



**Hotel Development Opportunity  
in Wawa, Ontario**

## **HOTEL DEVELOPMENT OPPORTUNITIES ALONG THE NORTH SHORE OF LAKE SUPERIOR - WAWA**

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 **60-room hotel development in the Wawa area as an investment opportunity for a private sector developer.**

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.

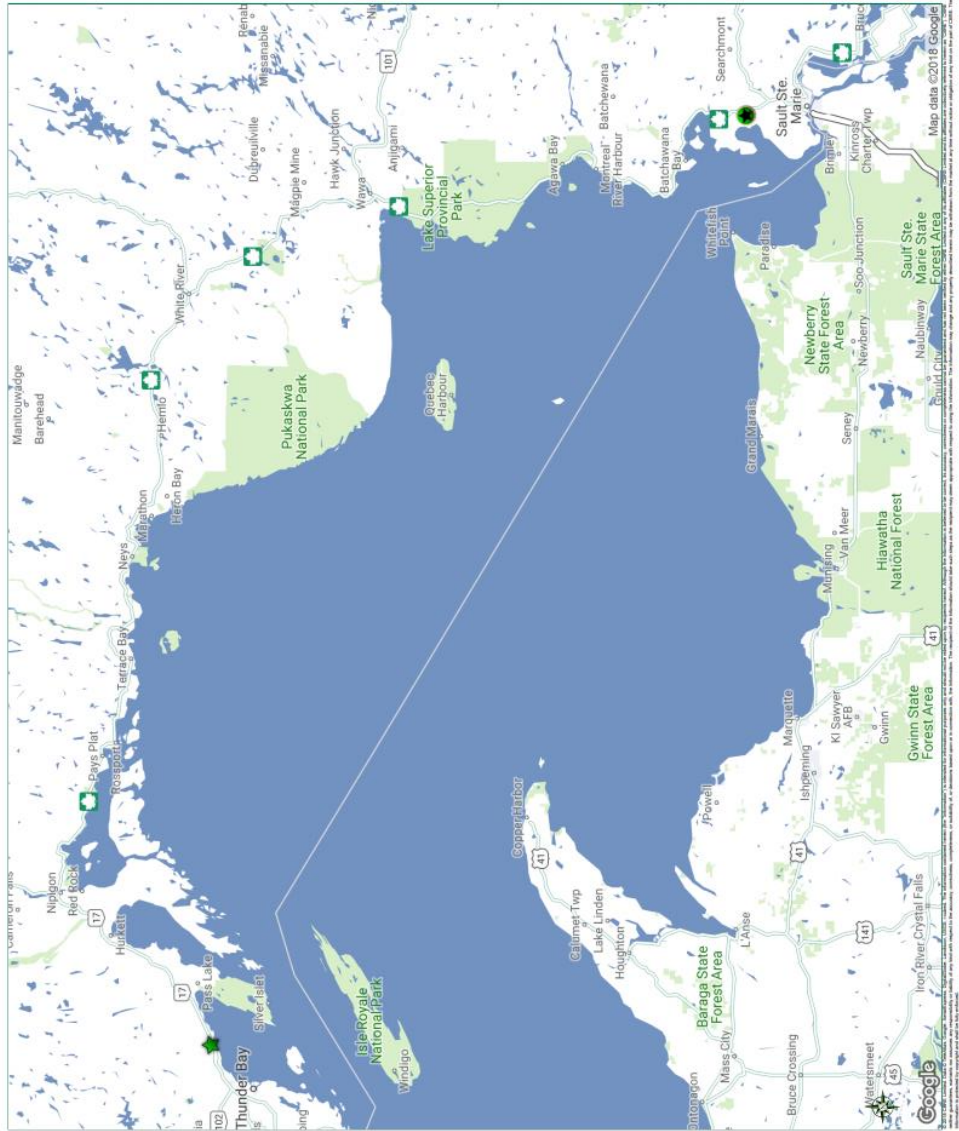
The North Shore of Lake Superior Region study area excludes the Cities of Thunder Bay and Sault Ste. Marie, but includes the Municipality of Shuniah to the west and Goulais River to the east. The entire study area spans approximately 660km along Highway 17 (the Trans-Canada Highway), which equates to 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         |
| <b>TOTAL POPULATION (2018)</b> | <b>18,521</b> |

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/<br>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

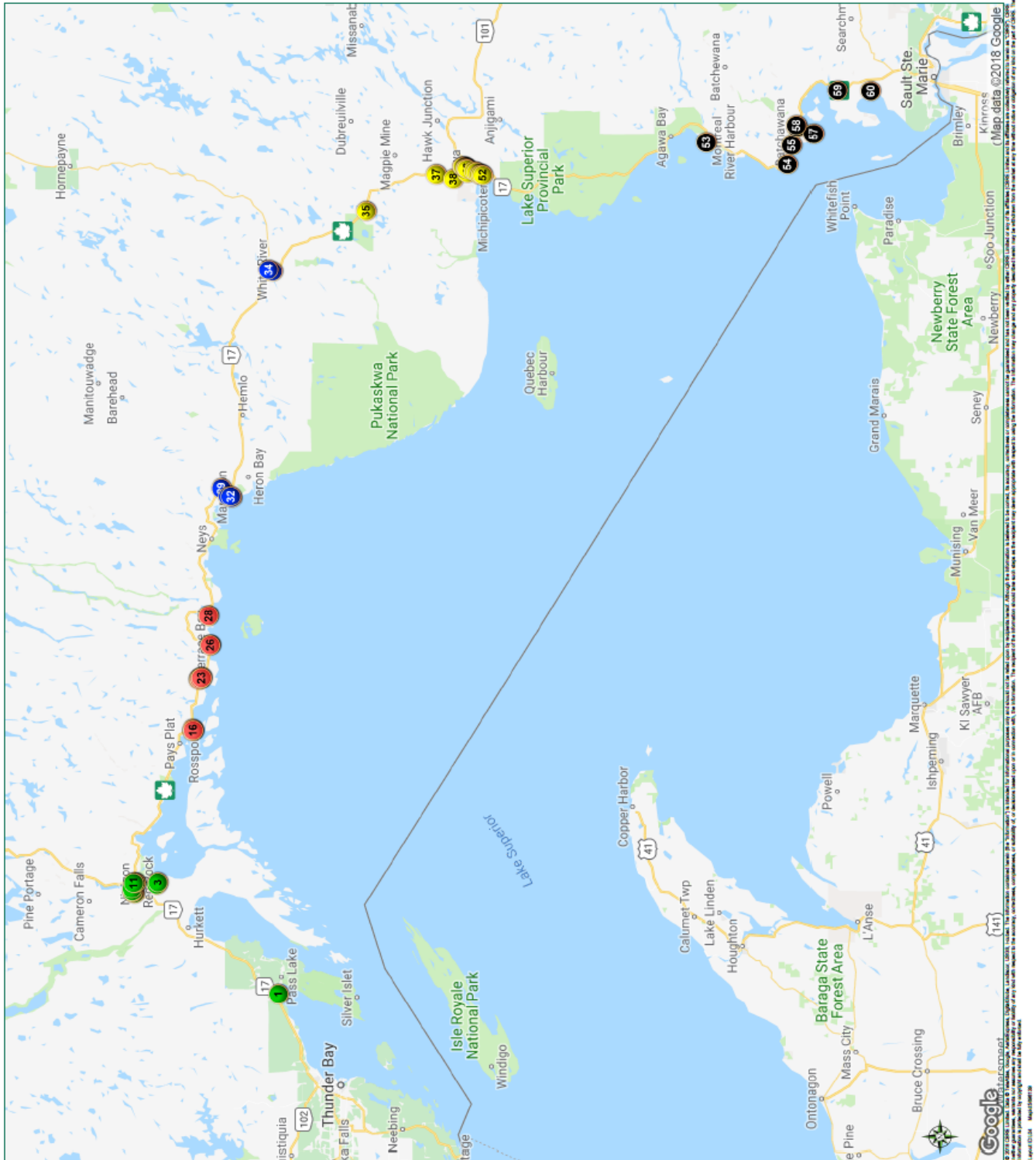
In 2017, there were 59 fixed-roof accommodation properties on the Trans-Canada Highway route between Thunder Bay and SSM, with 890 rooms, representing an annualized inventory of 819 rooms. The majority (61%) of the accommodations are on the highway with 30% within a town, and 8% on the waterfront. The 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          |
|     |   | <b>59</b>        | <b>890</b>              | <b>100%</b>      | <b>83%</b>                | <b>17%</b>              | <b>61%</b> | <b>8%</b>  | <b>30%</b> | <b>88%</b>  | <b>4%</b> | <b>9%</b>    | <b>3.89</b>         | <b>3,580</b> | <b>4.05</b>   | <b>2,356</b> |

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.





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|--|--|
| 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.

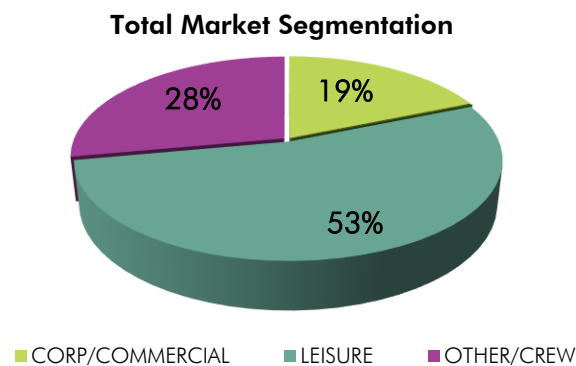
The **Market Segmentation** for the Lake Superior North Shore is comprised primarily of 3 segments:

- **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

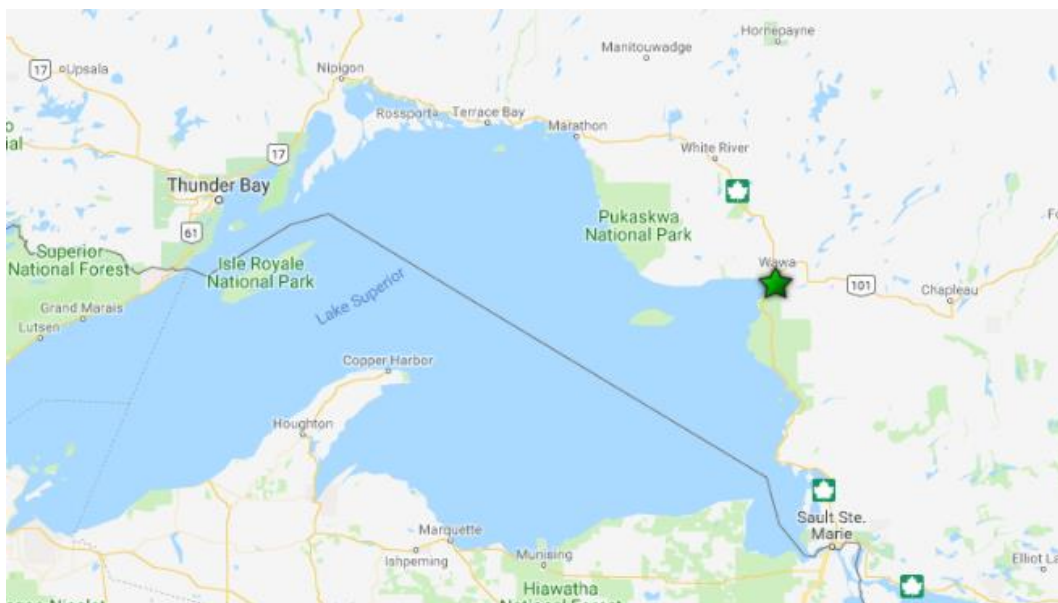
The North Shore of Lake Superior is already known for its natural beauty, but is relatively untouched from a tourism capital reinvestment perspective. The area is popular for outdoor activities such as hiking, camping, boating, fishing, and hunting. Currently, the majority of overnight accommodation 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 if a new property is to be constructed along the North Shore, an accommodation development in the 30 to 60 room range would be ideal. Taking into account the nature of local demand fluctuations, CBRE identified the best development opportunity for private investor to be **a 60-room branded limited service hotel in the Wawa market.**

## Development Overview

### Wawa Market Overview

This market includes the municipality of Wawa and the surrounding areas. The municipality of Wawa has a population of about 2,800 people. Highway 17 connects with Highway 101 in Wawa and the Lake Superior Provincial Park is directly to the south of Wawa.



The current Wawa accommodation market is comprised of a mix of hotel/motels, lodges, cabins, cottages, and resorts, with 91% of rooms supply from the hotel/motels. Approximately 57% of the rooms supply is located in the town of Wawa, with 34% on the highway, and 9% on the waterfront. 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         | Halfway Lodge                         | Wawa      | Highway 17   | Hotel / Motel   | 8            | Seasonal          |            |           |                    |                   | No rating           | 0         | 4.20          | 16        |
| 2         | Normandy Lodge                        | Wawa      | Waterfront   | Fishing Lodge   | 12           | Seasonal          |            |           | x                  |                   | No rating           | 0         | 5.00          | 6         |
| 3         | Catfish Lakefront Cabins              | Wawa      | Waterfront   | Cottage Resort  | 4            | Seasonal          |            |           | x                  |                   | 3.00                | 4         | 4.70          | 21        |
| 4         | Northern Lights Motel & Cabins        | Wawa      | Highway 17   | Hotel / Motel   | 4            | Seasonal          |            |           | x                  |                   | 5.00                | 264       | 4.70          | 38        |
| 5         | Wawa RV Resort and Campground         | Wawa      | Waterfront   | Cabins/Cottages | 10           | Seasonal          |            |           |                    |                   | 4.00                | 19        | 4.30          | 77        |
| 6         | Rock Island Lodge and Paddling Centre | Wawa      | Waterfront   | B&B             | 4            | Seasonal          |            | x         |                    |                   | 4.50                | 67        | 4.70          | 18        |
| 7         | Lakeview Hotel                        | Wawa      | In Town      | Hotel / Motel   | 14           | Year Round        |            |           |                    |                   | 3.50                | 31        | 3.50          | 58        |
| 8         | Bristol Motel                         | Wawa      | In Town      | Hotel / Motel   | 21           | Seasonal          |            |           |                    |                   | 4.00                | 72        | 3.20          | 53        |
| 9         | Outdoorsman Motel                     | Wawa      | In Town      | Hotel / Motel   | 37           | Opened March 2018 |            |           |                    |                   | No rating           | 0         | 4.40          | 22        |
| 10        | Algoma Motel Ltd.                     | Wawa      | In Town      | Hotel / Motel   | 25           | Seasonal          |            |           |                    |                   | 4.00                | 41        | 3.50          | 34        |
| 11        | Beaver Motel                          | Wawa      | In Town      | Hotel / Motel   | 21           | Year Round        |            |           |                    |                   | 3.50                | 61        | 4.10          | 47        |
| 12        | Wawa Motor Inn                        | Wawa      | In Town      | Hotel / Motel   | 70           | Year Round        | x          |           | x                  |                   | 3.50                | 193       | 4.10          | 260       |
| 13        | Highway 17 Motel                      | Wawa      | Highway 17   | Hotel / Motel   | 32           | Year Round        |            |           |                    |                   | No rating           | 0         | 3.90          | 72        |
| 14        | High Falls Motel and Cabins           | Wawa      | Highway 17   | Hotel / Motel   | 10           | Seasonal          |            |           | x                  |                   | 5.00                | 247       | 4.60          | 39        |
| 15        | Parkway Motel                         | Wawa      | Highway 17 S | Hotel / Motel   | 13           | Year Round        |            |           |                    |                   | 4.50                | 340       | 4.60          | 79        |
| 16        | Best Northern Resort & Restaurant     | Wawa      | Highway 17 S | Hotel / Motel   | 19           | Year Round        | x          |           |                    |                   | 4.00                | 170       | 4.20          | 93        |
| 17        | White Fang Motel                      | Wawa      | Highway 17 S | Hotel / Motel   | 14           | Seasonal          |            |           |                    |                   | 4.50                | 82        | 4.60          | 55        |
| 18        | Mystic Isle Motel                     | Wawa      | Highway 17   | Hotel / Motel   | 14           | Year Round        |            |           |                    |                   | 4.00                | 242       | 4.10          | 67        |
| <b>18</b> |                                       |           |              |                 | <b>332</b>   |                   |            |           |                    |                   |                     |           |               |           |

Source: CBRF HOTELS

This market has the second highest guest ratings of the five North Shore markets with an average Trip Advisor rating of 4.07 and an average Google rating of 4.24 out of 5. As the largest market, Wawa's high average rating is impressive and speaks to the overall quality of the market. Several of the properties have been renovated or are in the process of being upgraded.

From an investment perspective, the strengths of the leisure and corporate demand segments in the Wawa market can demand a higher room rate. Wawa has a healthy base of both corporate/government/commercial demand (i.e. Barrick Gold, hydro projects, etc.) and leisure demand (i.e. Circle Tour, Lake Superior Provincial Park), which makes this a prime location for a small branded property. Other key considerations for this type of property would be access to and from major transportation routes, and proximity to restaurants, retail, and other support amenities.

## **Proposed Hotel Facility Program**

This development opportunity contemplates a branded, 60-room, limited-service hotel. Examples of brands that could be considered for such a development include, but are not limited to Best Western GLo, Tru by Hilton, Comfort Inn by Choice Hotels, and/or Microtel by Wyndham Hotels. In this scenario, branding is recommended in that it will not only enhance the marketability of the project, but will also enhance the potential for project financing. Feedback from local stakeholders and visitors to Wawa indicated that the area is attracting more and more corporate business, especially from the municipal airport with prospecting and mining. Wawa is also a natural over-night stop for tourists doing the Circle Tour. The hotel brands indicated above offer the quality, value, and amenities and services that both leisure and corporate guests expect.

For a hotel along the highway in this region, being located somewhere that is easily accessible for guests increases the likelihood of capturing “drive by” demand. The proximity to support amenities for guests, particularly restaurants, is critical because the food and beverage facilities at this type of hotel would be limited, usually just a breakfast are. In order to be attractive for families and corporate travelers, a new hotel should also be located in an area where it is easy to get around.

This development option would include a comprehensive offering of amenities for both business and leisure travelers. Hotels of this nature typically feature a variety of guestrooms, including standard one or two bedded rooms, and a mixture of suite configurations. Guestrooms within this tier of hotels typically include amenities such as a desk or work space, high-speed internet and/or wireless internet access, in-room coffee making facilities, and a free hot breakfast. The potential development program should include a variety of room types as dictated by the brand development standards. Other services that could be available at the proposed hotel would include a breakfast room, a 350 square feet meeting room, and a fitness room.

The potential positioning of future accommodation in Wawa as a limited-service hotel is based on these primary factors:

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

The following table outlines a preliminary facility program for a potential 60-unit limited service hotel.

**PROPOSED HOTEL FACILITY PROGRAM - 60-ROOM BRANDED HOTEL**

| GUESTROOMS                    |  | % of Room Mix | Keys      | Sq. Ft./Rm | Total GFA     |
|-------------------------------|--|---------------|-----------|------------|---------------|
| Guestrooms                    |  | 100%          | 60        | 350        | 21,000        |
| <i>Total</i>                  |  | <i>100%</i>   | <i>60</i> | <i>350</i> | <i>21,000</i> |
| FOOD & BEVERAGE / BANQUETS    |  |               | Seats     | Sq. Ft./Rm | Total GFA     |
| Breakfast Area                |  |               | 60        | 15         | 900           |
| <i>Total</i>                  |  |               | <i>60</i> | <i>15</i>  | <i>900</i>    |
| MEETING/CONFERENCE FACILITIES |  |               | Capacity  | Sq. Ft./Rm | Total GFA     |
| Meeting Room 1                |  |               | 18        | 20         | 350           |
| <i>Total</i>                  |  |               | <i>18</i> | <i>20</i>  | <i>350</i>    |
| OTHER                         |  |               |           | Sq. Ft./Rm | Total GFA     |
| Fitness Room                  |  |               |           | 6          | 350           |
| Lobby / Public Spaces         |  |               |           | 20         | 1,200         |
| BOH / Circulation             |  |               |           | 133        | 8,000         |
| <b>Total Hotel GFA</b>        |  |               |           | <b>530</b> | <b>31,800</b> |

Source: CBRE Hotels

## Property Performance Projections

CBRE prepared projections for the subject 60-room property, based on the economic outlook for the area, current market dynamics, the market’s seasonality, 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 potential accommodation.

| Branded Limited-Service Hotel |                |
|-------------------------------|----------------|
| Number of Rooms               | 60             |
| Gross Floor Area              | 31,800 sq. ft. |
| Gross Floor Area per Room     | 350 sq. ft.    |
| Location Conclusions          | Wawa           |
| Occupancy (Year 5)            | 71%            |
| ADR (Year 5)                  | \$145          |
| Rooms Revenue (Year 5)        | \$2.3 million  |

Source: CBRE Hotels

The property is expected to be attractive to the leisure travel segment, but be positioned in the market to achieve a higher occupancy and ADR. 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 branded limited-service property is projected to stabilize at an annual occupancy of 71%.

## Implications

CBRE's research indicated that there is a need for **branded accommodations in the Wawa market**, which presents a significant opportunity for a new accommodation property to capture demand in shoulder and off-peak seasons. The branded property development would be expected to capture a reasonable amount of demand from both the corporate and leisure segments, as its positioning, amenities, and service levels would be well suited to hosting both types of travelers.

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.

A new 60-room branded hotel development would provide the greatest opportunity for an expansion and broadening of the existing amenities and services offered within the North Shore area, and allow for the development of increased off-peak travel. This development opportunity 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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