Beach One in July 2016. The seasonal outdoor Market features local cuisine on a daily basis, free movies on Wednesdays and live music on Friday and Saturday evenings, and represents a good starting point to implementing the subject Downtown Master Plan for the Beach area. The programming is slated to expand in 2017 to Tuesdays to Sundays during the summer months.
- In 2016, the Town of Wasaga Beach retained Altus Group Economic Consulting to review the need for a secondary school in the Town. Currently, secondary students who live in Wasaga Beach commute to high schools in Collingwood, Elmvale and Clearview Township. Study results stated that growing population trends within Wasaga Beach demand the provision of a high school, which would allow the Town to function as a complete community, enabling them to accommodate the daily needs of all residents.
- In order to improve lighting quality and increase both energy efficiency and cost savings, new LED Streetlight installation has taken place over the last two years in Wasaga Beach. A total of 2,112 cobra-head streetlights were upgraded in 2015, and an additional 900 decorative street lights were upgraded in 2016.
- The Town has been in discussions with the Ontario Lottery and Gaming Corporation (OLG) since 2015, regarding the potential for a gaming facility to be developed in Wasaga Beach. Town Council has indicated that there is support for a 300 slot casino as part of a mixed-use, larger resort-style development. OLG anticipates to award the request-for-proposal to an operator by the end of 2017, at which time the selected operator will be able to decide if/where a new casino would be located (Wasaga Beach or Collingwood). If the facility were to be located in Wasaga Beach, it could result in a significant influx in year-round demand for the Town.

³ Source: County of Simcoe Economic Development Office, Data Report: Town of Wasaga Beach, June 2016

Building Permit Values

Total building permit values in Wasaga Beach reached almost \$59 million in 2014, which included 525 permits. In 2015, the number of permits increased slightly to 533, while the value declined by 8%. Led by strong residential growth, 2016 permit activity showed an increase of 27% in the number permits issued and 80% growth in the total value of permits issued when compared to 2015.

WASAGA BEACH PERMIT ACTIVITY 2015 – 2016 (VALUE IN \$ MILLIONS)

	2011	2012	2013	2014	2015	2016
Total Permits Issued	663	578	647	525	533	677
Estimated Value of Residential Construction	\$58.2	\$41.7	\$69.0	\$52.8	\$51.9	\$95.1
Estimated Value of Non-residential Construction	\$5.3	\$1.1	\$1.9	\$5.8	\$1.9	\$1.5
TOTAL Construction Value	\$63.4	\$42.7	\$70.9	\$58.6	\$53.7	\$96.5

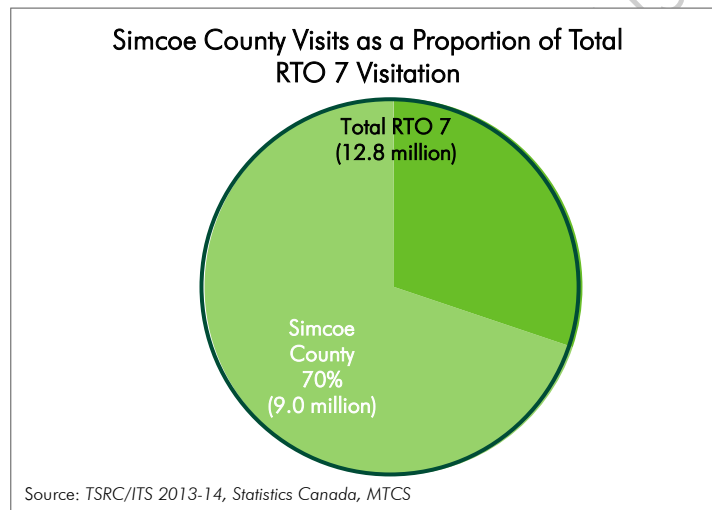
Source: Town of Wasaga Beach

TOURISM OVERVIEW

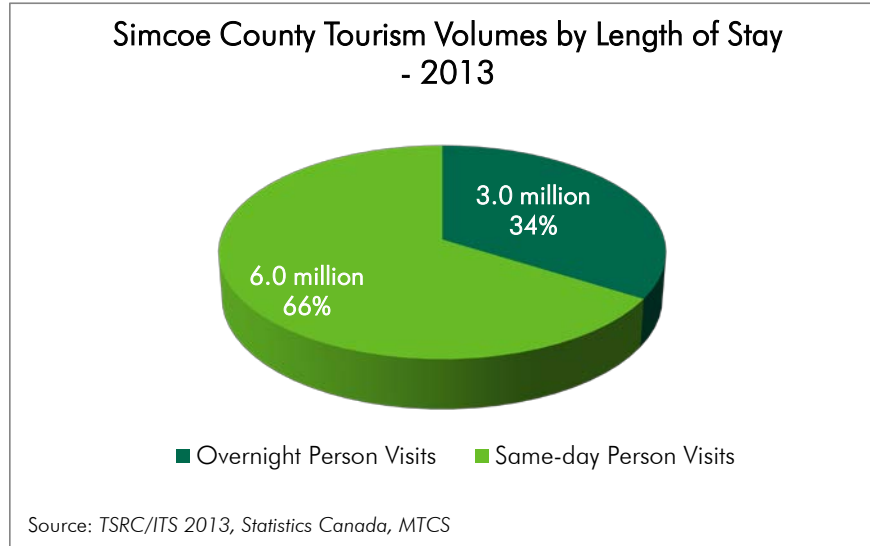
Simcoe County Visitor Market

The volume and value of tourism in Canada is measured by Statistics Canada through two primary surveys: the Travel Survey of Residents of Canada (TSRC) and International Travel Survey (ITS). In turn, the Ontario Ministry of Tourism, Culture and Sport (MTCS) customizes the data to reflect specific sub-regional provincial regions and the formats required by MTCS's Tourism Regional Economic Impact Model (TREIM). In Canada, a domestic tourist is someone who takes an "out-of-town" trip for one or more nights, or a same day out-of-town trip that takes them at least 40 km one-way from his/her home.

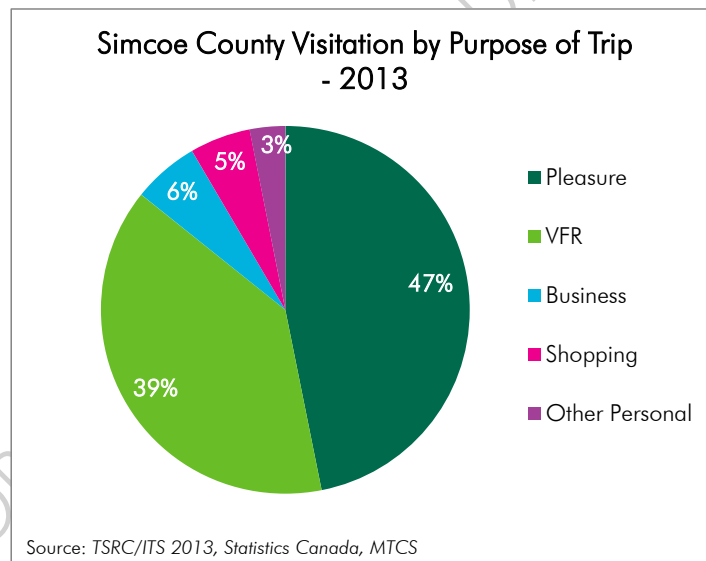
Regional Tourism Organization 7 (RTO7) consists of Bruce County, Grey County and Simcoe County. In 2014, RTO 7 attracted an estimated 12.8 million person visits, wherein 35% were overnight trips. Of total RTO 7 visitation, Simcoe County (CD 43), which includes Barrie, Collingwood, and Wasaga Beach accounted for approximately 70%, attracting 9.0 million visits.



As shown below, same day visits comprised 66% of total trips to the County (6.0 million visits), while overnight visits accounted for the remaining 34% (3.0 million visits).



The majority of trips to Simcoe County are made for pleasure purposes (47%), followed by trips to visit friends and relatives (39%), and for the purpose of business (6%). The remaining trips are made for the primary purposes of shopping (5%) or other personal reasons (3%).



Simcoe County residents travelling within the County comprise 17% of overall visitation (1.5 million trips), while other Ontario residents accounted for 80% (7.2 million trips) and residents from other Canadian provinces constitute less than 1% (100,000 trips) of total visits. Visitation from U.S. and overseas generated approximately 2% of the total, or 200,000 trips in 2013.

Tourism Volumes to Simcoe County by Place of Residence - 2013

Place of Residence	Visits to Simcoe	
	County	%
Total Person Visits	9,000,000	100%
Simcoe County	1,500,000	17%
Other Ontario	7,200,000	80%
Other Canada	100,000	1%
US & Overseas	200,000	2%

Source: TSRC/ITS 2013, Statistics Canada, MTCS

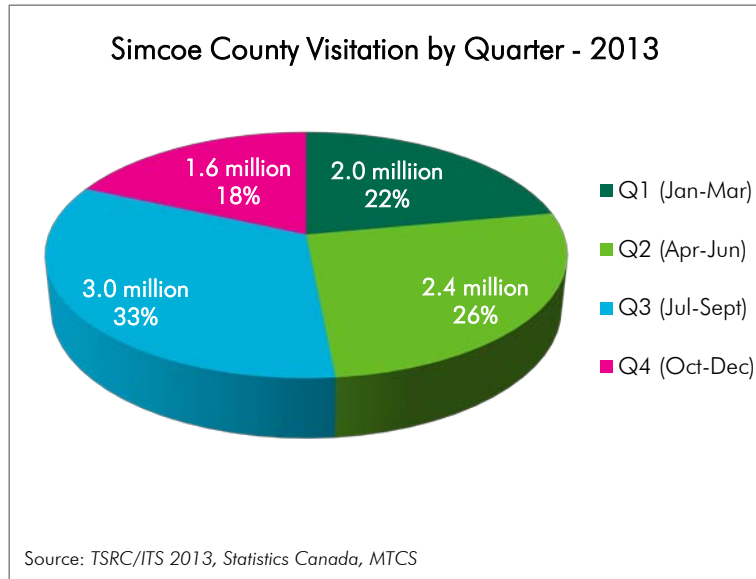
Residents from the Greater Toronto Area (RTO 5) comprise approximately one-in-every-three tourist visits to Simcoe County in 2013 (3.1 million trips). With 1.8 million visits, RTO 7 (Bruce Peninsula, Southern Georgian Bay and Lake Simcoe) residents also account for a significant proportion of visitation (20%), followed by those residing in RTO 6 (York, Durham and Hills of Headwaters) who comprise 16% of visits (1.4 million trips).

Tourism Volumes to Simcoe County by Key Markets - 2013

Place of Residence	Visits to Simcoe	
	County	%
Total Person Visits	9,000,000	100%
Region 5: Greater Toronto Area	3,100,000	34%
Region 7: Bruce Peninsula, Southern Georgian Bay, Lake Simcoe	1,800,000	20%
Region 6: York, Durham, Hills of Headwaters	1,400,000	16%
Region 3: Hamilton, Halton, Brant	800,000	9%
Region 4: Huron, Perth, Waterloo, Wellington	400,000	4%

Source: TSRC/ITS 2013, Statistics Canada, MTCS

From a seasonality perspective, visitation to Simcoe County was highest from July to September (Quarter 3) with 33% of total visits, followed by April to June (Quarter 2) with 26%. Minimal fluctuations in visitation were seen in the remaining periods, with January to March (Quarter 1) accounting for about 22% of visitation and October to December (Quarter 4) slightly lower at 18%. These statistics are heavily influenced by the four season nature of Collingwood and Barrie as destinations, with visitation to Wasaga Beach largely remaining between Victoria Day and Labour Day.



Simcoe County visitors spent an estimated \$952 million in the County during 2013. Overnight visitors generated about 55% of total tourism spending (\$527 million), for an average of \$173 per overnight visit, or \$72 per person per night. Same-day visitors spent the remaining \$425 million, at an average of \$72 per person per day. An estimated \$136 million (14% of visitor spending) was spent on accommodations and a further \$120 million was spent on attractions, events and recreation (13% of spending) in Simcoe County.

Total Simcoe County Visitor Spending - 2013

	Visitor Spending	%
Total Visitor Spending	\$952,300,000	100%
Overnight Visitor Spending	\$527,200,000	55%
Same-Day Visitor Spending	\$425,100,000	45%
Avg Spend Per Person	\$106	
Avg Per Person Per Overnight Visit	\$173	
Avg Per Person Per Night	\$72	
Avg Per Person Per Same-Day Visit	\$72	
Visitor Spending Categories		
Transportation	\$200,400,000	21%
Restaurant and Bars	\$237,100,000	25%
Grocery/Liquor Stores	\$113,600,000	12%
Accommodation	\$136,200,000	14%
Attractions/Events/Recreation	\$120,400,000	13%
Clothing/Retail	\$144,600,000	15%

Source: TSRC/ITS 2013, Statistics Canada, MTCS

Wasaga Beach Visitor Market

Despite a lack of tourism visitation and volume data at the granular level for the Town of Wasaga Beach, available data on the number of visits made to Wasaga Beach Provincial Park provides an indicator of visitation to the Town. Visitation has been calculated based on an analysis of Provincial Park parking permits sold, which assumes that there are 4 persons within every vehicle parked. Based on aerial photographs and counts, the Park assumes that for each person visiting the Provincial Park (4 per vehicle) there are another 5 persons on the beach. As a result of these assumptions, visitation to Wasaga Beach is expected to reach 1.8 million visitors in 2016, a 7% increase over prior year results and a growth of 665,000 visits since 2014. Visitation to the Park is heavily influenced by weather conditions, with the past 2 years enjoying excellent summer temperatures and modest rain. On a busy weekend during the summer, Wasaga Beach attracts an estimated 30,000 to 40,000 visitors.

Estimated Visitation to Wasaga Beach Provincial Park 2013 to 2016

Year	Provincial Park Daily Permits Sold	At 4 Persons Per Vehicle	Additional Wasaga Beach Visitation, based on 5 persons per person parked	Total Wasaga Beach Visitation	% Change
2013	45,658	182,632	948,851	1,131,483	
2014	45,197	180,788	944,750	1,125,538	-1%
2015	68,958	275,832	1,401,216	1,677,048	49%
2016	74,600	298,400	1,492,000	1,790,400	7%

Source: Ministry of Natural Resources, Wasaga Beach Provincial Park

**Estimated Historic Visitation to Wasaga Beach
2013-2016**



The Existing Hospitality and Tourism Product

Accommodations

The accommodation inventory within the Town of Wasaga Beach is largely comprised of relatively dated cottage cabin courts, motels and campgrounds. The newest property is the Riverside Docks, which opened in 2014 with 22 rooms in a 3 storey-building. In 2016, there were 114 motel/cottage properties offering a total of 1,047 rooms on a permanent and seasonal basis combined. With almost half of the properties operating on a seasonal basis, only 61 motels/cottages with 579 rooms remain open year-round. During non-peak periods, many seasonal properties convert into low-income rental housing units, in most cases resulting in extensive wear which lowers the quality level of accommodations. Recent trends show a decrease in accommodation supply as an estimated 50 units have fully converted into long-term rental units to address cashflow issues, since this model enables them to collect a steady flow of rent on a year-round basis. Occupancy rates for Wasaga Beach accommodations are in the 40 to 50% range, at an average daily rate of \$120 to \$135 over the past 2 years. Assuming the average accommodation unit attracts 4 persons for a 2 night stay, overnight visits to Wasaga Beach are estimated to be in the range of 115,000 to 145,000 person visits. With 1.8 million visitors to Wasaga Beach Provincial Park in 2016, approximately 1-in-every-10 visitors stay overnight in the Town's commercial accommodation units. Given the limited appeal of the current dated accommodation inventory, the Town has difficulty attracting visitors considering a stay longer than a day trip.

The Town also has 7 campgrounds (1 permanent) with a total of 1,194 sites, which attract seasonal residents and a younger clientele with a reputation for rowdy behaviour. In addition, two local marinas offer a total of 105 slips as well as public launch facilities.

WASAGA BEACH TOURISM INVENTORY - 2016

Type	Number of Properties	Rooms / Sites / Slips
<i>Permanent Motels / Cottages</i>	61	579
<i>Seasonal Motels / Cottages</i>	53	468
Total Motels / Cottages	114	1,047
<i>Permanent Campgrounds</i>	1	149
<i>Seasonal Campgrounds</i>	6	1,045
Total Campgrounds	7	1,194
<i>Permanent Marinas</i>	1	80
<i>Seasonal Marinas</i>	1	25
Total Marinas	2	105

Source: Town of Wasaga Beach

Attractions, Festivals and Events

Attractions

The core attraction in Wasaga Beach is the 14 km sand beach situated on the southern shores of Nottawasaga Bay. Wasaga Beach is also the first provincial park in Canada to be awarded the "Blue Flag" designation for its banks management efforts under the international environmental standards. It is the central driver of visitation to the Town and the majority of visitors spend at least a portion of their time at the beach. Due to its location within the Provincial Park, the beach has an increased level of credibility. Specifically, the Park manages the beach through the provision and maintenance of the basic supporting

infrastructure components (parking, cleaning, washrooms, signage etc.) and ensures environmental conservation. Other natural features in Wasaga include the Nottawasaga River, Nottawasaga Bay and the dunes, which currently do not function as key attractions, however present potential for the future.

There are a variety of supporting attractions in Town, however many function on a seasonal basis and present limited appeal for tourists. Attractions include Wasaga 500 Go-Karts, Skull Island Mini-Golf and Hand Racing, an indoor remote control race track, with an outdoor track expected to open in Spring 2017.

Festivals and Events

From May to September 2016, Wasaga hosted approximately 32 events. Most Town events are held in the Provincial Park and include the support and involvement of Park staff. For the last three years, one of the largest Town events has been the Electric Elements Music Festival, which was expected to attract between 12,000 to 15,000 to the Playland Park Square in Beach Area 1 and 2 in 2016 and the Stonebridge Wasaga Beach Blues held in September. Another large event is the Wasaga Beach Motorcycle Rally, which is in its' second year and was expected to see about 13,000 people in 2016, after having seen attendance of 7,000 in 2015.⁴ A number of events also take place in the non-summer period, such as the Santa Claus Parade in November.⁵ A complete listing of Wasaga's 2016 Events/Festivals hosted from May to September follows:

WASAGA BEACH EVENTS/FESTIVALS HOSTED MAY TO SEPTEMBER 2016

Event/Festival	Date	Event/Festival	Date
Wasaga's Finest Citizen Awards	May 14	Underground Series	July 8-10
Electric Elements	May 22	Wasaga Beach Motorcycle Rally	July 15-17
Adopt-a-Road	May 28	Wasaga Beach Ribfest	July 22-24
Purina® Walk for Dog Guides	May 29	Not So Pro Volleyball	July 23-24
Scouts Soap Box Derby	June 4	F-series Truck Rally	July 30
Public Open House & BBQ	June 4	Dunes & Discs – Ultimate Frisbee Beach Tournament	July 30-31
Heart & Stroke Big Bike	June 8	Palaver International Literary Festival	August 6-7
Kite Fest	June 18	5K Foam Fest	August 13
Wasaga Water Front Festival	June 19	Wasaga under Siege	August 13 & 14
Wasaga Cruiser's Fun Run	June 24 & 25	Mayors 2016 Golf Challenge	August 26
Wasaga Beach Stand Up Paddleboard Fest	June 25	MultiSport Triathlon	August 27-28
Georgian Triangle Music Festival	June 30, July 1	Dinner and a Movie	Wednesdays September & October
Main Street Market	Fridays July 1 st - September 2	Inflate-A-Fest	September 2-4
Canada Day	July 1	Memories of Summer Fireworks	September 4
Fire Fit Championships	July 2 & 3	Terry Fox Run	September 18
Jazz in the Park	Tuesdays July & August	Stonebridge Wasaga Beach Blues	September 16-18

Source: Town of Wasaga Beach

⁴ Source: www.theenterprisebulletin.com

⁵ Source: Town of Wasaga Beach

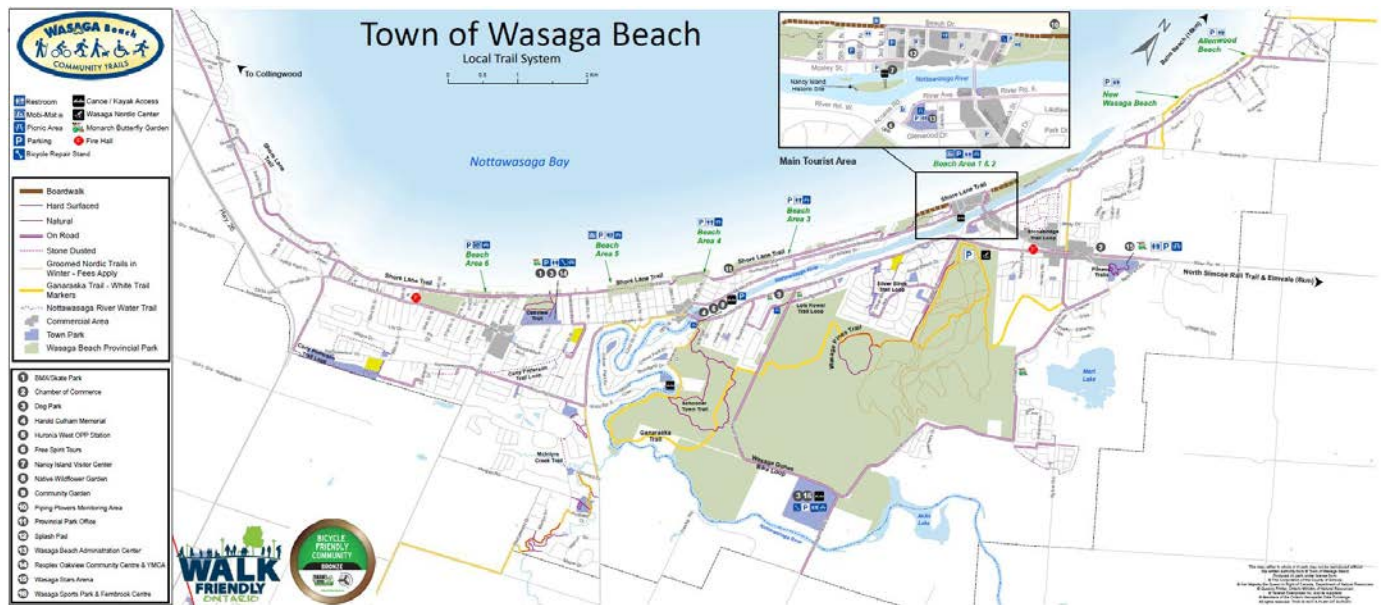
Supporting Infrastructure

Food and Beverage Outlets

Wasaga Beach has a limited inventory of food and beverage establishments. The only non-fast food branded restaurants in Town are Sunset Grill, Swiss Chalet and Boston Pizza, however there are a number of good quality independent establishments. Due to a lack of quiet adult or family focused restaurants, it is likely that Wasaga Beach loses potential food and beverage business to restaurants in and around Collingwood.

Recreation and Culture Facilities

Wasaga Beach also features a significant network of community trails, with 40 kilometres off road and 34 kilometres of paved shoulders used for hiking, cycling and other passive recreation activities. A new *Trails of Wasaga Beach* map (see below) was recently developed and highlights the Town's scenic biking, hiking, snowshoeing and ski trails, as well as proposed trails for the future.



Recreation facilities in Wasaga Beach include the Sports Park & Fernbrook Centre (5 baseball diamonds and 10 soccer fields, a fully accessible playground, 6 horseshoe pitches, a floating dock and canoe launch), RecPlex and the Arena/Rec Hall. Although there is no concentrated strategy in place to attract sports tourism to the area, the Town hosts a number of tournaments and camps that see visitation from the broader region. Interviews with local accommodation operators indicated that they are losing overnight demand related to sports tournaments to the newer branded hotels in the Collingwood market and Blue Mountain accommodation supply.

Cultural facilities consist of a library, the Nancy Island Historic Site and Visitor Information Centre. Wasaga Beach's year-round Visitor Information Centre opened in 2012 to highlight the natural and cultural offerings of the Wasaga Beach area and to commemorate the bicentennial of the War of 1812. The "Welcome Centre" includes a gift shop, tourist information, staff offices, meeting space, washrooms and an interpretative exhibit gallery that relates to the Nancy Island Historic Site and Wasaga Beach Provincial Park.⁶ As part of the consultation process for the subject Downtown Master Plan, residents expressed an interest in the development of a Culture Centre for Wasaga Beach.

Parking

Wasaga Beach has three types of parking lots: provincial, municipal and private. There are approximately 2,790 parking spaces within Beach 1 and 2, with 39% owned by the Provincial Park and the balance (61%) comprised of municipal and privately-owned spaces. An additional 4,179 provincial and private parking spaces are located in close proximity to Beaches 3 to 6 and the Allenwood and New Wasaga beaches.

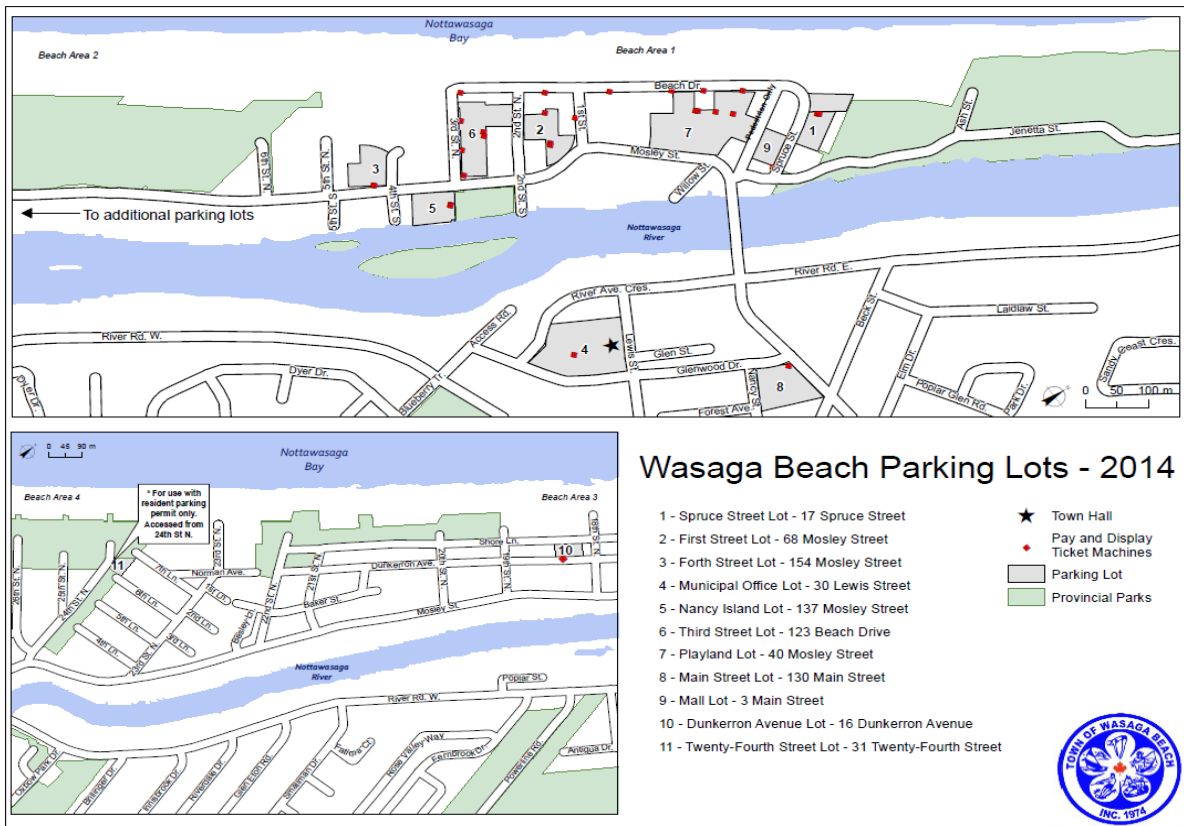
⁶ Source: www.wasagabeach.com

Wasaga Beach Parking Space Inventory

Lot Area / Ownership	Spaces
Beach 1 and 2 Parking lots	
Provincial Lots	1,090
Other Municipal and Private Lots	1,700
Total	2,790
Remaining Parking Lots	
Provincial Lots	1,089
Private Lots	300
Total	1,389
Total Parking Spaces	4,179

Source: Town of Wasaga Beach, Wasaga Beach Provincial Park

Wasaga Beach Municipal Parking Lot Inventory – 2014 Map



Source: www.wasagabeach.com

Parking spaces at Beaches 1 and 2 typically fill up during weekends in the summer, with visitors also utilizing other parking lots/spaces that are lower in demand due to their location slightly further away (closer to Beaches 3-6 and the Allenwood and New Wasaga Beaches).

Conclusions

The Town of Wasaga Beach is a highly seasonal resort community with significant potential; however, the average household income is over 17% below the national average, and the Town is currently perceived to be an “economy destination” from a tourism standpoint. The majority of visitors derive from the GTA, followed by central Ontario and the southwestern Ontario. Key challenges for the community from a destination perspective include: seasonality, lack of alternative attractions over and above the beach, transportation/traffic congestion, quality of accommodation and foodservice offerings, and minimal levels of sustainable development.

Although the Town has seen recent growth in visitation levels due to excellent summer weather conditions, beyond the natural offerings of the Beach and Provincial Park, tourism attractions are limited, seasonal and provide limited appeal for visitors. With an aging accommodation inventory, a lack of branded foodservice offerings, and limited attractions, the Town loses much of its potential overnight demand to nearby areas like Collingwood and Blue Mountain.

DRAFT FOR INTERNAL CLIENT DISCUSSIONS ONLY



Waterpark Hotel

- Introduction
- Concept and Capital Costs
- Market Analysis
- Subject Utilization Projections
- Subject Operating Projections
- Investment & Implementation
- Considerations

INTRODUCTION

Waterpark Resort Trends – North America

The development of indoor waterpark resorts and the addition of indoor waterparks to existing hotels have become a more widespread phenomena since 2000 in the North American hotel industry. This growth is due to their popularity with children and the interest by parents and grandparents in selecting lodging locations that will be fun for their kids. Indoor waterpark resorts are also increasing in popularity for short weekend and two or three day trips for families who may not have enough time for lengthier vacations. Historically, growth of indoor waterparks in resorts and hotels has primarily been in summer resort locations, however development has also taken place in suburban and urban locations.

Hotel and Leisure Advisors (H&LA), a US company that deals in this sector, defines an Indoor Waterpark resort as a “Lodging establishment containing an aquatic facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides, tubes, and a variety of indoor water play features.” H&LA has further classified indoor waterpark resorts into 2 categories:

1. A resort which offers over 30,000 square feet of indoor waterpark space and is considered a true destination resort that is the primary motivator for families to visit on a year-round basis; or
2. A hotel with an attached indoor waterpark with between 10,000 to 30,000 square feet of space, which serves as an amenity to the hotel versus a true destination.

The below table details the three types of indoor waterparks that currently exist and are being developed in the US and Canada.

TYPES OF INDOOR WATERPARKS

	Hotel with Water Features	Hotel with Indoor Waterpark	Indoor Waterpark Destination Resort
Size of Aquatic Area	1,000 to 10,000 sq.ft.	10,000 to 30,000 sq.ft.	30,000+ sq.ft.
Possible Amenities	Swimming pool, slide, toddler area, spray gun	Multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river	Multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river, wave pool, water coaster, surfing, outdoor waterpark features
Capacity	Up to 250	250 to 750	750 to 5,000
Minimum # of Lifeguards	1	3	10
Arcade Size	1 to 1,000 sq.ft.	1,000 to 3,000 sq.ft.	3,000 to 10,000 sq.ft.

Source: Hotel & Leisure Advisors

When compared to a typical hotel that includes a waterpark, destination waterpark resorts differ in that they feature additional resort and leisure amenities. Ancillary amenities at waterpark destination resorts can include large arcades, retail shops, multiple food and beverage outlets, spas, fitness facilities, kids clubs, indoor playgrounds, bowling, and/or more. With regard to accommodation types offered, various room types typically exist, such as kid-centric themed rooms and suites.

Growth in indoor waterpark development is occurring as a fundamental part of some destination resorts (typically independent) and as an amenity in some existing hotels (usually franchised). Two trends are currently taking place. The first is the development of franchised hotels with indoor waterparks, as well as the addition of waterparks to existing properties, generally with smaller indoor waterparks being attached to smaller hotel projects. In these developments, waterparks act as a guest amenity, and are not the all-encompassing focus of a hotel. In general, these hotels have performed worse in terms of average daily rate and occupancy and have produced more conflicts between corporate and family guests. The second trend is that larger destination resorts, inclusive of more expansive waterpark areas and additional amenities, are also under development and opening across North America (primarily in the US). The primary target market for these resorts is leisure travelers that are attracted by the waterpark features. These resorts have achieved better performance results, primarily due to offering an array of attractions and amenities and focusing on attracting leisure guests.

There are a number of factors that contribute to the success of waterpark resorts. The following list includes examples of some waterpark resort success factors:

- Typically they tend to feature a number of larger themed rooms where 4 or more guests can stay, and their room rate includes entrance to the waterpark. As a result, guests are willing to pay higher room rates for the waterpark amenity;
- They cater to families with children from 2 to 14 years of age, traveling with their parents and grandparents;
- They typically achieve occupancies in the 50% to 60% range, which is higher than the typical resort (more likely to achieve occupancies in the 50% range);
- Typically 180 non-school days in the year, that will generate higher occupancy levels;
- Access to major markets within 200 kilometres and easily accessible from major highways; and
- They are primarily constructed in historically summer resort locations, with strong leisure demand.⁷

Key Waterpark Resort Brands – North America

Great Wolf Lodges – With 13 locations (soon-to-be 14 in late 2016) in North America, Great Wolf Resorts is the largest family of indoor water parks with hotels. Resorts feature specialty themed entertainment offerings including restaurants, spas, arcades, water park attractions and activities, which are designed to extend the average length of stay and capture larger proportions of family vacation expenditures. The first property opened in Wisconsin Dells in 1997, with the most recent resort development in Colorado Springs expected to open in late 2016. Plans for future resort development in key North American and International Markets are already underway.

Great Wolf Resorts' mission is "to create family traditions, one family at a time." The Great Wolf Lodge model portrays rustic Northwoods-themed décor with spacious and functional all-suite rooms and timbered grand lobbies. Specifically, hotels can accommodate between 250 to 600 guest suites, large indoor and

⁷ Source: CBRE Research

outdoor water park facilities that are usually around 75,000 square feet, and overall indoor development areas that typically cover 433,000 square feet.⁸

Great Wolf's portfolio of properties can be divided into two types; Generation I and Generation II, which classify properties by the specs shown below.

GREAT WOLF LODGE TYPES

	Year Opened	# of Rms	Waterpark Sq.Ft.	Amenities	Meeting Space Sq.Ft.
Generation I	Before 2004 IPO	Avg. less than 400	Avg. less than 65,000	Fewer amenities and F&B outlets	Less than 8,000
Generation II	Since 2004	Avg. more than 400	Avg. more than 95,000	Large offering of amenities and F&B outlets	Properties built since 2006 include larger meeting space offerings

Source: CBRE Research

Kalahari Waterparks, Resorts & Conventions – Privately owned and operated by the Nelson family, these resorts portray an authentic African theme and experience. Resorts feature an all-under-one-roof concept and offer guests an array of amenities inclusive of award-winning restaurants, retail shops, fitness centres, indoor theme parks, full-service spas, state-of-the-art meeting and convention facilities, and America's largest indoor waterparks. Three locations currently operate in the US:

Properties	Year Opened	Employees	# of Rooms & Breakdown by Type	Indoor Waterpark Sq.Ft.	Outdoor Waterpark Sq.Ft.	Convention Centre Sq.Ft.	Other Amenities	Development
Wisconsin Dells, WI	2000	1,100	756 rms, includes 96 three-key condos and 16 stand-alone five bedroom suites	125,000	77,000	100,000	110,000 sq. ft. ind. theme park, FS spa, 3 dining facilities, retail shops, fitness centre, indoor playground, 15-screen cinema, Music Theatre and 27-hole Golf Club	Dec.2011 opened multimillion dollar waterpark renovation project with a new slide structure and an African-themed children's water play feature
Sandusky, OH	2005	1,300	884 rms, including 192 three-key condos	173,000	77,000	215,000	115,000 sq. ft. Safari Outdoor Adventure Park, FS spa, retail shops, ind. mini-golf, indoor playground, arcade, fitness centre and three on-site dining outlets	Dec.2011 opened a \$22 million convention centre expansion
Pocono Mtns., PA	2015	N/A	457 rms, including one-, two- and three-bedroom suites	100,000	sq.ft. N/A	65,000	30,000 sq. ft. family entertainment centre, full-service spa, three dining facilities, 6,000 square feet of retail shops and a fitness centre	Phase II construction underway and once complete in Spring 2017, will bring the resort to almost 1,000 guest rooms in total, a 200,000 sq. ft. indoor waterpark and an expanded outdoor waterpark

Source: Kalahari Resorts & Conventions

In addition, Kalahari has announced that they intend to open their newest location in the city of Round Rock, Texas. With creation of the land use plan and zoning changes slated to begin in Spring 2016, expected timing for development completion is no later than December 2021.⁹

CoCo Key Water Resorts – Inclusive of at least 8 locations, situated in the US (Orlando, Kansas City, Mount Laurel, Newark, Cincinnati, Rockford, Omaha and Danvers). Properties feature a Key West theme and an

⁸ Source: Great Wolf Resorts, Inc.

⁹ Source: www.roundrocktexas.gov

indoor water park (excluding Orlando, which offers an outdoor water park). When Coco Key Resorts first opened they were owned by a single entity, however following financial problems the entity sold its properties. Currently, each resort is owned and operated independently, however they maintain branding and portray a similar style and feel. On average, the indoor waterparks at CoCo Key Resorts are approximately 60,000 square feet and include body slides, tube slides, a lazy river, an activity pool, an outdoor/indoor whirlpool spa and an interactive play centre (with small slides and a tipping bucket). Water park access is included in hotel guest stays, however passes are also available for the general public.¹⁰

Inventory of Waterpark Hotels/Resorts – Canada & Ontario

In Canada, there are two properties that would be considered destination waterpark resorts. The first Canadian indoor waterpark destination resort was the Fantasyland Hotel/World Waterpark at the Edmonton Mall, which opened in 1985. The resort offers 355 rooms and 218,000 square feet of indoor waterpark space. The second destination waterpark resort is Great Wolf Lodge Resort, which opened in Niagara Falls, Ontario in 2006 and is currently the only franchised waterpark in Canada. Great Wolf Lodge features 406 rooms and an indoor waterpark that spans over 100,000 square feet.

As shown below, there is an inventory of 6 waterpark hotel/resort facilities in Ontario, comprised of properties with waterparks spanning more than 10,000 square feet. With 3 properties, the largest supply of waterpark hotels is within Niagara Falls, specifically with the Fallsview Indoor Waterpark attached to 4 hotels. On average, Ontario waterpark hotels feature 425 rooms and waterparks that span approximately 60,000 square feet and include 7 waterslides. Typically, other waterpark amenities include wave pools, water play structures, tipping buckets, whirlpools/Jacuzzis, activity pools, kiddy pools and/or private cabana rentals. In addition, ancillary hotel/resort amenities include a variety of leisure offerings ranging from spas, fitness centres and multiple food and beverage outlets to arcades, bowling alleys, mini-golf and indoor tennis courts.

¹⁰ Source: themeparks.about.com

ONTARIO HOTEL WATERPARK FACILITIES

#	Property Name	City	Prov.	Rms	Type	Waterpark Space (SF)	# of Water Slides	Waterpark Day Pass Admission Price (non-guests)	Other Waterpark Amenities	Total Meeting Space (SF)	Meeting Space SF per Room	Restaurant	Cafe / Lounge	Gift Shop	Fitness Centre	Spa	# of Spa Treat. Rooms
1	Great Wolf Lodge	Niagara Falls	ON	406	Resort	103,000	13	N/A	9 splash and play pools, 12 explorable levels in a 4-story tree house water fort, 1 tipping bucket	5,000	12.3	x	x	x	x	x	5
2	The Americana Waterpark Resort	Niagara Falls	ON	204	Resort	25,000	8	\$34.95 + HST	Wave pool, tube slides, body slides, kiddie pool with toddler slides and swings, activity pool, tipping bucket, interactive water play structure, whirlpools, lounge areas, 16-person hot spa, retractable waterpark roof, private cabana rentals	12,508	61.3	x	x	x	x	x	7
3	Fallsview Indoor Waterpark (attached to 4 hotels- Sheraton on the Falls, Crowne Plaza Niagara Falls, Skyline Hotel & Waterpark, Clifton Victoria Inn at the Falls)	Niagara Falls	ON	1,234	Mix	125,000	16	\$44.95 + HST	Tipping bucket, 6-storey high waterslides, wave pool, year-round activity pool and sundeck, plunge pool, 2 adult only jacuzzis and children's play area								
4	Notawasaga Inn Resort & Conference Centre	Alliston	ON	269	Resort	70,000	1	N/A	3 storey 100 ft waterslide, indoor Tropical Rainforest themed 25 m swimming pool, large whirlpool and dry sauna 100 foot waterslide and splash pad, hot tub, steam room,	30,186	112.2	x	x	x	x	x	3
5	Ambassador Hotel & Conference Centre	Kingston	ON	245	FS	22,000	1	N/A	European dry sauna, Eucalyptus Steam Room	20,000	81.6	x					
6	Travelodge Ottawa West	Ottawa	ON	196	LS	12,500	1	N/A	Indoor water park with a wavepool and waterslide								
TOTAL										67,694	267						15
AVG										16,924	67						5

Source: CBRE Hotels Research

Note: FS = Full-Service, LS = Limited-Service

WASAGA BEACH WATERPARK HOTEL CONCEPT AND CAPITAL COSTS

For the purposes of this analysis, we have assessed the development of a 250-unit waterpark hotel within the "Resort Zone" of Wasaga Beach.

The following table provides a facility program for the 250-room Waterpark Hotel, which would feature a 60,000 square foot indoor waterpark, a 200-seat restaurant, a 50-seat café/bistro, meeting and conference space of 10,000 square feet, an arcade, retail shops and a spa. A parking structure of 100,000 square feet would also be required.

PROPOSED WATERPARK HOTEL FACILITY PROGRAM

GUESTROOMS		% of Room Mix	Keys	Sq. Ft./Rm	Total GFA
Double Queen		70%	175	450	78,750
Kings		0%	0	425	0
Suites		30%	75	600	45,000
Total		100%	250	495	123,750
FOOD & BEVERAGE / BANQUETS			Seats	Sq. Ft./Rm	Total GFA
Restaurant / Bar			200	20	4,000
Indoor			150	20	3,000
Outdoor			50	20	1,000
Café/Bistro			50	20	1,000
Indoor			30	20	600
Outdoor			20	20	400
Total			250	20	5,000
MEETING/CONFERENCE FACILITIES			Capacity	Sq. Ft./Rm	Total GFA
Ballroom			417	12	5,000
Meeting Rooms			208	12	2,500
Boardrooms			83	12	1,000
Pre Function			125	12	1,500
Total			833	12	10,000
OTHER				Sq. Ft./Rm	Total GFA
Indoor Waterpark				240	60,000
Lockers / Change Rooms				20	5,000
Birthday Party Rooms sq.ft. (div by 3)				6	1,500
Total				266	66,500
OTHER REVENUE CENTRES				Sq. Ft./Rm	Total GFA
Arcade/FEC				30	7,500
Retail Shops				6	1,500
Spa				12	3,000
Total				48	12,000
BOH / CIRCULATION				Sq. Ft./Rm	Total GFA
BOH / Circulation				331	82,750
PARKING			Sq. Ft./Space	Total GFA	
Parking Structure			250	400	100,000
Total Hotel GFA				1,600	400,000

Source: CBRE Hotels

Note: FEC = Family Entertainment Centre, BOH = Back of House, GFA = Gross Floor Area

The estimated capital cost budget for the subject waterpark hotel is approximately \$125 million, inclusive of parking estimated at \$10 million and the waterpark estimated at \$33 million. Capital costs have also included an allocation of \$2.5 million for 10 acres of land.

Proposed Waterpark Hotel, Wasaga Beach, ON - Development Cost Budget

Year	Total Cost	Cost Per Room	% of Total
Land	\$2,500,000		2%
Guestrooms	\$28,125,000		23%
Food & Beverage	\$1,125,000		1%
Meeting Rooms	\$2,250,000		2%
Waterpark	\$33,250,000		27%
Retail	\$2,700,000		2%
BOH/Circulation	\$18,618,750		15%
Parking	\$10,000,000		8%
FF&E	\$7,500,000		6%
Soft Costs/Other			15%
TOTAL	\$125,000,000	\$500,000	100%

Source: CBRE Limited

Note: BOH = Back of House, FF&E = Furniture, Fixtures & Equipment

MARKET ANALYSIS

Competitive Hotel Market

There are approximately 1,914 rooms or 698,460 available room nights, which would comprise the subject resort's primary competitive market. The competitive market includes hotel/resort properties located in the Blue Mountains and Collingwood areas, as well as Wasaga Beach's permanent and seasonal accommodation supply (motels/cottages/cabins).

Competitive Market

No.	Name	Location	Rooms	Type	Total Meeting Space (SF)	Meeting Space SF per Room	Restaurant	Lounge	Breakfast	Swimming Pool	Fitness Centre	Business Centre
1	Comfort Inn & Suites Collingwood	4 Balsam St., Collingwood, ON	73	Limited Service Hotel	-					x	x	x
2	Days Inn & Suites Collingwood	15 Cambridge St, Collingwood, ON	77	Limited Service Hotel	450	5.8				x	x	x
3	Westin Trillium House Blue Mountain	220 Gord Canning Drive, The Blue Mountains, ON	223	Full Service Hotel	7,000	31.4	x	x	x	x	x	x
4	Cranberry Resort	19 Keith Ave, Collingwood, ON	78	Full Service Hotel	10,000	128.2	x	x	x	x	x	x
5	Blue Mountain Inn	108 Jozo Weider Blvd, The Blue Mountains, ON	103	Full Service Hotel	13,000	126.2	x	x	x	x	x	x
6	Mountain Springs Resort & CC	796468 Grey Rd 19, The Blue Mountains, ON	144	Full Service Hotel	3,000	20.8	x	x	x	x	x	x
7	Blue Mountain Resort Condos	156 Jozo Weider Blvd, The Blue Mountains, ON	605	Full Service Hotel	30,000	49.6	x	x	x	x	x	x
8	Collingwood Motel Supply	Collingwood, ON	229	Limited Service Hotel	-							
9	Luau Motel Wasaga	231 Mosley St, Wasaga Beach, ON	28	Limited Service Hotel	-						x	
10	Saga Motel Wasaga	88 Main St, Wasaga Beach, ON	28	Limited Service Hotel	-					x		
11	Riverdocks Wasaga	361 Mosley Street, Wasaga Beach, ON	22	Limited Service Hotel	-							
12	Seasonal Wasaga Supply (47 prop, 456 rooms after conv)	Wasaga Beach, ON	150	Limited Service Hotel	-							
13	Permanent Wasaga Supply (52 prop, 436 rooms after conv)	Wasaga Beach, ON	154	Limited Service Hotel	-							
Total			1,914									

Source: CBRE Hotels

Competitive Hotel Market – Historic Results

Based on our research, the competitive market has achieved the following results in recent years:

Competitive Market Performance Results

Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Change	ADR	% Change	RevPAR	% Change
2011	711,315	-	318,205	-	44.7%	-	\$145.31	-	\$65.01	-
2012	713,264	0.3%	331,820	4.3%	46.5%	1.8	\$148.86	2.4%	\$69.25	6.5%
2013	690,430	-3.2%	329,634	-0.7%	47.7%	1.2	\$153.31	3.0%	\$73.20	5.7%
2014	693,715	0.5%	344,806	4.6%	49.7%	2.0	\$158.30	3.3%	\$78.68	7.5%
2015	698,460	0.7%	376,475	9.2%	53.9%	4.2	\$167.04	5.5%	\$90.03	14.4%
Compounded Annual Growth Rate	-0.5%		4.3%		4.8%		3.5%		8.5%	
August 2015 YTD	452,246	-	231,904	-	51.3%	-	\$170.75	-	\$87.56	-
August 2016 YTD	452,246		243,604	5.0%	53.9%	258.7%	\$174.62	2.3%	\$94.06	7.4%

Source: CBRE Hotels

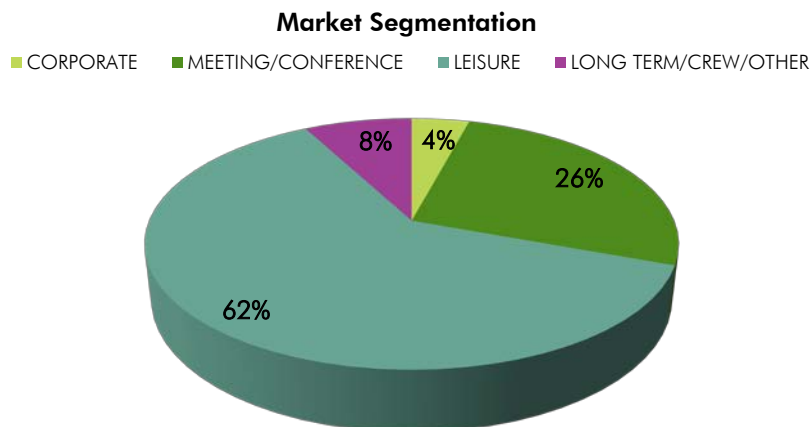
Note: ADR = Average Daily Rate, RevPAR = Revenue Per Available Room

- In 2013, the market experienced a decline of 3% in supply, resulting from the conversion of a number of Wasaga Beach transient accommodations into long term rental properties. With the exception of 2013, over the past five years the market has experienced minimal supply growth.
- For the most part, the market has seen steady demand growth in the last five years. Occupancy has shown a compounded annual growth rate of 4.8%, with a 4 point gain from 2014 levels to reach 54% in 2015.
- In the period YTD August 2016, demand increased by a further 5%. This, combined with no change in available supply, resulted in a YTD 2016 occupancy of 54%.
- With annual increases in demand, the market ADR increased by nearly 4% annually over the last five years. Specifically, average daily rate grew by almost 6% over 2014 levels to reach \$167 in 2015.
- Market ADR has increased by 2% for the period YTD August 2016.
- After experiencing 14% growth in RevPAR in 2015, the market RevPAR has increased by 7% in YTD August 2016.

Competitive Hotel Market – Segmentation

In most markets, overall demand varies based on the nature of travel. Lodging demand is typically generated from four different segments: Corporate, Group/Meeting, Leisure travelers, and Other which includes government, contract, and/or crew business.

On the basis of CBRE Hotels market research, and discussions with local hoteliers the estimated market segmentation for the competitive market in 2015 is presented below:



Demand Segmentation - Competitive Market 2015

Segment	Room Night Demand	%
CORPORATE	15,719	4.2%
MEETING/CONFERENCE	99,515	26.4%
LEISURE	231,874	61.6%
LONG TERM/CREW/OTHER	29,367	7.8%

Compiled by CBRE Hotels

- With approximately 231,900 occupied room nights or 62% of total nights, the leisure segment made up the largest proportion of demand within the market in 2015.
- The group/meeting segment accounted for about 99,500 occupied room nights, comprising 26% of market demand.
- The other/contract segment generated about 29,400 occupied room nights or 8% of demand within the competitive market.
- The corporate segment generated the least amount of demand at approximately 15,700 room nights, or 4% of demand within the competitive market.

Competitive Hotel Market – Projected Results

The demand projections prepared for the competitive market are based on the economic outlook for the area, 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.

- Based on year-to-date August results, the competitive market is projected to see overall demand growth of 7.0% in 2016. Coupled with unchanged supply, market occupancy is projected to increase to approximately 58% in 2016.
- With positive economic growth anticipated for the region, demand growth in the 1.0% to 2.0% range is projected to continue through to 2019. In 2020, due to the proposed boutique hotel opening, in conjunction with supply growth, demand is projected to increase by 7.5%.
- Over the projection period market occupancy is expected to reach 64% by 2021.
- Due to stable supply and demand fundamentals and projected economic conditions, average daily rate is projected to grow by 2.0% per annum. Between 2017 and 2021, ADR will improve from \$174 to \$188.

Overall Accommodation Demand for Competitive Market

	Projection 2016	Projection 2017	Projection 2018	Projection 2019	Year 1 2020	Year 2 2021
Available Room Nights	698,460	698,460	698,460	698,460	727,660	727,660
Occupied Room Nights	402,828	410,884	419,102	423,293	455,135	465,420
Market Occupancy	57.7%	58.8%	60.0%	60.6%	62.5%	64.0%
Demand Growth	7.0%	2.0%	2.0%	1.0%	7.5%	2.3%
Market Average Daily Rate	\$170.38	\$173.79	\$177.26	\$180.81	\$184.42	\$188.11
Rate Growth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

HISTORIC COMPETITIVE MARKET PERFORMANCE SUMMARY

Total Competitive Market							
	2011	2012	2013	2014	2015	August 2015 YTD	
Rooms	1,949	1,949	1,892	1,901	1,914	1,853	
Annual Occupancy	44.7%	46.5%	47.7%	49.7%	53.9%	53.9%	
Average Daily Rate	\$145.31	\$148.86	\$153.31	\$158.30	\$167.04	\$174.62	
RevPAR	\$65.01	\$69.25	\$73.20	\$78.68	\$90.03	\$94.06	
Available Room Nights	711,315	713,264	690,430	693,715	698,460	452,246	
Occupied Room Nights	318,205	331,820	329,634	344,806	376,475	231,904	
Room Revenues	\$46,239,070	\$49,394,380	\$50,537,626	\$54,584,154	\$62,885,282	\$39,597,584	
Market Segmentation							
Segment	Competitive Market					ORN	%
CORPORATE						15,719	4.2%
MEETING/CONFERENCE						99,515	26.4%
LEISURE						231,874	61.6%
LONG TERM/CREW/OTHER						29,367	7.8%
TOTAL						376,475	100.0%

Competitive Market	
1	Comfort Inn & Suites Collingwood
2	Days Inn & Suites Collingwood
3	Westin Trillium House Blue Mountain
4	Cranberry Resort
5	Blue Mountain Inn
6	Mountain Springs Resort & CC
7	Blue Mountain Resort Condos
8	Collingwood Motel Supply
9	Luuu Motel Wasaga
10	Saga Motel Wasaga
11	Riverdocks Wasaga
12	Seasonal Wasaga Supply (47 prop, 456 rooms after conv)
13	Permanent Wasaga Supply (52 prop, 436 rooms after conv)

Source: CBRE Hotels
Note: RevPAR = Revenue Per Available Room

SUBJECT WATERPARK HOTEL UTILIZATION PROJECTIONS

Utilization projections for visitation to the proposed Wasaga Beach waterpark hotel have been estimated based on standard attraction industry market segments:

- **Primary Resident Market:** those residing within a 60 minute drive of Wasaga Beach;
- **Secondary Resident Market:** those residing within a 60 to 120 minute drive of the area;
- **Domestic Tourists:** tourists originating domestically who stay in registered accommodations within 60 minutes of the area; and
- **International Tourists:** tourists from international destinations that stay in registered accommodations within 60 minutes of the area.

Typically, the likelihood of visitation to attractions decreases from those who reside further away. Therefore, our available resident markets have been measured by two different drive times. While major attractions such as theme parks typically draw visitation from up to 120 minutes away, more localized/smaller attractions draw residents from areas within 60 minutes driving. Residents who travel from further away are more likely to stay overnight in the Town and for this reason are classified as tourists.

Estimates of market population and projected growth have been derived from Environics Analytics Sitewise data. As of 2016, the primary resident market included approximately 374,450 people residing within a 60 minute drive time of Wasaga Beach. An additional 5.9 million people reside within a 60 to 120 minute drive of the town, resulting in a total primary and secondary resident market of 6.2 million.

The volume and value of tourism in Canada is measured by Statistics Canada through 2 primary surveys: the *Travel Survey of Residents of Canada (TSRC)* and *International Travel Survey (ITS)*. Canada's definition of a **tourist or visitor** to a destination follows that adopted by the World Tourism Organization and the United Nations Statistical Commission: "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes."

It is projected that visitors to the subject waterpark hotel will travel to the area for the primary purpose of pleasure, visiting friends and relatives (VFR), shopping or meetings. Using estimates from the most recent Statistics Canada visitor data for Simcoe County (CD43), an estimated 1.0 million visitors came to Wasaga Beach in 2016 from other parts of Ontario and Canada, with an additional 80,000 originating from the US and 40,000 from overseas locations. Combined, the total tourist market reached 1.5 million in 2016.

With 6.2 million people residing within a 120 minute radius, and a further 1.2 million from the total domestic, US and overseas tourist markets, the total available market population reached an estimated 7.4 million in 2016.

The Wasaga Beach proposed waterpark hotel visitation projections are summarized in the following table. As shown, the waterpark hotel is projected to attract a total of 220,000 visitors by its stabilized year of operation. Of total visitation, the primary resident market is projected to account for 16% (36,000 person visits), while the secondary resident market, largely from the GTA will make up 72% (160,000 visitors), with the remaining 11% comprising of the overnight tourist market (25,200 person visits).

PROPOSED WASAGA WATERPARK HOTEL
PROJECTED VISITATION AND RESIDENT MARKET PENETRATION (2016-2031)

	2016	2021 Projection	2026 Projection	2031 Projection
AVAILABLE MARKETS		Total #	Total #	Total #
PRIMARY RESIDENT MARKET (0-60 minutes)	374,447	394,383	412,689	423,006
Children 0-14	58,508	58,382	58,997	60,472
Youth 15-29	71,600	70,740	66,404	68,064
Adults 30-59	152,491	153,718	156,145	160,049
Adults 60-75	62,939	75,846	85,979	88,128
Adults 76+	7,487	35,697	45,164	46,293
SECONDARY RESIDENT MARKET (60-120 minutes)	5,853,031	6,179,813	6,485,672	6,647,814
Children 0-14	947,582	983,005	1,010,607	1,035,872
Youth 15-29	1,192,038	1,161,172	1,127,043	1,155,219
Adults 30-59	2,522,351	2,609,041	2,687,497	2,754,684
Adults 60-75	811,349	977,950	1,100,516	1,128,029
Adults 76+	379,711	448,645	560,009	574,009
Total Primary and Secondary Resident Markets (0-120 minutes)	6,227,478	6,574,196	6,898,361	7,070,820
TOURIST MARKET				
Domestic Tourists - Overnight	1,028,600	1,079,600	1,102,300	1,124,300
US Tourists - Overnight	82,400	86,500	88,300	90,100
Overseas Tourists Overnight	43,400	45,600	46,600	47,500
Total Tourist Market	1,154,400	1,211,700	1,237,200	1,261,900
TOTAL MARKET POPULATION	7,381,878	7,785,896	8,135,561	8,332,720
MARKET PENETRATION RATES				
RESIDENT MARKETS				
PRIMARY RESIDENT MARKET (0-60 minutes)	9.0%	9.0%	8.8%	8.5%
SECONDARY RESIDENT MARKET (60-120 minutes)	2.0%	2.7%	2.5%	2.4%
Total Primary and Secondary Resident Markets (0-120 minutes)	2.4%	3.1%	2.9%	2.8%
TOURIST MARKET				
Domestic Tourists - Overnight	1.8%	2.0%	2.0%	2.0%
US Tourists - Overnight	1.8%	2.0%	2.0%	2.0%
Overseas Tourists Overnight	1.8%	2.0%	2.0%	2.0%
Total Tourist Market	1.7%	2.0%	2.0%	2.0%
TOTAL MARKET PENETRATION	2.3%	2.9%	2.8%	2.6%
PROPOSED WASAGA WATERPARK HOTEL PERSON VISITS				
	Projected Person Visits	Projected Person Visits 2018	Projected Person Visits 2019	Projected Person Visits 2020
RESIDENT MARKETS				
PRIMARY RESIDENT MARKET (0-60 minutes)	33,700	35,494	36,317	35,956
SECONDARY RESIDENT MARKET (60-120 minutes)	117,061	169,821	163,958	158,883
Total Resident Markets (0-120 minutes)	150,800	205,300	200,300	194,800
TOURIST MARKET				
Domestic Tourists - Overnight	18,001	21,592	22,046	22,486
US Tourists - Overnight	1,442	1,730	1,766	1,802
Overseas Tourists Overnight	760	912	932	950
TOTAL OVERNIGHT TOURIST MARKET	20,200	24,200	24,700	25,200
TOTAL ATTENDANCE PROJECTION	171,000	229,500	225,000	220,000
PROPOSED WASAGA WATERPARK HOTEL PERSON VISITS				
PRIMARY RESIDENT MARKET (0-60 minutes)		35,494	36,317	35,956
SECONDARY RESIDENT MARKET (60-120 minutes)		169,821	163,958	158,883
TOTAL OVERNIGHT TOURIST MARKET		24,200	24,700	25,200
TOTAL WATERPARK VISITATION		229,500	225,000	220,000
Overnight		24,200	24,700	25,200
Penetration of Total Market		0.31%	0.30%	0.30%
Day-Use		205,316	200,274	194,838
Penetration of Total Market		2.64%	2.46%	2.34%
TOTAL WATERPARK HOTEL VISITATION		229,500	225,000	220,000
Penetration of Total Market		2.9%	2.8%	2.6%
Average Visits per Day		629	616	603

Source: CBRE Hotels

In terms of room night demand, the table below displays the projected market position/occupancy, average rate and RevPAR levels for the subject 250-room waterpark hotel.

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

With a projected occupancy of 63% and an average daily rate of \$311, the proposed waterpark hotel is projected to achieve a RevPAR of \$197 in year one. Occupancy is projected to stabilize at 66% by Year 3 and for the balance of the projection period. ADR growth of 2% per annum has been estimated across the projection periods, while RevPAR growth in the 4-4.5% range is expected in year two and three, prior to stabilizing at 2% in year four.

Projected Results - Proposed Waterpark Hotel, Wasaga Beach, ON

	Year 1	Year 2	Year 3	Year 4	Year 5
<i>No. of Rooms</i>	250	250	250	250	250
OCCUPANCY	63.31%	64.88%	66.17%	66.17%	66.17%
AVERAGE RATE	\$310.62	\$316.85	\$323.20	\$329.66	\$336.26
RevPAR	\$196.64	\$205.58	\$213.87	\$218.15	\$222.51
AVAILABLE ROOMS	91,250	91,250	91,250	91,250	91,250
OCCUPIED ROOMS	57,768	59,204	60,383	60,383	60,383

Source: CBRE Limited

Note: RevPAR = Revenue Per Available Room

SUBJECT OPERATING PROJECTIONS

A preliminary five-year high level proforma has been developed for the proposed waterpark hotel opportunity based on the following assumptions:

- An inflationary factor of 2.5% per annum;
- The hotel would be operated professionally and appropriate levels of ongoing marketing would occur;
- Rooms revenue is based on the projected occupancy levels and the average daily room rate;
- Rooms expenses include wages and salaries, travel agent commissions and reservation fees of 1.5% of rooms revenue respectively, guest supplies, complementary food expenses (i.e. breakfast), and other rooms related expenses, and have been estimated at 15% of room revenues in year one;
- Food & Beverage (F&B) revenues include restaurant and bar sales, as well as banquet catering and meeting room rentals for events hosted in the hotel's conference centre. Cost of goods sold, wages and salaries, and general operating expenses have been estimated at 78% of F&B revenues;
- Waterpark revenues have been calculated using an admission price of \$45.00 for transient demand and an upcharge amount of \$4 for each extra hotel guest (for any additional guests

above the standard number of 4) to use the waterpark. Waterpark expenses have been estimated at 36% of revenues;

- Spa revenues include those collected for massages and treatments offered, with estimated expenses comprising about 84% of revenues;
- Telecommunications and other operated department revenues and expenses include: telecommunications, guest laundry, gift shop, high-speed internet service, and in-room movies. Expenses have been estimated at 52% of revenues in year one;
- Undistributed expenses include: administration and general, sales & marketing, property operation & maintenance, and utility costs, and have been estimated at 24% of revenues in year one;
- The projections take into account a management fee of 3% of gross revenues and a capital reserve of 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and
- Other fixed costs including property taxes and insurance have been estimated at \$875,000 in year one, increasing to \$947,000 by year five.

As a result of these assumptions, the proposed waterpark hotel is forecast to generate an estimated net income of \$9.6 million in year one, increasing to \$11.4 million in year five. The proforma is provided below.

Operating Projections - Proposed Waterpark Hotel, Wasaga Beach, ON

PERIOD	Forecast		Forecast	Forecast	Forecast	Forecast
	Year 1	% Sales	Year 2	Year 3	Year 4	Year 5
No. of Rooms	250		250	250	250	250
ANNUAL AVAILABLE ROOMS	91,250		91,250	91,250	91,250	91,250
ROOMS SOLD	57,768		59,204	60,383	60,383	60,383
OCCUPANCY	63%		65%	66%	66%	66%
AVERAGE RATE	\$311		\$317	\$323	\$330	\$336
RevPAR	\$197		\$206	\$214	\$218	\$223
Operating Revenues & Expenses - Numbers in 000's						
OPERATING REVENUE						
Guest Rooms	\$17,944	65.6%	\$18,759	\$19,516	\$19,906	\$20,304
Food & Beverage	\$4,333	15.8%	\$4,529	\$4,712	\$4,806	\$4,902
Waterpark	\$2,831	10.3%	\$2,959	\$3,078	\$3,140	\$3,203
Spa	\$467	1.7%	\$488	\$507	\$518	\$528
Telecommunications and Other Operating Departments	\$1,791	6.5%	\$1,872	\$1,948	\$1,986	\$2,026
Total Operating Revenue	\$27,364	100.0%	\$28,607	\$29,761	\$30,356	\$30,963
DEPARTMENTAL EXPENSES						
Guest Rooms	\$2,614	14.6%	\$2,706	\$2,793	\$2,849	\$2,906
Food & Beverage	\$3,363	77.6%	\$3,456	\$3,546	\$3,617	\$3,690
Waterpark	\$1,011	35.7%	\$1,039	\$1,066	\$1,087	\$1,109
Spa	\$394	84.4%	\$408	\$421	\$429	\$438
Telecommunications and Other Operating Departments	\$939	52.4%	\$965	\$990	\$1,010	\$1,030
Total Departmental Expenses	\$8,321	30.4%	\$8,573	\$8,816	\$8,992	\$9,172
TOTAL DEPARTMENTAL INCOME	\$19,043	69.6%	\$20,033	\$20,945	\$21,364	\$21,791
UNDISTRIBUTED EXPENSES						
Administration & General	\$1,840	6.7%	\$1,886	\$1,932	\$1,971	\$2,010
Sales & Marketing	\$894	3.3%	\$916	\$938	\$957	\$976
Franchise Fees	\$987	5.5%	\$1,032	\$1,073	\$1,095	\$1,117
Property Operations & Maintenance	\$1,650	6.0%	\$1,687	\$1,724	\$1,759	\$1,794
Utilities	\$1,250	4.6%	\$1,278	\$1,306	\$1,332	\$1,359
Total Undistributed Expenses	\$6,621	24.2%	\$6,800	\$6,974	\$7,114	\$7,256
GROSS OPERATING PROFIT	\$12,422	45.4%	\$13,234	\$13,970	\$14,250	\$14,535
Management Fees	\$821	3.0%	\$858	\$893	\$911	\$929
INCOME BEFORE FIXED CHARGES	\$11,601	42.4%	\$12,375	\$13,078	\$13,339	\$13,606
NON-OPERATING INCOME AND EXPENSES						
Property and Other Taxes	\$625	2.3%	\$638	\$650	\$663	\$677
Insurance	\$250	0.9%	\$255	\$260	\$265	\$271
Total Non-Operating Income and Expenses	\$875	3.2%	\$893	\$910	\$929	\$947
EBITDA	\$10,726	39.2%	\$11,483	\$12,167	\$12,411	\$12,659
Less: Reserve for Replacement	\$1,095	4.0%	\$1,144	\$1,190	\$1,214	\$1,239
EBITDA after Reserve for Replacement	\$9,632	35.2%	\$10,339	\$10,977	\$11,196	\$11,420

Source: CBRE Hotels

Note: RevPAR = Revenue Per Available Room, EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization

INVESTMENT AND IMPLEMENTATION CONSIDERATIONS

Capital costs have been estimated at \$500,000 per room for a total of \$125 million, inclusive of \$2.5 million for 10 acres of land and \$10 million for an underground parking facility.

The developer would need to bring \$50 Million in equity to the project; while supporting \$50 Million in debt from operating cash flow. Assuming a term of 20 years and a 6% interest rate, annual debt payments would be in the order of \$4.3 Million. By Year 5, the Waterpark Hotel is projected to generate a net operating income of \$11.4 million after a 4% reserve for asset replacement. After debt service, the project would be expected to generate a cashflow of \$7.1 million, resulting in a 14% return on its owner's equity.

However, in order to cover its total capital costs of \$125 million, the project would still require another \$25 Million in unencumbered equity (with no expectations of return) for the project.

Sources for the unencumbered equity would likely be provided through the profits generated through adjacent residential sales and may also include providing the land at no cost. Unless the waterpark hotel is a significant catalyst to sell additional residential units in the Resort District, this development opportunity is not seen as a short term initiative, but rather part of a Long Term development opportunity for the Town. Furthermore, the likelihood of sourcing an interested developer to invest \$50 Million in equity for this project will be difficult.

INVESTMENT ANALYSIS

INVESTMENT PARAMETERS		FINANCING COSTS	
Total Capital Cost	\$125,000,000	Term (months/years)	240 20
Debt	\$50,000,000	Interest Rate	6.0%
Equity	\$50,000,000	Year 5 ANOI	\$11,420,000
Unencumbered Equity	\$25,000,000	Annual Payment	\$4,299,000
		Net Cashflow After Debt Service	\$7,121,000
		Return on Equity	14%

Source: CBRE Limited

Note: ANOI = Adjusted Net Operating Income

DRAFT FOR INTERNAL CLIENT DISCUSSIONS ONLY



Boutique Hotel

- Introduction
- Concept and Capital Costs
- Market Analysis
- Subject Utilization Projections
- Subject Operating Projections
- Investment & Implementation
- Considerations

INTRODUCTION

Resort and Tourist Demand Trends

The dynamics of supply and demand are closely interrelated in the resort industry. What drives resort development today is not only a function of what people want, but also what developers can make financially viable.

From an activity perspective, tourists are looking for nature/outdoors and urban/culture imagery when considering travel to non-urban locations in Ontario. These travellers have a preference for lakeside or riverside resorts, and tend to be looking for authentic “experiences” when they travel as opposed to simple services or amenities. Trends in resort vacations include experiences ranging from eco-tourism, adventures, spa breaks, weekend getaways, to fractional ownership.

Many of these changes reflect shifting demographics and lifestyle choices. Baby Boomers and senior travellers are the primary target markets for the resort sector, due to their discretionary buying power and ability to travel off-season and during the week, times when many accommodation properties have higher vacancies. What the consumer is predominantly looking for in a wilderness or waterfront Ontario travel experience can generally be broken into two types:

1. **The Traditional Resort Vacation** – typically includes a 1 to 2 week stay at a resort hotel/lodge or housekeeping resort property; or
2. **The Alternative “Cottage” Vacation** – involves some level of ownership and right to use.

The Alternative Cottage experience includes a range of physical product and ownership structures, as detailed below.

ALTERNATIVE COTTAGE EXPERIENCE OWNERSHIP STRUCTURES

Type	Description
Full title of a building and land to a single owner	Much like traditional cottage ownership
Full title of a single resort unit (with/without land) to a single owner	Multiple physical units may exist on single property
Title to a portion or a “fraction” of a unit’s ownership	Ex. 13 weeks – ¼ share
Share in the right to use a resort for a select number of weeks	N/A

Source: CBRE Limited Research

Owners of this type of resort product today are motivated first and foremost by their “right to use” – as they provide a way to visit an area, without making a commitment to purchasing the property.

RESORT AND DEVELOPMENT PROFILE

Resort Development Trends

The majority of development over the past 5 to 10 years, has focused on the alternative cottage product as opposed to building new resort hotels. This model involves joint commercial accommodation and residential real estate development and is popular for a number of reasons:

1. The cost of building a resort hotel today is prohibitive to most hotel developers. Market and seasonality conditions make it difficult for properties to perform at levels that support the significant cost of development (ex. \$300,000 to \$500,000 per room);
2. By selling the units (whether freehold residential homes or fractional/condo title or title/timeshare units), the development profits generated is what provides the equity required to support the overall resort development;
3. The developer of this type of resort product is generally interested in securing a development profit as opposed to investment returns of its cashflow and capital appreciation; and
4. Therefore, most resort developments of this nature are built with some level of personal use, but also include a transient rental portion to maintain the commercial aspect of the resort, and provide some level of cashflow to cover its operating costs.

BOUTIQUE HOTEL CONCEPT AND CAPITAL COST ESTIMATE

Over the past four years, Wasaga Beach has undergone a 60% increase in overall visitation, from 1.1 million visitors in 2013 and 2014 to reach almost 1.8 million visitors in 2016. Given the Town's current accommodation product, there is overnight demand currently not satisfied within the Wasaga market alone, while several new accommodation offerings in the Blue Mountains and Collingwood areas are capturing increased overnight demand.

With mixed use residential, retail, foodservice and event space proposed at the Main End of the Beach as part of Phase 1 of Wasaga Beach's Downtown Development Master Plan, there is an opportunity to capture some level of overnight demand within the Town. We have identified an opportunity to develop an 80-unit boutique hotel as part of this mixed use development to be located within the "Main End" area of Town with frontage on the Beachfront Boardwalk, directly adjacent to the proposed Event Plaza. The hotel and restaurant component would cover 5-storées, with the 100-seat food and beverage outlet situated on ground level. Additional hotel amenities would include approximately 3,500 square feet of meeting/conference space, as well as an indoor pool and fitness room.

It is assumed that a number of the purchasers of the adjacent 245+ residential units will likely only use their units while vacationing in the area, and for the balance of the year, will return the unit to the resort operator's rental pool. The Boutique Hotel will in turn manage the rental pool on behalf of the owners, in addition to operating an 80-room hotel for transient use.

PROPOSED BOUTIQUE HOTEL FACILITY PROGRAM

GUESTROOMS		% of Room Mix	Keys	Sq. Ft./Rm	Total GFA	
Double Queen		81%	65	325	21,125	
Kings		16%	13	350	4,550	
Suites		3%	2	400	800	
<i>Total</i>		<i>100%</i>	<i>80</i>	<i>331</i>	<i>26,475</i>	
FOOD & BEVERAGE / BANQUETS			Seats	Sq. Ft./Rm	Total GFA	
Restaurant / Bar			100	20	2,000	
<i>Indoor</i>			<i>70</i>	<i>20</i>	<i>1,400</i>	
<i>Outdoor</i>			<i>30</i>	<i>20</i>	<i>600</i>	
<i>Total</i>			<i>100</i>	<i>25</i>	<i>2,000</i>	
MEETING/CONFERENCE FACILITIES			Capacity	Sq. Ft./Rm	Total GFA	
Ballroom			167	12	2,000	
Meeting Rooms			125	12	1,500	
<i>Total</i>			<i>292</i>	<i>12</i>	<i>3,500</i>	
OTHER				Sq. Ft./Rm	Total GFA	
Indoor Pool			0	19	1,500	
Fitness Room			0	14	1,100	
<i>Total</i>			<i>0</i>	<i>32.5</i>	<i>2,600</i>	
BOH / CIRCULATION				Sq. Ft./Rm	Total GFA	
BOH / Circulation				0	150	11,975
<i>Total Hotel GFA</i>				<i>582</i>	<i>46,550</i>	

Source: CBRE Hotels

Note: BOH = Back of House, GFA = Gross Floor Area

The estimated development cost budget for the subject boutique hotel opportunity is \$14.5 million, as summarized below.

Proposed Boutique Hotel, Wasaga Beach, ON - Development Cost Budget				
Component	Total Cost	Cost Per Room	Cost Per Square Foot	% of Total
Land	\$800,000			6%
Guestrooms	\$5,295,000			37%
Food & Beverage	\$400,000			3%
Meeting Rooms	\$700,000			5%
Fitness Room/Indoor Pool	\$520,000			4%
BOH/Circulation	\$2,395,000			17%
Parking	\$800,000			6%
FF&E	\$1,600,000			11%
TOTAL	\$14,500,000	\$181,250	\$311	100%

Source: CBRE Ltd.

Note: BOH = Back of House, FF&E = Furniture, Fixtures and Equipment

MARKET ANALYSIS

Competitive Hotel Market

There are approximately 1,914 rooms or 698,460 available room nights, which would comprise the subject resort's primary competitive market. The competitive market includes hotel/resort properties located in the Blue Mountains and Collingwood areas, as well as Wasaga Beach's permanent and seasonal accommodation supply (motels/cottages/cabins).

Competitive Market

No.	Name	Location	Rooms	Type	Total Meeting Space (SF)	Meeting Space SF per Room	Restaurant	Lounge	Breakfast	Swimming Pool	Fitness Centre	Business Centre
1	Comfort Inn & Suites Collingwood	4 Balsam St., Collingwood, ON	73	Limited Service Hotel	-				x	x	x	x
2	Days Inn & Suites Collingwood	15 Cambridge St, Collingwood, ON	77	Limited Service Hotel	450	5.8			x	x	x	x
3	Westin Trillium House Blue Mountain	220 Gord Canning Drive, The Blue Mountains, ON	223	Full Service Hotel	7,000	31.4	x	x	x	x	x	x
4	Cranberry Resort	19 Keith Ave, Collingwood, ON	78	Full Service Hotel	10,000	128.2	x	x	x	x	x	x
5	Blue Mountain Inn	108 Jozo Weider Blvd, The Blue Mountains, ON	103	Full Service Hotel	13,000	126.2	x	x	x	x	x	x
6	Mountain Springs Resort & CC	796468 Grey Rd 19, The Blue Mountains, ON	144	Full Service Hotel	3,000	20.8	x	x	x	x	x	x
7	Blue Mountain Resort Condos	156 Jozo Weider Blvd, The Blue Mountains, ON	605	Full Service Hotel	30,000	49.6	x	x	x	x	x	x
8	Collingwood Motel Supply	Collingwood, ON	229	Limited Service Hotel	-							
9	Luuu Motel Wasaga	231 Mosley St, Wasaga Beach, ON	28	Limited Service Hotel	-						x	
10	Saga Motel Wasaga	88 Main St, Wasaga Beach, ON	28	Limited Service Hotel	-						x	
11	Riverdocks Wasaga	361 Mosley Street, Wasaga Beach, ON	22	Limited Service Hotel	-							
12	Seasonal Wasaga Supply (47 prop, 456 rooms after conv)	Wasaga Beach, ON	150	Limited Service Hotel	-							
13	Permanent Wasaga Supply (52 prop, 436 rooms after conv)	Wasaga Beach, ON	154	Limited Service Hotel	-							
Total			1,914									

Source: CBRE Hotels

Competitive Hotel Market – Historic Results

Based on our research, the competitive market has achieved the following results in recent years:

Competitive Market Performance Results										
Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Change	ADR	% Change	RevPAR	% Change
2011	711,315	-	318,205	-	44.7%	-	\$145.31	-	\$65.01	-
2012	713,264	0.3%	331,820	4.3%	46.5%	1.8	\$148.86	2.4%	\$69.25	6.5%
2013	690,430	-3.2%	329,634	-0.7%	47.7%	1.2	\$153.31	3.0%	\$73.20	5.7%
2014	693,715	0.5%	344,806	4.6%	49.7%	2.0	\$158.30	3.3%	\$78.68	7.5%
2015	698,460	0.7%	376,475	9.2%	53.9%	4.2	\$167.04	5.5%	\$90.03	14.4%
Compounded Annual Growth Rate	-0.5%		4.3%		4.8%		3.5%		8.5%	
August 2015 YTD	452,246	-	231,904	-	51.3%	-	\$170.75	-	\$87.56	-
August 2016 YTD	452,246		243,604	5.0%	53.9%	2.6	\$174.62	2.3%	\$94.06	7.4%

Source: CBRE Hotels

Note: ADR = Average Daily Rate, RevPAR = Revenue per Available Room

- In 2013, the market experienced a decline of 3% in supply, resulting from the conversion of a number of Wasaga Beach transient accommodations into long term rental properties. With the exception of 2013, over the past five years the market has experienced minimal supply growth, however 2015 supply levels have not yet rebounded to the levels seen in 2012.
- For the most part, the market has seen steady demand growth in the last five years. Occupancy has shown a compounded annual growth rate of 4.8%, with a 4 point gain over 2014 levels to reach 54% in 2015.
- In the period YTD August 2016, demand increased by a further 5%. This, combined with no change in available supply, resulted in YTD 2016 occupancy of 54%.
- Coupled with annual increases in demand, the market ADR increased by nearly 4% annually over the last five years. Specifically, average daily rate grew by almost 6% over 2014 levels to reach \$167 in 2015.
- Market ADR increased by 2% for the period YTD August 2016.
- After experiencing 14% growth in RevPAR in 2015, the market RevPAR has increased by 7% in YTD August 2016 .

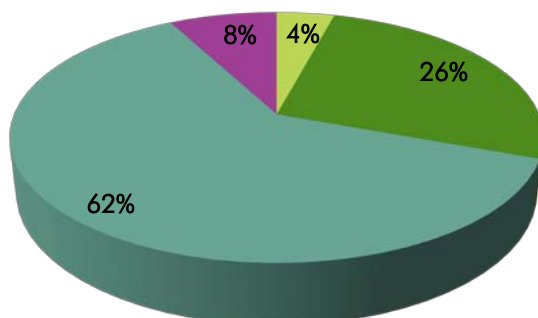
Competitive Hotel Market – Segmentation

In most markets, overall demand varies based on the nature of travel. Lodging demand is typically generated from four different segments: Corporate, Group/Meeting, Leisure travelers, and Other which includes government, contract, and/or crew business.

On the basis of CBRE Hotels' market research, and discussions with local hoteliers the estimated market segmentation for the competitive market in 2015 is presented below:

Market Segmentation

■ CORPORATE ■ MEETING/CONFERENCE ■ LEISURE ■ LONG TERM/CREW/OTHER

**Demand Segmentation - Competitive Market 2015**

Segment	Room Night Demand	%
CORPORATE	15,719	4.2%
MEETING/CONFERENCE	99,515	26.4%
LEISURE	231,874	61.6%
LONG TERM/CREW/OTHER	29,367	7.8%

Compiled by CBRE Hotels

Corporate

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 Sunday and Thursday nights, declines Friday and Saturday nights, and increases somewhat on Sundays. 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 hotel, 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 2015, the corporate segment generated the least amount of demand at approximately 15,719 room nights, or 4% of demand within the competitive market.

Meeting/Conference

Meeting/Conference travelers are defined as any group occupying five or more rooms on a given night staying for the purpose of attending a meeting or conference. 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 at upscale/luxury hotels. Associations and SMERF groups have a more varied occupancy pattern and can often hold weekend meetings. This demand segment tends to be somewhat price sensitive. The typical stay for group demand is between three and five days. There is a perception (often true) that by occupying a block of rooms, a volume discount should be given.

The group/meeting segment accounted for about 99,515 occupied room nights, comprising 26% of market demand.

Leisure

Leisure travelers generally include vacationers or travelers passing through the area. This category effectively includes all non-commercial related travellers. 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. Leisure travelers tend to have a high level of double occupancy. Some segments of this demand segment tend to be price sensitive. The typical stay for leisure travelers is between one and four nights. Transient demand also includes occupied rooms generated online through third party providers such as Hot Wire, Expedia, Priceline, etc. and from tour groups and sports teams.

With approximately 231,874 occupied room nights or 62% of total nights, the leisure segment made up the largest proportion of demand within the market.

Government/Other

Government/Other demand includes any airline contracts or construction and maintenance crew business, in addition to government travelers from municipal, provincial and federal levels. This is the most price sensitive segment and is one to which hotel's use as a base to build business.

The other/contract segment generated about 29,367 occupied room nights or 8% of demand within the competitive market.

Competitive Hotel Market – Projected Results

The demand projections prepared for the competitive market are based on the economic outlook for the area, 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.

- Based on year-to-date August results, the competitive market is projected to see overall demand growth of 7.0% in 2016. Coupled with unchanged supply, market occupancy is projected to increase to approximately 58% in 2016.

- With positive economic growth anticipated for the region, demand growth in the 1.0% to 2.0% range is projected to continue through to 2019. In conjunction with supply growth projected in 2020, as a result of the subject hotel opening, demand is projected to increase by 7.5%.
- Over the projection period market occupancy is expected to reach 64% by 2021.
- Due to stable supply and demand fundamentals and projected economic conditions, average daily rate is projected to grow by 2.0% per annum. Between 2017 and 2021, ADR will improve from \$174 to \$188.

Overall Accommodation Demand for Competitive Market

	Projection 2016	Projection 2017	Projection 2018	Projection 2019	Year 1 2020	Year 2 2021
Available Room Nights	698,460	698,460	698,460	698,460	727,660	727,660
Occupied Room Nights	402,828	410,884	419,102	423,293	455,135	465,420
Market Occupancy	57.7%	58.8%	60.0%	60.6%	62.5%	64.0%
Demand Growth	7.0%	2.0%	2.0%	1.0%	7.5%	2.3%
Market Average Daily Rate	\$170.38	\$173.79	\$177.26	\$180.81	\$184.42	\$188.11
Rate Growth	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

HISTORIC COMPETITIVE MARKET PERFORMANCE SUMMARY

Total Competitive Market							
	2011	2012	2013	2014	2015	August 2015 YTD	August 2016 YTD
Rooms	1,949	1,949	1,892	1,901	1,914	1,853	1,853
Annual Occupancy	44.7%	46.5%	47.7%	49.7%	53.9%	51.3%	53.9%
Average Daily Rate	\$145.31	\$148.86	\$153.31	\$158.30	\$167.04	\$170.75	\$174.62
RevPAR	\$65.01	\$69.25	\$73.20	\$78.68	\$90.03	\$87.56	\$94.06
Available Room Nights	711,315	713,264	690,430	693,715	698,460	452,246	452,246
Occupied Room Nights	318,205	331,820	329,634	344,806	376,475	231,904	243,604
Room Revenues	\$46,239,070	\$49,394,380	\$50,537,626	\$54,584,154	\$62,885,282	\$39,597,584	\$42,538,217
Market Segmentation							
Segment	Competitive Market		ORN		%		
CORPORATE	15,719				4.2%		
MEETING/CONFERENCE	99,515				26.4%		
LEISURE	231,874				61.6%		
LONG TERM/CREW/OTHER	29,367				7.8%		
TOTAL	376,475				100.0%		

Competitive Market	
1 Comfort Inn & Suites Collingwood	2 Days Inn & Suites Collingwood
3 Westin Trillium House Blue Mountain	4 Cranberry Resort
5 Blue Mountain Inn	6 Mountain Springs Resort & CC
7 Blue Mountain Resort Condos	8 Collingwood Motel Supply
9 Luau Motel Wasaga	10 Saga Motel Wasaga
11 Riverlocks Wasaga	12 Seasonal Wasaga Supply (47 prop, 456 rooms after conv)
13 Permanent Wasaga Supply (52 prop, 436 rooms after conv)	

Source: CBRE Hotels
 Note: RevPAR = Revenue per Available Room

SUBJECT UTILIZATION PROJECTIONS

In assessing the projected occupancy and rate performance of the subject proposed property 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 hotel 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.

The following analysis assesses the projected market position/occupancy, average rate, RevPAR and penetration levels for the subject property. The projections are based on numerous factors including, the economic influences and the actual and projected supply/demand relationship in the competitive market.

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, other income, etc.) are crucial to the operation of the hotel, they are dependent on the overall number of occupied rooms. Furthermore, the occupancy and average daily rate of a hotel are highly correlated. In reality, one cannot make a projection of one without a projection of the other.

Projected Results - Proposed Boutique Hotel, Wasaga Beach, ON

	Year 1	Year 2	Year 3	Year 4	Year 5
	2020	2021	2022	2023	2024
Market Occupancy	63%	64%	65%	66%	66%
Subject Market Penetration	91%	91%	91%	90%	90%
Projected Subject Occupancy	57%	58%	59%	59%	59%
Market ADR	\$184	\$188	\$192	\$196	\$200
Subject ADR Penetration	85%	85%	85%	85%	85%
Projected Subject ADR	\$158	\$161	\$164	\$167	\$171
Market RevPAR	\$115	\$120	\$125	\$129	\$132
Subject RevPAR Index	78%	78%	78%	77%	77%
Subject RevPAR	\$90	\$94	\$98	\$99	\$101

Source: CBRE Limited

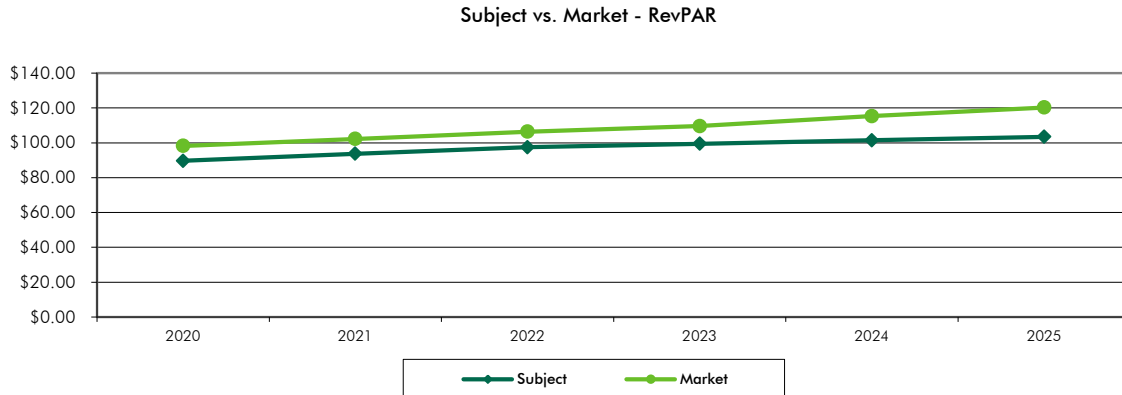
Market results are based on data from CBRE

Projected results are for the period starting January 2016

Notes: ADR = Average Daily Rate, RevPAR = Revenue per Available Room

RevPAR Index

The proposed boutique hotel is estimated to achieve a RevPAR Index of 78% in year one (2020), with an occupancy of 57% and an ADR penetration of 85% of fair share. Based on the quality of the hotel, the property is projected to maintain stable occupancy levels and a growing average daily rate across the projection horizon. We expect subject results to stabilize while market results continue to improve, slightly decreasing the market penetration and RevPAR index by 1% each in year four (2023) onwards.



Source: CBRE Limited

Note: RevPAR = Revenue per Available Room

SUBJECT OPERATING PROJECTIONS

A preliminary five year high level proforma has been prepared for the proposed Wasaga Beach boutique hotel opportunity based on the following assumptions:

- An inflationary factor of 2% per annum;
- The hotel would be operated professionally and appropriate levels of ongoing marketing would occur;
- Rooms revenue is based on the projected occupancy levels and the average daily room rate;
- Rooms expenses include wages and salaries, travel agent commissions and reservation fees of 1.5% of rooms revenue respectively, guest supplies, complementary food expenses (i.e. breakfast), and other rooms related expenses, and have been estimated at 26% of Room Revenues in year one;
- Food & Beverage (F&B) revenues include restaurant and bar sales, as well as banquet catering and meeting room rentals for events hosted in the hotel's conference centre. Cost of goods sold, wages and salaries, and general operating expenses have been estimated at 78% of F&B revenues;
- Telecommunications and other operating department revenues and expenses include: telecommunications, guest laundry, gift shop, high-speed internet service, and in-room movies. Expenses have been estimated at 42% of revenues;
- Rental pool income includes revenues derived from the management of 75 to 100 residential units and accounts for approximately 6% of operating revenue. The following assumptions have been made:
 - 75 to 100 units would be put into the rental pool;

- 25% of rental income would go to the owner; 25% in direct costs; and 50% of revenue would go to the management company, with 15% profit after expenses;
 - Rental pool occupancy would run at 30 to 33% after owners use; and
 - Units would achieve an average daily rate of \$180, as they are larger than units within the proposed boutique hotel.
- Undistributed expenses include: administration and general, marketing, property operation & maintenance, and utility costs, and have been estimated at 18% of revenues in year one;
 - The projections take into account a management fee of 3% of gross revenues and a capital reserve at 4% of gross revenues. A management fee is included as a prospective purchaser would allow these fees when assessing an acquisition and has been included in the statements on a go forward basis; and
 - Other fixed costs including property taxes and insurance have been estimated at \$170,000 in year one, increasing to \$184,000 in year five.

Based on these assumptions, the proposed hotel is projected to generate an estimated net income of \$1.3 million in year one, increasing to almost \$1.6 million by year five. The proforma is provided below.

Operating Projections - Proposed Boutique Hotel, Wasaga Beach, ON

PERIOD	Forecast		Forecast	Forecast	Forecast	Forecast
	Year 1	% Sales	Year 2	Year 3	Year 4	Year 5
No. of Rooms	80		80	80	80	80
ANNUAL AVAILABLE ROOMS	29,200		29,200	29,200	29,200	29,200
ROOMS SOLD	16,610		17,022	17,361	17,361	17,361
OCCUPANCY	57%		58%	59%	59%	59%
AVERAGE RATE	\$158		\$161	\$164	\$167	\$171
RevPAR	\$90		\$94	\$98	\$99	\$101
Operating Revenues & Expenses - Numbers in 000's						
OPERATING REVENUE						
Guest Rooms	\$2,618	64.9%	\$2,737	\$2,847	\$2,904	\$2,962
Food & Beverage	\$1,105	27.4%	\$1,155	\$1,201	\$1,225	\$1,250
Miscellaneous Income	\$42	1.0%	\$43	\$45	\$46	\$47
Telecommunications and Other Operating Departments	\$50	1.2%	\$52	\$54	\$55	\$56
Rental Pool Income	\$222	5.5%	\$241	\$254	\$259	\$264
Total Operating Revenue	\$4,036	100.0%	\$4,228	\$4,401	\$4,489	\$4,579
DEPARTMENTAL EXPENSES						
Guest Rooms	\$670	25.6%	\$694	\$716	\$731	\$745
Food & Beverage	\$865	78.3%	\$889	\$912	\$930	\$949
Telecommunications and Other Operating Departments	\$21	41.7%	\$21	\$22	\$22	\$23
Total Departmental Expenses	\$1,556	38.6%	\$1,604	\$1,650	\$1,683	\$1,717
TOTAL DEPARTMENTAL INCOME	\$2,480	61.4%	\$2,624	\$2,751	\$2,806	\$2,862
UNDISTRIBUTED EXPENSES						
Administration & General	\$296	7.3%	\$304	\$311	\$317	\$323
Sales & Marketing	\$183	4.5%	\$187	\$192	\$195	\$199
Property Operations & Maintenance	\$114	2.8%	\$116	\$119	\$121	\$124
Utilities	\$124	3.1%	\$126	\$129	\$132	\$134
Total Undistributed Expenses	\$716	17.7%	\$733	\$750	\$765	\$781
GROSS OPERATING PROFIT	\$1,764	43.7%	\$1,891	\$2,001	\$2,041	\$2,082
Management Fees	\$121	3.0%	\$127	\$132	\$135	\$137
INCOME BEFORE FIXED CHARGES	\$1,643	40.7%	\$1,764	\$1,869	\$1,906	\$1,944
NON-OPERATING INCOME AND EXPENSES						
Property and Other Taxes	\$160	4.0%	\$163	\$166	\$170	\$173
Insurance	\$10	0.2%	\$10	\$10	\$11	\$11
Total Non-Operating Income and Expenses	\$170	4.2%	\$173	\$177	\$180	\$184
EBITDA	\$1,473	36.5%	\$1,591	\$1,692	\$1,726	\$1,760
Less: Reserve for Replacement	\$161	4.0%	\$169	\$176	\$180	\$183
EBITDA after Reserve for Replacement	\$1,311	32.5%	\$1,422	\$1,516	\$1,546	\$1,577

Source: CBRE Ltd.

Note: RevPAR = Revenue Per Available Room, EBITDA = Earnings Before Interest, Tax, Depreciation and Amortization

INVESTMENT AND IMPLEMENTATION CONSIDERATIONS

The assumption has been made that the proposed hotel will be developed, financed and operated by a private sector developer. Based on our investigations, the capital costs of this type of development are estimated in the order of \$15 million or \$180,000 per room, including \$800,000 for 3 acres of land.

Based on our analysis, the development of a boutique hotel could be supported by a traditional debt equity model. The developer would need to bring \$5.5 Million in equity to the project; while supporting \$9 Million in debt from operating cash flow. Assuming a term of 20 years and a 6% interest rate, annual debt payments would be in the order of \$744,000. By Year 5, the Boutique Hotel is projected to generate a net operating income of \$1.6 million after a 4% reserve for asset replacement. After debt service, the project would be expected to generate a cashflow of \$803,000, resulting in a 15% return on its owner's equity.

INVESTMENT ANALYSIS

INVESTMENT PARAMETERS			
Total Capital Cost	\$14,500,000	Term (months/years)	240 / 20
Debt	\$9,000,000	Interest Rate	6.0%
Equity	\$5,500,000	Year 5 ANOI	\$1,577,000
		Annual Payment	\$774,000
		Net Cashflow After Debt Service	\$803,000
		Return on Equity	15%

Source: CBRE Ltd.

Note: ANOI = Adjusted Net Operating Income

DRAFT FOR INTERNAL CLIENT DISCUSSIONS ONLY



APPENDIX A
Assumptions and Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

1. This Advisory Report prepared by CBRE, is intended for the exclusive use of the Corporation of the Town of Wasaga Beach ("Client"), and is not intended to be prepared for, given to, or 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.