



**Hotel Development Opportunity
on Highway 17 - between Nipigon
and Marathon, Ontario**

HOTEL DEVELOPMENT OPPORTUNITIES ALONG THE NORTH SHORE OF LAKE SUPERIOR

Over the past 2-3 years, Destination Northern Ontario has spent a lot of time and resources in moving towards a “quality shift” across Northern Ontario primarily through the Tourism Excellence North program, which assists operators in better understanding opportunities for growth. In 2018, the *Destination Northern Ontario Lake Superior North Shore Tourism Strategy* was released, which identified 13 Strategic Recommendation areas – one of which is to “Support the development of visitor accommodations in the region.” This study specifically identifies a limited amount of room supply for tourists during the summer months due to Trans-Canada highway construction projects, a lack of waterfront accommodation with access to the Lake (roofed and unroofed), amongst other issues – and points to the subject study as an important step in identifying the ideal tourism product in terms of facilities and amenities. In partnership with this strategy, the *Lake Superior Circle Tour Work Plan* was also released in 2017 and outlines a plan to make the Lake Superior Circle Tour a “best in class” tour in the auto and RV driving market.

CBRE Tourism & Leisure Group (“CBRE”), a specialized advisory group within CBRE Canada, provides practical advice and implementable plans to move forward with a range of projects for private and public-sector clients in the hospitality and tourism sectors across the country. As Destination Northern Ontario rolls out the DNO Lake Superior North Shore Tourism Strategy and workplan for the Lake Superior Circle Tour, the organization is specifically interested in visitor accommodation development in the region. DNO consequently retained the services of CBRE in June 2018 to conduct a study to assist in determining whether there is sufficient market and economic support for a potential hotel development along the north shore of Lake Superior, on the stretch of the Trans-Canada Highway between Thunder Bay and Sault Ste. Marie, focusing on the needs of the leisure traveller.

The report materials herein are based on CBRE’s *Accommodation Needs Assessment, North Shore of Lake Superior, Ontario*, November 2018, which provides results of the potential site selection process, along with market and financial feasibility analyses for the subject hotel opportunities. CBRE’s feasibility work applies industry standards and key indicators for the business opportunity that would be important considerations for investors in advance of conducting their own due diligence.

The subject Report has been prepared solely for internal discussion purposes between CBRE and Destination Northern Ontario (“DNO”), formerly Tourism Northern Ontario (“TNO”). This Report cannot be relied on for financing or investment purposes. It cannot be shared or distributed to any third parties, or used for any other purpose without the prior written consent of CBRE Limited. The conclusions offered in this report are preliminary in nature.

Based on our research, CBRE has identified and analysed a potential **30-room hotel development on Highway 17 in a major community between Nipigon and Marathon (inclusive), in close proximity to the waterfront, as the best opportunity to attract the Leisure market.**

The following document has been created based on study findings from CBRE’s *Accommodation Needs Assessment, North Shore of Lake Superior – Final Report, November 2018*, to introduce the development opportunity to potential investors and strategic partners. Interested parties who wish to learn more about this study should contact:

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North Shore of Lake Superior Region

The North Shore of Lake Superior encompasses a range of urban centres and rural communities in the northwest segment of Northern Ontario. Already known for its natural beauty, the area between the cities of Thunder Bay and Sault Ste. Marie is relatively untouched from a tourism capital reinvestment perspective.

From a transportation perspective, Highway 17 (the Trans-Canada Highway) acts as the backbone of the North Shore, remaining relatively close to the lakeshore for the majority of the route from Thunder Bay to Sault Ste. Marie, and strategically links travellers looking to cross the country by road. Highway 11 also intersects with Highway 17 in Nipigon, connecting the area to other northern Ontario communities such as Hearst, Cochrane, and eventually North Bay.

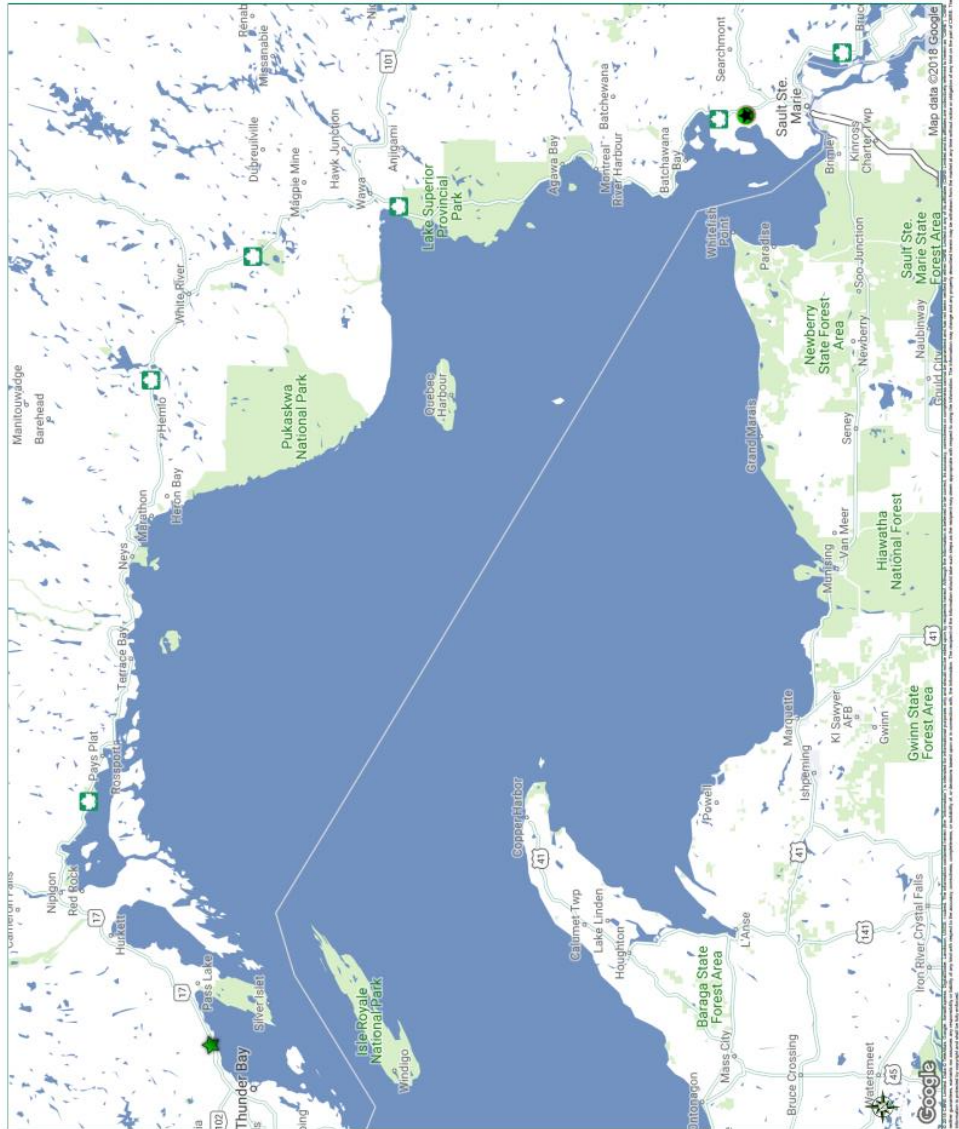
The North Shore of Lake Superior Region study area excludes the Cities of Thunder Bay and Sault Ste. Marie, but includes the Municipality of Shuniah to the west and Goulais River to the east. The entire study area spans approximately 660km along Highway 17 (the Trans-Canada Highway), which equates to a 7-hour drive. Most communities in this area are rural hamlets, with no more than 3,000 people in total. The following is a list of major communities in the North Shore of Lake Superior Region Study Area, and population estimates for 2018, according to Sitewise (Environics Analytics), followed by a study area map.

NORTH SHORE OF LAKE SUPERIOR STUDY AREA - DEMOGRAPHICS 2018

Community	Population
Dorion	320
Goulais Bay	83
Marathon	3,287
Nipigon	1,650
Pays Plat	92
Red Rock	892
Rosspoint	431
Schreiber	1,065
Shuniah	2,873
Terrace Bay	1,640
Wawa	2,904
White River	667
All Other Communities	2,617
TOTAL POPULATION (2018)	18,521

Source: Sitewise, Environics Analytics, 2018

North Shore of Lake Superior Study Area Map



Power and Highway Construction Projects

As shown in the following table, Highways 11 and 17 along the North Shore of Lake Superior are undergoing major four-lane widening projects. The construction crews for these projects travel with the work; as one section of the highway construction project is completed, the crews relocate to the next section of the highway and require accommodations in the nearby communities. There are also further rehabilitation projects planned for the North Shore, as shown on the table below, in addition to the East West Tie Transmission Line project. The 450km transmission line will connect the transfer station in Shuniah to the Marathon Transformer Station, and then connect to the Wawa transfer station and is expected to take just over two years to complete. As CBRE’s research shows, this crew business has a significant impact on the accommodations along the highways by greatly increasing demand and occupancy while the crews work in the area. However, once the project is completed and crews leave, there may be limited demand to replace the crew business, which may cause dramatic year-over-year fluctuations in accommodation performance.

NORTHWESTERN ONTARIO EXPANSION 2017-2021+

Hwy	Status	Location	Type of Work	Target Completion Date
11/17	Underway	5.0 Km west of Hwy 587 Easterly	Four-lane widening	2018
11/17	Planned	Hwy 587 to Pearl Creek	Four-lane widening	2020
11/17	Planned	West of Ouimet CPR Overhead to Dorion East Loop	Four-lane widening	2020
11/17	Planned	Coughlin Rd to East Junction of Hwy 582, Thunder Bay to Nipigon	Four-lane widening	2021
11/17	Planned	Red Rock Rd. 9 to Coughlin Rd, Thunder Bay to Nipigon	Four-lane widening	2021
11/17	Underway	Stillwater Creek to Red Rock Rd. 9, Thunder Bay to Nipigon	Four-lane widening	2018
11/17	Underway	Nipigon River Bridge and Approaches	Four-lane widening	2018
17	Planned	Manitoba/Ontario border easterly, west of Kenora	Four-lane widening/ new four-lane highway	Beyond 2021

Note: The timing of projects is subject to change based on funding, planning, design, environmental approval, property acquisition and construction requirements

Source: Northern Highways Program 2017-2021, Ministry of Northern Development and Mines

NORTHWESTERN ONTARIO REHABILITATION 2017 - 2021

Hwy	Status	Location	Type of Work	Target Completion Date
17	Underway	CPR Overhead, west of Upsala	Bridge rehabilitation	2017
17	Underway	Gravel River Bridge, east of Nipigon	Bridge Replacement	2017
17	Underway	Pays Plat River Bridges, east of Nipigon	Bridge Replacement	2017
17	Underway	Schrieber westerly	Reconstruction	2018
	Underway	Little Pic River Bridge, west of Marathon	Bridge Rehabilitation	2019
17	Underway	Pic River Bridge, east of Marathon	Bridge Replacement	2017
			Reconstruction/truck	
17	Planned	West of Rosspport, westerly	climbing lanes	2019 - 2021
17	Planned	Praire River Bridge east of Terrace Bay	Bridge Rehabilitation	2018
17	Planned	Agusabon River Bridge, Terrace Bay	Bridge rehabilitation	2019 - 2021
		White Lake Narrows Bridge, east of		
17	Planned	Marathan	Bridge Rehabilitation	2019
		CPR Overhead Shunia, east of Thunder		
17	Planned	Bay	Bridge Rehabilitation	n/a
17	Planned	Nipigon northerly	Resurfacing	2019-2021
		Wabikokba Creek Bridge, west of White		
17	Planned	River	Bridge Rehabilitation	2019-2021
		Bertrand Creek and West White River		
17	Planned	Bridges, west of White River	Bridge Rehabilitation	2019-2021
		White River Bridge (Bremner), west of		
17	Planned	White River)	Bridge Rehabilitation	2019-2021

Note: The timing of projects is subject to change based on funding, planning, design, environmental approval, property acquisition and construction requirements

Source: Northern Highways Program 2017-2021, Ministry of Northern Development and Mines

North Shore of Lake Superior Market Profiles

In an effort to better understand the economic and tourism-related factors driving overnight visitation to the North Shore of Lake Superior, CBRE has compiled the accommodation product and surrounding communities into 5 distinct market areas. These market areas were established based on proximity of the respective communities to one another, and our knowledge of the competitive demand influencers in addition to stakeholder insight. Furthermore, many of the communities are small and do not have enough properties or rooms to create a reasonable sample.

The 5 competitive market areas are as follows:

1. Shuniah to Nipigon
2. Rosspport to Jackfish
3. Marathon to White River
4. Wawa
5. Montreal River Harbour to Goulais River

It should be noted that within the Market Summary results, the total number of units (Rooms/Cabins) does not always equal the annual room supply, because of the varied operating seasons of properties (some properties are seasonally operated while others operate year-round). For example, in Wawa, there are **332 units** in the market (i.e. in motels, B&Bs and cabins), and 91,558 room nights available during 2017, which equates to **251 rooms available per day** on an annualized basis for the year.

Total North Shore of Lake Superior Market Summary

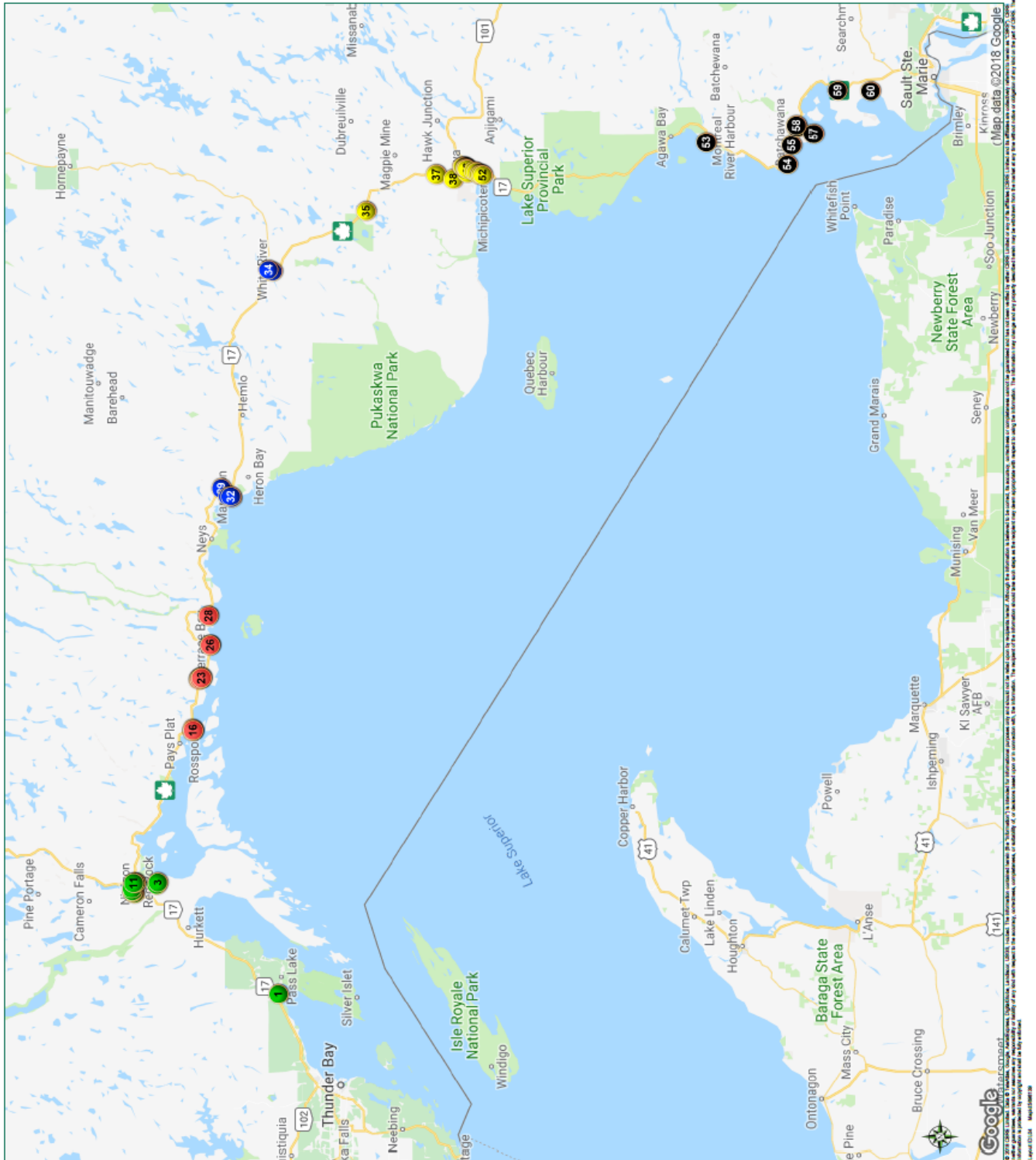
In 2017, there were 59 fixed-roof accommodation properties on the Trans-Canada Highway route between Thunder Bay and SSM, with 890 rooms, representing an annualized inventory of 819 rooms. The majority (61%) of the accommodations are on the highway with 30% within a town, and 8% on the waterfront. The most common type of accommodation is hotel/motel property types (88%) with the remainder of the fixed-roof accommodations being either lodge/cottages (9%) or bed and breakfast establishments (4%).

A list of these markets and accommodation amenities is provided in the table below, and a map showing the location of all properties has been provided in the following pages. It should be noted that the map shows 60 properties as the Outdoorsman in Wawa opened in 2018. The Outdoorsman is not included in the historical (2017) analysis, but is included in the future analysis (2018 and onward).

No.	Market	2017 Total Prop.	2017 Total Rental Units	% Room Inventory	Year Round Room Inventory	Seasonal Room Inventory	Highway 17	Waterfront	In Town	Hotel/Motel	B&B	Resort/Lodge	TRIP ADVISOR RATING	# Reviews	GOOGLE RATING	# Reviews
1	Shuniah to Nipigon	11	131	15%	100%	0%	66%	24%	10%	84%	9%	7%	3.70	292	3.84	267
2	Rosspport to Jackfish	17	210	24%	92%	8%	84%	1%	15%	86%	6%	8%	3.89	621	4.08	432
3	Marathan to White River	6	169	19%	100%	0%	68%	0%	32%	97%	0%	0%	3.58	485	3.75	398
4	Wawa	17	295	33%	73%	27%	34%	9%	57%	91%	1%	8%	4.07	1,922	4.24	1,094
5	Montreal River Harbour to Goulais River	8	85	10%	49%	51%	86%	14%	0%	69%	0%	31%	4.21	260	4.32	165
		59	890	100%	83%	17%	61%	8%	30%	88%	4%	9%	3.89	3,580	4.05	2,356

Source: CBRE HOTELS

Based on information available, discussions with hotel operators and our general knowledge of the industry, the competitive market is expected to increase as renovations are completed, accommodations expand, new operators make seasonality changes, and motels re-open. Over the projection period we have accounted for a net increase in supply of 114 rooms to enter the competitive market. The Total North Shore market is expected to increase by 12.5% from 819 rooms in 2017, to 922 by 2020.



- | | |
|--|--|
| 1 Eldorado Beach on Lake Superior | 33 Continental Motel |
| 2 Quebec Lodge | 34 White River Motel |
| 3 Red Rock Inn | 35 Halfway Lodge |
| 4 Birchville Motel | 36 Normandy Lodge |
| 5 Beaver Motel | 37 Catfish Lakefront Cabins |
| 6 Town & Country Motel | 38 Northern Lights Motel & Cabins |
| 7 Locking Horns Motel | 39 Wawa RV Resort and Campground |
| 8 Pine Crest Motel | 40 Rock Island Lodge and Paddling Centre |
| 9 Northland Motel | 41 Lakeview Hotel |
| 10 Skandia House B&B | 42 Bristol Motel |
| 11 Sunnyside Cabins & Café | 43 Outdoorsman Motel |
| 12 Rosspoint Inn & Cabins | 44 Algoma Motel Ltd. |
| 13 Willows Inn B&B | 45 Beaver Motel |
| 14 Serendipity Gardens Café & Guest House | 46 Wawa Motor Inn |
| 15 Island Shores B&B | 47 Highway 17 Motel |
| 16 B&B on the Beach | 48 High Falls Motel and Cabins |
| 17 Rongie Lake Motel & Hungry Moose Restaurant | 49 Parkway Motel |
| 18 Villa Bianca Inn & Restaurant | 50 Best Northern Resort & Restaurant |
| 19 Nor-West Motel | 51 White Fang Motel |
| 20 Cosiana Inn | 52 Mystic Isle Motel |
| 21 Birch Grove Housekeeping Motel | 53 Twilight Resort |
| 22 Sunset Motel | 54 Sawpit Bay Motel & Cabins |
| 23 Barrel Inn | 55 Chicken Shack Motel |
| 24 Imperial Drifters Restaurant & Motel | 56 Lanikai Resort |
| 25 Norwood Motel | 57 Lake Shore Salzburger Hof Resort |
| 26 Red Dog Inn | 58 Voyageur's Lodge and Cookhouse |
| 27 Jackfish Lake Cottages | 59 McCauley's Motel |
| 28 Coach House Motel | 60 Blueberry Hill Motel & Campground |
| 29 Airport Motor Inn | |
| 30 Lakeview Manor | |
| 31 Marathon Harbour Inn | |
| 32 Zero-100 Motor Inn | |

A summary of the performance of each competitive North Shore accommodation market, along with the Total North Shore market, has been provided in the following table as at year-end 2017.

2017	Total North Shore	Shuniah to Nipigon	Rosspport to Jackfish	Marathon to White River	Wawa	Montreal River Harbour to Goulais River
Annualized Room Supply	819	131	202	169	251	66
Rooms Available	298,863	47,815	73,831	61,685	91,558	23,974
Rooms Occupied	179,381	26,063	46,255	39,904	55,370	11,788
Occupancy	60%	55%	63%	65%	60%	49%
ADR	\$98	\$95	\$91	\$99	\$106	\$100
RevPAR	\$59	\$52	\$57	\$64	\$64	\$49
Rooms Revenue	\$17,650,000	\$2,473,000	\$4,190,000	\$3,943,000	\$5,871,000	\$1,173,000

- The Total North Shore market featured 59 properties in 2017, 83% of the which were open year-round and 17% were open seasonally, generally operating from mid-May to mid-October.
- The total market's annualized room supply was 819 rooms. From a demand perspective, the total market ran 60% occupancy, which equates to about 179,000 occupied room nights.
- From a performance perspective, the total North Shore of Lake Superior market ran 60% occupancy, which was approximately 3 points above Sault Ste. Marie, and 11 points below Thunder Bay's market average in 2017.
- It is interesting to note that markets closer to these two urban centres achieved overall occupancy levels lower than those closer to the midpoint along the North Shore. Stakeholders confirmed that the Shuniah to Nipigon market in particular lost significant levels of business to Thunder Bay, particularly when highway maintenance projects were completed and the crew business moved to other markets.

At a \$98 market ADR in 2017, rates ended the year \$12 to \$18 below the Sault Ste. Marie and Thunder Bay averages respectively; however, as noted, most markets along the North Shore cater to crew business, which tends to be heavily discounted.

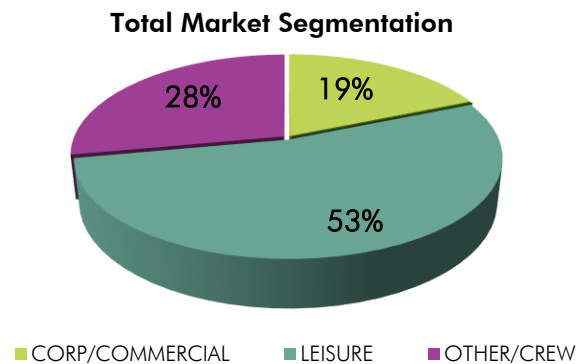
The **Market Segmentation** for the Lake Superior North Shore is comprised primarily of 3 segments:

- **Leisure demand** – vacationers or travellers passing through the area, typically attracted by a hotel's location relative to area attractions (including friends/relatives) or location along highway route. Demand from leisure travellers is typically generated throughout the week during peak periods, with more weekend demand in shoulder seasons.
- **Corporate/Commercial/Government demand** - individuals visiting companies/government agencies in the immediate area or passing through town. Corporate volume demand is generated by local firms/services and includes employees of the company/agency or others doing business with

the firm. Most demand from the corporate segment is generated between Monday and Thursday nights.

- **Other/Crew demand** - any construction and maintenance crew business as well as rooms generated online through third party providers such as Hotwire, Expedia, Priceline, etc., and by brand loyalty redemptions or associate stays.

The estimated market segmentation for the Total North Shore market in 2017 was as follows:



Though segmentation varies by market, 53% of the total North Shore demand is leisure-based, 28% is derived from short and long-term crew business, and 18% is corporate/commercial based demand.

The Wawa market had the highest percentage of both Corporate/Commercial (54%) and Leisure (34%) demand, in comparison to the other 4 competitive markets, while the Marathon to White River market had the highest percentage of Other/Crew demand (35%). Overall, the Wawa market represents the highest levels of demand and the highest ADR, while the Montreal River to Goulais Market demonstrated the lowest levels of demand and lowest occupancy rates.

Generally speaking, a minimum 65% occupancy is desired for a new hotel to perform at or above market levels. The only submarket that is achieving those levels is the Marathon to White River market; however, supply in that market is also expected to grow by 9% over the next 2 years with the expansion at the Continental Motel, and it may take time to build up demand. With the entire North Shore being somewhat dependent on Crew business, it will be a challenge for any new accommodations in the area to be developed without considering the impacts of that demand source. Furthermore, given the levels of business already being drawn to the Cities of Thunder Bay and Sault Ste. Marie, significant levels of marketing will be required to attract the leisure market in particular – as at 70% occupancy, Thunder Bay also has room for additional supply and 190 rooms are expected to enter this market over the next 2 years.

Development Opportunity

The North Shore of Lake Superior is already known for its natural beauty, but is relatively untouched from a tourism capital reinvestment perspective. The area is popular for outdoor activities such as hiking, camping, boating, fishing, and hunting. Currently, the majority of overnight accommodation demand along the North Shore is generated by Leisure travel, with the remaining demand generated by short and long-term Crew business followed by Corporate/Commercial/Government travel. However, these segmentations vary by market.

Overall, given the competitive market characteristics, it was determined that an accommodation development in the 30 to 60 room range would be ideal. CBRE identified the development opportunity for a **30-room limited service property, located close to the waterfront in a community between Nipigon and Marathon (inclusive), as being a strong opportunity to attract Leisure demand to the North Shore of Lake Superior.**

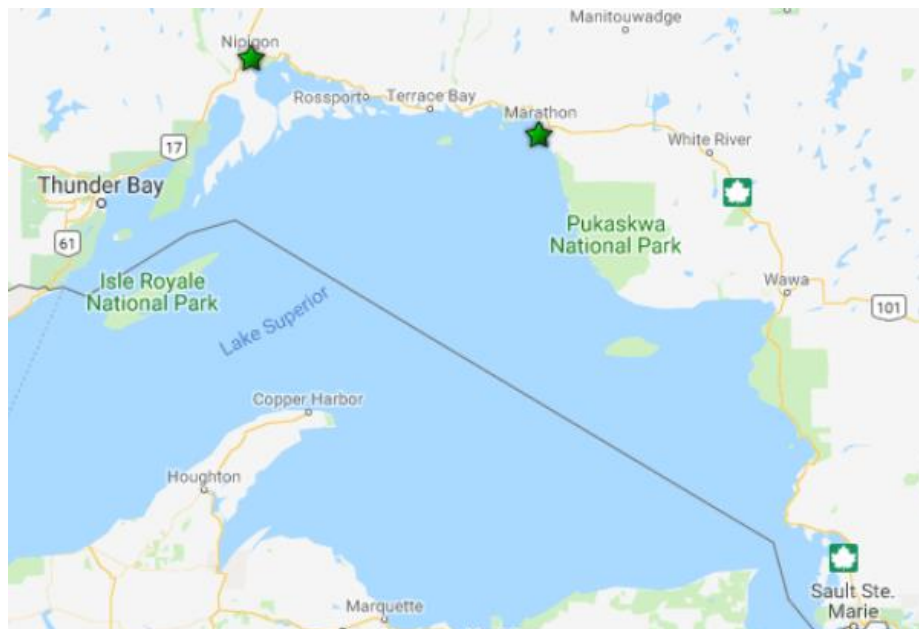
Development Overview

Nipigon to Marathon Market Overview

The Nipigon to Marathon market spans across 3 major markets analyzed by CBRE.

1. Shuniah to Nipigon
2. Rosspoint to Jackfish
3. Marathon to White River

The following section details market overviews for each of these three areas.



Shuniah to Nipigon Market

The Shuniah to Nipigon market includes the communities of Shuniah, Red Rock and Nipigon, constituting a total population of over 5,400 residents. This is the closest market to the City of Thunder Bay along the north shore of Lake Superior, and provides the first link to other Northern Ontario communities via Highway 11 in Nipigon.

The Shuniah to Nipigon accommodation market is primarily comprised of motels in the Town of Nipigon. The balance of the market is comprised of bed and breakfast establishments and inns located in Shuniah and Red Rock. In total, there are 11 properties and 131 rooms in the market, of which Nipigon represents 75% of rooms supply. A list of these properties and their amenities is provided in the following table.

No.	Name	Community	Location	Type	Rental Units	Operation	Restaurant	Breakfast	Housekeeping Units	Fuel / Convenience	TRIP ADVISOR RATING	# Reviews	GOOGLE RATING	# Reviews
1	Eldorado Beach on Lake Superior	Shuniah	Waterfront	B&B	3	Year Round		x			5.00	32	No Rating	0
2	Quebec Lodge	Red Rock	Waterfront	B&B	6	Year Round		x			4.50	7	No Rating	0
3	Red Rock Inn	Red Rock	Waterfront	Boutique Hotel	24	Year Round		x			4.50	77	4.50	27
4	Birchville Motel	Nipigon	Highway 17/11	Hotel / Motel	10	Year Round			x		4.50	77	4.10	38
5	Beaver Motel	Nipigon	Highway 17/11	Hotel / Motel	21	Year Round			x		4.00	74	4.40	76
6	Town & Country Motel	Nipigon	Highway 17/11	Hotel / Motel	16	Year Round			x		3.00	16	4.00	36
7	Locking Horns Motel	Nipigon	Highway 17/11	Hotel / Motel	11	Year Round	x			x	3.50	3	2.00	2
8	Pine Crest Motel	Nipigon	Highway 17	Hotel / Motel	14	Year Round					2.50	3	0.00	0
9	Northland Motel	Nipigon	Highway 17	Hotel / Motel	18	Year Round			x		2.50	43	3.30	53
10	Skandia House B&B	Nipigon	In Town	B&B	3	Year Round		x			No Rating	0	4.00	1
11	Sunnyside Cabins & Café	Nipigon	In Town	Lodge/Cottages	5	Year Round					3.00	2	4.40	34
131											3.70	292	3.84	267

Source: CBRE Hotels

This market has the second lowest ratings of the five North Shore markets with an average Trip Advisor rating of 3.7 and an average Google rating of 3.84 out of 5. This market has several properties that are highly rated (above 4), but also has the lowest rated properties in all five markets. The Birchville Motel and Beaver Motel have the highest ratings with the most number of guest reviews, both of which are renovated or in the process of upgrading.

Rosspport to Jackfish Market

The Rosspport to Jackfish market includes the communities of Rosspport, Schreiber, Terrace Bay, and Jackfish, comprising a total population of over 3,000 residents. This market covers a wide stretch of Highway 17's Circle Tour along the north shore of Lake Superior.

The Rosspport to Jackfish accommodation market is primarily comprised of hotels/motels along the highway and a few bed and breakfast properties in Rosspport. In total, there are 17 properties and 210 rooms in the market. A list of these properties and their amenities is provided in the table below.

No.	Name	Community	Location	Type	Rental Units	Operation	Restaurant Breakfast	Housekeeping Units	Fuel /Convenience	TRIP ADVISOR RATING	# Reviews	GOOGLE RATING	# Reviews
1	Rosspoint Inn & Cabins	Rosspoint	Railroad Tracks	Lodge / Cottages	9	Seasonal				3.50	42	4.70	3
2	Willows Inn B&B	Rosspoint	Railroad Tracks	B&B	4	Year Round	x			4.50	46	4.70	14
3	Serendipity Gardens Café & Guest House	Rosspoint	In Town	B&B	4	Year Round	x			4.50	43	4.40	35
4	Island Shores B&B	Rosspoint	In Town	B&B	3	Year Round	x			4.50	65	No Rating	0
5	B&B on the Beach	Rosspoint	Waterfront	B&B	2	Year Round	x			5.00	132	5.00	6
6	Rongie Lake Motel & Hungry Moose Restaurant	Schreiber	Highway 17	Hotel / Motel	5	Year Round	x			3.00	4	4.80	43
7	Villa Bianca Inn & Restaurant	Schreiber	Highway 17	Hotel / Motel	30	Year Round	x		x	3.00	19	3.00	80
8	Nor-West Motel	Schreiber	Highway 17	Hotel / Motel	10	Year Round				4.00	3	3.90	27
9	Cosiana Inn	Schreiber	Highway 17	Hotel / Motel	18	Year Round		x		No Rating	0	3.20	16
10	Birch Grove Housekeeping Motel	Schreiber	In Town	Hotel / Motel	9	Year Round		x		No Rating	0	4.50	2
11	Sunset Motel	Schreiber	Highway 17	Hotel / Motel	10	Year Round				3.50	11	4.30	10
12	Barrel Inn	Schreiber	Highway 17	Hotel / Motel	10	Year Round				No Rating	0	No Rating	0
13	Imperial Drifters Restaurant & Motel	Terrace Bay	Highway 17	Hotel / Motel	21	Year Round	x		x	3.50	22	3.40	42
14	Norwood Motel	Terrace Bay	Highway 17	Hotel / Motel	16	Year Round				4.00	79	4.10	47
15	Red Dog Inn	Terrace Bay	Highway 17	Hotel / Motel	41	Year Round	x	x		2.50	61	3.00	73
16	Jackfish Lake Cottages	Jackfish	Highway 17	Lodge / Cottages	8	Seasonal			x	4.50	8	4.70	12
17	Coach House Motel	Jackfish	Highway 17	Hotel / Motel	10	Year Round				4.50	86	3.50	22
17					210								

Source: CBRE HOTELS

This market has the third highest ratings of the five North Shore markets with an average Trip Advisor rating of 3.89 and an average Google rating of 4.08 out of 5. Properties in Terrace Bay and Jackfish generally have higher ratings with more guest reviews, whereas Schreiber has the fewest guest reviews with some of the lowest ratings. The properties with the highest ratings and most reviews are all B&B or guest house type of accommodations, while the lowest rated accommodation types are all hotels/motels.

Marathon to White River Market

This market includes the communities of Marathon and White River, including the 95km of Highway 17 that connect them. The two communities together have a total population of almost 4,000 residents, most of which are from Marathon.

The Marathon to White River accommodation market consists mainly of hotels and motels in Marathon and White River. A list of these properties and their amenities is provided in the table.

No.	Name	Community	Location	Type	Rental Units	Operation	Restaurant Breakfast	Housekeeping Units	Fuel /Convenience	TRIP ADVISOR RATING	# Reviews	GOOGLE RATING	# Reviews
1	Airport Motor Inn	Marathon	Highway 17	Hotel / Motel	44	Year Round			x	2.50	133	2.90	88
2	Lakeview Manor	Marathon	In Town	B&B	5	Year Round	x			5.00	37	4.60	11
3	Marathon Harbour Inn	Marathon	In Town	Hotel / Motel	16	Year Round				4.00	107	4.10	86
4	Zero-100 Motor Inn	Marathon	In Town	Hotel / Motel	32	Year Round	x			2.50	59	3.00	71
5	Continental Motel	White River	Highway 17	Hotel / Motel	43	Year Round	x	x		3.50	60	3.80	87
6	White River Motel	White River	Highway 17	Hotel / Motel	29	Year Round				4.00	89	4.10	55
6					169								

Source: CBRE HOTELS

This market has the lowest guest ratings of the five North Shore markets with an average Trip Advisor rating of 3.58 and an average Google rating of 3.75 out of 5. This market has a high number of guest reviews for the size of the market, but it is also highly fragmented; several properties have very low ratings and several have very high ratings. The Lakeview Manor has the highest ratings and is well received in the community, with executive corporate guests often staying there according to local stakeholders. The White River Motel and Marathon Harbour Inn are both second highest rated in the market, both of which have been renovated/expanded recently.

Market Summary

From a leisure traveller perspective, access to major demand generators and restaurants, proximity to natural, cultural, and tourist attractions, access to and from major transportation routes, and access to waterfront would be the most important factors to consider when choosing a location. As such, several communities between Shuniah and White River might meet these requirements. These markets are also ideal because the highway is located relatively close to the waterfront as well as the provincial parks and trails throughout these markets. **CBRE has narrowed the ideal market to the communities between Nipigon and Marathon to form distance from encroaching supply expansions in Thunder Bay, and to ensure any future development can be as close as possible to the waterfront.**

Proposed Hotel Facility Program

This development alternative is that of a 30-room unbranded leisure-focused property with a fitness room and one small meeting room. This property would be located preferably on the waterfront, in a major community located between Nipigon and Marathon (inclusive). It is expected that the potential property would be mid to upscale and offer a clean, contemporary design. Based on stakeholder interviews, it is our understanding that there is a growing interest in good quality accommodations with accessible one-stop leisure experiences. Visitors to the area would like to have immediate access to the natural surroundings through hiking trails, waterfront activities, snowmobile trails, or beaches, within close proximity to their overnight accommodation. The ability of the property to attract sufficient demand in off-peak periods is critical in achieving sustainable business levels year-round.

The primary driver for a leisure-focused property's location would differ slightly based on what other amenities the facility would offer. If for example, the hotel developer adds full food and beverage services and amenities on-site, then they would be less concerned with the proximity to support amenities. Similarly, proximity to the natural, cultural, and tourist attractions in the area would be important so that excursions could be planned as part of the guests programming.

Though not included in the facility program, the property could also grow to offer additional amenities such as bicycle rentals, kayak rentals, hiking trail experiences, etc. While these additional amenities may not necessarily generate additional revenue, they would provide a well-rounded leisure guest experience and

would be necessary to compete effectively in the Ontario leisure market and set the property apart in the local accommodation market.

The potential positioning of future accommodation between Nipigon and Marathon as an unbranded leisure-focused property development is based on these primary factors:

- This type of accommodation development would appeal to leisure travelers, which represents a significant proportion of travelers and occupied room night demand within the local area.
- An independent property would allow for greater flexibility in design, amenities, and positioning of the property.
- This type of accommodation could include additional amenities that will allow the property to attract more leisure demand in off-peak periods.

The following table summarizes the preliminary facility program for the leisure-focused development option.

PROPOSED HOTEL FACILITY PROGRAM - 30-ROOM LEISURE-FOCUSED HOTEL

GUESTROOMS		% of Room Mix	Keys	Sq. Ft./Rm	Total GFA
Guestrooms		100%	30	350	10,500
<i>Total</i>		100%	30	350	10,500
MEETING/CONFERENCE FACILITIES			Capacity	Sq. Ft./Rm	Total GFA
Meeting Room 1			18	20	350
<i>Total</i>			18	20	350
OTHER				Sq. Ft./Rm	Total GFA
Fitness Room				12	350
Lobby / Public Spaces				33	1,000
BOH / Circulation				93	2,800
Total Hotel GFA				500	15,000

Source: CBRE Hotels

Property Performance Projections

The projections prepared for the subject 30-room property are based on the economic outlook for the area, current market dynamics, the markets highly seasonal nature, and anticipated changes in demand patterns throughout the projection period. The projections are based on an opening date of January 1, 2021 with stabilization in Year 3 (2023).

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

Independent Leisure-Focused Hotel	
Number of Rooms	30
Gross Floor Area	15,000 sq. ft.
Gross Floor Area per Room	350 sq. ft.
Location Conclusions	Major community between Nipigon and Marathon, ideally on waterfront (inclusive)
Occupancy (Year 5)	64%
ADR (Year 5)	\$141
Rooms Revenue (Year 5)	\$1.0 million

Source: CBRE Hotels

The property is expected to be attractive to the leisure travel segment by featuring a lower rate and be more attractive to families and leisure travellers. The proposed property is expected to operate at peak occupancy levels on weekends and in peak leisure demand periods, such as the summer and early fall. Based on CBRE Hotels' projections, unless the market is able to attract stronger demand in off-peak periods and on weekdays, the leisure-focused hotel is projected to stabilize at an annual occupancy of 64%.

Implications

The leisure-focused independent property is expected to be a waterfront property and to focus on attracting the leisure segment – particularly families, but will need to depend on the Other/Crew segment to cushion its occupancy during off-peak travel times and offer year-round activities to boost occupancy in the slower demand seasons. This may include work that the Lake Superior National Marine Conservation Area is doing in the area, i.e. the leisure programming offered at the Discovery Centre, construction crews during construction of the proposed new centre, and Government business due to research teams.

Should a developer choose to go ahead, there is growing interest and potential for future growth along the North Shore, particularly with a more unique investment opportunity. The prevalence of recreational travel within the market could also allow the opportunity for investors to consider additional sources of revenue that could enhance the profitability of a future accommodation development. Income producing amenities such

as bike or kayak rentals, hiking tours, restaurants, and other unique attractions could attract a broader range of guests and provide additional sources of revenue for an accommodation property and help with demand in off-peak seasons.

It is important to note that the scope of this engagement relates to evaluating the most suitable form of accommodation growth along the North Shore of Lake Superior. As such, CBRE Hotels have identified a development alternative, that of a 30-room independent leisure-focused hotel. This property considered as new development would provide the greatest opportunity for an expansion and broadening of the existing amenities and services offered within the North Shore area, and to allow for the development of off-peak travel. The development alternative was selected taking into consideration the needs of the most predominant sources of existing and growing accommodation demand along the North Shore. Should a specific site be identified or a specific development be proposed, further analysis would be required to determine the economic viability of any specific project.

APPENDIX

Glossary of Industry Terminology

Industry-related indicators referenced in the following market overviews, include:

- Accommodation Supply (Property Name, Community, Location, Type, # of Units, Operating season, Facilities, Trip Advisor & Google Ratings / # of Reviews)
- Available Room Nights (ARN = total number of units at a property x number of nights property is open in an operating season)
- Operating Season (average operating days)
- Accommodation Demand (Number of room nights occupied by guests, without consideration to the number of guests per room)
- Total Rooms Revenue
- Occupancy (percentage of room nights occupied out of the total room nights available per operating season)
- Average Daily Rate (ADR = total rooms revenue / rooms occupied)
- Revenue per available room night (RevPAR = total rooms revenue / rooms available)
- Accommodation Demand Generators for the market
- Highway Traffic Counts for the market
- Recent and Projected Hotel Supply
- Market Segmentation (subsets of users with similar needs and behaviours, i.e. Corporate/Government, Leisure, Crew)



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