FEASIBILITY ANALYSIS OF PROPOSED HOTEL PROPERTIES

Proposed Hotels In

St. Catharines (Downtown & Port Dalhousie), Ontario

IN A MARKET STUDY AND

FEASIBILITY ANALYSIS REPORT

As of January 1, 2017

Prepared For:

Economic Development &
Tourism Department

The Corporation of the
City of St. Catharines

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Summary of Feasibility Analysis Methodology & Conclusion

The following is an executive summary of the information that we present in more detail in the report.

Through data collected from interviews, published sources and industry reports, we are able to present an analysis of current and future demand levels within the St. Catharines hotel market. This, in turn, has allowed us to prepare financial projections for each hotel scenario for a period of ten years; these financial projections are then used to determine the overall value of the hotels (necessary in order to determine the amount of debt financing that would be available). Finally, we have estimated the overall construction costs, determined the amount of equity required in addition to the debt financing to complete the construction, and then calculated the return on equity. This final calculation, the return on equity, provides the necessary information to potential developers or investors as a means of measuring the project viability and appeal.

Financial projections of the various hotel scenarios take into account the prevailing market-wide demand and existing hotel supply, the associated market occupancy levels, an estimate of future induced demand growth – stimulated primarily by the FirstOntario Performing Arts Centre and Meridian Centre – and finally the overall annual ADR seen in the St. Catharines lodging market. Our hotel supply and demand analysis provides information that allows us to ascertain how much demand would be available to any proposed hotel, which dictates, in large part, the size of hotel that might be supported. As shown in this report, the existing hotels operate at a relatively weak annual occupancy (recognizing that some hotels do better than others) and that demand is concentrated into Friday and Saturday nights; occupancy levels during other days of the week are generally between 35% and 55% which are levels that generally result in inefficient and probably unprofitable operations. We concluded from our analyses that any new hotel should likely be 'smaller' rather than 'larger', and we have tested a number of scenarios and projected occupancy and ADR for each scenario. This was then coupled with comparable hotel operating ratios to develop a 10-year financial pro-forma for each of the hotel scenarios. As hotels typically transact, and therefore are valued, based on their income-producing ability, we used the projections for each scenario to determine the value of the hotel once operating. With lenders typically providing debt financing at approximately 55% of value, we calculated the level of debt and annual debt service for each hotel, and determined the annual return to the owner after debt service. The final stages of our work entailed estimating the capital costs of each hotel scenario, allowing for varying land and building area requirements among the scenarios. We then deducted the amount of available debt financing from the capital costs to calculate the amount of equity required to complete the construction process, and then measured the return on equity for each hotel.

According to interviews with local real-estate brokers, land costs in Downtown St. Catharines and Port Dalhousie are estimated to be approximately $1 million per acre, while smaller parcels of 0.5 acres would still cost around $750,000. This is mainly driven by the Meridian Centre and FirstOntario Performing Arts Centre developments, which have increased the value of commercial real estate in the Downtown core. Hotel construction cost estimates were then developed through an analysis of standard construction costs provided by midscale brands and a discussion with construction companies who specialize in hotel construction. <u>It should be noted that due to the unknown size and composition of the non-hotel components of any mixed-use development, we have not estimated a construction cost for this scenario. Instead, for the 50-suite hotel integrated within a mixed-use development scenario, we have taken the annual return to owner after debt service and factored a 12% investment return (the anticipated minimum reasonable rate of return) in order to ascertain the level of total equity that can be required; this combined with the debt component, tells us the total amount that could be allocated to the hotel construction costs as part of the cost of the overall mixed-use development project.</u>

The following table summarizes the results of our analysis for each of the three scenarios considered for St. Catharines and the one scenario for Port Dalhousie. Greater detail is provided in our financial projections for each scenario and other relevant material presented later in this report:

Valuation Indices	Proposed 100-Room, Branded Downtown Hotel	Proposed 50-Room, Independent Downtown Hotel	Proposed 25-Room, Independent Downtown Hotel	Proposed 50-Suite, Downtown Hotel in a Mixed-Use Development	Proposed 25-Room, Independent Port Dalhousie Hotel
Projected Stabilized Year (2019) Revenue					
Number of Days Open:	365	365	365	365	365
Number of Rooms:	100	50	25	50	25
Stabilized Occupancy:	59.0%	61.0%	59.0%	66.0%	45.0%
Occupied Rooms (Stabilized Year):	21,535	11,133	5,384	12,045	4,106
Stabilized Average Rate:	$133.25	$138.38	$141.84	$143.50	$153.75
Stabilized RevPAR:	$78.62	$84.41	$83.69	$94.71	$69.19
Rooms Revenue:	**$2,870,000**	**$1,540,000**	**$764,000**	**$1,728,000**	**$631,000**
Net Operating Income:	**$627,000**	**$477,000**	**$262,000**	**$653,000**	**$179,000**
Estimated Hotel Value					
Discounted Cash Flow					
Projection Period:	10 Years	10 Years	10 Years	10 Years	10 Years
Holding Period:	10 Years	10 Years	10 Years	10 Years	10 Years
Terminal Capitalization Rate:	9.00%	9.00%	9.00%	9.00%	9.00%
Discount Rate:	11.00%	11.00%	11.00%	11.00%	11.00%
Indicated Value of Hotel:	**$6,400,000**	**$5,000,000**	**$2,700,000**	**$6,800,000**	**$1,900,000**
Per Room	**$64,000**	**$100,000**	**$108,000**	**$136,000**	**$76,000**
Estimated Construction Cost					
Number of Rooms:	100	50	25		25
Gross Building Area (GBA) Per Guest Room:	650	600	600		600
Estimated Total Gross Building Area (GBA):	65,000	30,000	15,000		15,000
Estimated Land Cost:	$1,000,000	$750,000	$750,000		$750,000
Estimated Hotel Construction Cost:	$15,615,360	$7,767,680	$4,748,840	See *Investment Analysis* Section	$4,748,840
Total Hotel Construction Cost including Land:	**$16,615,360**	**$8,517,680**	**$4,748,840**		**$4,748,840**
Total Hotel Construction Cost Per Room:	**$166,154**	**$170,354**	**$189,954**		**$189,954**
Total Hotel Construction Cost Per Square Foot (GBA):	$256	$284	$317		$317
Investment Analysis					
Total Estimated Property Value:	**$6,400,000**	**$5,000,000**	**$2,700,000**	**$6,800,000**	**$1,900,000**
Loan to Value Ratio:	60%	60%	60%	60%	60%
Mortgage Component:	$3,840,000	$3,000,000	$1,620,000	$4,080,000	$1,140,000
Equity Component:	**$12,775,360**	**$5,517,680**	**$3,128,840**	Minimum Equity Component Required for a 12% Return = **$2,720,000**	**$3,608,840**
Annual Debt Service:	$304,108	$237,584	$128,265	$323,114	$90,282
NOI After Debt Service (Stabilized Year)	$322,892	$239,416	$133,735	$329,886	$88,718
10-Year Cash Flow to Equity (Excluding Assumed Sale):	**$3,197,924**	**$2,487,159**	**$1,383,046**	**$3,360,915**	**$967,181**
Return On Equity (%):	**25%**	**45%**	**44%**	**124%**	**27%**
Average Annual Rate of Return:	2.4%	4.3%	4.3%	12.1%	2.6%

*Equity Component is comprised of the Construction Cost minus the Mortgage Component

The analyses contained in this report are based upon assumptions and estimates that are subject to uncertainty and variation. These estimates are often based on data obtained in interviews with third parties, and such data are not always completely reliable. In addition, we make assumptions as to the future behaviour of consumers and the general economy, which are highly uncertain. However, it is inevitable that some assumptions will not materialize and unanticipated events may occur that will cause actual achieved operating results to differ from the financial analyses contained in this report and these differences may be material. Therefore, while our analyses were conscientiously prepared on the basis of our experience and the data available, we make no warranty that the

conclusions presented will, in fact, be achieved. Additionally, we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend. The opinions of value include the land, the improvements thereto, and the contributory value of the furniture, fixtures and equipment. We assume that the hotel will be, and shall remain, open and operational.

We did not ascertain the legal, engineering, and regulatory requirements applicable to the property, including state and local government regulations, permits and licenses. No effort has been made to determine the possible impact on the property of present or future federal, state or local legislation, including any environmental or ecological matters or interpretations thereof. With respect to the market demand analysis, our work did not include analysis of the potential impact of any significant rise or decline in local or general economic conditions.

We take no responsibility for any events, conditions, or circumstances affecting the market that exists subsequent to the last day of our fieldwork, December 2, 2015.

The market potential, value opinions and investment analyses in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions. We particularly call your attention to the extraordinary assumptions and hypothetical conditions listed below.

Extraordinary Assumptions

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

- Our conclusion of the proposed hotel performance measures are based upon the assumption that the proposed hotels would be completed and operational as of January 1, 2017, as detailed in this report. Further, in our 100-room hotel scenario, we have assumed that the hotel will be affiliated with a midscale and nationally-recognized hotel brand. We also assume the hotel, in each scenario, will be competently managed and that there will be an effective pre-opening and ongoing sales and marketing plan.

- Our conclusion of the proposed hotel values are based upon market participant attitudes and perceptions existing as of the date of our fieldwork. We assume no material change in overall market conditions between the date of fieldwork and effective date of value, except for those identified within the report.

Respectfully submitted,

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INTRODUCTION

The City of St. Catharines is looking to assess the potential and feasibility of the development of a new hotel in the City's Downtown core.

In order to assess the market prospects for the St. Catharines Downtown hotel development, we have prepared a two-pronged presentation, beginning with a market study, which then forms the basis of an analysis of feasibility. The first part of this report aims to provide practical insight into the St. Catharines lodging market. This involved fact finding and data gathering to evaluate the prevailing market conditions, review of existing hotels in the market and their performance, discussions with local business officials, sports and tourism representatives, and attractions. We have utilized interview data as well as industry reports related to St. Catharines, in order to ascertain the current and potential future demand within the lodging market. We have also conducted a study of the existing supply of hotel properties in the area, which included interviews with these properties' managers and owners. This in turn provided the means by which occupancy and average room rate projections for the subject hotel scenarios could be made. Once a clear view of the market and future considerations was drawn, an estimate of value of each of the prospective hotel development scenarios studied. This was then followed by an estimate of development cost, balanced against the overall financial viability of the investment.

Based on our research of potential user groups for the proposed hotel, prevalent lodging market indicators, and financial feasibility - discussed further in this report – a hotel in the Downtown core would ideally need to be large enough to support sports teams and groups, which make up a significant portion of market demand. However, development costs and market feasibility will also limit the overall size of the proposed hotel. Such a hotel would likely offer approximately 50 suites, be operated without any brand affiliation, and would be most feasible if integrated within a mixed-use development. By integrating the hotel with in a mixed-use development, the overall construction costs associated with hotel development would be shared across the whole mixed-use development.

Furthermore, our interviews and research indicate that the cost of construction for a stand-alone hotel has been determined to be in excess of $165,000 per room, which is expected to be approximately $16.6 million in total for a 100-room property in Downtown St. Catharines to $4.8 million for a 25-room property in Port Dalhousie. The concluded values in the Discounted Cash Flow models of $6.4 million for the 100-room Downtown property to $1.9 million for the 25-room Port Dalhousie property are significantly lower than the construction costs of the proposed hotel scenarios.

We have also analyzed a scenario whereby a 50 suite hotel would be integrated into a mixed-use development, thereby sharing the overall cost of construction and reducing the capital required to realize the proposed hotel development. It should be noted that due to the unknown size and composition of the non-hotel components of any mixed-use development, we were not able to accurately determine a cost of construction. Instead we have determined the minimum Equity Component required in such a proposed hotel development. Our analysis indicates that a 50-suite hotel, integrated within a mixed-use development in Downtown St. Catharines would be valued at approximately $6,800,000. Considering a Mortgage Component of $4,080,000, the Equity Component required in order to generate a 12% Return (the anticipated minimum reasonable rate of return) would be no less than $2,720,000.

SCOPE OF WORK

In undertaking this study, two main objectives were identified; firstly, to define commercial opportunities as they relate to the lodging sector based on a study of local and regional markets. Secondly, data on the St. Catharines tourism and lodging market collected is analyzed and used to form the basis of future hotel operational projections. This in turn allowed for the development of a feasibility analysis for the proposed subject properties.

The City of St. Catharines has engaged Cushman & Wakefield to undertake a market study in order to ascertain the market potential of the proposed development. The market study is to be used by the City of St. Catharines in further exploring the market in the area, to possibly confirm or suggest adjustments to its current development plans, and to help in securing investors. In preparing this study, we have:

1. Undertaken a comprehensive study of the St. Catharines and Niagara area,
2. Conducted a study of the St. Catharines economic environment in which the subject hotel would operate,
3. Interviewed representatives in St. Catharines to obtain data on business and development activity in the City and the surrounding communities, while also gaining an understanding of major employers, and the suitability of existing lodging properties and the proposed hotel in meeting their lodging related needs. The representatives we have interviewed are as follows:
    - **Canada Motor Speedway** - Marketing & Sponsorship Executive - Claire MacSweyn
    - **Henley Rowing Regatta** – Secretary - Carole Price
    - **Niagara College** - Event Facilitator - Jennifer Pinfold
    - **Twenty Valley Tourism** - Executive Director - Kris Sweet
    - **Greater Niagara Chamber of Commerce** - Policy and Government Relations Manager - Hugo Chesshire
    - **Comfort Inn St. Catharines** - Owner & General Manager - Taj Buttar
    - **St. Catharines Downtown Association** - Executive Director - Tisha Polocko
    - **Greater St. Catharines Niagara Accommodation Partners (GSNAP)** - Executive Director - Chris Charlebois
    - **ENERCON Canada Inc.** - Executive Director, Human Resources - Isabelle Le Beau
    - **Niagara Folk Arts Festival** - Festival Producer- Pam Seabrook
    - **Meridian Centre** - Director of Marketing - Kay Meilleur
    - **Niagara Sport Commission** - CEO and Senior Coordinator of Events & Operations - Bram Cotton & Matt Hill
    - **Heart Of Niagara Hotels** - Owner & General Manager - Tom Nitsopoulos
    - **St. Catharines Museum and Welland Canals Centre** - Supervisor, Historical Services/Curator - Kathleen Powell
    - City of St. Catharines - **Planning and Building Services** - Jim Riddell
    - **Brock University** - Conference Services - Sonya Forsey
    - **Marylin I. Walker School of Fine & Performing Arts** – Dean - Derek Knight
    - **Stone Mill Inn** – Owner - Nino Donatelli
    - **McMaster University** - Regional Program Administrator - Chris Henderson
    - **W S Tyler (Haver & Boecker Canada)** - Vice President, Human Resources - Carla Ouellette
    - **Port Place** - Fortress Development Inc. Project Manager - Paul Demczak
    - **Tourism Partnership Niagara** - Executive Director - Jody Larose
    - **Four Points by Sheraton Hotel** - General Manager - Jeannie McGlynn
    - **FirstOntario Performing Arts Centre** - Programming & Marketing Manager - Sara Palmieri
    - **Royal LePage Niagara Real Estate Centre** - Sales Representative - Doug Mcnaughton
    - **RE/MAX Niagara Realty Ltd.** - Sales Representative - Kate Finora
    - **RE/MAX Garden City Realty Inc.** - Sales Representatives - Stanley Augustyn & Tony Tripodi

- **Gold Group Realty Inc.** - Sales Representative - Glenn Betts
- **Niagara Wine Festivals & SCENE Festival** - Events & Sponsorship Coordinator - Jennifer Anderson
- **Tourism St. Catharines** - Tourism Marketing Officer - Karen Doyle
- **Niagara Health System - St. Catharines Health Complex** - Capital Planning – Theresa Reynolds
- **Penn Terra Group Ltd.** - Founder and Chairman - Sunil Bahadoorsingh
- **Chamberlain Construction –** President – Adrian Mauro
- **DUCA Financial Services Credit Union Ltd.** - Commercial Account Manager - Michelle Schulder
- **Meridian Credit Union -** Director, Commercial Accounts – Rick Teachout

4. Obtained demographic and economic data on the St. Catharines and Niagara area, including information on current development patterns, proposed developments, material changes in the prevailing economy, and major commercial and industrial developments,
5. Analyzed existing and proposed competitive lodging inventory in the market,
6. Determined the historical and potential future demand growth within the Downtown St. Catharines and Port Dalhousie lodging markets,
7. Determined hotel development scenarios that would possibly be undertaken within Downtown St. Catharines and Port Dalhousie,
8. Generated a hotel occupancy and ADR forecast for both the market and each proposed hotel scenario,
9. Prepared a 10-year pro forma and forecasts of cash-flow performance for each proposed hotel scenario,
10. Valued each proposed hotel scenario based on projected income throughout the 10-year period,
11. Estimated initial hotel construction & operational costs related to each proposed hotel scenario,
12. Prepared the following report which includes our findings, conclusions, projections, and ending with an investment analysis of the proposed subject property, which aims to provide a means of measuring the project viability and appeal.

The following report is structured to lead the reader through an understanding of the current and short-term future outlook of the prevailing economic conditions, a discussion of the lodging industry in general and then in the context of local opportunities, and also a discussion of the development site. We have then outlined the facilities and services that may be developed, provided details as to the projected operating results of the hotel, and finally an estimate value, construction cost, and overall investment analysis of the proposed developments.

The scope of this report required collecting primary and secondary data relative to the subject property. The data have been analyzed and confirmed with sources believed to be reliable, in the normal course of business, leading to the conclusions set forth in this report.

This market study and feasibility analysis involved thorough collection, checking and analysis of economic data, sales data, competitive market data and other information required in the market study and feasibility process. The feasibility analysis will consider the projected performance and estimated value of each hotel scenario, using the Income Capitalization approach. This is then balanced against the estimated Construction Cost to present an overall Investment Analysis of the proposed hotel development scenarios. The estimated Construction Cost is used to test the reasonableness of the results indicated by the estimated Hotel Value, as well as a test of financial feasibility of the proposed hotel development.

Operational Assumptions

For the purposes of this report, we assumed that the subject will be operated as a limited-service hotel. We further assumed that the subject will be operated by competent and experienced management familiar with the operation of limited-service hotels in Ontario, Canada, and more specifically, St. Catharines.

REGIONAL ANALYSIS

CANADA - ECONOMIC OVERVIEW

Geographically, Canada is the second largest country in the world at almost 10.0 million km2 (or 3.9 million square miles), and has the longest coastline and longest border with another country, the United States (U.S.). The Canadian economy is the eighth largest in the world.

Known to be rich in natural resources, Canada has vast stores of iron ore, nickel, zinc, copper, gold, lead, diamonds, silver, coal, petroleum, natural gas, and is a leading producer of hydropower. Notably, with 180.0 billion barrels of proven oil reserves, Canada has the second largest reserve in the world, next to Saudi Arabia.

Additional items of note regarding Canada are as follows:

CANADA ECONOMIC INDICATORS Q3 2015		
	2015f	Y/Y Change
GDP Growth	1.6%	↓
Unemployment Rate	6.9%	↓
Employment Growth	0.8%	↑
Retail Sales Growth	2.2%	↓
Housing Starts (000's)	182	↓

Source: BMO Capital Markets, TD Economics

- Canada encompasses six time zones, and it takes seven hours to fly from Halifax in the east of Canada to Vancouver in the west of Canada. Being such a large country, its geography is varied including: lakes, rivers, valleys, mountain ranges, rainforests, and plains.
- Canada is home to some of the best animation schools in the world: the country has a global reputation for excellence in this industry. It has been estimated that well over half of the software used in Hollywood was developed in Canada. Canada is also known for its content creation. Toronto's Nelvana produces Franklin the Turtle, Little Bear, and Rolie Polie Olie. In Quebec, CINAR turns out Caillou and Zaboomafoo, among other productions. In Vancouver, Mainframe Entertainment produces ReBoot, Beast Wars, and features such as Barbie and the Nutcracker. Further, Canada is a major player in the game industry, home to industry giant Electronic Arts (EA), based in Burnaby, B.C.
- According to United Nations' latest World Happiness Report, Canada is among the 10 happiest countries in the world at fifth place, one rank higher from last year. The idea behind the report is that well-being is determined by more than just wealth, and that improving life satisfaction or happiness ought to be a consideration in public policy-making, as the happiest countries are not among the world's richest countries by Gross Domestic Product (GDP) per capita.

CURRENT TRENDS

According to RBC, in October 2015, the Canadian dollar was trading at U.S. $0.74, and expected to increase in 2016, reaching U.S. $0.77 by 2016. In addition to the declining Canadian dollar, the Iranian nuclear deal also negatively affect crude oil prices. Further, China's transition to a more service-oriented economy is another structural headwind for commodities.

According to the Canada Mortgage and Housing Corporation (CMHC), Canadian housing market is modestly overvalued. High house prices coupled with weakening of the Canadian economy would slow down the housing market in 2015. In order to avoid a possible crash in the housing market, the Bank of Canada cut down the interest rate by 0.25% age points in January 2015. Although lower rates make it cheaper for people to buy houses, analysts predict that it's not going to make a big difference.

Additional details regarding the area are as follows:

- According to the Conference Board of Canada, lower gasoline prices will save the average household about $1,000 in 2015. This will provide a lift to consumer spending, although not enough to prevent an overall slowdown. At the same time, lower oil prices are providing additional lift to an already strengthening U.S. economy. The result will be to further stimulate demand for Canadian exports made more competitive by the lower value of the Canadian dollar.
- According to the Conference Board of Canada, although lower gasoline and consumer prices should help lift purchasing power, it will not be enough to counter the trend of easing growth in household spending in Canada. Indeed, consumer spending will be held back by soft employment growth, including job losses in oil-rich provinces, weak wage gains, high levels of household debt, and easing real estate markets.

Demographic Characteristics

According to the Conference Board of Canada, total population of Canada was 35.5 million in 2014, and accounted for approximately 0.5% of the world's population. The population is expected to grow at an average rate of 1.1% over the next five years, reaching 37.5 million by the end of 2019. While Ontario is the most populous province in Canada with over 13.6 million people, Toronto with 2.6 million people is the most populous city in the country.

Additional items of note are as follows:

- Canada welcomes thousands of immigrants every year. According to the 2011 National Household Survey, Canada's immigrant population reported close to 200 countries as a place of birth. On a regional basis, Asia (including the Middle East) remained Canada's largest source of immigrants between 2006 and 2011, and approximately, 661,600 or 56.9% came from that region. This proportion was down slightly from 60.0% among those who arrived between 2001 and 2005. In contrast, immigrants born in Asia accounted for 8.5% of the foreign-born population who settled in Canada prior to the 1970s.
- While the median age of Canadians is 40.6 years, majority or 68.7% of the population falls into the age group of 15-64 years.
- Canada is one of the most diverse countries in the world. More than 200 ethnic origins were reported in the 2011 National Household Survey. In 2011, 13 different ethnic origins had surpassed the 1.0 million mark.

Households

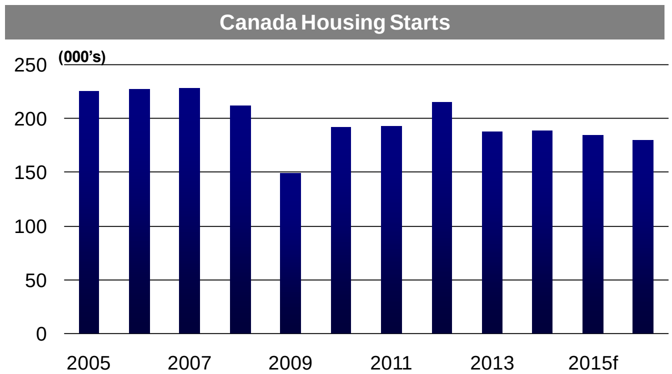
According to *The Economist* magazine, in Canada, housing prices have risen steeply in the past decade, with the hot markets of Toronto and Vancouver seeing increases of 7.8% and 7.1%, respectively in the past year. In a recent survey of housing costs around the world, the magazine reports that Canada's housing prices are 35.0% overvalued when compared to Canadian incomes. The reason behind this is mostly the lower mortgage rates. CMHC expects that the mortgage rates continue to be supportive of housing demand and will remain at or close to current levels over the next two years.

Additional considerations include the following:

- The Canadian housing market has been heating up in 2014 due to the continued recent decline in mortgage rates. The recent cut in mortgage rates, however, may not help the slowdown of the housing market in 2015.
- According to BMO Capital Markets, Canadian housing starts will decrease to 184,000 units in 2015 and 180,000 units in 2016.

- According to CMHC, housing activity is expected to slow down in oil-producing regions, particularly in Alberta as a result of weakening economic conditions. On the other hand, this decline will be partly offset by increasing housing activity in other parts of the country, particularly in Ontario, where economy should benefit from falling oil prices, lower interest rates, and lower Canadian dollar.

The following graph presents historical and projected activity of housing starts in Canada:



Source: Conference Board of Canada
*Forecasts – BMO Capital Markets

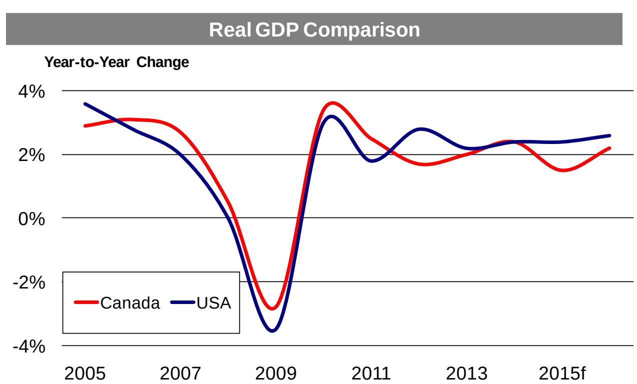
Gross Domestic Product (GDP)

Canada is one of the largest exporters of automobile equipment and goods due to its position within NAFTA. Leading equipment manufacturers and global automakers operate in Canada, among which General Motors, Toyota, and Ford. Leading bus and track manufacturers have also located in Canada, including Volvo Bus, Motor Coach Industries, and Hino. In addition, a number of large original equipment suppliers operate in the country, including Johnson Controls, Aisin Seiki, and Continental.

Additional items of note are as follows:

- BMO Capital Markets expects that real GDP growth for Canada will slow down to 1.5% in 2015, before improving by 2.2% in the following year.
- The anticipated real GDP growth in Canada in 2015 is primarily due to a pickup in exports thanks to a strong economic growth in the U.S..
- The recent slide in crude oil prices is likely to drive a sizeable near-term wedge in economic performances between the three major oil-producing provinces and other regions. According to the Conference Board of Canada, the sharp drop in oil prices will cost producers more than US$40.0 billion in lost revenue, resulting in a substantial decline in business investment that will ripple through the economy.

The following graph presents further details of historical and projected GDP activity:



Source: Statistics Canada
*Forecasts – BMO Capital Markets

Employment and Unemployment

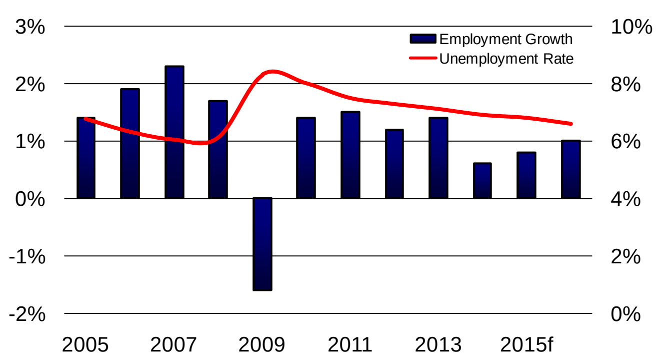
Almost five years after the global recession, the global economic environment still remains fragile. However, despite the challenging external environment, the Canadian economy and labour market have been strong. Canada has experienced a solid job creation performance since the beginning of the recovery, with over 1.0 million more Canadians working today than in July 2009, an increase of 6.3%, according to Service Canada. Canada has outperformed all other G-7 economies in job creation over this period. Canada's solid record on job creation over the recovery has resulted in close to 1.6 million net new jobs since the beginning of 2006, a gain of 9.8%. This represents the strongest labour market performance among all G-7 economies since 2006.

Additional items of note are as follows:

- According to BMO Capital Markets, Canadian employment grew at 0.6% in 2014, and will improve slightly at 0.8% in 2015. The job market will pick up in 2016, growing at 1.0%. As a result, the unemployment rate will decline over the near term, reaching 6.6% by the end of 2016.
- According to RBC, employment dropped in June 2015 by 6,400 positions, however, less than the 10,000 decline that had been expected. In June, while full-time employment sored while part-time jobs slumped. In addition, goods-producing sector accounted for 1,900 job cuts, while the services sector witnessed a higher drop of 4,500 positions.

The following graph represents yearly historical and projected employment and unemployment rates for Canada:

Labour Market – Employment & Unemployment Rate



Source: Statistics Canada
**Forecasts – BMO Capital Markets*

Retail Sales

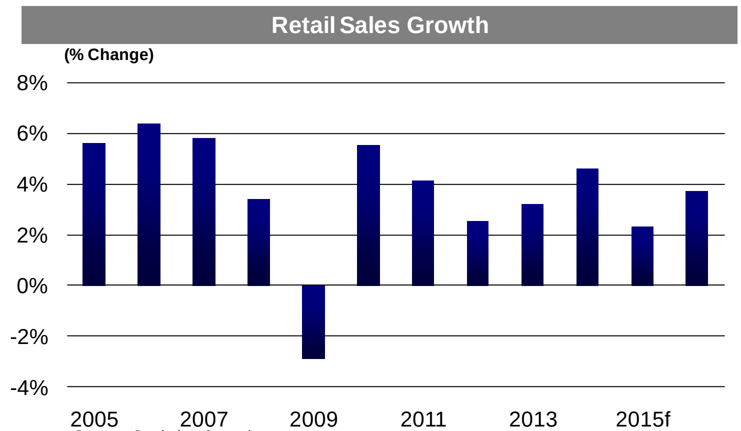
The retail sector plays a key role in bridging production and consumption, and as a result, the sector has significant direct and indirect effects on the Canadian economy. According to RBC, in May 2015, Canadian merchandise trade deficit widened further to $3.3 billion from April's $3.0 billion.

Additional details regarding retail trade in Canada are as below:

- According to RBC, nominal retail sales in May 2015 rose by a stronger than expected 1.0% following an unrevised 0.1% decline in April. The unexpected strength in May largely reflected auto sales jumping by 1.3% in the month.
- Retail sales are expected to record a growth rate of 2.3% for 2015 and 3.7% for 2016, according to TD Economics. Slow economic growth in Canada in 2015, may be a significant factor for the decrease in retail sales during the year. In addition, the falling Canadian dollar, may raise consumer prices, especially for imports, and push down the GDP growth.

- While some major retailers closed doors over the past few years (Zellers, Target, Future Shop, and Jacob), at least six other retailers (Sears Canada, Reitmans, Chapters Indigo, Aeropostale Canada, Best Buy Canada, and Le Chateau) are at risk of disappearing from Canada in the medium term.

The following graph represents yearly historical and projected retail sales rates for Canada:



Source: Statistics Canada
**Forecasts – TD Economics*

CONCLUSION

Real GDP is expected to grow at 1.5% and 2.2% in 2015 and 2016, respectively. Stronger growth forecast for the U.S. economy, which is set to grow at 2.4% in 2015, combined with a weaker Canadian dollar should have favorable effects on the Canadian economy. If the loonie continues to fall, it may raise the prices for Canadian imports in sectors with high levels of trade integration, such as auto and aircraft parts manufacturing. The import costs may exceed the profits from exports, and will limit the anticipated benefits from the lower Canadian dollar, however, low oil prices may decrease manufacturing costs.

Final thoughts:

- According to the National Bank of Canada, the Canadian dollar continues to struggle mainly due to the struggling oil industry, the currency has lost almost 20.0% against the USD since the summer of 2014.

- Despite predictions of a future slow down, the Canadian housing market is still going strong with resale home prices rising by 9.5% in the twelve months to April 2015. Even the Calgary market has seen renewed demand, and the CMHC expects residential prices to fall by only 2.9% in 2015. That's hardly a crash, especially in a city hard hit by crumpled oil prices.

ONTARIO - ECONOMIC OVERVIEW

Ontario is the most populous province in Canada, with a population of 13.7 million in 2014, and accounting for roughly 38.5% of the national total. The Conference Board of Canada forecasts that the population in Ontario will continue to grow, reaching 14.5 million by 2019.

While approximately 77.0% of Ontario's GDP is generated by service sectors, the province is also Canada's leading manufacturing centre. The top five manufacturing industries include: transportation equipment, metal products, food processing, chemical & by-products, and electrical & electronic products.

Ontario's large and culturally diverse population, natural resources, and strategic location contribute to a vital economy. Toronto is the largest city in Canada and the country's main financial centre. Many people work in the service or manufacturing industries, which produce a large part of Canada's exports. The Niagara region is known for its vineyards, wines and fruit crops. Ontario farmers raise dairy and beef cattle, poultry, and vegetable and grain crops. Ontario also has the largest French-speaking population outside of Quebec, with a proud history of preserving their language and culture. In addition, Ontario is home to the Toronto Stock Exchange - the largest stock exchange in Canada, the third largest in North America and the seventh largest in the world by market capitalization.

CURRENT TRENDS

The Ontario government, along with many other provinces, is dealing with one of the biggest challenges ever, a deficit of $8.5 billion for 2015-16 fiscal year, a decrease from $11.3 billion last year. However, the government does expect to reduce the deficit to $4.8 billion in 2016-17, and balance the books by 2017-18. As part of the budget, the province is planning to sell 60.0% of Hydro One, the provincial utility that owns 97.0% of Ontario's transmission lines, will net $4.0 billion toward transit. In addition, the current budget calls for cutting 5.5% of all program expenditures except health-care and education, the two largest areas of spending. On the housing front, a low interest rate environment has continued to fuel the housing market in 2015 with both resales and average prices tracking higher.

ONTARIO ECONOMIC INDICATORS Q3 2015

	2015 (f)	Y/Y Change
GDP	2.0%	
Unemployment	6.7%	
Employment Growth	0.7%	
Retail Sales	4.8%	
Housing Starts (000's)	68.0	

Source: BMO Capital Markets, TD Economics

Additional items of note are as follows:

- According to the Conference Board of Canada, Ontario's tourism sector may prove to be one of the biggest winners from the Canadian dollar's change of fortune. Over the first five months of 2015, nearly 2.3 million tourists entered Ontario, up 7.5% compared with last year. The Conference Board of Canada's Canadian Tourism Research Institute is forecasting a 4.5% increase in overnight visits from the U.S. to Ontario in 2015, followed by 1.6% growth in 2016.

- According to the Conference Board of Canada, households remain the main driver of growth in Ontario's economy. Household consumption is set to grow by 2.9% this year, with a 4.8% increase in spending on durable goods. Motor vehicle sales continue to be outstanding. After setting a new record in 2014, sales of new motor vehicles in Ontario were up 5.4% year-over-year in the first five months of 2015, and well on their way to posting a new all-time record.

Demographic Characteristics

With a population of 13.7 million, Ontario is home to about 2 in 5 Canadians. More than 85.0% live in urban centres, largely in cities on the shores of the Great Lakes. The largest concentration of people and cities is in the "Golden Horseshoe" along the western shore of Lake Ontario, including the Greater Toronto Area (GTA), Hamilton, St. Catharines and Niagara Falls. The “Greater Golden Horseshoe” describes the extended metropolitan area, including parts of central Ontario surrounding the core region. With more than 9.0 million people, this area is one of the fastest growing areas in North America. The wider region spreads inland in all directions away from the Lake Ontario shoreline, southwest to Brantford, west to the Kitchener-Waterloo area, north to Barrie and northeast to Peterborough. Population hubs in southwestern Ontario include London, Kincardine, Windsor, and Sarnia. In eastern Ontario, Ottawa and Kingston are the predominant cities. In northern Ontario, key municipalities include Greater Sudbury, Thunder Bay, Sault Ste. Marie, North Bay, Timmins, and Kenora.

Additional items of note are as follows:

- Ontario's population growth has depended on immigration ever since the American Revolution sent Loyalists north to Canada. Even today, 40.0% of the approximately 250,000 people who immigrate to Canada each year choose to settle in Ontario. Toronto has been called the most multicultural city in the world, where more than 100 languages and dialects are spoken.
- The median age for Ontarians is about 40 years. There are about 5.0 million households in Ontario and the life expectancy is about 79 years for men and 84 years for women.

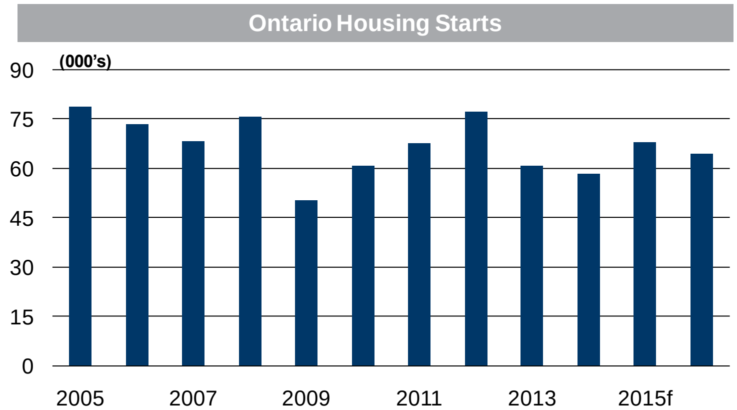
Households

Ontario, together with British Columbia account for approximately 60.0% of Canadian housing activity. In Ontario, the ongoing shortage of single family homes for sale in and around the GTA continues to drive very strong price gains. Price growth in 2016 is forecast to be the strongest in Ontario (+2.8%) due to an ongoing supply shortage of listings for low rise homes in and around the GTA.

Additional considerations include the following:

- According to BMO Capital Markets, housing starts in Ontario will increase to 68,000 units in 2015, from 58,300 units last year. In 2016, housing starts will drop to 64,500 units.
- According to the Ontario Municipal Affairs Minister, cities and towns outside Toronto will not be allowed to charge local land transfer taxes on property sales that would add thousands of dollars to the cost of a home, as Ontario already charge a provincial land transfer tax. This decision was made in early December, 2015, followed by a campaign by the Progressive Conservatives and the real estate industry against the municipal tax that would push house prices further out of reach for many families.

The following graph presents historical and projected activity of housing starts in Ontario:



Source: Statistics Canada
**Forecasts – BMO Capital Markets*

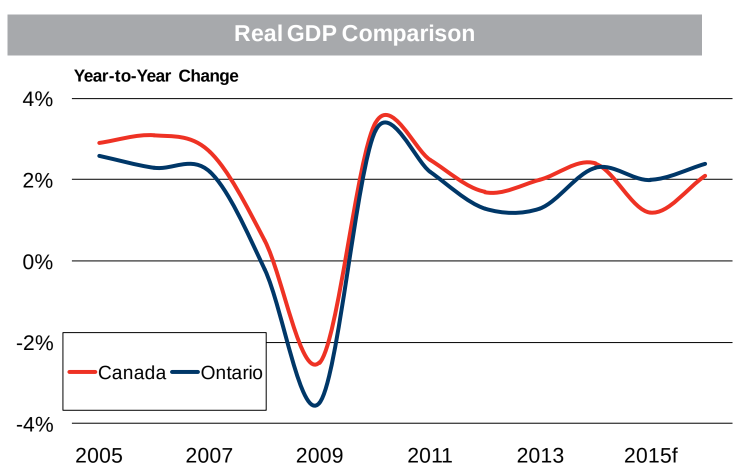
GROSS DOMESTIC PRODUCT (GDP)

Ontario is the largest economy in Canada, with a GDP nearly twice that of neighbouring Quebec - Canada's second largest economy. Ontario's industries range from cultivating crops, to mining minerals, to manufacturing automobiles, to designing software and leading-edge technology. Ontario generates 37.0% of the national GDP and is home to almost half of all employees in high tech, financial services and other knowledge-intensive industries.

Additional items of note are as follows:

- According to BMO Capital Markets, Ontario's economy is expected to marginally slowdown in 2015, growing at 2.0%, down by 30 basis points over last year. However, the economic growth rate is forecasted to reach 2.4% in 2016 – recording the best provincial economic growth after British Colombia in both 2015 and 2016. The GDP growth will be driven by the lower Canadian dollar and an improving U.S. economy, providing a further lift to manufacturing activity.
- Ontario lies in the core of the North American Free Trade area, which includes more than 460.0 million people. In 2014, U.S. accounted for 79.3% of Ontario's international exports, followed by the United Kingdom (U.K.) at 6.4%.

The following graph presents further details of historical and projected GDP activity in Ontario:



Source: Statistics Canada
**Forecasts – BMO Capital Markets*

Employment and Unemployment

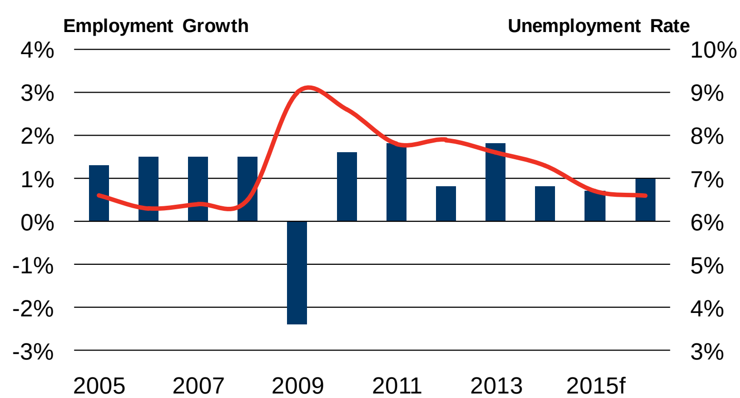
Natural resources are still an important part of the economy in Northern Ontario, while Southern Ontario has become a manufacturing centre. Most Ontarians (70.0%), however, are employed in the service industries such as business, finance, tourism and culture. Ontario's financial services sector generates approximately $54.0 billion in GDP and employs about 350,000 people in over 12,000 financial services firms. Toronto, Ontario is the centre of Canada's financial services industry, and it is North America's third largest financial services hub after New York City and Los Angeles in terms of industry employment. Ontario is a leading North American jurisdiction for information technology (IT), only second to California. Apple, Facebook, Google, and Microsoft are some of the big names who have come to Ontario to recruit engineering talent. Ontario offers IT companies a distinct cost advantage over G7 countries, and business costs are 15.0% below the U.S.

Additional items of note are as follows:

- According to BMO Capital Markets, Ontario will see a slight drop in employment in 2015 to 0.7% from 0.8% last year, before improving at 1.0% in 2016. The unemployment rate will decline over the near term, reaching 6.6% in 2016.
- The labour force aged 25 and over exceeds 6.0 million people and about 64.0% of Ontario residents between 25 and 64 have completed post-secondary schooling.
- According to Statistics Canada, in Ontario, employment increased by 29,000 positions in October 2015, and the unemployment rate was 6.8%. On a year-over-year basis, employment in the province was little changed as gains in full-time work were offset by declines in part time.

The following graph represents yearly historical and projected employment and unemployment rates for Ontario:

Employment & Unemployment Rate - Ontario



Source: Statistics Canada
**Forecasts – BMO Capital Markets*

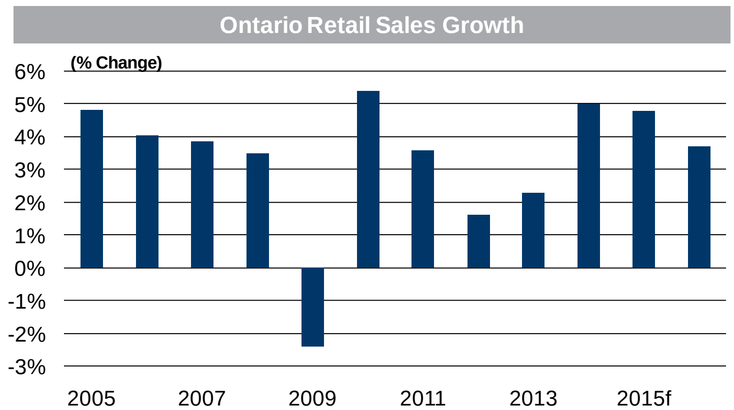
Retail Sales

The retail sector plays a key role in bridging production and consumption, and as a result, the sector has significant direct and indirect effects on the Ontario economy. According to Statistics Canada, retail trade (seasonally adjusted) in Ontario was at 15.5 billion in September 2015, an increase of 3.4% over the previous year.

Additional details regarding retail trade in Ontario are as below:

- As per the latest provincial budget, a new three cents a litre beer tax is effective as of November, 2015. That will increase three cents per litre per year until 2018.
- TD Economics expects that the retail sales will grow in 2015 and 2016 at 4.8% and 3.7%, respectively, although slowed from 5.0% in 2014.

The following graph represents yearly historical and projected retail sales rates for Ontario:



Source: Statistics Canada
**Forecasts – TD Economics*

CONCLUSION AND FUTURE CONSIDERATIONS

Since the U.S. market accounts for nearly 80.0% of Ontario's total merchandise exports, demand from south of the border is critical to economic growth in Ontario. Real exports fell by an estimated 2.5% over the first half of 2015, mainly due to a slowing Chinese economy, which has reduced demand for metals, and a weaker-than expected U.S. economy, which suffered from a drop in energy investment and a labour dispute at West Coast ports that disrupted trade. Also, a temporary halt in production at motor vehicle plants in Windsor and Oakville led to a large drop in vehicle exports in the first quarter. With both plants back in full production, exports will pick up over the rest of the year, posting growth of 1.2%, and the growth rate should accelerate to 4.2% in 2016. Further, in the next two years, Ontario is set to benefit from strong economic growth in the U.S. and a weaker Canadian dollar.

According to the Conference Board of Canada, motor vehicle sales in Ontario may be reaching a saturation point, limiting growth in household consumption over the next few years. Families across Canada saw their Universal Child Care Benefit payments increase this year, providing them with retroactive lump sum payments that will help to keep household consumption in Ontario accelerating in the second half of the year. In 2016, household consumption is forecast to slow to a still solid 2.4%. In addition, domestic demand will be bolstered by substantial residential investment as housing starts in Ontario are projected to increase by approximately 10,000 units this year, reaching 68,000. This is encouraged by healthy demand for housing and the two interest-rate cuts this year by the Bank of Canada.

Local Area Analysis

St. Catharines – Economic Overview

St. Catharines is located in Southern Ontario and is the largest city in the Niagara region. It is located in the Greater Golden Horseshoe region, which represents the largest concentration of people and cities in the province, and encompasses the Greater Toronto Area (GTA), Hamilton, St. Catharines and Niagara Falls. St. Catharines is strategically situated in the Niagara Peninsula and accessible to major markets in both Canada and the United States. The city is located approximately 111 km from Downtown Toronto and 19 km from both Niagara Falls and the United States border along the Niagara River.

St. Catharines-Niagara Census Metropolitan Area (CMA) is the sixth largest urban area in Ontario and encompasses 10 census subdivisions, including the City of St. Catharines, Niagara Falls, Welland, Fort Erie, Niagara-on-the-Lake, Lincoln, Pelham, Thorold City, Wainfleet, and Port Colborne. The land area in City of St. Catharines and St Catharines-Niagara CMA is approximately 96 km^2 and 1,398 km^2, respectively.

As statistical data is not widely available for the City of St. Catharines, this economic overview also includes information about St. Catharines-Niagara CMA in order to support and forecast trends in the greater region and describe factors that may affect visitors to the area.

The economy of St. Catharines-Niagara's strengthened in 2014, with GDP rising by 1.7% to $13.9 billion, up from 0.8% in 2013. St. Catharines-Niagara's GDP is forecast to expand 1.8% in 2015 with improvements in construction, wholesale and retail trade, and personal services. The growth will be fuelled by non-residential investment activities, while housing starts are expected to decline in upcoming years. The service sector is forecast to accelerate and grow 2.7% in 2015 with an average annual growth of 1.7% from 2016 to 2019. An increase in disposable income and the new outlet mall in Niagara-on-the-Lake are expected to fuel a 2.7% growth in wholesale and retail trade in 2015. At the same time, the transportation and warehousing sector will benefit from the continued recovery in manufacturing, with output projected to increase by 2.4% in 2015. An increase in disposable income per capita helped boost retail sales by 5.4% in 2014. This has supported an overall 1.2% growth in the service sector in 2014. Overall, St. Catharines-Niagara's economy is forecast to maintain an average annual growth of 1.4% from 2016 to 2019.

ECONOMIC INDICATORS - ST. CATHARINES-NIAGARA CMA

	2012	2013	2014	2015F	2016F	2017F	2018F	2019F
Real GDP ($ Millions)	13,577	13,681	13,916	14,164	14,364	14,558	14,735	14,947
% Change	1.4	0.8	1.7	1.8	1.4	1.4	1.2	1.4
Population (000s)	404	405	406	407	408	409	410	411
% Change	0.4	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Total Employment (000s)	202	194	195	198	198	200	201	203
% Change	2.9	-4.1	1.0	1.4	0.1	0.7	0.7	1.0
Unemployment Rate (%)	8.1	8.6	7.6	7.0	7.0	6.9	6.7	6.2
Personal Income per Capita ($)	35,108	34,823	36,042	36,887	37,816	38,932	40,079	41,299
% Change	2.4	-0.8	3.5	2.3	2.5	3.0	2.9	3.0
Retail Sales (% Change)	4,409	4,353	4,588	4,719	4,847	4,915	5,005	5,124
CPI (% Change)	1.218	1.230	1.259	1.277	1.310	1.339	1.368	1.395

Source: Conference Board of Canada, Summer 2015

POPULATION

While St. Catharines-Niagara CMA is the sixth largest urban area in Ontario, its population growth is one of the slowest among metropolitan areas. The region was home to approximately 406,000 residents in 2014, representing a 0.2% increase from the previous year. Looking ahead, the population is expected to increase to 407,000 in 2015 and reach 411,000 by 2019. St. Catharines-Niagara CMA has a median age of approximately 44.4 years. This can be compared to 40.4 years in the province and 40.6 years in the country.

According to Statistics Canada, the City of St. Catharines was home to 131,400 residents in 2011, representing a 0.4% decline from 2006. This can be compared to the national growth rate of 5.9%. The city was one of four municipalities in the St. Catharines-Niagara CMA that had a decline in its population during the period. The city has a median age of approximately 43.5 years.

LABOUR MARKET & INCOME

St. Catharines-Niagara CMA employed an estimated 195,000 individuals in 2014, representing a 1.0% increase from the previous year. The region had an unemployment rate of 7.6%, and this was comparable to 7.4% in Ontario and 6.9% in Canada. In 2014, some sectors that lost jobs included manufacturing, primary and utilities, wholesale and retail trade, personal services, and public administration. Looking ahead, employment is forecast to grow 1.4% in 2015 and maintain an average growth of 0.7% from 2016 to 2019. Sectors with job growth in upcoming years will include construction, business services, personal services, and non-commercial services. Accordingly, the unemployment rate is expected to slowly decline from 7.0% in 2015 to 6.2% by 2019.

Residents in the City of St. Catharines have generally earned a lower individual and household income than the greater region and province. The following table summarizes median and average household income for the City of St. Catharines, St. Catharines-Niagara CMA, and Ontario.

INDIVIDUAL AND HOUSEHOLD INCOME (2010)			
	CITY OF ST. CATHARINES	ST. CATHARINES - NIAGARA CMA	ONTARIO
Median Individual Income ($)	27,802	28,305	30,526
Average Individual Income ($)	36,156	36,552	42,264
Median Household Income ($)	54,409	57,093	66,358
Average Household Income ($)	68,482	70,873	85,772

Source: Statistics Canada, National Household Survey 2011

MAJOR INDUSTRIES

St. Catharines-Niagara CMA is strategically positioned along the QEW-406 Highway corridor and only minutes from the U.S. border, making it a gateway to several major cities in Southern Ontario and the United States.

The manufacturing sector in the region was faced with challenges during most of the 2000s, as companies were being lured away by economic developers from New York State, North Carolina and Tennessee. These states offered incentives such as land for less than market value, tax-free zones, engineering assistance, moving expenses and low power costs. Consequently, some manufacturing companies have recently closed or idled in the region, including Energex (Welland), Georgia Pacific (Thorold), Port Weller Dry Docks (St. Catharines), DMI (Fort Erie), and Niagara Grain and Feed (West Lincoln). From 2010 to 2014, manufacturing output expanded by an average of 2.8% per year. Although the sector will continue to grow, the face of recovery is expected to slow to 1.4% per year. Even with the recent output gains, manufacturing employment has fallen in three of the past four years, including a 4.8% drop in 2014. Unfortunately, this trend is expected to continue. Employment is forecast to dip by 10.1% in 2015, before growing by 2.5% per year on average from 2016 to 2019.

The construction sector in St. Catharines-Niagara CMA grew by 3.2% in 2014, as major projects such as the Meridian Centre and the Performing Arts Centre in Downtown St. Catharines were under construction. It is forecast to grow by another 3.5% in 2015. Although the residential sector is expected to weaken, non-residential projects are expected to fuel growth in upcoming years. Major projects include the replacement of the Burgoyne Bridge and construction of the new Goodman School of Business by the summer of 2016. The project is expected to be completed in 2018.

The economy of St. Catharines-Niagara CMA is largely service-oriented, and employed approximately 19,855 residents in service-related occupations in 2011, making up 29% of the total workforce. The following table outlines the distribution of the labour and occupations in the City of St. Catharines:

OCCUPATIONS IN ST. CATHARINES BY MAJOR GROUPS		
OCCUPATION GROUP	TOTAL EMPLOYEES	%AGE OF WORKFORCE
Sales and services	19,855	29%
Business; finance and administration	11,045	16%
Trades; transport, equipment operators; related occupations	9,755	14%
Social science; education; government service and religion	5,785	9%
Management	5,725	8%
Manufacturing & utilities	4,485	7%
Health	4,080	6%
Natural and applied sciences	3,225	5%
Primary industry	1,965	3%
Arts; culture; recreation and sports	1,830	3%

Source: Statistics Canada, Census 2011

Major industries include retail trade, health care and social assistance, manufacturing, accommodation and food services, and education services. The largest of the City's employers include the District School Board of Niagara (4,300), Niagara Health System (4,256), General Motors of Canada Ltd. (2,000), Brock University (1,600), Niagara Regional Police Services (1,003), SITEL (760), City of St. Catharines (600), Ontario Ministry of Transportation (561), Algoma Central Corporation (435), and TRW Canada Ltd (375).

MAJOR DEVELOPMENTS

There are several large investments currently being planned within the St. Catharines-Niagara CMA.

As part of the City of St. Catharines Downtown Revitalization Plan, the city has seen the development of a Creative Cluster, comprising of the new **Meridian Centre** and **FirstOntario Performing Arts Centre.** Infrastructure that has also been incorporated into this initiative includes the **Carlisle Street Garage**, which adds 600 additional parking spaces in the Downtown area.

- **The Meridian Centre** is a new multi-purpose facility that opened in October 2014. Located at 1 IceDogs Way, in Downtown St. Catharines, the facility cost approximately $50-million, and hosts a range of entertainment events, including OHL hockey. It can accommodate up to 6,000 people for concerts and 4,500 for hockey games. The Centre is home to the Niagara IceDogs Ontario Hockey League franchise.

- **FirstOntario Performing Arts Centre** opened its doors in November 2015. Built at 250 St. Paul Street on a 4.5-acre parcel of land in Downtown St. Catharines. The $101-million project includes a 95,000-square-foot academic and cultural complex comprised of four state-of-the-art performance venues. This includes a 775-seat concert hall, a 300-seat recital hall, a 210-seat dance/theatre venue, and a 187-seat film venue.

- Brock University's **Marilyn I. Walker School of Fine & Performing Arts** is a Downtown St. Catharines facility that houses 50 full-time faculty members, part-time instructors and staff, and an estimated 500 students from the departments of Dramatic Arts, Music, and Visual Arts, and the Centre for Studies in Arts and Culture. Formerly a 19th-century textile factory serving as part of the central core of the historic city, the facility features art studios, a framing shop and art stores, digital classrooms, music practice rooms, a stand-alone 235-seat theatre, wardrobe, design and scene shop, rehearsal rooms, learning commons, and a student gallery.

- Completion of the 11,000 square foot **Carlisle Street Garage** provided the city with 600 additional parking spaces in the Downtown area. About 500 of those are above ground with another 100 below ground. The $27.9 million project was completed in August 2011.

- **Penn Terra Group Ltd** have invested over $43 million in residential developments within St. Catharines. The group completed construction of a 28-unit residential property on Wellington Street in 2014. There are 2 more residences in-development within the City, including a 50-unit or 258-bed property on Lake Street and another 50-unit or 210-bed property on James Street. Expected completion of both buildings is September 2016. All of Penn Terra Group's residential developments are located within Downtown St. Catharines.

- Work to begin the replacement of the old **Burgoyne Bridge** began in September 2015. After the main bridge is removed, the towers that held up the old bridge will be dismantled. The $91-million project is set for substantial completion by the end of 2016.

The City's Port Dalhousie area is also seeing some revitalization, however the Port Place mixed-use development has recently been put on hold.

- **Port Place** has been a long-awaited project thought to improve Port Dalhousie but uncertainty remains whether the development will take place. The $65 million project includes a 14 to 16-storey condominium tower. The developer received an OMB (Ontario Municipal Board) decision in 2009 with approval to proceed with the project. The project was acquired by Fortress Real Development Inc. in 2015. While original plans included a boutique hotel and theatre; Fortress are still considering these options as the city's Meridian Centre and multi-venue FirstOntario Performing Arts Centre were not in existence at the time initial plans were developed. Initial demolitions of existing buildings on the site have already been carried out, with the aim of beginning construction operations in spring of 2016. However, there is still work to be carried out on the exterior and interior of the heritage buildings in the area, in order to preserve them properly. There are 80 condo units with a starting price of $350,000.

- **The Wellington at Port** in Port Dalhousie is a development that has been reported to potentially re-purpose two buildings — 9 and 15 Lock St. — to host four vendors including an Ontario craft beer bar and possible brewery, Niagara wine bar, coffee house — and an artists' co-op. The two buildings had housed the now-closed Lion's Tavern and Port Place sales office.

Other major developments in St. Catharines and the surrounding region are detailed as follows:

- A **Canadian Motor Speedway** in Fort Erie has started construction earlier this year. The $389-million project will build a 65,000-seat NASCAR-level car racetrack, accompanied by additional concert and entertainment facilities, campgrounds, a park, commercial space, an industrial park and a research-and-development area. It is funded by investors in Kuwait and the United Arab Emirates. The project is being built on 820 acres of land west of the QEW between Bowen and Gilmore Roads and will be completed in 2016. It should be noted however, that this development is located in Fort Erie, Ontario and likely to have less of an impact on the City of St. Catharines.

- A new south **Niagara Hospital** and two urgent care centres are planned to replace aging sites in Niagara Falls, Niagara-on-the-Lake, Fort Erie, Welland and Port Colborne. The new hospital is about creating efficiency, saving money and providing the most up-to-date and accessible health care for the residents of south Niagara. The province has committed $26.2 million towards the planning of the new hospital and the first phase began this year with the planning process expected to take 24 months. The property will be located on the outskirts of Niagara Falls, at the corner of Montrose and Lyons Creek Roads.

- **Highway 406** is going through an expansion to Welland, which will provide a direct link between the cities of Welland and Thorold to the Queen Elizabeth Way. Completed in 2015, the expansion of Highway 406 in Welland to 4 lanes will provide advantages for companies located in the Central Niagara Region. The entire project is estimated to have cost approximately $105 million.

- **Brock University** is one of the fastest-growing universities in Canada and is planning to expand its business faculty. The Goodman School of Business has been planning to secure funding for a new building for a few years in order to meet demand for more space and updated facilities. In April 2013, the Goodman School of Business submitted a revised proposal to the province for a $59 million building of 100,000 square feet, with a possible opening in 2016. Currently, the school had raised $24 million privately, but was seeking $35 million of additional funding from the province. As of June 2014, the Design Build RFP documentation had been completed and design and construction cost estimates prepared. Brock University is expected to start construction on the new Goodman School of Business by the summer of 2016. The project is expected to be completed in 2018. Brock University's new $112 million Cairns Family Health and Bioscience Research Complex, which includes BioLinc, a bioscience incubator, was completed in 2012.

- **General Motors (GM)** announced in August 2015 that $13 million will be invested into the St. Catharines powertrain facility, which will enable the production of more variants of the 3.6-litre V6 engine currently being built at the plant. The powertrain facility, which employs about 2,000 people, is one of North America's largest engine and transmission plants. It produces a range of V6 and V8 engines, as well as transmissions for a wide range of GM products. However, it has been reported that Carolyne Watts (Plant Manager of the GM facility) does not expect any additional jobs at the plant.

- **Peace Bridge Makeover -** The Buffalo and Fort Erie Public Bridge Authority (PBA) has unveiled plans for a $78-million makeover on the Canadian side of the border for the 87-year-old international border crossing between Fort Erie and Buffalo. The latest project will involve the widening of the bridge to four lanes on the Canadian side, which is expected to alleviate traffic congestion, as commercial vehicles will be able to enter the inspection area in a more timely fashion. The span of the bridge will undergo a full re-decking, sidewalks will be widened and an observation platform will be built at the International Boundary Line. The PBA has already completed a $10-million widening of the U.S. approach and is currently in the midst of completing a $24-million expansion of the U.S. Customs commercial building. The project is scheduled to begin in August 2016, and construction will continue for a period of 3 years, with completion scheduled for May 2019.

THE NIAGARA REGION – TOURISM OVERVIEW

Niagara has remained one of the most visited regions in the Greater Toronto Area and Southwestern Ontario. In 2012, the Niagara region received approximately 11.8 million visitors, accounting for 9.7% of Ontario's total tourism. According to Ontario's Ministry of Tourism, Culture, and Sport, visitors spent $1.766 billion in the Niagara region in 2012 - including $568 million on food and beverage, $461 million on accommodations and $273 million on recreation and entertainment.

The Niagara region attracted approximately 4.4 million overnight visitors in 2012. A majority of these visitors cited pleasure and visiting friends and relatives as the primary purpose for their trip. Visitors to the Niagara region are typically from nearby Southern Ontario cities, such as Kitchener-Waterloo-Cambridge, Hamilton, and the GTA, who rate wineries and restaurants as one of the most appealing features of the area. Niagara's proximity to the United States border also results in a substantial portion of visitors from New York, Michigan, Pennsylvania and Ohio. The combination of a strengthening economy and a more favourable exchange rate is expected to provide a solid boost to overnight U.S. visits this year and over the duration of the medium-term.

OVERNIGHT VISITOR STATISTICS – NIAGARA REGION	
Number of Visitors	11,816,000 person visits (4,421,200 overnight visitors)
Purpose of Visit	'Pleasure' (58%), 'Visiting Friends and Relatives' (27%), and 'Business' (4%)
Time of Year	37% of visits were made in Summer (Jul-Sept) followed by 25% in Spring (April to June)
Origin	Ontario (65%), Untied States (28%), Overseas (6%), Other Canada (2%)
Accommodation Type	58% of overnight visitors stayed in 'Hotels'
Activities Participated	Casinos are the most popular activity (14%). This was followed by outdoor/sports activities (12%) including boating, golfing fishing, hunting, downhill skiing/snowboarding. Other popular activities included historic sites (12%) and visiting national/provincial nature parks (9%).
Visitor Spending	$1,766,940,000 total spending and $279 average per person per overnight visit

Source: Ministry of Tourism, Sports, and Culture, Tourism Region Profile 2012

ST. CATHARINES – TOURISM OVERVIEW

The City of St. Catharines has a number of attractions that draw visitors for shopping, outdoor/sports activities, heritage sites, and local festivals.

St. Catharines **Downtown** offers over 400 businesses including shops, boutiques, culinary establishments, and professional offices. It also features one of the oldest **farmers markets** in Ontario located in Market Square. The Downtown area is part of the City's Revitalization Plans, which includes the development of various performance centers.

The Pen Centre is the largest indoor shopping mall in the Niagara Region and features over 180 shops, restaurants, and services. The mall, located beside Highway 406 in St. Catharines, has over one million square feet of retail space and features anchor stores such as Sears and The Bay. In 2011, the mall invested $13 million in a complete renovation to common areas. The mall sees approximately 10 million visitors each year.

Port Dalhousie in St. Catharines, located on Lake Ontario approximately 6.4 km or a 15 minute drive north of the Downtown core, provides the feel of a little beach town and visitors stroll along the waterfront and enjoy its scenery (including two lighthouses and an antique carousel), shopping, and restaurants. Port Dalhousie is also the home to the Royal Canadian Henley Regatta, which includes 14 men's and women's competitions, where rowers will race along Martindale Pond, and is considered to be one of North America's largest rowing regatta.

St. Catharines is nicknamed "The Garden City" because it has 4 km^2 of parks, gardens and trails. Through a network of city trails, the **Bruce Trail** and **Short Hills Provincial Park**, there are more than 90 km of pathways that crisscross the city. Visitors are able to engage in a wide variety of outdoor activities, including walking tours, hiking, and biking.

St. Catharines Museum and Wellands Canal Centre lets visitors watch ships climb the Niagara Escarpment from an elevated viewing platform. From Lake Ontario to Lake Erie ships are lifted or lowered to a height of 326 feet through 7 locks - the equivalent height of Niagara Falls itself. The museum has exhibits dedicated to the city's history and the canals and is home to the **Ontario Lacrosse Hall of Fame and Museum**. The facilities include the Welland Canal Viewing Platform, the St. Catharines Museum Exhibition Galleries, Merritt's Mercantile Gift Shop, as well as the Recreation Trail used for biking, walking, and rollerblading, and the Discovery Park, where guests can learn how the locks work.

The Niagara Region is well-known for its **wineries** and is ranked as a Top Food & Wine Destination in Canada. **The Niagara Grape & Wine Festival**, a non-profit organization, presents three popular annual wine festivals in the region: the Niagara Icewine Festival (Winter), the Niagara New Vintage Festival (Summer), and the Niagara Wine Festival (Fall). Visitors are invited to purchase Discovery Passes and explore the wineries of Twenty Valley and Niagara-on-the-Lake. Pass holders receive access to participating wineries, which includes food and wine pairings.

Niagara Ice Wine Festival is a month long event held each year in January and includes music, food, tastings, tours, and skating. The Niagara Region is transformed into a Winter Wonderland and festivities include the Ice Wine Gala, culinary competitions, winemaker challenges, and an outdoor concert. A majority of these events occur in Niagara Falls, Niagara-on-the-Lake and Jordan Village.

Niagara New Vintage Festival takes place across two weekends in June and includes a Tailgate Party. This year the Tailgate Party took place at Fielding Estate Winery in Beamsville, Ontario. The celebration features cuisine from local chefs, wine and cheese tastings, and entertainment. The festival is held at a different location each year, including Niagara on the Lake, St. Catharines and Twenty Valley.

Niagara Wine Festival is Canada's largest wine festival featuring tastings and events at various wineries throughout the Niagara Region across two weekends in September. The festival features over 100 events including winery tours and tastings, concerts, Niagara's freshest local cuisine, wine seminars, family entertainment and the Meridian Grande Parade through Downtown St. Catharines. The hub of the Niagara Wine Festival can be found in historic Montebello Park in Downtown St. Catharines, one of the oldest and most beautiful parks in the Niagara Region. The festival typically attracts over half a million people each year.

Niagara Folk Arts Festival is Canada's oldest continually running Heritage Festival and is a 16-day event that runs annually throughout May. The event begins with the Ambassador's Ball where ambassadors representing Niagara's different ethno-cultural clubs are chosen, and it usually takes place in St. Catharines. It also includes "Folk Arts in the Park", a two-day celebration which takes place in Montebello Park in Downtown St. Catharines. The festival showcases traditions of different cultures within the region and features art, music, food exhibitions, dancing, live entertainment, and more.

St. Catharines Event for New Music Entertainment (SCENE) Music Festival is a two-day music festival held annually in June-July since 1996 in Montebello Park in Downtown St. Catharines. Performers this year included Sheepdogs, The Arkells, Monster Truck, Lights, Shad and Matthew Good Band. The festival attracted over 10,000 fans in 2014 and 113 bands took the stage throughout venues in the city.

St. Catharines hosts the **Royal Canadian Henley Rowing Regatta**, including 14 men's and women's competitions, where rowers will race along Martindale Pond, and is considered to be one of North America's largest rowing regattas. The Regatta is held during the first or second week of August, lasting 7-days. In 2015 the festival had

approximately 5,000 attendees including athletes and coaches. In addition, approximately 3,500 visitors attended the event and stayed for 4-nights or more.

Demand Generators

Algoma Central Corporation (located in Downtown St. Catharines) is a leading Canadian shipping company, owning and operating the largest Canadian flag fleet of dry-bulk carriers in the Great Lakes. In 2011, the corporation purchased a controlling stake in Seaway Marine Transport Inc. from Upper Lakes Group Inc. for $85 million. This announcement reduces the total number of Great Lakes shipping companies to only two.

Brock University was established in 1964 and has had the second-highest growth of students of any university in the province for the last decade. It offers seven academic faculties in applied health sciences, business, education, humanities, mathematics and science, social sciences, and graduate studies. The university is located in the southern sector of St. Catharines, besides Highway 406, and has over 18,500 enrolled students and 597 faculty members.

Niagara College opened in 1967 and is a College of Applied Arts and Technology with three campuses located in Welland, Niagara-on-the-Lake and Niagara Falls. The college has approximately 8,000 full-time students, more than 15,000 Continuing Education registrants annually, and 350 staff and faculty. It offers more than 100 post-secondary diploma and post-graduate certificate programs, skills and apprenticeship training programs and bachelor's degree programs. There are approximately 4,500 and 3,500 full-time students enrolled at the Welland Campus and the Niagara-on the Lake Campus, respectively. The Niagara-on-the-Lake campus is located on Taylor Road, just south of the QEW and the new Outlet Collection retail development.

Ridley College was established in 1889 and is a private school providing education and boarding to students from Junior Kindergarten to Grade 8. The current enrollment at the school is 625 students with 306 boarding and 32% from outside of Canada, and annual fees for enrollment can range up to $52,000. Ridley College is located towards the southwest sector of St. Catharines, and south of Highway 406.

Seymour Hannah Sports and Entertainment Centre is a recently constructed facility and offers four NHL sized ice rinks, a sports lounge, sports store, and sports clinic. The largest rink has a seating capacity of 1,200 and approximately 30 events are hosted at the arena each year. This sports facility is located to the south and west of the Downtown core, south of Ridley College.

The Gatorade Garden City Complex is an arena facility in St. Catharines and has two arena pads with a seated capacity of 2,800. It is located in the southeast sector of the Downtown core and was the former home arena of Niagara's OHL team, the Niagara IceDogs. The new Meridian Centre has now become the main arena in the city and current home of the Niagara IceDogs.

St. Catharines Hospital, located on Fourth Avenue on the west side of St. Catharines, opened in March 2013, and is a replacement facility for the former St. Catharines General and Ontario Street sites. This nearly one million square foot facility is the community hospital for residents of St. Catharines, Thorold, Niagara-on-the-Lake and surrounding communities, and includes Emergency Department and Urgent Care services in one place. Some services include comprehensive cancer care (including radiation therapy), cardiology services, a kidney care program, and mental health and addiction services.

The Outlet Collection at Niagara is a new $200-million shopping mall that opened in May 2014, immediately south of the QEW in Glendale, Niagara-on-the-Lake. It is Canada's largest open-air outlet shopping centre with 520,000 sq. ft. at 300 Taylor Road. It features 102 retailers including Banana Republic, J. Crew, Michael Kors and dozens more, and 100+ outlet brands including Tommy Hilfiger Outlet, J. Crew Factory, Nike Factory Store, and so on. It also offers the "The Eatery", a food court pavilion serving as a local farmer's market and gathering place. The outlet

mall is focusing on drawing tourism into the Niagara region and reducing cross-border shopping. It is expected to draw in 6-8 million visitors per year and Niagara Region businesses will also see some flow into their restaurants, attractions, hotels and other facilities, thus strengthening the local economy.

St. Catharines Golf & Country Club is a private club, located in Downtown St. Catharines with over 100-years in operation. The club consists of an 18-hole, par 72 golf, a 6-sheet curling rink, a fitness centre, a 20m swimming pool, and several dining options throughout the full-service clubhouse. Although the club does not offer non-members golf rounds, the curling ice rink may be rented for various functions and events.

Garden City Golf Course is a public, 18-hole, par 60 golf course also located in Downtown St. Catharines. The course features a licensed pro shop, scenic patio overlooking the first tee block, putting and chipping green, practice driving cages, beverage cart and many other amenities.

Access

St. Catharines is strategically situated within a network of transportation modes. Its proximity to the United States border (the State of New York) and Toronto has made it into an important transportation center in Canada. The city is located: 19 km inland from the United States border (along the Niagara River); 55 km from Hamilton, 104 km from Mississauga; and approximately 111 km from Downtown Toronto. It is also located close to several municipalities: 19 km from Niagara-on-the-Lake; 19 km from Niagara Falls; and approximately 20 km from Welland.

Highway

The main access routes into and out of St. Catharines are the Queen Elizabeth Highway (QEW) and Highway 406. The QEW starts in the City of Toronto, at the base of the Don Valley Parkway, extending west into Mississauga, Burlington, Grimsby, St. Catharines, the Niagara Region, and ultimately to Fort Erie. Highway 406 is the primary north/south route though the central portion of the Niagara Peninsula, connecting Welland, Thorold and Downtown St. Catharines to the Queen Elizabeth Way (QEW).

The area is also served by three international border crossings, including the Peace Bridge, Lewiston-Queenston Bridge, and Rainbow Bridge.

Peace Bridge is located in Fort Erie. It begins at the foot of the QEW, connecting Fort Erie in Ontario to Buffalo in the United States. This bridge is the second busiest border crossing and sees over $40 billion in trade crosses annually. In 2011 alone, 4.77 million vehicles utilized the Peace Bridge.

Lewiston-Queenston Bridge crosses the Niagara River gorge just south of the Niagara Escarpment, and connects Lewiston, New York (as well as Interstate 190) to King's Highway 405 in the community of Queenston, south of Niagara-on-the-Lake. It is the fourth largest border crossing in Canada in terms of trade volume, which reaches $25 to $30 billion annually. In the last few years the bridge received a $127 billion investment that saw the construction of a bus lane, 10 passenger vehicle inspection booths, a parking facility, and customs processing facility. These improvements will result in increased passenger traffic and faster processing times.

Rainbow Bridge connects Niagara Falls, Ontario to Niagara Falls, New York. The bridge is also a tourist site and attracts spectators from both Canada and the U.S. This bridge does not allow commercial trucks and therefore is mainly frequented by private passenger vehicles.

Public Transit – Bus, Rail, GO Transit

St. Catharines Transit has bus routes throughout the city and offers routes to the neighbouring City of Thorold. Riders can connect to buses from Niagara Falls Transit and Welland Transit at Brock University as well. Niagara

Region also operates a region-wide transit system, with stops in St. Catharines, Welland, Niagara Falls, Port Colborne, Thorold and Fort Erie.

Both VIA Rail and Amtrack service the St. Catharines VIA Rail Station located on Great Western Street off of St. Paul Street West near Downtown St. Catharines. From May to September, visitors can also travel to St. Catharines by GO Train during Friday evenings, Saturdays, Sundays and holidays. For the remainder of the year, GO Bus services provide transportation to the City of St. Catharines.

AIR

Toronto's Lester B. Pearson International Airport is the busiest airport in Canada and one of the top 30 worldwide with respect to daily aircraft departure and arrival volumes. The airport provides service to all provinces and territories in Canada and hosts 68 airlines offering non-stop and same-plane service to 183 international destinations throughout the United States, Mexico, the Caribbean, Central America, South America, Europe, Asia, the Middle East, and Oceania. The airport is located in Mississauga, approximately 107 km northwest of the City of St. Catharines.

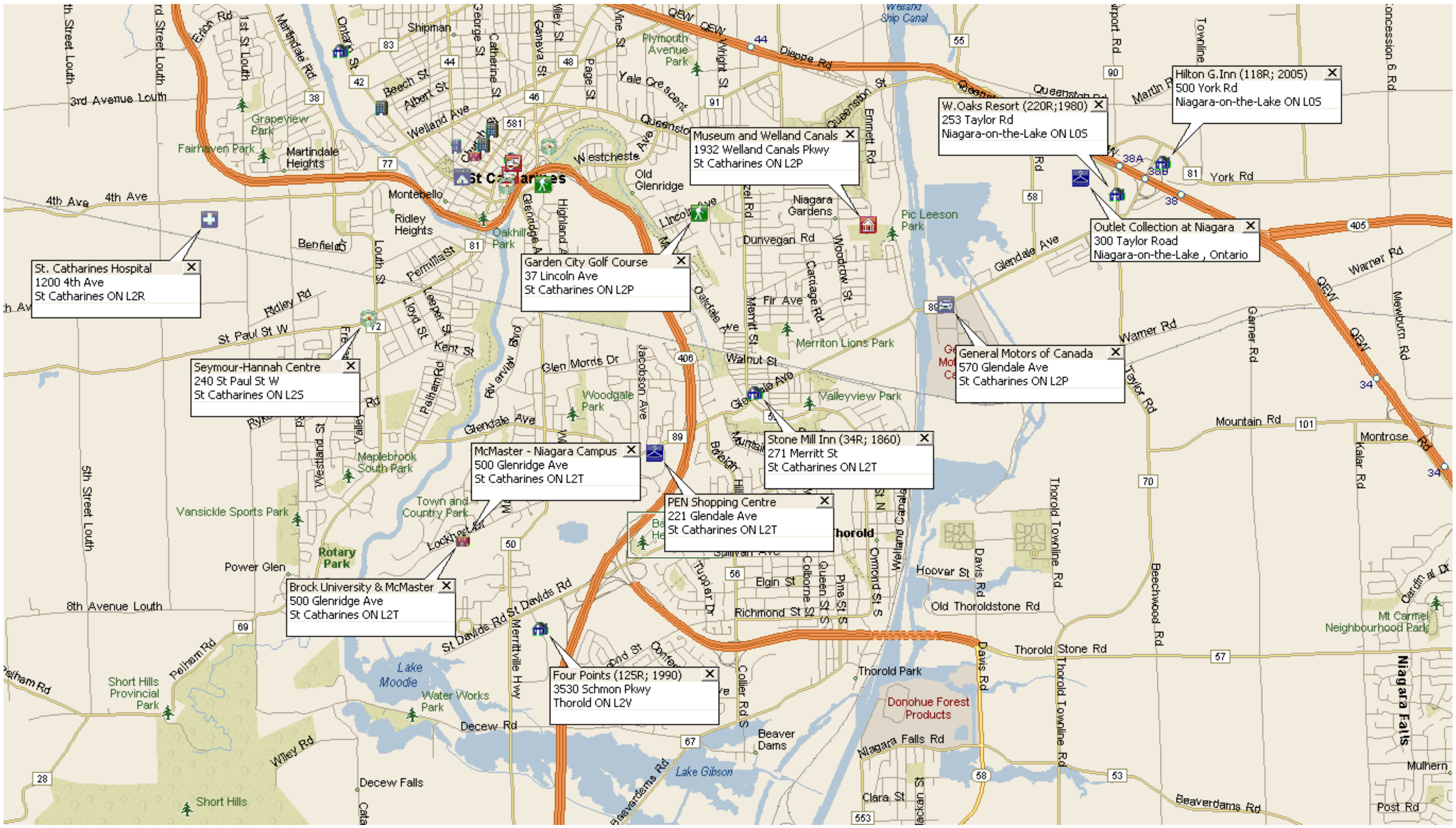
Buffalo Niagara International Airport is the busiest airport in Upstate New York, with an estimated 5.1 million passengers in 2013. Canadians make up almost half of the passengers the airport sees each year. It currently has eight airlines, which average 110 daily flights with 23 non-stop destinations. The airport is located in Buffalo (New York), across the border to the United States and approximately 39.6 km east of the City of St. Catharines.

Niagara District Airport is a local airport situated in Niagara-on-the-Lake and is primarily for private and charter aircraft. The airport has a 5,000-foot runway, 24-hour Customs clearance, NAV CANADA on site, and Avgas and Jet Fuel refueling available. On-site services include executive and personal charter, helicopter and fixed wing sightseeing and two active flight training schools. This airport serves the business community in the Niagara region and is home to 12 acres of commercial development space available, which has direct access to the operational side of the airport. The airport is located in Niagara-On-The-Lake, approximately 8.8 km east of the City of St. Catharines.

John C. Munro Hamilton International Airport is home to Canada's largest domestic cargo freighter distribution network, and cargo partners include Cargojet, Purolator, UPS, and DHL. The airport is also serviced by passenger airlines such as WestJet, Transat Holidays, Nolitours, Sunwing, Canadian North, and offers on-stop service to 12 destinations and connecting service to over 18 destinations. The airport is located in Hamilton, approximately 68.3 km west of the City of St. Catharines.

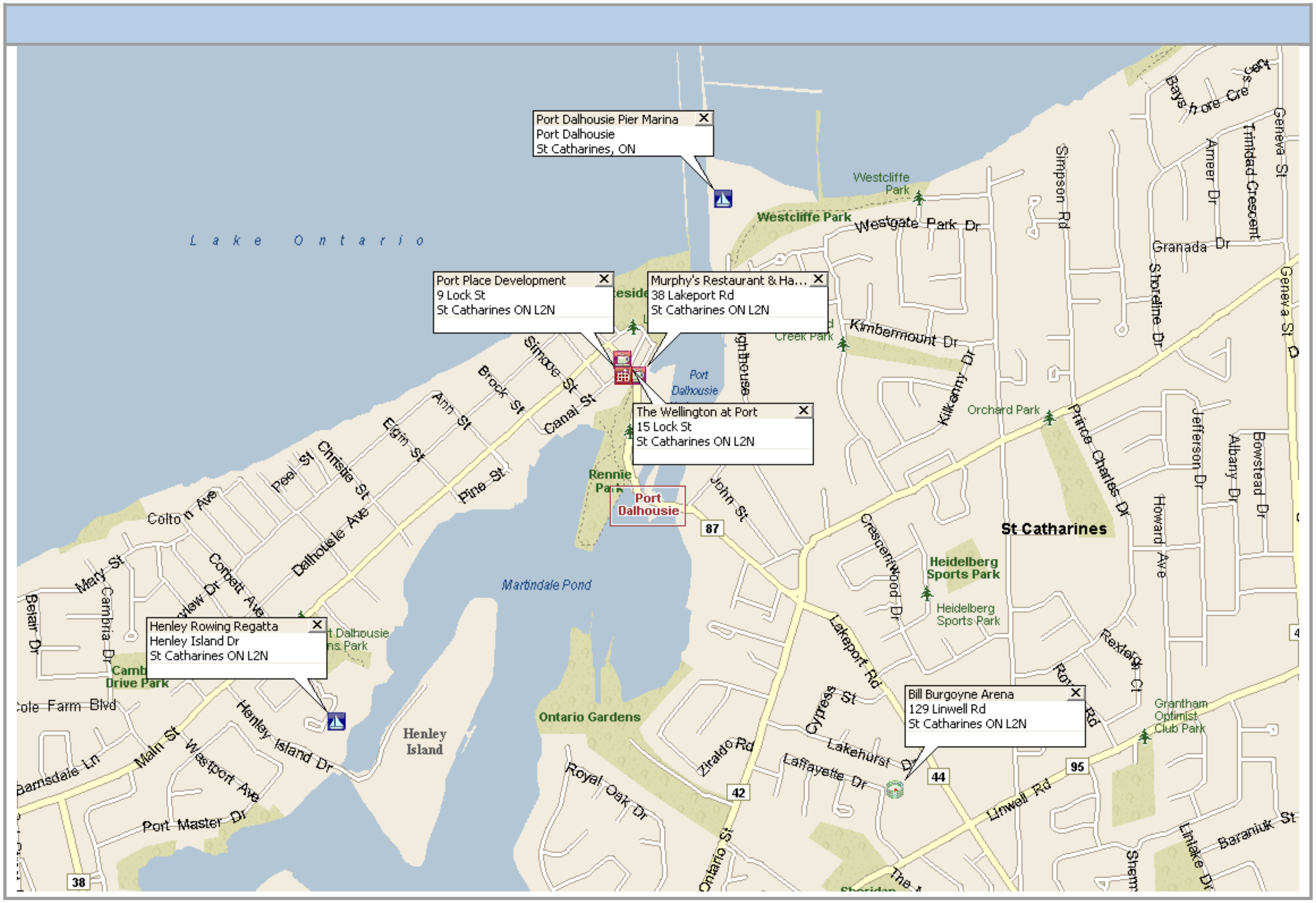
ST. CATHARINES - DOWNTOWN AREA MAP

ST. CATHARINES - SOUTHERN AREA MAP



St. Catharines - Northern Area Map

ST. CATHARINES - PORT DALHOUSIE MAP



CANADIAN TOURISM AND LODGING OVERVIEW

INTRODUCTION

Tourism in Canada has changed since 2004 when Destination Canada (formerly Canadian Tourism Commission) announced their new branding centered on the tagline “Canada. Keep Exploring.” The marketing campaign promotes Canada as a natural destination for adventure-seeking travelers.

The project identified five unique selling propositions that are used to set Canada apart as a travel destination. The selling propositions are designed to highlight benefits to travelers with the first being ‘vibrant cities on the edge of nature’. This selling statement applies to cities such as Montreal, Quebec City, Halifax, and Vancouver where amenities of a modern city are available such as theatres, shopping, and dining, but still situated within natural beauty.

The second proposition centers on ‘personal journeys by land, water, and air’. This point focuses on the natural environment of Canada and the experiences these offer. Fishing ports, mountains, valleys, and trails are highlights of this promotion. The third selling feature, similar to the second, is ‘active adventure among awe-inspiring natural wonders’. This emphasizes the natural element of Canada and encourages exploration and extreme sports.

The fourth is ‘award winning local cuisine’. This feature showcases Canada’s multiculturalism and excellence in cuisine. Local products and the flavours of each region are the highlight. The fifth proposition is ‘connecting with Canadians’ which focuses on the reputation of Canada as a friendly and welcoming nation. It also includes the unique festivals and events the country offers. These five selling propositions paint a picture of Canada as a tourist destination that includes nature, adventure, urban exploration, and unique experiences.

The top Canadian destinations as advertised by Destination Canada are Vancouver, Montreal, Toronto, Quebec City, Victoria, Whistler, Calgary, Ottawa, Banff, and Niagara Falls. Canada has an economy that closely resembles that of the United States, which is not surprising considering that approximately 74% of export trade and 41% of import trade is done with the U.S. This close relationship provides a continuous need for travel between the two countries, and this is reflected by the 75 million people who travel between the two countries each year. Canada also has $602 billion of foreign investments in the country, the 11th highest among all countries in the world. The national economy is comprised of industries such as manufacturing, mining, and services, with the economy heavily reliant on industrial and urban sectors.

Canada’s tourism industry is a key economic driver with an overall revenue reaching $17.3 billion in 2014. Canada welcomes an estimated 13 million American visitors annually – its largest inbound tourism market – however, this number has decreased 24% within the past decade. On May 25, 2015, the Canadian Federal Government announced it will invest $30 million over three years in Canada’s tourism sector in order to attract more American visitors to Canada. The Connecting America tourism campaign, led by Destination Canada, will market Canadian destinations to U.S. travelers with the goal of attracting an additional 680,000 Americans over the three-year period. The campaign will raise awareness of Canada’s one of a kind tourism experiences while promoting economic growth.

Tourism Performance

According to the Conference Board of Canada, overnight travel in Canada increased by 2.2% in 2014, largely attributable to a strong growth from the overseas market. Domestic pleasure travel was steady and driven by declines in the Canadian dollar.

In 2015 domestic travel increased, with gains attributed to a weaker Canadian dollar and lower gas prices as lower gas prices are leaving Canadians with more disposable income while reducing transportation-related vacation costs. The weaker dollar has also made domestic destinations more competitive for both Canadians and Americans. The hosting of numerous sporting events in the country has boosted leisure travel in many cities so far this year, whereas the decline in oil prices and numerous job layoffs negatively impacted business travel in oil producing provinces such as Alberta, Saskatchewan, and Newfoundland and Labrador.

Canada's accommodation industry is forecast to be bright in the medium-term. While the national economy's growth is likely to be hindered by the drop in crude oil prices that began last summer, the effect on demand for accommodation services will be positive. Lower gasoline prices leave Canadians with more money to spend on leisure activities, such as tourism. Moreover, lower oil prices have brought down the value of the Canadian dollar, which will encourage more Canadians to travel domestically this year and more foreigners to visit Canada. International visitors were lured by a stronger purchasing power afforded by a weaker Canadian dollar as well as numerous sporting events held across the country such as Toronto's hosting of the 2015 Pan Am Games. In addition, the stronger economic growth in United States and European economies are benefiting the accommodation industry due to increased business travel. Overall, total overnight visits are estimated to have grown by 2.8% in 2015, with growth led by the transborder segment. Growth is projected at 2.4% in 2016, 2.6% in 2017, 2.0% in 2018 and 2.0% in 2019.

The accommodation industry remains on solid financial footing, and despite increasing costs, it will benefit from higher prices and revenues in upcoming years. The Temporary Foreign Worker Program is expected to tighten labour supply and drive up average wage rates in the industry - and this will significantly increase labour costs over the forecast (particularly in Western Canada). Nevertheless, the accommodation industry will continue to benefit from strengthening economic conditions in North America, increased worldwide tourism activity, and a growing demand for accommodations. The available supply of rooms in Canada has also fallen short of demand, boosting occupancy rates and prices. Together, these trends are expected to increase revenues by nearly 25% over the next five years. While costs are forecast to increase quickly, it will not be enough to keep the industry's pre-tax profits from reaching $1.6 billion in 2019, up from $1.2 billion this year.

CANADA HISTORICAL AND FORECAST TOURISM DEMAND					
	2015e	2016f	2017f	2018f	2019f
Domestic (000s)	113,978	116,407	119,254	121,423	*123,622*
% Change	*2.2*	*2.1*	*2.4*	*1.8*	*1.8*
Business (% Change)	*0.6*	*2.5*	*2.5*	*1.9*	*1.8*
Leisure (% Change)	*2.7*	*2.2*	*2.8*	*1.9*	*1.9*
Transborder (000s)	13,198	13,634	14,029	14,340	*14,621*
% Change	*7.0*	*3.3*	*2.9*	*2.2*	*2.0*
Overseas (000s)	6,985	7,320	7,660	7,932	*8,256*
% Change	*5.3*	*4.8*	*4.6*	*3.5*	*4.1*
Total (000s)	134,161	137,361	140,943	143,695	*146,499*
% Change	*2.8*	*2.4*	*2.6*	*2.0*	*2.0*

Sources: Conference Board of Canada, Autumn 2015

DOMESTIC DEMAND

The ongoing global economic uncertainty combined with a slowing Canadian economy remains a major factor affecting consumer confidence, not to mention other factors such as rising travel costs, government budget cuts, residential construction slowdowns, housing price corrections, and high personal debt levels (often tied to housing). As Canadian households continue to increase their debt levels, especially given record-low interest rates, and depend on the recently decreased value of their homes to fuel spending, leisure travel is likely temper (whether by consumers traveling less often, taking shorter trips, traveling closer to home, or staying with family and friends). The lodging industry will be impacted as domestic demand now accounts for approximately 70% of total hotel demand, compared to less than 50% in the last decade.

After increasing by 2.0% in 2014, domestic demand is poised to improve in 2015 by 2.2% as economic growth increases, consumer confidence slowly strengthens, and the weaker Canadian dollar encourages domestic vacations. Increased pleasure travel is forecast to boost growth in a number of cities from numerous sporting events which were held across the country this year.

The Conference Board of Canada's latest Travel Intentions survey (conducted in February 2015) suggests that a slightly lower share of Canadians plan to take a vacation this summer than last year. The survey revealed 73.6% of Canadians are planning to take a vacation in Summer 2015 (May-October), representing a 1.1% decline from the same time last year. For the Canadians planning vacations, only 35.5% are planning to stay within Canada for their longest summer vacation (-7.6% from the previous year), while more Canadians are planning to travel to the United States and to other international destinations (+2.9% and +2.1%, respectively). It should be noted that this survey was conducted during the coldest February in 115 years across much of the country. As well, many of the economic headlines were particularly gloomy and, as a consequence, consumer confidence declined during this time. While a lower Canadian dollar and lower oil (and gasoline prices) typically support domestic travel within Canada, these factors have also created a subdued economic environment, which appears to have offset much of the positive effects on travel intentions. Nevertheless, while Canadians try to figure out what the changing economic conditions mean to them, it is forecast that consumer confidence will return and possibly support large upswings in summer travel intentions.

SUMMER 2015 (MAY-OCTOBER) CANADIAN VACATION INTENTIONS (% WITH TRAVEL INTENTIONS)			
	FEBRUARY 2013	FEBRUARY 2014	FEBRUARY 2015
All Destinations	74.6	74.7	73.6
Canada	39.5	43.1	35.5
United States	17.9	14.7	17.6
Other International	13.5	14.4	16.5
Unknown/Refused	3.7	2.4	4.1

Source: Conference Board of Canada

Transborder Demand

The latest economic indicators suggest that the United States economy is picking up pace in line with increasing employment, disposable income, and consumer confidence levels. According to Forbes Magazine, the U.S. economy improved moderately in 2014, at an annual growth of 1.6%. The growth was a result of higher personal consumption expenditures, however was offset by lower federal government spending and an increase in imports. Improvements in the labour market helped reduce the unemployment rate to its lowest yet since 2008 – 6.3%.

The U.S. continues to be the most important international source market for Canada in terms of overnight person-visits. The Conference Board of Canada estimates there to be 13.2 million overnight visitors from the U.S. in 2015, representing a 7.0% increase from the previous year, the strongest growth since 1998. Growth was most impressive in the U.S. auto travel due to lower gas prices, as well as in air travel due to increased air capacity during 2015. Since 2002, a number of factors have contributed to the decline in U.S. travel to Canada. For many years, the appreciation of the Canadian dollar reduced Canada's price competiveness. New border security measures that require U.S. citizens to show a valid passport to enter Canada, when previously a driver's license had sufficed, have deterred some U.S. travelers from visiting Canada. As well, Canada also continues to face increased competition from low-cost, convenient package deals offered to destinations such as Mexico and the Caribbean.

According to the Conference Board of Canada, there have also been several observed changes in the characteristics of U.S. travellers from 2008 to 2013. U.S. travellers have increased the average duration of their trips to Canada - from 3.6 nights in 2008 to 4.0 nights in 2013. U.S. travellers have also changed the activities they engage in while visiting Canada, and in 2013, a larger share of U.S. visits included "attending a festival or fair" and/or "attending a cultural performance," compared with 2008. This suggests U.S. travellers more increasingly planning trips around particular events when visiting Canada. On a less positive note, the average spending by U.S. travellers has not recovered to pre-recession levels, having declined from C$1,392 in 2008 to C$1,105 in 2013. There has been a decrease in the share of U.S. travellers who report their primary trip purpose as pleasure and/or business while visiting Canada.

Auto travel has traditionally been sensitive to changes in the exchange rate and the price of fuel, both of which have been favourable for travellers this year. In addition, the hosting of major sporting events across many cities this summer, such as the Women's FIFA World Cup, and Pan American 2015 games, has helped attract additional U.S. visitors, particularly from the Border States.

Looking ahead, the medium-term outlook for overnight travel from the U.S. continues to be favourable. The U.S. economy has seen improvements with over 2 million jobs added to the economy over the first 10 months of 2015. The combination of a stronger economy in the U.S. and a weak Canadian dollar boosted overnight travel this year, with overnight travel expected to continue to grow over the forecast period.

OVERSEAS DEMAND

Canada's ranking as an international travel destination has been on the decline, a trend which is likely to continue. According to the UNWTO, Canada's ranking has fallen from 8th in 2000 to 16th in 2012, with international arrivals decreasing from 19.6 million to 16.3 million during this period. Contributing factors include high cost of air travel, often onerous visitor documentation requirements, cutbacks in international marketing budgets, and the relatively modest level of new tourism infrastructure investment.

Except for Russia, demand from the BRIC countries continues to reach all-time highs. The growing middle class in these countries will be key in demand growth for Canada and worldwide for the foreseeable future. The largest barrier for these countries, as well as for non-American and European visitors, is the travel visa requirement to enter Canada. Canada's visa process is often viewed as more onerous, inconvenient, and lengthy compared with many other countries. Applications are still in paper form (unlike for the United Kingdom, United States, and Australia), increasing processing time significantly. The federal government has attempted to respond by several initiatives, including the introduction of the 10-year multiple-entry visa and the addition of 19 visa application centres in 15 countries since 2007.

Overseas visitation to Canada is expected to grow by 5.3% in 2015, with solid gains from nearly every region of the world. Mexico and South Korea are expected to produce growth of 12.0% and 10.4%, respectively, whereas all other regions (with the exception of Germany) are projected to post gains between 2.5% and 8.0%. Despite modest economic growth, visits from Europe are projected to grow at 4% due to strong growth in direct air capacity, a favourable exchange rate, and higher consumer confidence. Visits from Asia are projected to increase by 6% this year, much below the 17% growth seen in 2014. Overseas arrivals are expected to continue increasing over the next year at 4.8%.

Major risks to the economic outlook include the interest rate increases in the United States which could depreciation the currencies of many developing countries. The health of China's economy is another concern as the country is going through a rebalancing in which it is moving away from investments and exports and towards consumption and services. In addition, the implementation of the new Electronic Travel Authorization (eTA) proposed by Citizenship and Immigration Canada, which will come into effect in March 2016, could result in short-term disruption from visa-exempt countries such as Europe, Japan and Australia. The eTA will be required for all nationals travelling from visa-exempt countries (excluding U.S) travelling to Canada.

LODGING PERFORMANCE

CANADIAN LODGING INDUSTRY PERFORMANCE			
	OCC. (%)	ADR ($)	REVPAR ($)
2010	60.8	128.71	78.31
2011	61.8	127.85	78.98
2012	62.4	129.89	81.07
2013	63.3	133.08	84.21
2014	64.9	137.45	89.19
YTD November 2014	66.3	137.66	91.27
YTD November 2015	65.8	143.91	94.70

Source: Smith Travel Research

The Canadian market started to experience a contraction in overall performance in late 2008 as a result of the recession, from which the industry began to recover only in the second half of 2010. The lodging industry was in a

reasonably good position overall to weather the downturn as operating fundamentals remained supportive while lower debt ratios meant fewer distressed properties on the market. The year 2011 saw a modest increase in demand that helped to offset a small decline in ADR. This result is virtually the same across Canada's different regions. Modest occupancy and ADR growth was recorded in 2012, increasing RevPAR by 2.6%.

The Canadian hotel market experienced modest occupancy and rate growth in 2013, where RevPAR increased by 3.9%. 2014 demonstrated to be a better year, with RevPAR up by 5.9%, supported by modest occupancy and ADR growth and a nominal 0.5% supply increase. At $89.19, RevPAR has reached a new peak.

YTD November 2015 results indicate a slight decrease in occupancy but a 4.5% ADR increase compared to YTD November 2014, resulting in 3.7% RevPAR growth. Conference Board of Canada projects a 5.5% increase in ADR across the country this year, driven by a number of factors such as a jump in U.S. visitors, domestic pleasure travelers and convention delegates, as well as the growth of luxury and upscale hotels, which account for a growing share of the hotel room inventory. Hotel prices are expected to continue to rise, at a more modest pace of 2%-2.8% over the forecast period.

Lodging Market Supply and Demand Analysis

Existing Competitive Supply

The subject property is a proposed hotel to be located in St. Catharines, Ontario. The property is anticipated to compete to varying degrees with a number of hotels in the area.

There are currently 6 hotels located within the City of St. Catharines proper, 4 of which have been identified to be potential primary competitors. The primary competitors to any new hotel developments within St. Catharines includes the Best Western St. Catharines Hotel & Conference Centre, Comfort Inn St. Catharines, Days Inn St. Catharines/Niagara, and the Holiday Inn Hotel & Suites St. Catharines Conference Centre. In addition, the Four Points St. Catharines Niagara Suites, located in Thorold, was also identified to be a potential primary competitor. The Hilton Garden Inn, located in Niagara-on-the-Lake, would likely compete with any new mid-to-upscale hotel development in St. Catharines, as well as be the primary competition for demand generated by overflow from Niagara Falls. It was therefore also included as a potential primary competitor.

The hotel's secondary and tertiary competition have been identified to consist of smaller hotel properties within the City of St. Catharines (Capri Inn and Canada's Best Value Inn), White Oaks Resort & Spa (Niagara-on-the-Lake) and the Stone Mill Inn (located 4.8 km southeast of Downtown St. Catharines). The White Oaks Resort and Stone Mill Inn have not been identified as primary competitors due to the luxury and resort positioning of these properties. In addition, the White Oaks Resort commands room rates that are significantly higher than those found within the proposed hotels' competitive set. The Stone Mill Inn is a 34-room luxury property that mainly caters to wedding functions and, as was indicated by Mr. Nino Donatelli (Owner), relies heavily on wedding event-related room demand.

The Ramada Jordan/Beacon Harbourside Resort is located in Jordan Station (14.1 km northwest of the Downtown St. Catharines and 8.1 km west of Port Dalhousie). The location of the hotel places it beyond reasonable reach of any demand that might be generated by overflow from Niagara Falls or those looking for accommodations within proximity, or convenient access to, the Downtown core of St. Catharines. While this property may pose as competition to a Port Dalhousie hotel development, it is an older property that has not seen renovations in recent years. Therefore, the Ramada Jordan/Beacon Harbourside Resort has not been determined to be significantly competitive with existing hotels in the area, and would therefore be unlikely to be of significant competitiveness to a new hotel development. Finally, the Capri Inn and Canada's Best Value Inn are motel properties and would therefore not directly compete with hotel properties in the area, but cater to those looking for budget accommodations with minimal amenities.

The following pages detail the future competitors of the subject. Of relevance to this project is that the competitors are generally older properties (between 22 and 46 years of age), with some having undertaken renovations in recent years.

PRIMARY COMPETITIVE SUPPLY

BEST WESTERN ST. CATHARINES HOTEL & CONFERENCE CENTRE

Exterior

Reception

Wrigleys Sports Bar

Fitness Facility

Indoor Swimming Pool

King Guest Room

The **Best Western St. Catharines Hotel & Conference Centre** is located at 2 North Service Road in St. Catharines; approximately 2.6 km north of the Downtown core and 3.7 km south of Port Dalhousie. This 141-room, full-service hotel was built in 1967. Guest rooms have double queen beds or one king bed. The hotel is located just north of the QEW Highway with very good visibility and access, making it a hotel that would be frequented by highway travellers and those visiting Niagara Falls. In addition, the Fairview Mall is located across from the property, thereby providing guests with convenient retail opportunities. Major facilities include:

- Food/beverage outlet: 'Wrigleys Sports Bar'
- Meeting space: 5,000 sq. ft.
- Other: Business centre; indoor pool; seasonal outdoor pool; fitness centre; mini-golf course

Typical published rates range from $129 to $149 on weekdays and from $149 to $179 on weekends. The hotel undertook a major renovation in 2012. The hotel is in very good condition.

Comfort Inn St. Catharines


Exterior


Reception


Lobby


Fitness Facility


Queen Guest Room


Double/Double Guest Room

The **Comfort Inn St. Catharines** is located at 2 Dunlop Drive in St. Catharines; approximately 2.4 km north of the Downtown core and 4.3 km south of Port Dalhousie. This 100-room, select-service hotel was built in 1987. Guest rooms have one queen bed or two double beds, with relatively smaller sizes of approximately 288 sq. ft. The hotel is located just south of the QEW with very good visibility and access, making it a hotel that would be frequented by highway travellers and those visiting Niagara Falls; in addition this property may be the preferred choice of those looking for economy-level accommodations and less expensive pricing. Major facilities include:

- Food/beverage outlet: ‘IHOP Restaurant’
- Meeting space: 288 sq. ft. (Converted hotel room)
- Other: Business centre; fitness centre

Typical published rates range from $105 to $120 on weekdays and from $115 to $130 on weekends. The hotel undertook renovations of guest rooms & public areas in 2015. The hotel is in very good condition.

DAYS INN ST. CATHARINES/NIAGARA

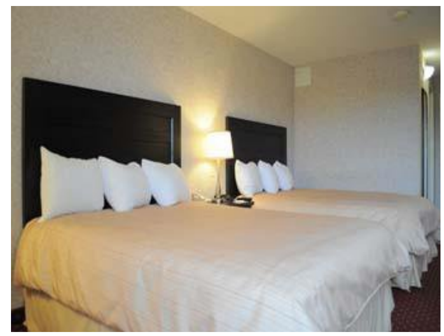

Exterior


Reception


Perkins Family Restaurant


Fitness Facility


Indoor Swimming Pool


Queen/Queen Guest Room

The **Days Inn St. Catharines/Niagara** is located at 89 Meadowvale Drive in St. Catharines; approximately 3.5 km north of the Downtown core and 4.1 km south of Port Dalhousie. This 97-room, select-service hotel was built in 1973. Guest rooms are equipped with one queen bed, double queen beds, one king bed, or two double beds. This hotel is also located just north of the QEW, almost adjacent to the Best Western St. Catharines. However, this property is slightly less visible and accessible as the previously discussed Best Western St. Catharines and Comfort Inn St. Catharines. Major facilities include:

- Food/beverage outlet: ‘Perkins Family Restaurant & Bakery’
- Meeting space: 3,000 sq. ft.
- Other: Business centre; fitness centre; indoor pool with sauna

Typical published rates range from $99 to $109 on weekdays and from $139 to $149 on weekends. The hotel was renovated in 2014 and in good overall condition.

FOUR POINTS ST. CATHARINES NIAGARA SUITES

Exterior

Reception

In Piazza Pasta & Wine Bar

Fitness Facility

Conference Room

King Guest Room

The **Four Points St. Catharines Niagara Suites** is located at 3530 Schmon Parkway in Thorold; approximately 7.9 km south of the Downtown core and 19.1 km south of Port Dalhousie. This 124-unit, all-suite, full-service hotel was built in 1990 as an Embassy Suites. The hotel was then rebranded as the Four Points by Sheraton in 2004. This property has maintained the all-suites model, offering rooms of two double beds, one queen bed or one king bed configurations. Guest suite sizes are approximately 500 square feet. The property is located next to Brock University and just west of Highway 406. Major facilities include:

- Food/beverage outlet: 'In Piazza Pasta & Wine Bar'
- Meeting space: 9,000 sq. ft. including a 3,400 sq. ft. ballroom
- Other: Business centre; indoor pool with hot tub; fitness centre; spa; basketball and road hockey courts

Typical published rates range from $135 to $215 on weekdays and from $165 to $245 on weekends. The hotel was fully renovated in 2013 and is maintained in very good overall condition.

Holiday Inn Hotel & Suites St. Catharines Conference Centre

Exterior

Reception

JJ Kapps Restaurant

Indoor Pool & Fitness Facility

Ballroom

King Guest Room

The **Holiday Inn Hotel & Suites St. Catharines Conference Centre** is located at <u>327 Ontario Street in St. Catharines</u>; approximately 2.3 km north of the Downtown core and 4.2 km south of Port Dalhousie. This 181-room, full-service hotel was built in 1965 and includes 53 suites. Guest rooms and suites are equipped with double queen beds or one king bed. This hotel is not located along a major highway, yet it is located on a major access road to both the QEW and Highway 406; also providing convenient access to the Downtown core. In addition, the hotel offers the most amenities of the properties studied and was found to be the overall St. Catharines market leader in both performance and preference. This property caters to those looking for more upscale accommodations, whilst also offering enough function space and rooms to attract groups and events. This hotel also holds the contracts of a majority of corporate accounts in the area. In fact, this property was also the most mentioned and top-of-mind amongst representatives interviewed. Major facilities include:

- Food/beverage outlets: ‘JJ Kapps Backyard BBQ and Grill’ and ‘Timothy’s World Coffee’
- Meeting space: 20,000 sq. ft. including 3,200 sq. ft. ballroom
- Other: Business centre; indoor pool; fitness centre; 40-lane bowling centre (‘Parkway Lanes’)

Typical published rates range from $150 to $180 on weekdays and from $200 to $230 on weekends. The hotel was renovated in 2012 and is maintained in very good overall condition.

Hilton Garden Inn Niagara-On-The-Lake

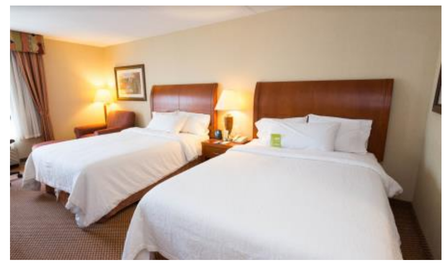
Exterior

Reception

Garden Grille & Bar

Fitness Facility

Ballroom



Double/Double Guest Room

The **Hilton Garden Inn Niagara-On-The-Lake** is located at 500 York Road in Niagara-On-The-Lake; approximately 8.1 km east of the Downtown core and 13.0 km south of Port Dalhousie. This 118-room, full-service hotel was built in 2005 and includes 53 suites. Guest rooms and suites are equipped with double queen beds or one king bed. This hotel is located just off the QEW, on the major access route from Niagara Falls to St. Catharines; also providing convenient access to the Downtown core. In addition, the hotel offers a set amenities that are typical of an upscale full-service establishment. This property also caters to those looking for more upscale accommodations, whilst offering enough function space and rooms to accommodate groups and events. Major facilities include:

- Food/beverage outlets: ‘Garden Grille & Bar’; ‘Pavilion Pantry’; ‘Pavilion Lounge’
- Meeting space: 3,500 sq. ft.
- Other: Business centre; indoor pool; fitness centre

Typical published rates range from $139 to $259 on weekdays and from $239 to $269 on weekends. The hotel was renovated in 2014 and is maintained in very good overall condition.

Secondary Competitive Supply

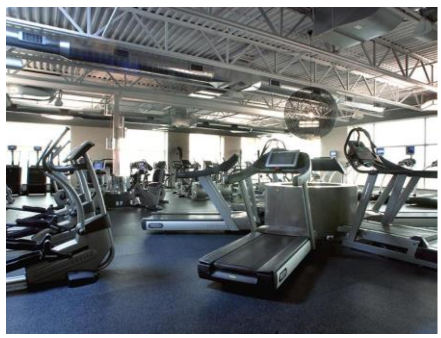
White Oaks Resort & Spa

Exterior

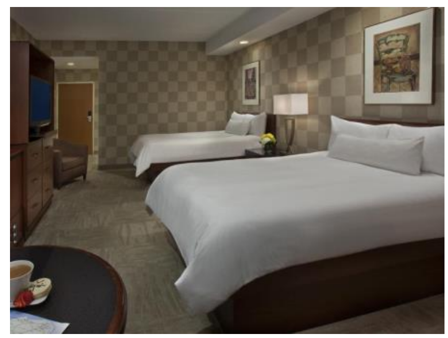
Reception

Play Urban Café & Tennis Courts

Function Space



Fitness Club



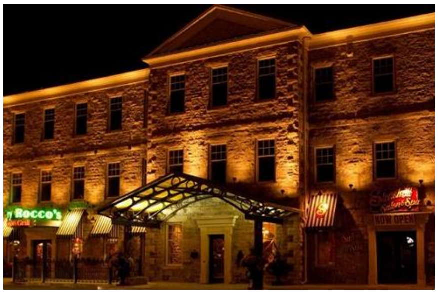
Double Queen Guest Room

The **White Oaks Resort & Spa** is located at 253 Taylor Road in Niagara-On-The-Lake; approximately 9.0 km east of the Downtown core and 14.2 km southeast of Port Dalhousie. This 220-room, full-service hotel was first built in 1984 and includes 33 suites. Guest rooms and suites are equipped with two double beds, double queen beds or one king bed. This hotel is located just off the QEW, on the major access route from Niagara Falls to St. Catharines; also providing convenient access to the Downtown core. In addition, the hotel offers a full-service spa, two restaurants, and multi-facility fitness club including tennis courts. Major facilities include:

- Food/beverage outlets: 'Play Urban Café'; 'LIV Restaurant'
- Meeting space: 67,000 sq. ft.
- Other: Business centre; fitness club; indoor swimming pool; tennis courts; pro-shop; full-service spa & hair salon

Typical published rates range from $179 to $429 on weekdays and from $289 to $529 on weekends. The hotel was renovated in 2012 and is maintained in very good overall condition.

STONE MILL INN


Exterior


Reception


Johnny Rocco's


Fitness Facility


Loft Suite


King Guest Room

The **Stone Mill Inn** is located at 271 Merritt Street in St. Catharines; approximately 4.8 km southeast of the Downtown core and 12.9 km southeast of Port Dalhousie. This 34-room, full-service hotel was first built in 1860 and includes a bi-level Loft Suite. Guest rooms and suites are equipped with double king beds or one king bed. This hotel is located just off Highway 406, within proximity to The Pen Centre and between St. Catharines proper and Thorold (2.5 km northwest of Thorold). In addition, the hotel offers a 4,000 sq. ft. banquet facility and is positioned as a luxury property that mainly caters to wedding functions. Major facilities include:

- Food/beverage outlets: 'Johnny Rocco's'
- Meeting space: 4,000 sq. ft.
- Other: Business centre; Azura Spa & Hair Studio

Typical published rates range from $139 to $209 on weekdays and from $149 to $219 on weekends. The hotel was renovated in 2012 and is maintained in very good overall condition.

The following table outlines the proposed hotels' primary, secondary and tertiary competitive set:

ST. CATHARINES EXISTING HOTEL SUPPLY

Competitive Scale	Hotel Name	Type	Location	Address	Year Opened	Year Renovated	Rooms	Meeting Facilities (Sq. Ft.)	F&B Outlet	TripAdvisor Rating	TripAdvisor Rank	Amenities
Primary Competitors	Holiday Inn Hotel & Suites St. Catharines Conference Centre	Full	St. Catharines	327 Ontario Street	1965	2012	181	20,000	J J Kapps Backyard BBQ (200 seats); Parkway Skybar (60 seats)	4	2	Indoor pool; fitness centre; business centre; adjoining bowling & entertainment
	Four Points by Sheraton St. Catharines	Full	Thorold	3530 Schmon Parkway	1990	2013	125	9,000	In Piazza Pasta and Wine Bar	4	Thorold	Indoor pool; fitness centre; business centre
	Best Western St. Catharines Hotel & Conference Centre	Full	St. Catharines	2 North Service Road	1967	2012	141	5,000	Wrigleys Sports Bar	3.5	3	Fitness centre; business centre; indoor & outdoor pools; steam room
	Days Inn St. Catharines	Full	St. Catharines	89 Meadowvale Drive	1973	2014	97	3,000	Perkins Restaurant	3.5	4	Business centre; fitness centre; indoor poo; sauna
	Comfort Inn St. Catharines	Full	St. Catharines	2 Dunlop Drive	1987	2014 - 2015	100	288	IHOP (169 seats)	3.5	6	Business centre, fitness centre
	Hilton Garden Inn Niagara-on-the-Lake	Full	Niagara-on-the-Lake	500 York Road	2005	2014	118	3,500	The Garden Grille & Bar	4	Niagara	Indoor pool; fitness centre; business centre
Secondary Competitors	White Oaks Resort	Full	Niagara-on-the-Lake	235-253 Taylor Road	1980	2012	220	67,000	Play Urban Café ; LIV Restaurant	4.5	Niagara	Busienss centre; Fitness Club; tennis; Spa; indoor pool
	Stone Mill Inn	Full	St. Catharines	271 Merritt Street	1860	2012	34	4,000	Johnny Rocco's Italian Grill	4	Inn/BB	Full-service Spa; hair salon
Tertiary Competitors	Capri Inn	Limited	St. Catharines	391 Ontario Street	1965	2014 - 2015	30	None	None	4.5	1	Business centre
	Ramada Jordan/Beacon Harbourside Resort	Full	Jordan	2793 Beacon Blvd (Jordan Station, ON)	1973	2008	62	8,000	Beacon Harbourside Restaurant & Lounge	3	Jordan	Indoor pool; fitness centre; business centre; marina
	Canadas Best Value Inn - St. Catharines	Limited	St. Catharines	420 Ontario Street	1960	2011	50	None	None	3.5	5	Outdoor pool; BBQ

Smith Travel Research (STR), an independent research firm that is recognized by the lodging industry as the standard source of reliable data, provided operating statistics on the local market as a whole. In reviewing the data compiled by STR, it is important to note some of its limitations. We have found that because hotels are occasionally dropped in and out of STR samples, and not every property reports data in a consistent and timely manner, the overall quality of this information may be affected. These variables can sometimes skew the data for a particular market. However, we find that STR data is generally relied upon by typical hotel investors.

In order to illustrate the performance of hotels in St. Catharines the following data from Smith Travel Research (STR) is reported below. This information does not necessarily describe the operating results of the proposed subject; however, it provides an insight into the current competitive market performance within the St. Catharines area.

The table below illustrates the combined operating statistics of the six previously identified primary competitors.

Competitive Market Performance

Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2009	705	257,325	-----	120,669	-----	46.9%	-----	$108.05	-----	$50.67	-----
2010	705	257,325	0.0%	129,469	7.3%	50.3%	7.3%	$106.35	-1.6%	$53.51	5.6%
2011	705	257,325	0.0%	134,020	3.5%	52.1%	3.5%	$102.94	-3.2%	$53.61	0.2%
2012	752	274,461	6.7%	138,625	3.4%	50.5%	-3.0%	$108.97	5.9%	$55.04	2.7%
2013	762	278,071	1.3%	140,452	1.3%	50.5%	0.0%	$109.98	0.9%	$55.55	0.9%
2014	763	278,495	0.2%	149,285	6.3%	53.6%	6.1%	$113.88	3.5%	$61.04	9.9%
Avg Annual Percent Change			1.6%		4.3%		2.7%		1.1%		3.8%
YTD September 2014	763	208,299	-----	116,811	-----	56.1%	-----	$115.87	-----	$64.98	-----
YTD September 2015	763	208,299	0.0%	124,161	6.3%	59.6%	6.3%	$122.09	5.4%	$72.77	12.0%

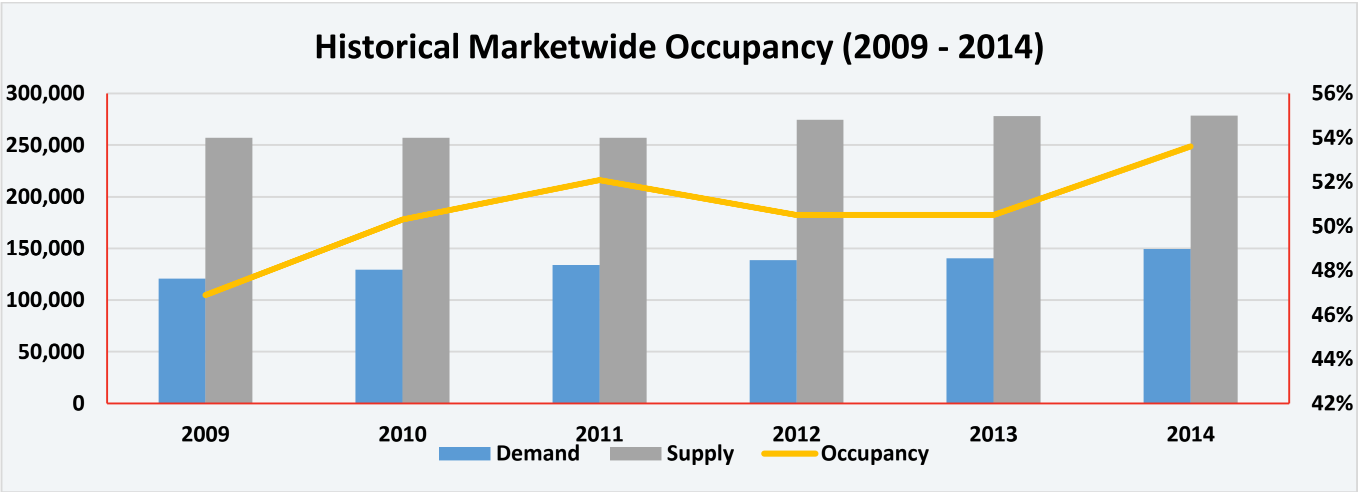
Source: Smith Travel Research

In general, supply for the competitive market had been stable for the past six years. The last entrant to the market was the Hilton Garden Inn Niagara-On-The-Lake in 2005. In 2012, the Holiday Inn Hotel & Suites St. Catharines Conference Centre added 47 suites to its inventory (out of 56 total), which increased the competitive market room supply by 6.7%. Meanwhile, demand had been on the recovery following the 2008/2009 recession, growing at an average annual rate of 4.3%. Occupancy had been on the mend, returning to the 50% range in 2010, with the competitive set seeing a peak of 52.1% in 2011 and 53.6% in 2014. The declines in occupancy in 2012 and 2013 are attributed to significant decreases in commercial demand, as well as the closure of St. Paul Street which reduced leisure demand and prevented St. Catharines from capitalizing on the region’s wine festival seasons. YTD September 2015 occupancy is at its highest, rising 6.3% over the previous year to 59.6%. The majority of this growth is attributable to the weakening Canadian Dollar, attracting an increase in U.S. visitors to the region.

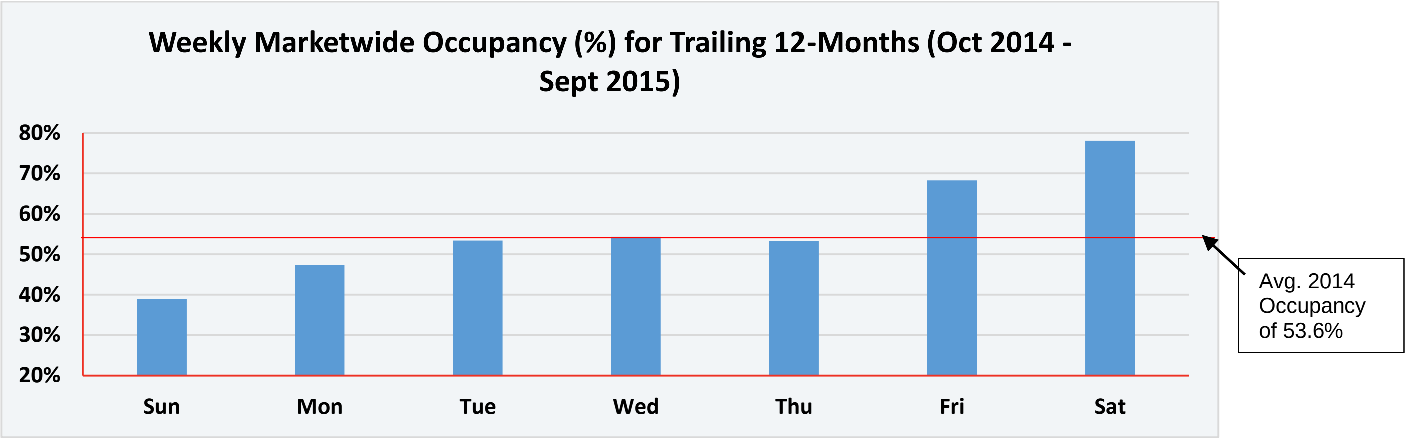
Over the past six years, ADR for the competitive market generally saw limited growth. Before growing by 5.9% in 2012, rates had declined for three consecutive years to approximately $102 in 2011. The healthy increase in 2012 can be attributed to greater hotel demand and the addition of suite product at the Holiday Inn. ADR has rebounded in recent years, seeing an average growth of 3.4%. YTD September 2015, the ADR has increased significantly, spurred-on by the market's anticipation of the Pan Am Games held in July of 2015.

The performance of occupancy and ADR has led to overall growth in RevPAR performance. RevPAR has grown at an average rate of 3.8% year to year from 2009 to 2014. YTD September 2015, RevPAR grew by 12%, due to the combination of increased hotel ADR and U.S. visitation.

According to Smith Travel Research, total demand generated within the St. Catharines market has been increasing year over year, at an average growth rate of 4% and reaching 149,285 room nights in 2014. Additionally, the data indicates that August sees the peak level of demand each year. The following tables and graphs show the growth of demand monthly and annually from 2009 to 2014:



Trailing 12-Month Daily Performance								
	Sun	**Mon**	**Tue**	**Wed**	**Thu**	**Fri**	**Sat**	**Overall**
Occupancy	39%	47%	53%	54%	53%	68%	78%	56%
ADR	115.40	108.85	108.06	110.76	110.38	128.28	137.56	118.90



Occupancy reaches peak levels on Friday and Saturday, while demand is very low on Sunday and Monday and generally throughout the weekdays. ADR follows a similar pattern, peaking on Friday and Saturday and declining during the week. This demand on weekends is largely attributed to the heavy presence of sports tourism in the area and reflects the number of sports teams and groups that occupy the hotels for weekend tournaments.

Trailing 12-Month Monthly Performance

Metric	January	February	March	April	May	June	July	August	September	October	November	December	Overall
Occupancy	36%	36%	47%	51%	57%	70%	79%	86%	73%	55%	46%	37%	56%
ADR	98.50	95.88	103.11	108.93	117.63	124.06	132.90	146.05	128.12	111.27	104.39	102.81	114.47

Occupancy levels are relatively weak in the months leading up to the summer season of May to September, showing a strong pattern of peak and shoulder seasons throughout the year. ADR follows a similar pattern to Occupancy, exhibiting significant growth during the summer and peaking in August. This seasonal pattern and the indicated occupancy peaks during the summer months are indicative of typical leisure travel patterns, which is evident in the market-wide operating statistics above.

FUTURE COMPETITIVE SUPPLY

Our fieldwork revealed no future primary competitor currently in planning or construction in St. Catharines or surrounding areas. We have, however, implicitly included the possibility of new supply in our conclusion of a stabilized occupancy rate for the subject property.

While we have taken reasonable steps to determine the potential of new supply within the market, it is impossible to determine every property that will be developed in the future, or what their impact in the market will be. Depending on the outcome of future hotel development projects, the value of the subject property may be positively or negatively affected.

Demand Analysis - Market For Transient Accommodations

The market for transient accommodations is an all-encompassing term referring to the various types of travelers that utilize the lodging facilities in a given market area. The total number of rooms occupied by these travelers during a specific time frame represents a market's accommodated room-night demand.

In analyzing demand within a specific market, individual segments are considered based on the nature of travel present in the area. Three primary demand classifications occur in most markets including Commercial, Meetings & Group and Leisure.

Commercial Demand

Commercial demand arises from individuals who are conducting business and visiting various firms in the subject's market area. Commercial demand is strongest Monday through Thursday nights and declines significantly on Friday and Saturday before increasing somewhat on Sunday. Commercial travelers' typical length of stay ranges from one to three days and remains relatively constant throughout the year, although some declines are noticeable in late December and during other holiday periods. Commercial travelers are generally not rate sensitive and represent a very desirable and lucrative market that provides a consistent level of demand at relatively high room rates.

Ontario's economy is forecast to maintain a modest growth pace over the next two years, mainly driven by expected improvements in the manufacturing and mining sectors. On the other hand, lower government and residential investments and declines in automobile exports due to lower demand from the U.S. market, are some factors which contributed to recent slow GDP growth. According to BMO Capital Markets, Ontario's economy is expected to marginally slowdown in 2015, growing at 2.0%, down by 30 basis points over last year. However, the economic growth rate is forecasted to reach 2.4% in 2016 – recording the best provincial economic growth after British Colombia in both 2015 and 2016. The GDP growth will be driven by the lower Canadian dollar and an improving U.S. economy, providing a further lift to manufacturing activity.

The economy of St. Catharines is generally driven by manufacturing and construction, as well as non-commercial and personal services. With the GDP growth forecast at 1.4% from 2016 to 2019, the economy is expected to grow moderately. Commercial demand in the subject's immediate area is largely driven by the Queen Elizabeth Way. This highway connects St. Catharines to Buffalo via the Peace Bridge in Fort Erie. The QEW then continues through Hamilton and Burlington, connecting to Highway 403 and providing access to the Greater Toronto Area. The Peace Bridge is the second busiest border crossing in Canada and transports approximately $40 billion worth of trade annually. The QEW also connects the immediate area in St. Catharines to the Lewiston-Queenston Bridge, the fourth largest border in Canada which reaches $30 billion in trade annually. With the $127 billion investment that it received over the past few years, the improvements will result in increased passenger traffic and faster processing times.

General Motors announced in August 2015 that $13 million will be invested into the St. Catharines powertrain facility, which will enable the production of more variants of the 3.6-litre V6 engine currently being built at the plant. The powertrain facility, which employs about 2,000 people, is one of North America's largest engine and transmission plants. It produces a range of V6 and V8 engines, as well as transmissions for a wide range of GM products. However, it has been reported that Carolyne Watts (Plant Manager of the facility) does not expect any additional jobs at the plant.

Mr. Hugo Chesshire (Policy and Government Relations Manager - Greater Niagara Chamber of Commerce) indicated that employment within the St. Catharines region has been stable, with not much change seen since 2011. However, most of the employed population reside within Niagara Region, with less than 2% of which require lodging.

Meetings & Group Demand

Meetings & Group demand includes groups who reserve blocks of rooms for meetings, seminars, trade association shows, and other similar gatherings of ten or more persons. Meetings & Group demand is typically strongest during the spring and fall months, while the summer months represent the slowest period for this market. Winter demand can vary based on location. Meetings & Group travelers typically achieve an average length of stay of three to five days. Historically, most corporate groups met on weekdays and social groups used the weekend periods. However, in the recent past, corporate group booking trends have changed to include some or all of the weekend. Many corporate groups have been utilizing weekend meetings as a cost containment measure, which usually results in lower airfares and hotel room rates, especially in non-resort markets.

Because of the holidays and cooler weather, the winter months typically have the lowest meetings and group occupancy. Meetings & Group demand is generally quite profitable for hotels and resorts. Although room rates are sometimes discounted for large groups, hotels benefit from the use of meeting space and the inclusion of in-house banquets and cocktail receptions. Facilities required to attract meetings and groups include meeting and banquet rooms with an adequate number of guest rooms to house the attendees.

When examining the competitive market, Meetings & Group demand represents uses such as association conventions and conferences, industry tradeshows, corporate training sessions and meetings, sporting events and SMERF (Social, Military, Educational, Religious, and Fraternal) events. Consistent with most group bookings, Meeting & Group bookings usually garner a lower room rate, but offset rate loss with greater occupancy levels. In addition, the competitive market also accommodates smaller events involving local governments, unions, and wedding parties.

Future demand potential in the Meetings & Group market segment is closely related to commercial activities on a regional and national level. The majority of corporate and business meetings and organizations' events have either a direct or indirect business purpose; hence, the current and anticipated economic health of regional and national firms has a dramatic impact on the use of facilities such as that of the subject property. As discussed previously, the Ontario economy is expected to show improvements in GDP and employment in the coming years.

The local market is equipped for small to medium sized group and meeting demand. With the 6,000 seat Meridian Centre now operating as the City's first dedicated convention centre, the city also relies on hotels with large meeting facilities, alternative venues, or the Scotiabank Convention Centre which, although only 21 km southeast, is located in the City of Niagara Falls. As indicated by Ms. Kay Meilleur (Meridian Centre's Director of Marketing), the Centre will be available to host conferences and other large scale events in 2016-2017. The subject's primary competitive set ranges in guest room inventory of 100 to 181 rooms and in meeting space of up to 20,000 square feet, with five out of six competitors offering significant meeting facilities. Alternative venues include the Seymour Hannah Sports and Entertainment Centre, which has a seating capacity of 1,200 and hosts 30 events annually, as well as Brock University and Niagara College which also provide meeting facilities. The FirstOntario Performing Arts Centre also adds 95,000 square feet of space to house a concert hall, a theater, cinema and a rehearsal hall, and will also have multi-purpose event space for external events. Attached to the Arts Centre is the Marilyn I. Walker School of Fine & Performing Arts, which is expected to further bolster the number of events held at the FirstOntario Performing Arts Centre.

Sports Tourism is a significant driver of tourism in St. Catharines. According to Mr. Bram Cotton (CEO of the Niagara Sport Commission) and Mr. Matt Hill (Senior Coordinator of Events & Operations at the Niagara Sport Commission), the City needs to implement a greater Sports Tourism Strategy and Hosting Fund to attract more large scale sports events to the city. They expect that with the new Meridian Centre, the city may see 2 major events per year. An example of which is the 2016 U18 Women's Hockey Tournament, attracting 600 attendees and spanning over 10 days in January 2016.

Leisure Demand

The Leisure demand segment consists of individual tourists and families visiting the attractions of a local market and/or passing through en-route to other destinations. Leisure demand is strongest on Friday and Saturday nights, holiday periods and the summer months. These peak periods generally are negatively correlated with Commercial and Meetings & Group demand. The spring is also a prime period for weddings and other social activities.

Leisure travelers tend to be the most price-sensitive segment in the lodging market and typically demand extensive recreational facilities and amenities. Ease of highway access and proximity to vacation-related attractions are important hotel locational considerations. Leisure demand levels tend to vary based on the overall economy, due to changes in levels of disposable income coupled with the strength of the Canadian dollar (as a weak dollar promotes domestic travel and international travel to Canada).

The continued strong population growth in Ontario is anticipated to stimulate domestic tourism demand, backed by modest economic growth, greater employment and rising income. Domestic and overseas travel are expected to have received a boost from the Pan Am and Parapan Am Games in 2015 which were held across the Greater Toronto Area and the Golden Horseshoe Region. The Conference Board of Canada forecasts tourism demand for the province to increase overall by 0.9% in 2013, followed by higher growth of 2.1% in 2014 and 2.9% in 2015.

Leisure demand in the St. Catharines region is largely driven by Brock University and Niagara Colleges drawing the VFR (Visiting Friends & Relatives). The two educational institutions are home to 34,000 students who reside in the area. The city's proximity to Niagara Falls and Niagara-on-the-Lake could also potentially drive small leisure demand to this area. However, the city does provide a number of attractions which drive leisure demand. Its numerous annual festivals such as the Niagara Folk Art Festival, the Niagara Grape & Wine Festival, the Niagara Ice Wine Festival and the SCENE Music Festival draw thousands of visitors annually. The city is home to an Ontario Hockey League Team and its current event venues – Seymour Hannah Sports & Entertainment Centre and the Gatorade Garden City Complex host sporting event and concerts. The Pen Centre's 170 retailers also attract 10 million visitors annually.

A number of current developments will increase leisure demand in the coming years. The development of the Outlet Collection at Niagara added 720,000 square feet of retail space to the market and features approximately 100 brand name retailers when it was completed in 2014. The FirstOntario Performing Arts Centre is expected to increase leisure demand with its ability to host a large number of theatrical/artistic performances and the Meridian Centre will be able to accommodate larger concerts and events in the city.

St. Catharines is located in high proximity to three border crossings with the United States. The Peace Bridge and Lewiston-Queenston Bridge are not only utilized by commercial travelers but also by tourists from the United States. In 2012, the United States market was the largest behind Ontario in terms of visitor origin to the Niagara Region. In addition, the Rainbow Bridge is a "private passenger vehicle only" bridge connects Niagara Falls in Ontario to Niagara Falls in the United States. The bridge itself is a tourist site and attracts spectators from both, Canada and the United States.

Future Market-wide Demand Growth – Incremental Demand

Through our discussions with local businesses, organizations and hotel managers we have forecast the potential future induced hotel demand generated by some key demand generators and events in the market area. We have estimated the amount of this business the potential new property could capture. Future Incremental Demand is expected to be largely centered around concerts, sports events and conferences held at the Meridian Centre & FirstOntario Performing Arts Centre.

Incremental demand is additional demand created by the existence of a new demand generator or the addition to the competitive supply of new lodging properties, which feature specialized facilities designed to cater to a particular segment and attract demand that previously did not exist in the area, or increase the attraction of that demand.

Room supply is expected to remain the same as there are no hotels currently under construction or in planning for the City of St. Catharines.

Based on our interviews, Commercial demand is expected to see limited growth in the future given the lack of developments in the area, we have therefore only accounted for future induced demand generated by Meetings & Groups and Leisure segments:

Meetings & Groups

Marilyn I. Walker School of Fine & Performing Arts (Brock University) – Derek Knight (Dean):

- Attendees: **100 estimated attendees per event**
- 10% of which would require lodging, equating to a **Potential Capture per Event of 10**.
- Mr. Knight estimated that approximately 60 events would be held per year where attendees would require lodging. Each of these events would be held over a weekend – 2 nights. This equates to **120 Events/Days per Year**.
- As attendees are likely to be sharing rooms (a Sharing Factor of 0.5), the Annual Potential Capture generated by Marilyn I. Walker School of Fine & Performing Arts Events equates to:

  Potential Capture per Event of **10** x **120** Events/Days per Year x Sharing factor of **0.5** = **600 Annual Room Nights**

Large-Scale Sporting Events (Example: 2016 U18 Women's Hockey Tournament) – Niagara Sport Commission

- Attendees: **600 estimated attendees per event**
- 100% of which would require lodging, equating to a **Potential Capture per Event of 600**.
- Mr. Cotton & Mr. Hill estimated that such events may span over 10 days. If the City can host 1 of these events per year, this would equate to **10 Events/Days per Year**.
- As attendees are likely to be sharing rooms (a Sharing Factor of 0.5), the Annual Potential Capture generated by Large-Scale Sporting Events equates to:

  Potential Capture per Event of **600** x **10** Events/Days per Year x Sharing factor of **0.5** = **3,000 Annual Room Nights**

Leisure

Meridian Centre (Director of Marketing, Kay Meilleur) - Regular Weekend Concerts

- Attendees: **4,000 estimated attendees per event on average**
- 10% of which would require lodging, equating to a **Potential Capture per Event of 400**.
- Ms. Meilleur estimated that approximately 12 events would be held per year, spanning over the weekend. This would equate to **24 Events/Days per Year**.
- As attendees are likely to be sharing rooms (a Sharing Factor of 0.5), the Annual Potential Capture generated by Meridian Centre Regular Weekend Concerts equates to:

  Potential Capture per Event of **400** x **24** Events/Days per Year x Sharing factor of **0.5** = **4,800 Annual Room Nights**

Meridian Centre (Director of Marketing, Kay Meilleur) - 3-Day Concerts

- Attendees: **4,000 estimated attendees per event on average**
- 10% of which would require lodging, equating to a **Potential Capture per Event of 400**.
- Ms. Meilleur estimated that approximately 2 events would be held per year, spanning over the 3-days. This would equate to **6 Events/Days per Year**.
- As attendees are likely to be sharing rooms (a Sharing Factor of 0.5), the Annual Potential Capture generated by Meridian Centre 3-Day Concerts equates to:

  Potential Capture per Event of **400** x **6** Events/Days per Year x Sharing factor of **0.5** = **1,200 Annual Room Nights**

FirstOntario Performing Arts Centre (Programming & Marketing Manager, Sara Palmieri) – Events & Performances

- Attendees: **700 estimated attendees per event on average**
- 15% of which would require lodging, equating to a **Potential Capture per Event of 105**.
- Ms. Palmieri estimated that approximately 12 events would be held per year, spanning over the weekend (2 days). This would equate to **24 Events/Days per Year**.
- As attendees are likely to be sharing rooms (a Sharing Factor of 0.5), the Annual Potential Capture generated by FirstOntario Performing Arts Centre Events & Performances equates to:

  Potential Capture per Event of **105** x **24** Events/Days per Year x Sharing factor of **0.5** = **1,260 Annual Room Nights**

FirstOntario Performing Arts Centre (Programming & Marketing Manager, Sara Palmieri) – Performing Artists & Crew

- Ms. Palmieri estimated that approximately **200 Room Nights** would be required per year for Performing Artists & Crew accommodation.

FirstOntario Performing Arts Centre (Programming & Marketing Manager, Sara Palmieri) – Conferences

- Ms. Palmieri estimated that approximately 140 Room Nights would be required per Conference held at the FirstOntario Performing Arts Centre.
- Ms. Palmieri estimated that approximately 1 events would be held every 3 years, spanning over the 3 days. This would equate to **1 Events/Days per Year**.
- As attendees are likely to not be sharing rooms (a Sharing Factor of 1.0), the Annual Potential Capture generated by FirstOntario Performing Arts Centre Events & Performances equates to:

  Potential Capture per Event of **140** x **1** Events/Days per Year x Sharing factor of **1.0** = **140 Annual Room Nights**

Through discussions with demand generators and hotel managers in the area, we have concluded that these events would generate a total of **3,600 Meetings & Group segment room nights** and **7,599 Leisure segment room nights** for the St. Catharines market. This total Incremental Demand of **11,199 room nights** (**3,600 Meetings & Group segment room nights** + **7,599 Leisure segment room nights)** would increase the proposed hotels daily room night demand by approximately **7.4%** or 31 daily room nights over 2014 demand levels (11,199 incremental annual room nights ÷ 149,285 annual room nights demanded in 2014). However, it is likely that this increase would be spread across the proposed hotel's entire competitive set, but clearly with the subject hotel capturing the majority of this incremental demand. This implies that the proposed hotel would likely see an approximate increase of around 4% in room nights demanded due to incremental demand. This is reflected in the following hotel demand forecasts for each scenario presented.

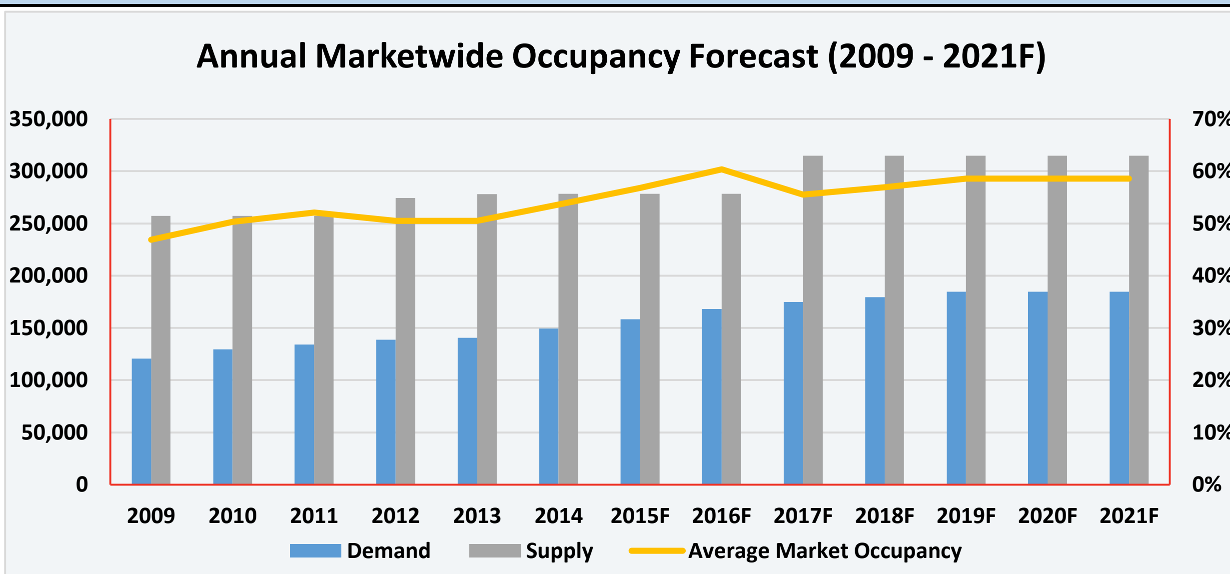
Based on this analysis and discussions with local General Managers, we believe the proposed hotel would have an overall market mix of approximately 30% Leisure travelers, 20% Meetings & Group business, and 50% Commercial.

Forecast Hotel Demand For A 100-Room, Branded Hotel (Stand-alone Development) – Downtown St. Catharines

The following analysis shows the forecasted hotel demand for the 100-room, branded Downtown hotel scenario. We have assumed that the proposed hotel would open in 2017, adding 100 rooms to the local market. This translates into an Annual Room Nights Available of 36,500 (100 Rooms x 365 Days). This in turn will increase the market inventory from 278,495 to 314,995 Annual Room Nights Available. Although we have attributed a growth factor to Annual Room Night Demand, this increase of 100 rooms to the overall market inventory will dilute the market initially, leading to an 8% dip in market-wide occupancy in 2017. The following years will see the market rebound as the new proposed hotel ramps up operations, with the market-wide occupancy stabilizing at 58.6% in 2019.

Annual Market-wide Occupancy Forecast – Proposed 100-Room Downtown St. Catharines Hotel

Year	Demand	% Change	Annual Room Nights Available	% Change	Average Market Occupancy	% Change
2009	120,669	-	257,325	-	46.9%	-
2010	129,469	7%	257,325	0%	50.3%	7%
2011	134,020	4%	257,325	0%	52.1%	4%
2012	138,625	3%	274,461	7%	50.6%	-3%
2013	140,452	1%	278,071	1%	50.6%	0%
2014	149,285	6%	278,495	0%	53.6%	6%
2015F	158,301	6%	278,495	0%	56.8%	6%
2016F	168,200	6%	278,495	0%	60.4%	6%
2017F	174,875	4%	314,995	13%	55.5%	-8%
2018F	179,322	3%	314,995	0%	56.9%	3%
2019F	184,611	3%	314,995	0%	58.6%	3%
2020F	184,611	0%	314,995	0%	58.6%	0%
2021F	184,611	0%	314,995	0%	58.6%	0%



CONCLUSION

Our Demand Analysis, based on market data, research and interviews, has developed the above estimates and calculations, which have been summarized in the following table.

Projection of Room-Night Demand and Annual Growth								
Segment	**Historical**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Commercial								
Annual Growth		1.5%	1.5%	1.5%	1.5%	1.5%	0.0%	0.0%
Base Demand	67,521	68,533	69,561	70,604	71,663	72,738	72,738	72,738
Induced Demand	-----	0	0	0	0	0	0	0
Total Segment Demand	67,521	68,533	69,561	70,604	71,663	72,738	72,738	72,738
Meetings & Group								
Annual Growth		6.0%	3.0%	3.0%	3.0%	2.0%	0.0%	0.0%
Base Demand	30,131	31,939	32,897	33,884	34,901	35,599	35,599	35,599
Induced Demand	-----	0	1,800	2,520	2,880	3,600	3,600	3,600
Total Segment Demand	30,131	31,939	34,697	36,404	37,781	39,199	39,199	39,199
Leisure								
Annual Growth		12.0%	4.0%	4.0%	2.0%	2.0%	0.0%	0.0%
Base Demand	51,633	57,829	60,142	62,548	63,799	65,075	65,075	65,075
Induced Demand	-----	0	3,800	5,319	6,079	7,599	7,599	7,599
Total Segment Demand	51,633	57,829	63,942	67,867	69,878	72,674	72,674	72,674
Totals								
Commercial	67,521	68,533	69,561	70,604	71,663	72,738	72,738	72,738
Meetings & Group	30,131	31,939	34,697	36,404	37,781	39,199	39,199	39,199
Leisure	51,633	57,829	63,942	67,867	69,878	72,674	72,674	72,674
Total Market Demand	149,285	158,301	168,200	174,875	179,322	184,611	184,611	184,611
% Change	----	6.0%	6.3%	4.0%	2.5%	2.9%	0.0%	0.0%
Market Statistics								
Total Rooms Supply	763	763	763	863	863	863	863	863
Total Available Room-Nights	278,495	278,495	278,495	314,995	314,995	314,995	314,995	314,995
% Change	----	0.0%	0.0%	13.1%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	**53.6%**	**56.8%**	**60.4%**	**55.5%**	**56.9%**	**58.6%**	**58.6%**	**58.6%**

As shown in the above table, 2015 is expected to see a significant increase in Total Market Demand as a number of large events were held this year. Future performance of the St. Catharines market is expected to see growth, as the Meridian Centre and FirstOntario Performing Arts Centres increase in exposure. Furthermore, these estimates assume that these demand generators will host concerts, large-scale sporting events and conferences that will attract attendees who would require lodging accommodation.

The proposed hotel's competitive set is comprised of full-service hotels, located long major highways or highway access roads. While this presents a disadvantage to the proposed hotel development, the subject's Downtown location will allow it capitalize on those looking for accommodation within the Downtown core and lodging demand driven by the Meridian Centre, FirstOntario Performing Arts Centres. We have therefore attributed an occupancy forecast to the proposed hotel development in-line with the overall market-wide occupancy projected above. The majority of the demand in the market is primarily oriented along the Highway 401 corridor, albeit a new hotel in the Downtown core could also capture a portion of the area hotel demand. It will also likely be the primary beneficiary of overnight demand generated by the Meridian Centre & FirstOntario Performing Arts Centre. In consideration of this, we believe the proposed hotel would capture slightly below its fair market share on an annual basis, particularly in 2017 as the hotel first enters the market. In 2017, we expect the subject hotel to achieve a 46.0% annual occupancy compared to the market average of 55.5%. Following that, in 2018, occupancy would reach 53.0% compared to the market average of 56.9%. On a stabilized basis, we have projected the subject hotel to reach 59.0% occupancy compared to the market average of 58.6%.

Based on this analysis, the proposed subject's projected performance is illustrated as follows:

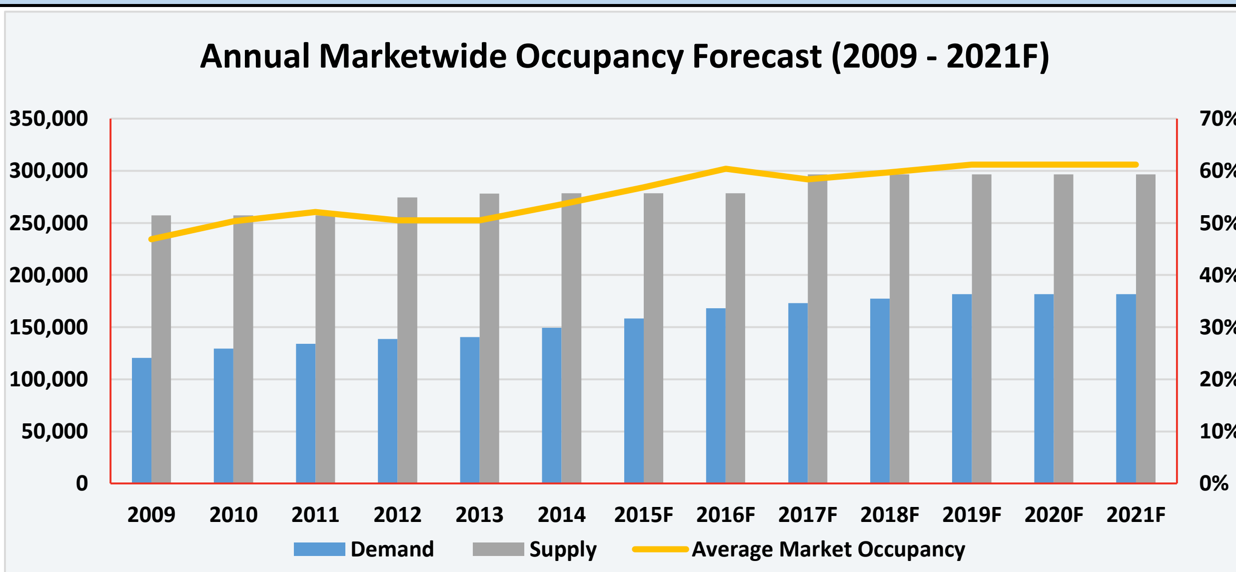
Projected Rooms Revenue - Proposed 100-Room, Branded Downtown Hotel - St. Catharines, ON				
Projection Year	**2017**	**2018**	**Stabilized**	**2020**
Number of Days	365	365	365	365
Number of Rooms	100	100	100	100
Occupancy	46.0%	53.0%	59.0%	59.0%
Occupied Rooms	16,790	19,345	21,535	21,535
Average Rate	$125.00	$130.00	$133.25	$136.58
RevPAR	$57.50	$68.90	$78.62	$80.58
Rooms Revenue	$2,099,000	$2,515,000	$2,870,000	$2,941,000

Forecast Hotel Demand For A 50-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

The following analysis shows the forecasted hotel demand for the 50-room, independent Downtown hotel scenario. We have assumed that the proposed hotel would open in 2017, adding 50 rooms to the local market. This translates into an Annual Room Nights Available of 18,250 (50 Rooms x 365 Days). This in turn will increase the market inventory from 278,495 to 296,745 Annual Room Nights Available. Although we have attributed a growth factor to Annual Room Night Demand, this increase of 50 rooms to the overall market inventory will dilute the market initially, leading to a 3% dip in market-wide occupancy in 2017. The following years will see the market rebound as the new proposed hotel ramps up operations, with market-wide occupancy stabilizing at 61.2% in 2019.

Annual Market-wide Occupancy Forecast – Proposed 50-Room Downtown St. Catharines Hotel

Year	Demand	% Change	Annual Room Nights Available	% Change	Average Market Occupancy	% Change
2009	120,669	-	257,325	-	46.9%	-
2010	129,469	7%	257,325	0%	50.3%	7%
2011	134,020	4%	257,325	0%	52.1%	4%
2012	138,625	3%	274,461	7%	50.5%	-3%
2013	140,452	1%	278,071	1%	50.5%	0%
2014	149,285	6%	278,495	0%	53.6%	6%
2015F	158,301	6%	278,495	0%	56.8%	6%
2016F	168,200	6%	278,495	0%	60.4%	6%
2017F	173,246	3%	296,745	7%	58.4%	-3%
2018F	177,330	2%	296,745	0%	59.8%	2%
2019F	181,570	2%	296,745	0%	61.2%	2%
2020F	181,570	0%	296,745	0%	61.2%	0%
2021F	181,570	0%	296,745	0%	61.2%	0%



CONCLUSION

Our Demand Analysis, based on market data, research and interviews, has developed the above estimates and calculations, which have been summarized in the following table.

Projection of Room-Night Demand and Annual Growth

Segment	Historical	2015	2016	2017	2018	2019	2020	2021
Commercial								
Annual Growth		1.5%	1.5%	1.0%	1.0%	1.0%	0.0%	0.0%
Base Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Induced Demand	-----	0	0	0	0	0	0	0
Total Segment Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group								
Annual Growth		6.0%	3.0%	2.0%	2.0%	1.0%	0.0%	0.0%
Base Demand	30,131	31,939	32,897	33,555	34,226	34,568	34,568	34,568
Induced Demand	-----	0	1,800	2,520	2,880	3,600	3,600	3,600
Total Segment Demand	30,131	31,939	34,697	36,075	37,106	38,168	38,168	38,168
Leisure								
Annual Growth		12.0%	4.0%	3.0%	2.0%	1.5%	0.0%	0.0%
Base Demand	51,633	57,829	60,142	61,946	63,185	64,133	64,133	64,133
Induced Demand	-----	0	3,800	5,319	6,079	7,599	7,599	7,599
Total Segment Demand	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Totals								
Commercial	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group	30,131	31,939	34,697	36,075	37,106	38,168	38,168	38,168
Leisure	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Total Market Demand	149,285	158,301	168,200	173,597	177,330	181,570	181,570	181,570
% Change	----	6.0%	6.3%	3.2%	2.2%	2.4%	0.0%	0.0%
Market Statistics								
Total Rooms Supply	763	763	763	813	813	813	813	813
Total Available Room-Nights	278,495	278,495	278,495	296,745	296,745	296,745	296,745	296,745
% Change	----	0.0%	0.0%	6.6%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	**53.6%**	**56.8%**	**60.4%**	**58.5%**	**59.8%**	**61.2%**	**61.2%**	**61.2%**

As shown in the above table, 2015 is expected to see a significant increase in Total Market Demand as a number of large events were held this year. Future performance of the St. Catharines market is expected to see growth, as the Meridian Centre and FirstOntario Performing Arts Centres increase in exposure. <u>Furthermore, these estimates assume that these demand generators will host concerts, large-scale sporting events and conferences that will attract attendees who would require lodging accommodation.</u>

The proposed hotel's competitive set is comprised of full-service hotels, located long major highways or highway access roads. While this presents a disadvantage to the proposed hotel development, the subject's Downtown location will allow it capitalize on those looking for accommodation within the Downtown core and lodging demand driven by the Meridian Centre, FirstOntario Performing Arts Centres. We have therefore attributed an occupancy forecast to the proposed hotel development in-line with the overall market-wide occupancy projected above. The majority of the demand in the market is primarily oriented along the Highway 401 corridor, albeit a new hotel in the Downtown core could also capture a portion of the area hotel demand. It will also likely be the primary beneficiary of overnight demand generated by the Meridian Centre & FirstOntario Performing Arts Centre. In consideration of this, we believe the proposed hotel would capture slightly below its fair market share on an annual basis, particularly in 2017 as the hotel first enters the market. In 2017, we expect the subject hotel to achieve a 49.0% annual occupancy compared to the market average of 58.5%. Following that, in 2018, occupancy would reach 56.0% compared to the market average of 59.8%. On a stabilized basis, we have projected the subject hotel to reach 61.0% occupancy compared to the market average of 61.2%.

Based on this analysis, the proposed subject's projected performance is illustrated as follows:

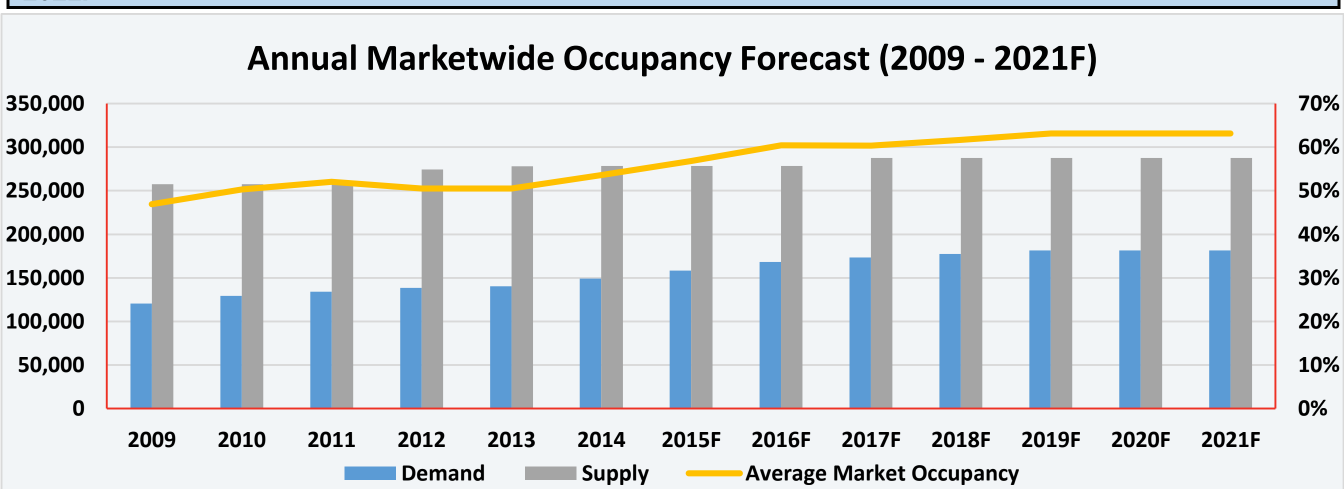
Projected Rooms Revenue - Proposed 50-Room, Independent Downtown Hotel - St. Catharines, ON				
Projection Year	**2017**	**2018**	**Stabilized**	**2020**
Number of Days	365	365	365	365
Number of Rooms	50	50	50	50
Occupancy	49%	56%	61%	61%
Occupied Rooms	8,943	10,220	11,133	11,133
Average Rate	$130.00	$135.00	$138.38	$141.83
RevPAR	$63.70	$75.60	$84.41	$86.52
Rooms Revenue	$1,163,000	$1,380,000	$1,540,000	$1,579,000

Forecast Hotel Demand For A 25-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

The following analysis shows the forecasted hotel demand for the 25-room, independent Downtown hotel scenario. We have assumed that the proposed hotel would open in 2017, adding 25 rooms to the local market. This translates into an Annual Room Nights Available of 9,125 (25 Rooms x 365 Days). This in turn will increase the market inventory from 278,495 to 287,620 Annual Room Nights Available. Although we have attributed a growth factor to Annual Room Night Demand, this increase of 25 rooms to the overall market inventory will dilute the market initially, however this will likely have a minor effect on the overall market-wide occupancy in 2017. The following years will see the market rebound as the new proposed hotel ramps up operations, with market-wide occupancy stabilizing at 63.1% in 2019.

Annual Market-wide Occupancy Forecast – Proposed 25-Room Downtown St. Catharines Hotel

Year	Demand	% Change	Annual Room Nights Available	% Change	Average Market Occupancy	% Change
2009	120,669	-	257,325	-	46.9%	-
2010	129,469	7%	257,325	0%	50.3%	7%
2011	134,020	4%	257,325	0%	52.1%	4%
2012	138,625	3%	274,461	7%	50.5%	-3%
2013	140,452	1%	278,071	1%	50.5%	0%
2014	149,285	6%	278,495	0%	53.6%	6%
2015F	158,301	6%	278,495	0%	56.8%	6%
2016F	168,200	6%	278,495	0%	60.4%	6%
2017F	173,246	3%	287,620	3%	60.4%	0%
2018F	177,330	2%	287,620	0%	61.7%	2%
2019F	181,570	2%	287,620	0%	63.1%	2%
2020F	181,570	0%	287,620	0%	63.1%	0%
2021F	181,570	0%	287,620	0%	63.1%	0%



CONCLUSION

Our Demand Analysis, based on market data, research and interviews, has developed the above estimates and calculations, which have been summarized in the following table.

Projection of Room-Night Demand and Annual Growth								
Segment	**Historical**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Commercial								
Annual Growth		1.5%	1.5%	1.0%	1.0%	1.0%	0.0%	0.0%
Base Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Induced Demand	-----	0	0	0	0	0	0	0
Total Segment Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group								
Annual Growth		6.0%	3.0%	2.0%	2.0%	1.0%	0.0%	0.0%
Base Demand	30,131	31,939	32,897	33,555	34,226	34,568	34,568	34,568
Induced Demand	-----	0	1,800	2,520	2,880	3,600	3,600	3,600
Total Segment Demand	30,131	31,939	34,697	36,075	37,106	38,168	38,168	38,168
Leisure								
Annual Growth		12.0%	4.0%	3.0%	2.0%	1.5%	0.0%	0.0%
Base Demand	51,633	57,829	60,142	61,946	63,185	64,133	64,133	64,133
Induced Demand	-----	0	3,800	5,319	6,079	7,599	7,599	7,599
Total Segment Demand	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Totals								
Commercial	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group	30,131	31,939	34,697	36,075	37,106	38,168	38,168	38,168
Leisure	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Total Market Demand	149,285	158,301	168,200	173,597	177,330	181,570	181,570	181,570
% Change	----	6.0%	6.3%	3.2%	2.2%	2.4%	0.0%	0.0%
Market Statistics								
Total Rooms Supply	763	763	763	788	788	788	788	788
Total Available Room-Nights	278,495	278,495	278,495	287,620	287,620	287,620	287,620	287,620
% Change	----	0.0%	0.0%	3.3%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	**53.6%**	**56.8%**	**60.4%**	**60.4%**	**61.7%**	**63.1%**	**63.1%**	**63.1%**

As shown in the above table, 2015 is expected to see a significant increase in Total Market Demand as a number of large events were held this year. Future performance of the St. Catharines market is expected to see growth, as the Meridian Centre and FirstOntario Performing Arts Centres increase in exposure. <u>Furthermore, these estimates assume that these demand generators will host concerts, large-scale sporting events and conferences that will attract attendees who would require lodging accommodation.</u>

The proposed hotel's competitive set is comprised of full-service hotels, located long major highways or highway access roads. While this presents a disadvantage to the proposed hotel development, the subject's Downtown location will allow it capitalize on those looking for accommodation within the Downtown core and lodging demand driven by the Meridian Centre, FirstOntario Performing Arts Centres. We have therefore attributed an occupancy forecast to the proposed hotel development in-line with the overall market-wide occupancy projected above. The majority of the demand in the market is primarily oriented along the Highway 401 corridor, albeit a new hotel in the Downtown core could also capture a portion of the area hotel demand. It will also likely be the primary beneficiary of overnight demand generated by the Meridian Centre & FirstOntario Performing Arts Centre. However, it should be noted that due to the relatively smaller size of the proposed 25 rooms, it is unlikely that the hotel would be able to capture reasonable levels of demand generated by the Meetings & Group segment. In consideration of this, we believe the proposed hotel would capture below its fair market share on an annual basis, particularly in 2017 as the hotel first enters the market. In 2017, we expect the subject hotel to achieve a 47.0% annual occupancy compared to the market average of 60.4%. Following that, in 2018, occupancy would reach 53.0% compared to the market average of 61.7%. On a stabilized basis, we have projected the subject hotel to reach 59.0% occupancy compared to the market average of 63.1%.

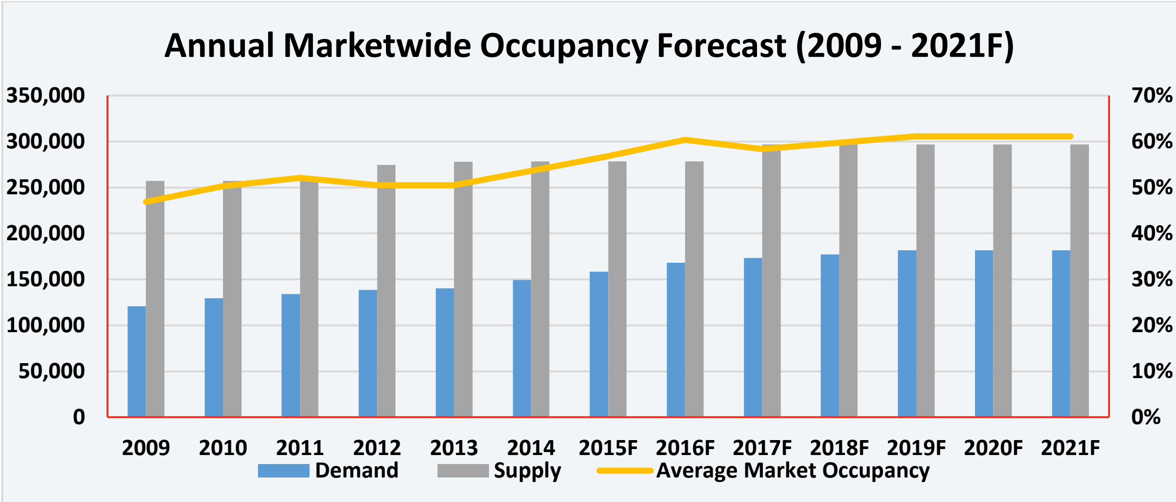
Based on this analysis, the proposed subject's projected performance is illustrated as follows:

Projected Rooms Revenue - Proposed 25-Room, Independent Downtown Hotel - St. Catharines, ON				
Projection Year	**2017**	**2018**	**Stabilized**	**2020**
Number of Days	365	365	365	365
Number of Rooms	25	25	25	25
Occupancy	47.0%	53.0%	59.0%	59.0%
Occupied Rooms	4,289	4,836	5,384	5,384
Average Rate	$135.00	$138.38	$141.84	$145.39
RevPAR	$63.45	$73.34	$83.69	$85.78
Rooms Revenue	$579,000	$669,000	$764,000	$783,000

Forecast Hotel Demand For A 50-Suite, Independent Hotel (Integrated Within A Mixed-Use Development) – Downtown St. Catharines

The following analysis shows the forecasted hotel demand for the 50-suite, independent Downtown hotel integrated within a mixed-use development scenario. A 50-suite hotel would feature rooms of a relatively larger size than traditional room-based hotels, as suites will generally be approximately 450 sq. ft. in size as opposed to 300 sq. ft. of traditional hotel rooms. Other facilities would likely include (or provide convenient access to) a breakfast area or restaurant, limited meeting space, a business centre, and a fitness centre. The hotel is also expected to be readily identifiable within the mixed-use complex by having with its own entry way and visible signage. We have assumed that the proposed hotel would open in 2017, adding 50 rooms to the local market. This translates into an Annual Room Nights Available of 18,250 (50 Rooms x 365 Days). This in turn will increase the market inventory from 278,495 to 296,745 Annual Room Nights Available. Although we have attributed a growth factor to Annual Room Night Demand, this increase of 50 rooms to the overall market inventory will dilute the market initially, leading to a 3% dip in market-wide occupancy in 2017. The following years will see the market rebound as the new proposed hotel ramps up operations, with market-wide occupancy stabilizing at 61.2% in 2019.

Annual Market-wide Occupancy Forecast – Proposed 50-Room Downtown St. Catharines Hotel (MU)						
Year	Demand	% Change	Annual Room Nights Available	% Change	Average Market Occupancy	% Change
2009	120,669	-	257,325	-	46.9%	-
2010	129,469	*7%*	257,325	*0%*	50.3%	*7%*
2011	134,020	*4%*	257,325	*0%*	52.1%	*4%*
2012	138,625	*3%*	274,461	*7%*	50.5%	*-3%*
2013	140,452	*1%*	278,071	*1%*	50.5%	*0%*
2014	149,285	*6%*	278,495	*0%*	53.6%	*6%*
2015F	158,301	*6%*	278,495	*0%*	56.8%	*6%*
2016F	168,200	*6%*	278,495	*0%*	60.4%	*6%*
2017F	173,246	*3%*	296,745	*7%*	58.4%	*-3%*
2018F	177,330	*2%*	296,745	*0%*	59.8%	*2%*
2019F	181,570	*2%*	296,745	*0%*	61.2%	*2%*
2020F	181,570	*0%*	296,745	*0%*	61.2%	*0%*
2021F	181,570	*0%*	296,745	*0%*	61.2%	*0%*



CONCLUSION

Our Demand Analysis, based on market data, research and interviews, has developed the above estimates and calculations, which have been summarized in the following table.

Projection of Room-Night Demand and Annual Growth								
Segment	**Historical**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Commercial								
Annual Growth		1.5%	1.5%	1.0%	1.0%	1.0%	0.0%	0.0%
Base Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Induced Demand	-----	0	0	0	0	0	0	0
Total Segment Demand	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group								
Annual Growth		6.0%	3.0%	2.0%	2.0%	1.0%	0.0%	0.0%
Base Demand	30,131	31,939	32,897	33,555	34,226	34,568	34,568	34,568
Induced Demand	-----	0	1,800	2,520	2,880	3,600	3,600	3,600
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Leisure								
Annual Growth		12.0%	4.0%	3.0%	2.0%	1.5%	0.0%	0.0%
Base Demand	51,633	57,829	60,142	61,946	63,185	64,133	64,133	64,133
Induced Demand	-----	0	3,800	5,319	6,079	7,599	7,599	7,599
Total Segment Demand	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Totals								
Commercial	67,521	68,533	69,561	70,257	70,960	71,670	71,670	71,670
Meetings & Group	30,131	31,939	34,697	36,075	37,106	38,168	38,168	38,168
Leisure	51,633	57,829	63,942	67,265	69,264	71,732	71,732	71,732
Total Market Demand	149,285	158,301	168,200	173,597	177,330	181,570	181,570	181,570
% Change	----	6.0%	6.3%	3.2%	2.2%	2.4%	0.0%	0.0%
Market Statistics								
Total Rooms Supply	763	763	763	813	813	813	813	813
Total Available Room-Nights	278,495	278,495	278,495	296,745	296,745	296,745	296,745	296,745
% Change	----	0.0%	0.0%	6.6%	0.0%	0.0%	0.0%	0.0%
Market-wide Occupancy	**53.6%**	**56.8%**	**60.4%**	**58.5%**	**59.8%**	**61.2%**	**61.2%**	**61.2%**

As shown in the above table, 2015 is expected to see a significant increase in Total Market Demand as a number of large events were held this year. Future performance of the St. Catharines market is expected to see growth, as the Meridian Centre and FirstOntario Performing Arts Centres increase in exposure. <u>Furthermore, these estimates assume that these demand generators will host concerts, large-scale sporting events and conferences that will attract attendees who would require lodging accommodation.</u>

The proposed hotel's competitive set is comprised of full-service hotels, located long major highways or highway access roads. While this presents a disadvantage to the proposed hotel development, the subject's Downtown location and all-suite product will allow it capitalize on those looking for accommodation within the Downtown core and lodging demand driven by the Meridian Centre, FirstOntario Performing Arts Centres. In addition, the all-suite configuration at the proposed property will also allow it to attract those seeking extended-stay accommodations. We have therefore attributed an occupancy forecast to the proposed hotel development above the overall market-wide occupancy projected previously. The majority of the demand in the market is primarily oriented along the Highway 401 corridor, albeit a new hotel in the Downtown core could also capture a portion of the area hotel demand. It will also likely be the primary beneficiary of overnight demand generated by the Meridian Centre & FirstOntario Performing Arts Centre. In consideration of this, we believe the proposed hotel would capture slightly below its fair market share on an annual basis when the hotel first enters the market in 2017. In 2017, we expect the subject hotel to achieve a 54.0% annual occupancy compared to the market average of 58.5%. Following that, in 2018, occupancy would reach 59.0% compared to the market average of 59.8%. On a stabilized basis, we have projected the subject hotel to reach 66.0% occupancy compared to the market average of 61.2%.

Based on this analysis, the proposed subject's projected performance is illustrated as follows:

Projected Rooms Revenue - Proposed 50-Suite Downtown Hotel in a Mixed-Use Development - St. Catharines, ON

Projection Year	2017	2018	Stabilized	2020
Number of Days	365	365	365	365
Number of Rooms	50	50	50	50
Occupancy	54.0%	59.0%	66.0%	66.0%
Occupied Rooms	9,855	10,768	12,045	12,045
Average Rate	$135.00	$140.00	$143.50	$147.09
RevPAR	$72.90	$82.60	$94.71	$97.08
Rooms Revenue	$1,330,000	$1,507,000	$1,728,000	$1,772,000

Forecast Hotel Demand For A 25-Room, Independent Hotel (Stand-alone Development) – Port Dalhousie (St. Catharines)

The proposed hotel in Port Dalhousie would not fully benefit from the incremental demand generated by the Downtown core developments, specifically the Meridian and FirstOntario Performing Arts Centres. Furthermore, the 25-room hotel would not be able to cater to meetings and group segments such as sports teams, concert crews and attendees. We have therefore, estimated the proposed hotel's future occupancy based on the historical market levels in St. Catharines analyzed.

Weekly Marketwide Occupancy (%) Performance								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Overall
St. Catharines	38.9%	47.4%	53.4%	54.3%	53.3%	68.3%	78.1%	56.2%
Port Dalhousie	20.0%	25.0%	35.0%	40.0%	35.0%	70.0%	80.0%	43.6%

Monthly Marketwide Occupancy (%) Performance													
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year
St. Catharines	32.5%	39.0%	42.5%	48.4%	54.2%	60.5%	66.0%	76.6%	63.8%	54.5%	43.2%	34.7%	50.7%
Port Dalhousie	17.5%	24.0%	27.5%	38.4%	44.2%	55.5%	71.0%	86.6%	68.8%	49.5%	33.2%	19.7%	44.7%

The above analysis indicates an average yearly occupancy of approximately 44.7% in St. Catharines' Port Dalhousie area, as opposed to approximately 50.7% in Downtown St. Catharines and the surrounding area. This in turn indicates that the proposed hotel would see a stabilized occupancy of 45.0% in 2019, assuming the proposed hotel opens in 2017.

Based on this analysis, the proposed subject's projected performance is illustrated as follows:

Projected Rooms Revenue - Proposed 25-Room Port Dalhousie Hotel - St. Catharines, ON				
Projection Year	2017	2018	Stabilized	2020
Number of Days	365	365	365	365
Number of Rooms	25	25	25	25
Occupancy	40.0%	43.0%	45.0%	45.0%
Occupied Rooms	3,650	3,924	4,106	4,106
Average Rate	$145.00	$150.00	$153.75	$157.59
RevPAR	$58.00	$64.50	$69.19	$70.92
Rooms Revenue	$529,000	$589,000	$631,000	$647,000

Product Analysis Of The Proposed Hotel Developments

Our interviews indicate that St. Catharines is highly tourism-centric, however the area sees the majority of tourist activity during the summer, with demand from neighbouring resorts and hotels in Niagara leaking to accommodations within the City of St. Catharines area during peak periods. Therefore, we recommend that a limited-service, midscale hotel would be best suited for the St. Catharines market. This hotel would need to be improved with enough rooms to satisfy market demand, but still able to maintain the balance between the active and less active periods. Based on our research, we find that a typical limited-service, midscale branded hotel is usually between two to three stories and has 60 to 100 guest rooms. Therefore, branding requirements would indicate that any hotel under 60 rooms would most likely be operated independent of a brand affiliation.

Other facilities should include a breakfast area or restaurant, limited meeting space, a business centre, and a fitness centre. The majority of the proposed hotel's competitive set provide indoor swimming pool facilities, therefore the future competitiveness of the proposed hotel would be hampered, especially in the sports tourism and groups segment, if the development would not be of a size able to accommodate such a facility.

A Downtown hotel development would also be able to utilize the businesses and service offerings located within St. Catharines Downtown core. This would include restaurants, entertainment, retail establishments, and historical buildings and attractions. The City's Downtown & Port Dalhousie Revitalization initiatives may also provide even greater opportunity for cooperation between the proposed hotels and the surrounding businesses and attractions, such as the Carlisle Street Garage, as is discussed further below.

If the hotel were to be integrated within a mixed-use development, the reduced amount of property space to incorporate the above facilities may be offset by synergies within the mixed-use development, that would allow the hotel to work with the other businesses within the development, such as providing access to a shared fitness facility or independent fitness centre, if such was also part of the mixed-use development. This in turn will contribute further to the reduced capital costs of construction associated with integrating a hotel within a mixed-use development. Furthermore, the hotel is expected to be readily identifiable within the mixed-use complex by having its own entry way and visible signage.

A typical midscale, limited-service hotel has a mix of double or queen-bedded rooms with either one or two beds and king-bedded rooms with one bed, with an estimated average room size of 300 sq. ft. Under the 100-room scenario, we recommend an average room size of at least 300 sq. ft. would be suitable whilst maintaining overall guest appeal. Conversely, a 50-suite hotel would feature rooms of a relatively larger size than traditional room-based hotels, as suites will generally be approximately 450 sq. ft. in size. In addition to larger accommodations, a suites-focused of hotel would also likely incorporate more sophisticated furnishings and amenities. This in turn would allow the hotel to present a higher value proposition to potential guests; translating into higher levels of occupancy and justifying higher room rates (ADR). The final size and room breakdown of units will depend upon the dimensions and physical limitations of the hotel when built.

In consideration of the number of rooms, it is also recommended that at least an equal number of parking spaces be implemented in the development of the hotel property, providing a 1:1 ratio of parking spaces to rooms. Furthermore, municipal and zoning parking requirements may affect the final parking space allocation within the proposed hotel property development. If the hotel were to be developed in the Downtown core, the hotel may be able to utilize the new Carlisle Street Garage, which offers 600 parking spaces.

The current lodging supply within the St. Catharines market comprises of older hotels and motels, some of which have been renovated in recent years. Therefore, the proposed hotel would not likely to become a market leader, yet remain competitive by providing a new, modern product, and featuring amenities that would make the property a suitable competitor to larger hotel competitors, thereby more able to capture demand from hotels in St. Catharines and the surrounding Niagara region.

Development Budget & Reserve for Replacement

We assume the hotel will be of wood frame or concrete construction with concrete slab on grade and a full sprinkler system; built to or above normal midscale brand standards.

In order to ensure that the proposed subject property will be maintained in a competitive position throughout the holding period, we deducted a Reserve for Replacement equal to 4.0% of total revenues per year. This is phased in at 1.0%, 2.0% and 3.0% over the first three years to reflect to the subject’s new construction and the result of construction warranties and new equipment guarantees. The reserve should be adequate to fund all future capital expenditures and maintain the hotel in excellent condition overall.

Real Property Taxes and Assessments

Property Taxes in Ontario

The Municipal Property Assessment Corporation (MPAC), a not-for-profit and public sector corporation, is responsible for establishing current value assessments and classifications for all properties in Ontario. Land and improvements are assessed as of a fixed valuation date and their assessments are phased-in over a four-year cycle (currently 2013-2016 based on the property’s value as of January 1, 2012). MPAC uses the sales comparison, cost, and income approaches to value properties.

MPAC’s assessment values are then used by local governments (e.g. municipalities, local taxing authorities) every year to determine the amount of money they need to provide services, which results in the setting of tax rates for various types of businesses and residences. A property may be subject to up to three tax rates - municipal, county/regional and education. Finally, property taxes are calculated by multiplying the assessed value by each of the tax rates.

Subject Property Taxes

The subject hotel is located in the taxing jurisdiction of the City of St. Catharines. As the proposed subject hotel site has not been determined, and may possibly be integrated into a larger mixed-use development, we are unable to determine the specific assessment, and corresponding estimated property tax levy, for the hotel-portion of the whole development. In order to estimate future taxes for the proposed subject property as improved, we have researched and analyzed 2015 assessments of the primary competitors operating in the area, as well as the 2015 City of St. Catharines Commercial Urban property tax rate of 3.458898%.

CALCULATIONS OF ESTIMATED 2015 PROPERTY TAXES OF EXISTING ST. CATHARINES LODGING INVENTORY								
No.	Property	MPAC Property Description	Number of Rooms	2015 Assessed Value	2015 Assessed Value Per Room	2015 Commercial Urban Tax Rate	Estimated 2015 Taxes	Estimated 2015 Taxes Per Room
1	Best Western St Catharines Hotel &	Full-service Hotel	141	$5,254,000	$37,000	3.458898%	$181,731	$1,289
2	Comfort Inn St. Catharines	Limited-service Hotel	100	$4,531,000	$45,000	3.458898%	$156,723	$1,567
3	Days Inn St. Catharines Niagara	Full-service Hotel	99	$4,002,000	$40,000	3.458898%	$138,425	$1,398
4	Holiday Inn Hotel & Suites St. Catharines	Full-service Hotel	181	$10,489,000	$58,000	3.458898%	$362,804	$2,004
5	Canadas Best Value Inn St. Catharines	Motel	50	$2,425,000	$49,000	3.458898%	$83,878	$1,678
6	Capri Inn	Motel	30	$1,452,325	$48,000	3.458898%	$50,234	$1,674
							Median:	**$1,621**

Note: The applied tax rate excludes any BIA or local charges

Our estimates for the primary competitors' 2015 taxes, on a per room basis, range from $1,289 to $2,004. Upon opening in 2017, we believe that the proposed hotels will be taxed at an approximate range of $1,680 to $2,100 per room, slightly above the highest estimated taxes paid by existing comparable hotel properties. This is due to the new construction and improvements that will be featured in the proposed subject development.

In addition, due to the lack of available data, we have also analyzed the operating performance of Canadian hotel industry averages (presented later in this report). Our analysis of limited service-hotel property taxes in Ontario was used as a test of reasonableness, which supports the estimated property tax range of range of $1,680 to $2,100 per room. Thereafter, we have assumed 2.5% inflationary growth each year.

Valuation Process

Methodology

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. The approach used depends on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the analysis. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the analysis.

We have considered each approach in developing our opinion of the market value of the subject property. We discuss each below and conclude with a summary of their applicability to the subject property.

Income Capitalization Approach

This approach first determines the income-producing capacity of a property by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Discounted Cash Flow Method. In this method, periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

Our experience with hotel investors indicates that the methodology used in estimating market value by the Income Capitalization Approach is comparable to that employed by typical hotel and motel investors. For this reason, the Income Capitalization Approach produces the most supportable market value opinion, and it generally is given the greatest weight in the hotel valuation process.

Our nationwide experience with numerous hotel buyers and sellers indicates that the procedures used in developing our opinion of market value by the Income Capitalization Approach are comparable to those employed by the investors who constitute the marketplace. For this reason, the Income Capitalization Approach produces the most supportable value opinion, and it is given the greatest weight in the hotel valuation process.

INCOME CAPITALIZATION APPROACH

METHODOLOGY

The Income Capitalization Approach is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels and motels, is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale.

The two most common methods of converting net income into value are direct capitalization and discounted cash flow analysis. In direct capitalization, net operating income is divided by an overall rate extracted from the market to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to provide an opinion of net present value at a chosen yield rate (internal rate of return or discount rate). In this section of the report, we have utilized the discounted cash flow method to value the subject property and considered the first year, stabilized year and deflated stabilized direct capitalization rates.

Based on the market for transient accommodations in the subject's area, we have forecast future Rooms Revenue for the subject property, which was detailed in a previous section of this report. In this section of the report, we provide an analysis of the historical performance of comparable hotels and Canadian industry averages, in order to forecast all other revenues and expenses for the subject property through a 10-year holding period. The projection begins on January 1, 2017. The subject property is projected to reach a stabilized level of operation in year three of the 10-year holding period.

REVIEW OF FINANCIAL OPERATING STATEMENTS

The subject property is a proposed hotel, thus it has no operating history. Cushman & Wakefield has undertaken its own research and analyses, and has developed its own projected operating results upon which the estimated value is based.

Where applicable, we have reorganized the statements in accordance with the *Uniform System of Accounts For The Lodging Industry* (Tenth Revised Edition), published by the Educational Institute of the American Hotel and Motel Association.

COMPARABLE ANALYSIS – COMPARABLE HOTELS

In order to bolster our forecast for the subject property, we have analyzed the operating performance of Ontario hotels, presented below:

Comparable Ontario Hotels Performance

	Hotel 1			Hotel 2			Hotel 3			Hotel 4			Hotel 5		
	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR
Occupancy	53%			60%			62%			62%			71%		
Average Size (Rooms)		51-100			51-100			51-100			51-100			51-100	
Average Rate			$99			$108			$98			$102			$87
REVENUE															
Rooms	99.2%	$18,909	$98.55	97.1%	$23,603	$107.96	99.2%	$22,295	$97.82	98.8%	$22,987	$101.63	99.1%	$22,473	$87.31
Other Income	0.9%	$159	$0.83	2.9%	$706	$3.23	0.8%	$172	$0.75	1.2%	$289	$1.28	0.9%	$207	$0.80
DEPARTMENTAL EXPENSES															
Rooms	32.5%	$6,145	$32.02	23.2%	$5,480	$25.07	27.5%	$6,133	$26.91	27.6%	$6,341	$28.03	27.7%	$6,221	$24.17
UNDISTRIBUTED OPERATING EXPENSES															
Administrative & General	11.0%	$2,089	$10.89	9.7%	$2,357	$10.78	11.1%	$2,501	$10.97	11.5%	$2,668	$11.80	7.0%	$1,589	$6.17
Marketing	5.9%	$1,119	$5.83	4.9%	$1,182	$5.41	5.3%	$1,196	$5.25	5.3%	$1,240	$5.48	0.8%	$188	$0.73
Property Operations & Maintenance	5.7%	$1,092	$5.69	3.9%	$959	$4.38	4.5%	$1,005	$4.41	4.4%	$1,034	$4.57	1.3%	$285	$1.11
Utility	6.4%	$1,226	$6.39	3.6%	$872	$3.99	4.9%	$1,092	$4.79	4.7%	$1,099	$4.86	4.1%	$925	$3.59
FIXED CHARGES															
Property Taxes	9.8%	$1,865	$9.72	11.5%	$2,805	$12.83	9.3%	$2,080	$9.13	9.9%	$2,313	$10.23	7.0%	$1,596	$6.20
Insurance	0.3%	$62	$0.32	0.3%	$72	$0.33	0.4%	$85	$0.37	0.3%	$76	$0.34	0.4%	$90	$0.35

Compiled by Cushman & Wakefield Ltd.

FINANCIAL PROJECTIONS

A summary of the underlying rationale and assumptions used in developing the annual operating performance for the subject hotel is presented in the following text. Fundamental to the opinions of operating results is the assumption of competent and efficient management at the property level, a well-coordinated marketing plan for the hotel, and a well-devised yield management strategy. Among the primary responsibilities of management are the maintenance of a quality facility, the execution of an adequate marketing effort, and operating in a cost efficient manner.

GENERAL INFLATION AND GROWTH ASSUMPTIONS

Our projections incorporate an opinion of general price inflation based upon economic projections from various sources (including the Bank of Canada), tempered by our observations and expectations derived from historical perspectives both locally and nationally. Accordingly, to portray price level changes, we have assumed an average CPI inflation rate of 2.5% per year throughout the 10-year projection period. This assumption is intended only to portray an expected long-term trend in price movements, rather than for a specific interval in time.

OPERATING REVENUES AND EXPENSES DURING THE HOLDING PERIOD

Operating revenues and expenses for the subject are projected using a computer program developed for Cushman & Wakefield. This program was especially designed to reflect the operating characteristics of a hotel property. The computer model is based upon the theory that hotel revenues and expenses have an independent fixed component and a dependent component that varies in proportion to occupancy and the overall use of the facility. An estimate of each revenue and expense line item can be made by calculating the fixed and variable age components of an established level of revenue or expense. The fixed component is held constant, while the variable component is adjusted for the future incremental changes in occupancy and utilization levels.

Based on our review of the subject's prospective operating performance, as well as our analysis of comparable hotel income and expense statements and industry norms, we have derived base levels of income and expense. The units of comparison include age of departmental and/or total revenue, amount per available room, and amount per occupied room. These units of comparison are the basis for calculating the fixed and variable component relationships for each line item.

After reviewing the historical operating statistics of comparable hotels and Canadian hotel industry averages, we have developed a 10-year projection of income and expense, with the first year beginning January 1, 2017. Considering the current state of the competitive hotel market, we believe that the subject property will achieve stabilization by January 1, 2019.

The projection of income and expense is intended to reflect an opinion of how a typical buyer would project the subject property's operating results. Depending on the dynamics of the local market, a typical buyer's projection may be adjusted upward or downward. We have attempted to incorporate these considerations into this analysis.

Capitalization

Capitalization is defined as the process of converting a series of anticipated future periodic installments of net income into present value. The anticipated net income stream is converted into a value opinion by a rate that attracts capital to purchase investments with similar characteristics, such as risk, terms and liquidity. The capitalization process takes into consideration the quantity, quality and durability of the income stream in determining which rates are appropriate for valuing the subject hotel.

Discounted Cash Flow Analysis

Discounted cash flow analysis can be used to develop an opinion of present value of an income stream. Periodic cash flows and the projected reversion amount at the end of a holding period are discounted at an appropriate rate. Our analysis refers to an all-cash purchase. The following text details our analysis.

Reversionary Capitalization

Based upon our knowledge of current investment returns required by typical hotel investors, along with factors affecting investment risk specific to the subject property, we have employed a reversionary capitalization rate of **9.0%** for the subject property.

Discount Rate Selection

The discount rate is the rate of return which equals the sum of the real return anticipated in the investment plus a change in value and any risk premiums associated with the specific investment when compared to alternative investments. It is the average annual rate of return necessary to attract capital based upon the overall investment characteristics.

The discount rate selection requires the valuer to interpret the attitudes and expectations of market participants. Discount rates are partly a function of perceived risks. Risk is a function of general economic conditions and characteristics of the investment. The critical elements of an investment include the quantity and certainty of gross income, operating expenses, and resultant net income over some future time period. Value is a reflection of future income expectations and such elements are risky.

A determination of the proper discount and capitalization rates for the subject involved speaking with investors and brokers of hotel properties throughout the country, discussing investment parameters with other hospitality industry experts, and considering the results of several published investment surveys.

Selection of Applicable Rates of Return

The investor surveys summarized in the following chart have been used in our selection of the appropriate discount and terminal capitalization rates for the subject hotel. It should be noted that the surveys often lag the market and are not always a true representation of current return requirements. This is especially true in the current landscape as there are very few recent transactions to gauge. While the data is not perfect, it is generally relied upon by investors in the market and will be used in this analysis.

Investor Surveys	Discount Rate		Going-In Cap. Rate		Terminal Cap. Rate	
	Range	Avg.	Range	Avg.	Range	Avg.
PWC Real Estate Investor Survey - 3rd Quarter 2015						
Luxury/Upper-Upscale	7.3% - 11.0%	9.7%	4.6% - 9.0%	7.0%	6.0% - 10.0%	7.4%
Full Service	8.5% - 13.0%	10.5%	6.0% - 10.0%	7.6%	6.5% - 10.0%	8.2%
Limited Service Midscale/Economy	8.5% - 12.0%	10.5%	7.5% - 10.0%	8.8%	7.8% - 10.5%	9.5%
Select Service	9.0% - 12.0%	10.9%	6.5% - 11.0%	8.5%	7.0% - 11.0%	9.0%
US Realty Consultants - Mid-Year 2015						
Full Service	8.5% - 11.0%	9.9%	6.0% - 9.0%	7.3%	6.5% - 10.0%	8.1%
Limited Service	9.0% - 12.5%	11.0%	5.5% - 10.0%	8.5%	6.8% - 11.0%	9.5%
RERC - 3rd Quarter 2015						
All Hotels / Average	7.5% - 11.0%	9.0%	6.0% - 8.0%	7.1%	6.8% - 8.5%	7.7%

In addition, surveys of investor sentiment are undertaken by the leading real estate services firms in Canada, including Cushman & Wakefield, to gauge those investors' expectations of returns in various real estate asset classes. The following illustrate the key findings of reports issued by Colliers, CBRE and Cushman & Wakefield.

Colliers

- Capitalization ("cap") rates for traditional hotel sales averaged 8.0% to 9.5% overall in 2014, in-line with results from 2012 and 2013.
- The select-service segment continued to contract, compressing by 20 basis points over the year prior to end at 7.2%, primarily caused by strong demand for lodging assets in the over $50 million range where capital has been actively chasing available opportunities.
- The focused-service and select-service segments were largely flat year-over-year.
- Over the long-run cap rates have been trending downward in the sector. This has been due, in part, to lower lending rates and growing investor demand.

Results of Colliers' Q3 2015 Cap Rate Report show the following for hotels in Canada:

HOTEL									
MARKET	URBAN FULL SERVICE		SELECT SERVICE		LIMITED SERVICE		TREND		
CITY	LOW	HIGH	LOW	HIGH	LOW	HIGH	U	S	L
Vancouver	6.00%	7.00%	7.25%	8.50%	7.25%	8.50%	◀▶	◀▶	◀▶
Calgary	7.25%	9.00%	8.00%	9.50%	8.50%	10.50%	▲	▲	▲
Edmonton	7.75%	9.50%	8.50%	9.75%	8.75%	10.00%	▲	▲	▲
Toronto	6.00%	7.50%	7.50%	8.50%	9.00%	11.00%	◀▶	◀▶	◀▶
Ottawa	6.25%	8.00%	8.50%	9.50%	9.25%	11.25%	◀▶	◀▶	◀▶
Montreal	7.25%	9.00%	8.50%	9.75%	9.75%	11.50%	◀▶	◀▶	◀▶
Winnipeg	7.75%	8.75%	8.75%	10.50%	10.00%	11.75%	◀▶	◀▶	◀▶
Halifax	7.25%	8.50%	8.50%	10.00%	9.50%	11.00%	◀▶	◀▶	◀▶
Victoria	7.00%	8.50%	8.00%	10.00%	9.00%	11.50%	◀▶	◀▶	◀▶

CBRE

Results of CBRE's Q3 2015 Cap Rate Survey show the following for hotels in Canada:

△Q/Q	Vancouver		Calgary		Edmonton		Winnipeg		London-Windsor	
HOTEL										
Downtown Full Service	6.25-7.25%	▼	7.75-8.75%	◀▶	7.75-8.75%	◀▶	8.00-9.00%	◀▶	8.50-9.50%	◀▶
Suburban Limited Service	7.00-8.00%	▼	9.25-10.25%	◀▶	10.00-10.50%	◀▶	9.50-10.50%	◀▶	8.50-10.00%	◀▶
Focused Service	7.00-8.00%	◀▶	8.25-9.25%	◀▶	9.00-10.00%	◀▶	8.00-8.75%	◀▶	8.00-9.25%	◀▶

△Q/Q	Kitchener-Waterloo		Toronto		Ottawa		Montreal		Halifax	
HOTEL										
Downtown Full Service	8.50-9.00%	◀▶	6.25-7.25%	▼	7.25-8.25%	◀▶	7.50-8.50%	◀▶	8.75-9.75%	◀▶
Suburban Limited Service	8.50-9.00%	◀▶	7.00-8.50%	▼	8.50-9.50%	◀▶	9.00-10.00%	▼	9.50-10.50%	◀▶
Focused Service	7.50-8.50%	◀▶	7.00-8.00%	▼	7.75-8.75%	◀▶	8.00-8.75%	◀▶	8.25-9.50%	◀▶

Cushman & Wakefield

Cushman & Wakefield has also undertaken a Cap Rate Survey in Q3 2015. The results of its survey relating to hotels are as follows:

	MARKETS							
Category	Vancouver	Calgary	Edmonton	Winnipeg	Toronto	Ottawa	Montreal	Halifax
HOTELS								
Full service	6.50% - 7.00%	7.75% - 8.25%	8.25% - 8.75%	8.25% - 8.75%	7.50% - 8.00%	7.50% - 8.00%	7.75% - 8.25%	8.50% - 9.00%
Limited service	7.75% - 8.25%	9.00% - 9.50%	9.75% - 10.25%	9.50% - 10.00%	7.75% - 8.25%	8.25% - 8.75%	9.25% - 9.75%	9.50% - 10.00%

Our analysis of applicable terminal capitalization and discount rates for the subject property specifically considered the building type and condition, the current local hotel market conditions, estimated future trends in the local and national market for transient accommodations, and current investor considerations and required returns on investment for similar investments in select-service hotels where the Fee Simple interest is being conveyed.

Bank of Canada– Interest Rates

The Bank of Canada twice lowered its key overnight interest rate by 25 basis points in early 2015, indicating its efforts to stimulate economic growth after a revised downward outlook in the spring. This past December, it maintained the overnight rate at 0.5% as it judges the economy to be relatively in line with its previous October outlook. It maintains the Canadian economy has rebounded from modest real GDP contractions in the first two quarters of 2015. The Bank forecasts real GDP to grow by 1.1% in 2015 followed by approximately 2.0% in 2016 and 2.5% in 2017. It expects the economy to return to full capacity and inflation sustainably to target (2.0%) around mid-2017. For the time being, however, inflation remains below target due to significant declines in consumer energy prices despite the significant depreciation of the dollar and an improving manufacturing sector. Other major factors affecting the Canadian economy include record high household debt, weaker business investments in the resource sector, slower emerging markets growth (particularly China), and solid U.S. economic and private demand growth.

The Bank's position reflects an intent of sustaining low interest rates, at least for the foreseeable future, in an attempt to stimulate growth in the economy. This low interest rate environment has resulted, and continues to result, in the availability of low cost financing for acquisition, development and growth, and has the effect of lowering investment returns. With these prevailing conditions in place for the foreseeable future, it is unlikely that there will be any material increase in capitalization rates until such time the Bank's overnight rate also moves up materially.

Market Participant Interviews and Hotel Investment Activity

In order to provide a broader understanding of the hotel investment market, Cushman & Wakefield has also interviewed a number of key industry stakeholders, including hotel real estate brokers, franchisors, private and institutional owners, asset managers and Canadian lenders active in hotel financing. There is significant concern over the oil sector and its potential long-term impact on the hotel markets in Alberta, Saskatchewan and Newfoundland, but also a recognition that the current low price of oil is likely not for the long term and that exploration/extraction/refining activity will return to more balanced levels in the 'medium term'. There is also some concern over the potential of increasing lending rates albeit, as indicated in the previous section of this report, the Bank of Canada's position is to hold its key overnight interest rate as low as possible for the foreseeable future (likely for the next 24 to 36 months); at the time of writing, chartered banks' prime rate was 2.70% and conventional 5-year mortgage rates were approximately 4.95%. This low interest rate environment has the dual benefit of making debt service for any hotel borrower more affordable if economic conditions do slide, and puts downward pressure

on capitalization rates (albeit that cap rate trends, as indicated previously in the various cap rate surveys, show no evidence of tracking downward).

Traditional hotel lenders in Canada tend to be cautious, as evidenced by the low level of insolvencies during the last economic downturn. There is generally a limited number of lenders, with credit unions and the Business Development Bank of Canada being the most active for smaller loans (generally below $15 million), but occasionally combining for syndicated loans in excess of their individual limits. Major hotel assets tend to be financed through offshore and cross-border lending sources – European and US banks, US life insurance companies etc. Loan-to-value ratios for hotel financing tend to be in the 55% to 60% level, with 5-year terms, and with recourse mostly linked to first-time borrowers or those with limited experience in the hotel industry.

Our discussions with hotel real estate brokers indicate strong momentum into 2016 – a continuation of a trend that commenced 4 years ago. The total hotel transaction market grew from $1.1 billion in 2011 to $1.2 billion in 2012 to $2.0 billion in 2013. In 2014, transaction volume was $1.5 billion (2013 included a single portfolio sale of $765 million). Colliers reports that volume reached $2.3 billion in 2015 – the highest recorded since the last cycle peak in 2007. Contributing factors to the strong pickup in sale activities include strong operating fundamentals, increased foreign capital (particularly from the U.S. and China), continued low interest rates and debt availability, and significant depreciation of the Canadian Dollar. Entering 2016, the low Canadian Dollar is expected to remain a catalyst for foreign buyers seeking quality hotels in core and urban markets. Of particular note is the relative strength of the U.S. Dollar and the Chinese Yuan, as well as increasing inbound foreign travel and declining outbound travel by Canadians.

CONCLUSION

As market observers who simulate behaviour rather than affect it, we still await market evidence as to the longer-term impact of the credit crisis. Risk is considered in the context of our anticipation of rental growth and most vividly in our overall capitalization and discount rate selections.

Though investor activity and sales volume is increasing on a national level, the recovery is uneven across various metropolitan areas and markets. Competition for top quality assets in major markets is increasing, and increased demand is trickling down for real estate in secondary markets. Growth, however, is likely to be tempered by concerns over the robustness of the economic recovery.

In addition, the discount and terminal capitalization rates selected are warranted based on the following attributes of the subject property:

- Newly constructed, modern product
- Limited-service, midscale hotel
- On-site meeting space and fitness facility, as well as other typical hotel amenities
- Location in St. Catharines (Downtown and Port Dalhousie), Ontario, an overall tertiary market

PROJECTION OF INCOME AND EXPENSE FOR A 100-ROOM, BRANDED HOTEL (STAND-ALONE DEVELOPMENT) – DOWNTOWN ST. CATHARINES

The following chart depicts a summary 10-year projection on a calendar basis beginning January 1, 2017. Stabilization is assumed to occur as of January 1, 2019. The statements are expressed in inflated dollars for each calendar year.

Ten Year Forecast - Proposed 100-Room Downtown Hotel - St. Catharines, ON

Projection Year:	1	2	3	4	5	6	7	8	9	10
Calendar Year:	2017	2018	Stabilized	2020	2021	2022	2023	2024	2025	2026
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	100	100	100	100	100	100	100	100	100	100
Rooms Available:	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500
Occupied Rooms:	16,790	19,345	21,535	21,535	21,535	21,535	21,535	21,535	21,535	21,535
Occupancy:	46.0%	53.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%
Average Rate:	$125.00	$130.00	$133.25	$136.58	$140.00	$143.50	$147.08	$150.76	$154.53	$158.39
RevPAR:	$57.50	$68.90	$78.62	$80.58	$82.60	$84.66	$86.78	$88.95	$91.17	$93.45

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES																				
Rooms	$2,099	86.6%	$2,515	87.5%	$2,870	88.1%	$2,941	88.1%	$3,015	88.1%	$3,090	88.1%	$3,167	88.1%	$3,247	88.1%	$3,328	88.1%	$3,411	88.1%
Food & Beverage	282	11.6%	311	10.8%	338	10.4%	347	10.4%	356	10.4%	364	10.4%	374	10.4%	383	10.4%	392	10.4%	402	10.4%
Other Income	44	1.8%	47	1.6%	50	1.5%	52	1.6%	53	1.5%	54	1.5%	55	1.5%	57	1.5%	58	1.5%	60	1.5%
Total Revenues	2,425	100.0%	2,873	100.0%	3,258	100.0%	3,340	100.0%	3,424	100.0%	3,508	100.0%	3,596	100.0%	3,687	100.0%	3,778	100.0%	3,873	100.0%
DEPARTMENTAL COSTS																				
Rooms	600	28.6%	652	25.9%	701	24.4%	719	24.4%	737	24.4%	755	24.4%	774	24.4%	794	24.5%	813	24.4%	834	24.5%
Food & Beverage	254	90.1%	269	86.5%	284	84.0%	291	83.9%	298	83.7%	305	83.8%	313	83.7%	321	83.8%	329	83.9%	337	83.8%
Other Income	37	84.1%	39	83.0%	40	80.0%	42	80.8%	42	79.2%	43	79.6%	44	80.0%	46	80.7%	47	81.0%	48	80.0%
Total Departmental Costs	891	36.7%	960	33.4%	1,025	31.5%	1,052	31.5%	1,077	31.5%	1,103	31.4%	1,131	31.5%	1,161	31.5%	1,189	31.5%	1,219	31.5%
DEPARTMENTAL INCOME	1,534	63.3%	1,913	66.6%	2,233	68.5%	2,288	68.5%	2,347	68.5%	2,405	68.6%	2,465	68.5%	2,526	68.5%	2,589	68.5%	2,654	68.5%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	281	11.6%	299	10.4%	315	9.7%	323	9.7%	331	9.7%	339	9.7%	347	9.6%	356	9.7%	365	9.7%	374	9.7%
Management Fee	73	3.0%	86	3.0%	98	3.0%	100	3.0%	103	3.0%	105	3.0%	108	3.0%	111	3.0%	113	3.0%	116	3.0%
Marketing	156	6.4%	167	5.8%	177	5.4%	181	5.4%	186	5.4%	190	5.4%	195	5.4%	200	5.4%	205	5.4%	210	5.4%
Franchise Fees	210	8.7%	252	8.8%	287	8.8%	294	8.8%	302	8.8%	309	8.8%	317	8.8%	325	8.8%	333	8.8%	341	8.8%
Property Operations & Maintenance	68	2.8%	109	3.8%	153	4.7%	157	4.7%	161	4.7%	165	4.7%	169	4.7%	173	4.7%	178	4.7%	182	4.7%
Utility	188	7.8%	196	6.8%	203	6.2%	208	6.2%	213	6.2%	219	6.2%	224	6.2%	230	6.2%	236	6.2%	241	6.2%
Total Undistrib. Operating Expen	976	40.3%	1,109	38.6%	1,233	37.8%	1,263	37.8%	1,296	37.8%	1,327	37.8%	1,360	37.7%	1,395	37.8%	1,430	37.8%	1,464	37.8%
INCOME BEFORE FIXED CHARGES	559	23.0%	804	28.0%	1,000	30.7%	1,025	30.7%	1,051	30.7%	1,078	30.8%	1,105	30.8%	1,131	30.7%	1,159	30.7%	1,190	30.7%
FIXED CHARGES																				
Property Taxes	210	8.7%	215	7.5%	221	6.8%	226	6.8%	232	6.8%	238	6.8%	244	6.8%	250	6.8%	256	6.8%	262	6.8%
Insurance	21	0.9%	22	0.8%	22	0.7%	23	0.7%	23	0.7%	24	0.7%	24	0.7%	25	0.7%	26	0.7%	26	0.7%
Reserve for Replacement	49	2.0%	86	3.0%	130	4.0%	134	4.0%	137	4.0%	140	4.0%	144	4.0%	147	4.0%	151	4.0%	155	4.0%
Total Fixed Charges	280	11.6%	323	11.3%	373	11.5%	383	11.5%	392	11.5%	402	11.5%	412	11.5%	422	11.5%	433	11.5%	443	11.5%
NET OPERATING INCOME	279	11.4%	481	16.7%	627	19.2%	642	19.2%	659	19.2%	676	19.3%	693	19.3%	709	19.2%	726	19.2%	747	19.2%

Discounted Cash Flow For A 100-Room Branded Hotel (Stand-alone Development) – Downtown St. Catharines

In order to illustrate the potential value of the proposed new hotel, the discounted cash flow model is presented below. This model shows a value for the hotel based on the net cash flow of each year of operations. Incorporated in our model are these assumptions and opinions.

Within the past 3 years, the only local hotel that transacted is the 100-room Comfort Inn St. Catharines. It sold in June 2014 for $4.1 million ($41,000/room) at approximately 8.3% going-in cap rate. More recently, the 118-room Hilton Garden Inn Niagara-on-the-Lake in the area transacted in August 2015 for $15.0 million ($127,000/room). The reported going-in cap rate is 8.0%. The transactions indicate a narrow going-in cap rate range of 8.0%-8.3%. We believe the Hilton Garden Inn has a product and service level comparable to that anticipated for the subject property - i.e. a new, full-service, branded hotel with food, meeting, and leisure facilities.

We have concluded with a 9.0% terminal capitalization rate for the proposed subject to reflect risk associated with selling the asset in 10 years. The Hilton Garden Inn's reported going-in cap rate of 8.0% reflects risk for only a one-year period. Furthermore, we have concluded with an 11.0% discount rate for the proposed subject to reflect the annual required rate of return during the 10-year holding period. The discount rate is 200 basis points above the terminal capitalization rate and represents our expected Government of Canada 10-year bond yield of approximately 2.0% (generally considered as a 'risk-free' investment).

Projection Period:	10 years with sale/refinancing at beginning of the following year.
Internal Rate of Return:	We have utilized a discount rate of 11.0% (annually) in this analysis.
Terminal Capitalization Rate:	We have utilized a terminal capitalization rate of 9.0% in this analysis. The terminal capitalization rate is applied to the eleventh year net operating income. We have deducted 3.0% for closing costs from the projected sale price to determine the reversionary value.

The discounted cash flow analysis indicates a rounded market value of **$6,400,000** (**$64,000** rounded per room).

Discounted Cash Flow Analysis - Proposed 100-Room Downtown Hotel - St. Catharines, ON

PROJECTION YEAR	NET CASH FLOW		DISCOUNT FACTOR		PRESENT VALUE	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
			11.00%				
2017	$279,000	x	0.900901	=	$251,351	3.96%	4.36%
2018	$481,000	x	0.811622	=	$390,390	6.15%	7.52%
Stabilized	$627,000	x	0.731191	=	$458,457	7.22%	9.80%
2020	$642,000	x	0.658731	=	$422,905	6.66%	10.03%
2021	$659,000	x	0.593451	=	$391,084	6.16%	10.30%
2022	$676,000	x	0.534641	=	$361,417	5.69%	10.56%
2023	$693,000	x	0.481658	=	$333,789	5.25%	10.83%
2024	$709,000	x	0.433926	=	$307,654	4.84%	11.08%
2025	$726,000	x	0.390925	=	$283,812	4.47%	11.34%
2026	$747,000	x	0.352184	=	$263,081	4.14%	11.67%
Total Present Value of Cash Flows					$3,463,940	54.53%	9.75% Average
REVERSION							
2027	$761,000	/	**9.00%**		$8,455,556		
	Less: Cost of Sale	@	3.00%		253,667		
	Net Reversion				$8,201,889		
	x Discount Factor				0.352184		
					$2,888,574		
Total Present Value of Reversion					$2,888,574	45.47%	
Total Present Value					$6,352,514	100.00%	
			ROUNDED:		**$6,400,000**		

Number of Rooms	**100**
Estimated Value Per Room	**$64,000**
Year-One Statistics	
Room Revenue Multiplier	3.0
Gross Revenue Multiplier	2.6
Going-In Capitalization Rate	4.4%
Stabilized Statistics	
Room Revenue Multiplier	2.2
Gross Revenue Multiplier	2.0
Stabilized Capitalization Rate	9.8%
Stabilized Deflated	
Room Revenue Multiplier	2.3
Gross Revenue Multiplier	2.1
Stabilized Capitalization Rate	9.3%

Sensitivity Analysis

The discounted cash flow analysis was recalculated to test the sensitivity of the cash flow to variations of the discount and terminal capitalization rates, as illustrated in the following matrix.

Valuation Matrix - Proposed 100-Room Downtown Hotel - St. Catharines, ON
(Value / Going-In-Cap / Value per Room)

		Residual Capitalization Rate				
		8.50%	**8.75%**	**9.00%**	**9.25%**	**9.50%**
Discount Rate	**10.25%**	$6,900,000 4.0% $69,000	$6,800,000 4.1% $68,000	$6,700,000 4.2% $67,000	$6,600,000 4.2% $66,000	$6,500,000 4.3% $65,000
	10.50%	$6,700,000 4.2% $67,000	$6,700,000 4.2% $67,000	$6,600,000 4.2% $66,000	$6,500,000 4.3% $65,000	$6,400,000 4.4% $64,000
	10.75%	$6,600,000 4.2% $66,000	$6,500,000 4.3% $65,000	$6,500,000 4.3% $65,000	$6,400,000 4.4% $64,000	$6,300,000 4.4% $63,000
	11.00%	$6,500,000 4.3% $65,000	$6,400,000 4.4% $64,000	**$6,400,000** **4.4%** **$64,000**	$6,300,000 4.4% $63,000	$6,200,000 4.5% $62,000
	11.25%	$6,400,000 4.4% $64,000	$6,300,000 4.4% $63,000	$6,200,000 4.5% $62,000	$6,200,000 4.5% $62,000	$6,100,000 4.6% $61,000
	11.50%	$6,300,000 4.4% $63,000	$6,200,000 4.5% $62,000	$6,100,000 4.6% $61,000	$6,100,000 4.6% $61,000	$6,000,000 4.7% $60,000
	11.75%	$6,200,000 4.5% $62,000	$6,100,000 4.6% $61,000	$6,000,000 4.7% $60,000	$6,000,000 4.7% $60,000	$5,900,000 4.7% $59,000

Projection Of Income And Expense For A 50-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

The following chart depicts a summary 10-year projection on a calendar basis beginning January 1, 2017. Stabilization is assumed to occur as of January 1, 2019. The statements are expressed in inflated dollars for each calendar year.

Ten Year Forecast - Proposed 50-Room, Independent Downtown Hotel - St. Catharines, ON

Projection Year:	1	2	3	4	5	6	7	8	9	10
Calendar Year:	2017	2018	Stabilized	2020	2021	2022	2023	2024	2025	2026
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	50	50	50	50	50	50	50	50	50	50
Rooms Available:	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250
Occupied Rooms:	8,943	10,220	11,133	11,133	11,133	11,133	11,133	11,133	11,133	11,133
Occupancy:	49.0%	56.0%	61.0%	61.0%	61.0%	61.0%	61.0%	61.0%	61.0%	61.0%
Average Rate:	$130.00	$135.00	$138.38	$141.83	$145.38	$149.01	$152.74	$156.56	$160.47	$164.48
RevPAR:	$63.70	$75.60	$84.41	$86.52	$88.68	$90.90	$93.17	$95.50	$97.89	$100.34

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES																				
Rooms	$1,163	84.3%	$1,380	85.4%	$1,540	85.8%	$1,579	85.9%	$1,618	85.9%	$1,659	85.9%	$1,700	85.9%	$1,743	85.9%	$1,786	85.9%	$1,831	85.9%
Food & Beverage	188	13.6%	206	12.7%	222	12.4%	227	12.3%	233	12.4%	239	12.4%	245	12.4%	251	12.4%	257	12.4%	263	12.3%
Other Income	28	2.0%	30	1.9%	32	1.8%	33	1.8%	33	1.8%	34	1.8%	35	1.8%	36	1.8%	37	1.8%	38	1.8%
Total Revenues	1,379	100.0%	1,616	100.0%	1,794	100.0%	1,839	100.0%	1,884	100.0%	1,932	100.0%	1,980	100.0%	2,030	100.0%	2,080	100.0%	2,132	100.0%
DEPARTMENTAL COSTS																				
Rooms	366	31.5%	397	28.8%	423	27.5%	433	27.4%	444	27.4%	455	27.4%	467	27.5%	478	27.4%	490	27.4%	502	27.4%
Food & Beverage	169	89.9%	179	86.9%	188	84.7%	192	84.6%	197	84.5%	202	84.5%	207	84.5%	212	84.5%	217	84.4%	223	84.8%
Other Income	24	85.7%	25	83.3%	26	81.3%	26	78.8%	27	81.8%	28	82.4%	28	80.0%	29	80.6%	30	81.1%	31	81.6%
Total Departmental Costs	559	40.5%	601	37.2%	637	35.5%	651	35.4%	668	35.5%	685	35.5%	702	35.5%	719	35.4%	737	35.4%	756	35.5%
DEPARTMENTAL INCOME	820	59.5%	1,015	62.8%	1,157	64.5%	1,188	64.6%	1,216	64.5%	1,247	64.5%	1,278	64.5%	1,311	64.6%	1,343	64.6%	1,376	64.5%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	125	9.1%	132	8.2%	139	7.7%	142	7.7%	146	7.7%	149	7.7%	153	7.7%	157	7.7%	161	7.7%	165	7.7%
Management Fee	41	3.0%	48	3.0%	54	3.0%	55	3.0%	57	3.0%	58	3.0%	59	3.0%	61	3.0%	62	3.0%	64	3.0%
Marketing	104	7.5%	111	6.9%	117	6.5%	120	6.5%	122	6.5%	126	6.5%	129	6.5%	132	6.5%	135	6.5%	139	6.5%
Franchise Fees	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Property Operations & Maintenance	34	2.4%	54	3.3%	76	4.2%	78	4.2%	80	4.2%	82	4.2%	84	4.2%	86	4.2%	88	4.2%	90	4.2%
Utility	94	6.8%	98	6.1%	101	5.6%	104	5.7%	106	5.6%	109	5.6%	112	5.7%	115	5.7%	117	5.6%	120	5.6%
Total Undistrib. Operating Expen	398	28.8%	443	27.5%	487	27.0%	499	27.1%	511	27.0%	524	27.0%	537	27.1%	551	27.1%	563	27.0%	578	27.0%
INCOME BEFORE FIXED CHARGES	423	30.7%	572	35.3%	670	37.5%	689	37.5%	705	37.5%	723	37.5%	741	37.4%	760	37.5%	780	37.6%	798	37.5%
FIXED CHARGES																				
Property Taxes	105	7.6%	108	6.7%	110	6.1%	113	6.1%	116	6.2%	119	6.2%	122	6.2%	125	6.2%	128	6.2%	131	6.1%
Insurance	11	0.8%	11	0.7%	11	0.6%	11	0.6%	12	0.6%	12	0.6%	12	0.6%	12	0.6%	13	0.6%	13	0.6%
Reserve for Replacement	28	2.0%	49	3.0%	72	4.0%	74	4.0%	75	4.0%	77	4.0%	79	4.0%	81	4.0%	83	4.0%	85	4.0%
Total Fixed Charges	144	10.4%	168	10.4%	193	10.7%	198	10.7%	203	10.8%	208	10.8%	213	10.8%	218	10.8%	224	10.8%	229	10.7%
NET OPERATING INCOME	279	20.3%	404	24.9%	477	26.8%	491	26.8%	502	26.7%	515	26.7%	528	26.6%	542	26.7%	556	26.8%	569	26.8%

Discounted Cash Flow For A 50-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

In order to illustrate the potential value of the proposed new hotel, the discounted cash flow model is presented below. This model shows a value for the hotel based on the net cash flow of each year of operations. Incorporated in our model are these assumptions and opinions.

Within the past 3 years, the only local hotel that transacted is the 100-room Comfort Inn St. Catharines. It sold in June 2014 for $4.1 million ($41,000/room) at approximately 8.3% going-in cap rate. More recently, the 118-room Hilton Garden Inn Niagara-on-the-Lake in the area transacted in August 2015 for $15.0 million ($127,000/room). The reported going-in cap rate is 8.0%. The transactions indicate a narrow going-in cap rate range of 8.0%-8.3%. We believe the Hilton Garden Inn has a product and service level comparable to that anticipated for the subject property - i.e. a new, full-service, boutique hotel with food, meeting, and leisure facilities.

We have concluded with a 9.0% terminal capitalization rate for the proposed subject to reflect risk associated with selling the asset in 10 years. The Hilton Garden Inn's reported going-in cap rate of 8.0% reflects risk for only a one-year period. Furthermore, we have concluded with an 11.0% discount rate for the proposed subject to reflect the annual required rate of return during the 10-year holding period. The discount rate is 200 basis points above the terminal capitalization rate and represents our expected Government of Canada 10-year bond yield of approximately 2.0% (generally considered as a 'risk-free' investment).

Projection Period:	10 years with sale/refinancing at beginning of the following year.
Internal Rate of Return:	We have utilized a discount rate of 11.0% (annually) in this analysis.
Terminal Capitalization Rate:	We have utilized a terminal capitalization rate of 9.0% in this analysis. The terminal capitalization rate is applied to the eleventh year net operating income. We have deducted 3.0% for closing costs from the projected sale price to determine the reversionary value.

The discounted cash flow analysis indicates a rounded market value of **$5,000,000** (**$100,000** rounded per room).

Discounted Cash Flow Analysis - Proposed 50-Room, Independent Downtown Hotel - St. Catharines, ON

PROJECTION YEAR	NET CASH FLOW		DISCOUNT FACTOR		PRESENT VALUE	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
			11.00%				
2017	$279,000	x	0.900901	=	$251,351	5.07%	5.58%
2018	$404,000	x	0.811622	=	$327,895	6.62%	8.08%
Stabilized	$477,000	x	0.731191	=	$348,778	7.04%	9.54%
2020	$491,000	x	0.658731	=	$323,437	6.53%	9.82%
2021	$502,000	x	0.593451	=	$297,912	6.01%	10.04%
2022	$515,000	x	0.534641	=	$275,340	5.56%	10.30%
2023	$528,000	x	0.481658	=	$254,315	5.13%	10.56%
2024	$542,000	x	0.433926	=	$235,188	4.75%	10.84%
2025	$556,000	x	0.390925	=	$217,354	4.39%	11.12%
2026	$569,000	x	0.352184	=	$200,393	4.04%	11.38%
Total Present Value of Cash Flows					$2,731,963	55.12%	9.73% Average
REVERSION							
2027	$586,000	/	**9.00%**		$6,511,111		
	Less: Cost of Sale	@	3.00%		195,333		
	Net Reversion				$6,315,778		
	x Discount Factor				0.352184		
					$2,224,316		
Total Present Value of Reversion					$2,224,316	44.88%	
Total Present Value					$4,956,279	100.00%	
			ROUNDED:		**$5,000,000**		

Number of Rooms	**50**
Estimated Value Per Room	**$100,000**
Year-One Statistics	
Room Revenue Multiplier	4.3
Gross Revenue Multiplier	3.6
Going-In Capitalization Rate	5.6%
Stabilized Statistics	
Room Revenue Multiplier	3.2
Gross Revenue Multiplier	2.8
Stabilized Capitalization Rate	9.5%
Stabilized Deflated	
Room Revenue Multiplier	3.4
Gross Revenue Multiplier	2.9
Stabilized Capitalization Rate	9.1%

Sensitivity Analysis

The discounted cash flow analysis was recalculated to test the sensitivity of the cash flow to variations of the discount and terminal capitalization rates, as illustrated in the following matrix.

Valuation Matrix - Proposed 50-Room, Independent Downtown Hotel- St. Catharines, ON
(Value / Going-In-Cap / Value per Room)

		Residual Capitalization Rate				
		8.50%	**8.75%**	**9.00%**	**9.25%**	**9.50%**
Discount Rate	**10.25%**	$5,300,000 5.3% $106,000	$5,300,000 5.3% $106,000	$5,200,000 5.4% $104,000	$5,100,000 5.5% $102,000	$5,100,000 5.5% $102,000
	10.50%	$5,300,000 5.3% $106,000	$5,200,000 5.4% $104,000	$5,100,000 5.5% $102,000	$5,100,000 5.5% $102,000	$5,000,000 5.6% $100,000
	10.75%	$5,200,000 5.4% $104,000	$5,100,000 5.5% $102,000	$5,000,000 5.6% $100,000	$5,000,000 5.6% $100,000	$4,900,000 5.7% $98,000
	11.00%	$5,100,000 5.5% $102,000	$5,000,000 5.6% $100,000	**$5,000,000 5.6% $100,000**	$4,900,000 5.7% $98,000	$4,800,000 5.8% $96,000
	11.25%	$5,000,000 5.6% $100,000	$4,900,000 5.7% $98,000	$4,900,000 5.7% $98,000	$4,800,000 5.8% $96,000	$4,800,000 5.8% $96,000
	11.50%	$4,900,000 5.7% $98,000	$4,900,000 5.7% $98,000	$4,800,000 5.8% $96,000	$4,700,000 5.9% $94,000	$4,700,000 5.9% $94,000
	11.75%	$4,800,000 5.8% $96,000	$4,800,000 5.8% $96,000	$4,700,000 5.9% $94,000	$4,700,000 5.9% $94,000	$4,600,000 6.1% $92,000

PROJECTION OF INCOME AND EXPENSE FOR A 25-ROOM, INDEPENDENT HOTEL (STAND-ALONE DEVELOPMENT) – DOWNTOWN ST. CATHARINES

The following chart depicts a summary 10-year projection on a calendar basis beginning January 1, 2017. Stabilization is assumed to occur as of January 1, 2019. The statements are expressed in inflated dollars for each calendar year.

Ten Year Forecast - Proposed 25-Room, Independent Downtown Hotel - St. Catharines, ON

Projection Year:	1	2	3	4	5	6	7	8	9	10
Calendar Year:	2017	2018	Stabilized	2020	2021	2022	2023	2024	2025	2026
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	25	25	25	25	25	25	25	25	25	25
Rooms Available:	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125
Occupied Rooms:	4,289	4,836	5,384	5,384	5,384	5,384	5,384	5,384	5,384	5,384
Occupancy:	47.0%	53.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%	59.0%
Average Rate:	$135.00	$138.38	$141.84	$145.39	$149.02	$152.75	$156.56	$160.48	$164.49	$168.60
RevPAR:	$63.45	$73.34	$83.69	$85.78	$87.92	$90.12	$92.37	$94.68	$97.05	$99.48

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES										
Rooms	$579	97.6%	$669	98.0%	$764	98.1%	$783	98.0%	$802	98.0%
Other Income	14	2.4%	14	2.0%	15	1.9%	16	2.0%	16	2.0%
Total Revenues	593	100.0%	683	100.0%	779	100.0%	799	100.0%	818	100.0%
DEPARTMENTAL COSTS										
Rooms	176	30.4%	189	28.3%	203	26.6%	209	26.7%	214	26.7%
Other Income	12	85.7%	12	85.7%	12	80.0%	13	81.3%	13	81.3%
Total Departmental Costs	188	31.7%	201	29.4%	215	27.6%	222	27.8%	227	27.8%
DEPARTMENTAL INCOME	405	68.3%	482	70.6%	564	72.4%	577	72.2%	591	72.2%
UNDISTRIB. OPERATING EXPENSES										
Administrative & General	78	13.2%	82	12.0%	87	11.2%	89	11.1%	91	11.1%
Marketing	39	6.6%	41	6.0%	44	5.6%	45	5.6%	46	5.6%
Franchise Fees	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Property Operations & Maintenance	17	2.9%	27	4.0%	38	4.9%	39	4.9%	40	4.9%
Utility	47	7.9%	49	7.2%	51	6.5%	52	6.5%	53	6.5%
Total Undistrib. Operating Expen	181	30.6%	199	29.2%	220	28.2%	225	28.1%	230	28.1%
INCOME BEFORE FIXED CHARGES	224	37.7%	283	41.4%	344	44.2%	352	44.1%	361	44.1%
FIXED CHARGES										
Property Taxes	42	7.1%	43	6.3%	44	5.6%	45	5.6%	46	5.6%
Insurance	6	1.0%	6	0.9%	7	0.9%	7	0.9%	7	0.9%
Reserve for Replacement	12	2.0%	20	3.0%	31	4.0%	32	4.0%	33	4.0%
Total Fixed Charges	60	10.1%	69	10.2%	82	10.5%	84	10.5%	86	10.5%
NET OPERATING INCOME	164	27.6%	214	31.2%	262	33.7%	268	33.6%	275	33.6%

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES										
Rooms	$822	98.1%	$843	98.0%	$864	98.1%	$886	98.0%	$908	98.1%
Other Income	16	1.9%	17	2.0%	17	1.9%	18	2.0%	18	1.9%
Total Revenues	838	100.0%	860	100.0%	881	100.0%	904	100.0%	926	100.0%
DEPARTMENTAL COSTS										
Rooms	219	26.6%	225	26.7%	230	26.6%	236	26.6%	242	26.7%
Other Income	13	81.3%	14	82.4%	14	82.4%	14	77.8%	15	83.3%
Total Departmental Costs	232	27.7%	239	27.8%	244	27.7%	250	27.7%	257	27.8%
DEPARTMENTAL INCOME	606	72.3%	621	72.2%	637	72.3%	654	72.3%	669	72.2%
UNDISTRIB. OPERATING EXPENSES										
Administrative & General	93	11.1%	96	11.2%	98	11.1%	101	11.2%	103	11.1%
Marketing	47	5.6%	48	5.6%	50	5.7%	51	5.6%	52	5.6%
Franchise Fees	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Property Operations & Maintenance	41	4.9%	42	4.9%	43	4.9%	44	4.9%	45	4.9%
Utility	55	6.6%	56	6.5%	57	6.5%	59	6.5%	60	6.5%
Total Undistrib. Operating Expen	236	28.2%	242	28.2%	248	28.2%	255	28.2%	260	28.1%
INCOME BEFORE FIXED CHARGES	370	44.1%	379	44.0%	389	44.1%	399	44.1%	409	44.1%
FIXED CHARGES										
Property Taxes	48	5.7%	49	5.7%	50	5.7%	51	5.6%	52	5.6%
Insurance	7	0.8%	7	0.8%	7	0.8%	8	0.9%	8	0.9%
Reserve for Replacement	34	4.1%	34	4.0%	35	4.0%	36	4.0%	37	4.0%
Total Fixed Charges	89	10.6%	90	10.5%	92	10.5%	95	10.5%	97	10.5%
NET OPERATING INCOME	281	33.5%	289	33.5%	297	33.6%	304	33.6%	312	33.6%

Discounted Cash Flow For A 25-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

In order to illustrate the potential value of the proposed new hotel, the discounted cash flow model is presented below. This model shows a value for the hotel based on the net cash flow of each year of operations. Incorporated in our model are these assumptions and opinions.

Within the past 3 years, the only local hotel that transacted is the 100-room Comfort Inn St. Catharines. It sold in June 2014 for $4.1 million ($41,000/room) at approximately 8.3% going-in cap rate. More recently, the 118-room Hilton Garden Inn Niagara-on-the-Lake in the area transacted in August 2015 for $15.0 million ($127,000/room). The reported going-in cap rate is 8.0%. The transactions indicate a narrow going-in cap rate range of 8.0%-8.3%. We believe the Hilton Garden Inn has a product and service level comparable to that anticipated for the subject property - i.e. a new, full-service, boutique hotel with food, meeting, and leisure facilities.

We have concluded with a 9.0% terminal capitalization rate for the proposed subject to reflect risk associated with selling the asset in 10 years. The Hilton Garden Inn's reported going-in cap rate of 8.0% reflects risk for only a one-year period. Furthermore, we have concluded with an 11.0% discount rate for the proposed subject to reflect the annual required rate of return during the 10-year holding period. The discount rate is 200 basis points above the terminal capitalization rate and represents our expected Government of Canada 10-year bond yield of approximately 2.0% (generally considered as a 'risk-free' investment).

Projection Period:	10 years with sale/refinancing at beginning of the following year.
Internal Rate of Return:	We have utilized a discount rate of 11.0% (annually) in this analysis.
Terminal Capitalization Rate:	We have utilized a terminal capitalization rate of 9.0% in this analysis. The terminal capitalization rate is applied to the eleventh year net operating income. We have deducted 3.0% for closing costs from the projected sale price to determine the reversionary value.

The discounted cash flow analysis indicates a rounded market value of **$2,700,000** (**$108,000** rounded per room).

Discounted Cash Flow Analysis - Proposed 25-Room, Independent Downtown Hotel - St. Catharines, ON

PROJECTION YEAR	NET CASH FLOW		DISCOUNT FACTOR		PRESENT VALUE	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
			11.00%				
2017	$164,000	x	0.900901	=	$147,748	5.45%	6.07%
2018	$214,000	x	0.811622	=	$173,687	6.41%	7.93%
Stabilized	$262,000	x	0.731191	=	$191,572	7.07%	9.70%
2020	$268,000	x	0.658731	=	$176,540	6.51%	9.93%
2021	$275,000	x	0.593451	=	$163,199	6.02%	10.19%
2022	$281,000	x	0.534641	=	$150,234	5.54%	10.41%
2023	$289,000	x	0.481658	=	$139,199	5.14%	10.70%
2024	$297,000	x	0.433926	=	$128,876	4.75%	11.00%
2025	$304,000	x	0.390925	=	$118,841	4.38%	11.26%
2026	$312,000	x	0.352184	=	$109,881	4.05%	11.56%
Total Present Value of Cash Flows					$1,499,777	55.33%	9.87% Average
REVERSION							
2027	$319,000	/	**9.00%**		$3,544,444		
	Less: Cost of Sale	@	3.00%		106,333		
	Net Reversion				$3,438,111		
	x Discount Factor				0.352184		
					$1,210,848		
Total Present Value of Reversion					$1,210,848	44.67%	
Total Present Value					$2,710,625	100.00%	
			ROUNDED:		**$2,700,000**		

Number of Rooms	**25**
Estimated Value Per Room	**$108,000**
Year-One Statistics	
Room Revenue Multiplier	4.7
Gross Revenue Multiplier	4.6
Going-In Capitalization Rate	6.1%
Stabilized Statistics	
Room Revenue Multiplier	3.5
Gross Revenue Multiplier	3.5
Stabilized Capitalization Rate	9.7%
Stabilized Deflated	
Room Revenue Multiplier	3.7
Gross Revenue Multiplier	3.6
Stabilized Capitalization Rate	9.2%

SENSITIVITY ANALYSIS

The discounted cash flow analysis was recalculated to test the sensitivity of the cash flow to variations of the discount and terminal capitalization rates, as illustrated in the following matrix.

Valuation Matrix - Proposed 25-Room, Independent Downtown Hotel - St. Catharines, ON
(Value / Going-In-Cap / Value per Room)

	Residual Capitalization Rate				
Discount Rate	**8.50%**	**8.75%**	**9.00%**	**9.25%**	**9.50%**
10.25%	$2,900,000 5.7% $116,000	$2,900,000 5.7% $116,000	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000
10.50%	$2,900,000 5.7% $116,000	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000	$2,700,000 6.1% $108,000
10.75%	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000	$2,800,000 5.9% $112,000	$2,700,000 6.1% $108,000	$2,700,000 6.1% $108,000
11.00%	$2,800,000 5.9% $112,000	$2,700,000 6.1% $108,000	**$2,700,000** **6.1%** **$108,000**	$2,700,000 6.1% $108,000	$2,600,000 6.3% $104,000
11.25%	$2,700,000 6.1% $108,000	$2,700,000 6.1% $108,000	$2,700,000 6.1% $108,000	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000
11.50%	$2,700,000 6.1% $108,000	$2,700,000 6.1% $108,000	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000
11.75%	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000	$2,600,000 6.3% $104,000	$2,500,000 6.6% $100,000

Projection Of Income And Expense For A 50-Suite, Independent Hotel (Integrated Into A Mixed-Use Development) – Downtown St. Catharines

The following chart depicts a summary 10-year projection on a calendar basis beginning January 1, 2017. Stabilization is assumed to occur as of January 1, 2019. The statements are expressed in inflated dollars for each calendar year.

It should be noted that as the proposed hotel is expected to be integrated into a mixed-use development, we have assumed efficiencies in Utility Costs and Property Operations & Maintenance. This is reflected in the table below:

Ten Year Forecast - Proposed 50-Suite Downtown Hotel in a Mixed-Use Development - St. Catharines, ON

Projection Year:	1	2	3	4	5	6	7	8	9	10
Calendar Year:	2017	2018	Stabilized	2020	2021	2022	2023	2024	2025	2026
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	50	50	50	50	50	50	50	50	50	50
Rooms Available:	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250	18,250
Occupied Rooms:	9,855	10,768	12,045	12,045	12,045	12,045	12,045	12,045	12,045	12,045
Occupancy:	54.0%	59.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
Average Rate:	$135.00	$140.00	$143.50	$147.09	$150.76	$154.53	$158.40	$162.36	$166.42	$170.58
RevPAR:	$72.90	$82.60	$94.71	$97.08	$99.50	$101.99	$104.54	$107.16	$109.83	$112.58

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES																				
Rooms	$1,330	84.8%	$1,507	85.5%	$1,728	86.2%	$1,772	86.2%	$1,816	86.2%	$1,861	86.2%	$1,908	86.2%	$1,956	86.2%	$2,004	86.2%	$2,055	86.2%
Food & Beverage	207	13.2%	222	12.6%	242	12.1%	248	12.1%	254	12.1%	260	12.0%	267	12.1%	274	12.1%	280	12.0%	287	12.0%
Other Income	31	2.0%	33	1.9%	35	1.7%	36	1.8%	37	1.8%	37	1.7%	38	1.7%	39	1.7%	40	1.7%	41	1.7%
Total Revenues	1,568	100.0%	1,762	100.0%	2,005	100.0%	2,056	100.0%	2,107	100.0%	2,158	100.0%	2,213	100.0%	2,269	100.0%	2,324	100.0%	2,383	100.0%
DEPARTMENTAL COSTS																				
Rooms	404	30.4%	429	28.5%	462	26.7%	474	26.7%	485	26.7%	497	26.7%	510	26.7%	523	26.7%	536	26.7%	549	26.7%
Food & Beverage	186	89.9%	195	87.8%	206	85.1%	211	85.1%	216	85.0%	221	85.0%	227	85.0%	233	85.0%	238	85.0%	244	85.0%
Other Income	26	83.9%	27	81.8%	28	80.0%	29	80.6%	30	81.1%	30	81.1%	31	81.6%	32	82.1%	33	82.5%	34	82.9%
Total Departmental Costs	616	39.3%	651	36.9%	696	34.7%	714	34.7%	731	34.7%	748	34.7%	768	34.7%	788	34.7%	807	34.7%	827	34.7%
DEPARTMENTAL INCOME	952	60.7%	1,111	63.1%	1,309	65.3%	1,342	65.3%	1,376	65.3%	1,410	65.3%	1,445	65.3%	1,481	65.3%	1,517	65.3%	1,556	65.3%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	125	8.0%	131	7.4%	138	6.9%	141	6.9%	145	6.9%	149	6.9%	152	6.9%	156	6.9%	160	6.9%	164	6.9%
Management Fee	47	3.0%	53	3.0%	60	3.0%	62	3.0%	63	3.0%	65	3.0%	66	3.0%	68	3.0%	70	3.0%	71	3.0%
Marketing	104	6.6%	109	6.2%	116	5.8%	119	5.8%	122	5.8%	125	5.8%	128	5.8%	131	5.8%	134	5.8%	138	5.8%
Franchise Fees	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Property Operations & Maintenance	27	1.7%	43	2.4%	60	3.0%	62	3.0%	63	3.0%	65	3.0%	67	3.0%	68	3.0%	70	3.0%	72	3.0%
Utility	75	4.8%	78	4.4%	81	4.0%	83	4.0%	85	4.0%	87	4.0%	89	4.0%	91	4.0%	94	4.0%	96	4.0%
Total Undistrib. Operating Expen	378	24.1%	414	23.4%	455	22.7%	467	22.7%	478	22.7%	491	22.7%	502	22.7%	514	22.7%	528	22.7%	541	22.7%
INCOME BEFORE FIXED CHARGES	574	36.6%	697	39.7%	854	42.6%	875	42.6%	898	42.6%	919	42.6%	943	42.6%	967	42.6%	989	42.6%	1,015	42.6%
FIXED CHARGES																				
Property Taxes	105	6.7%	108	6.1%	110	5.5%	113	5.5%	116	5.5%	119	5.5%	122	5.5%	125	5.5%	128	5.5%	131	5.5%
Insurance	11	0.7%	11	0.6%	11	0.5%	11	0.5%	12	0.6%	12	0.6%	12	0.5%	12	0.5%	13	0.6%	13	0.5%
Reserve for Replacement	32	2.0%	53	3.0%	80	4.0%	82	4.0%	84	4.0%	86	4.0%	89	4.0%	91	4.0%	93	4.0%	95	4.0%
Total Fixed Charges	148	9.4%	172	9.7%	201	10.0%	206	10.0%	212	10.1%	217	10.1%	223	10.0%	228	10.0%	234	10.1%	239	10.0%
NET OPERATING INCOME	427	27.2%	526	30.0%	653	32.6%	669	32.6%	686	32.5%	702	32.5%	720	32.6%	739	32.6%	755	32.5%	776	32.6%

Discounted Cash Flow For A 50-Suite, Independent Hotel (Integrated Into A Mixed-Use Development) – Downtown St. Catharines

In order to illustrate the potential value of the proposed new hotel, the discounted cash flow model is presented below. This model shows a value for the hotel based on the net cash flow of each year of operations. Incorporated in our model are these assumptions and opinions.

Within the past 3 years, the only local hotel that transacted is the 100-room Comfort Inn St. Catharines. It sold in June 2014 for $4.1 million ($41,000/room) at approximately 8.3% going-in cap rate. More recently, the 118-room Hilton Garden Inn Niagara-on-the-Lake in the area transacted in August 2015 for $15.0 million ($127,000/room). The reported going-in cap rate is 8.0%. The transactions indicate a narrow going-in cap rate range of 8.0%-8.3%. We believe the Hilton Garden Inn has a product and service level comparable to that anticipated for the subject property - i.e. a new, full-service, boutique hotel with food, meeting, and leisure facilities.

We have concluded with a 9.0% terminal capitalization rate for the proposed subject to reflect risk associated with selling the asset in 10 years. The Hilton Garden Inn's reported going-in cap rate of 8.0% reflects risk for only a one-year period. Furthermore, we have concluded with an 11.0% discount rate for the proposed subject to reflect the annual required rate of return during the 10-year holding period. The discount rate is 200 basis points above the terminal capitalization rate and represents our expected Government of Canada 10-year bond yield of approximately 2.0% (generally considered as a 'risk-free' investment).

Projection Period:	10 years with sale/refinancing at beginning of the following year.
Internal Rate of Return:	We have utilized a discount rate of 11.0% (annually) in this analysis.
Terminal Capitalization Rate:	We have utilized a terminal capitalization rate of 9.0% in this analysis. The terminal capitalization rate is applied to the eleventh year net operating income. We have deducted 3.0% for closing costs from the projected sale price to determine the reversionary value.

The discounted cash flow analysis indicates a rounded market value of **$6,800,000** (**$136,000** rounded per room).

Discounted Cash Flow Analysis - Proposed 50-Suite Downtown Hotel in a Mixed-Use Development - St. Catharines, ON

PROJECTION YEAR	NET CASH FLOW		DISCOUNT FACTOR		PRESENT VALUE	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
			11.00%				
2017	$427,000	x	0.900901	=	$384,685	5.68%	6.28%
2018	$526,000	x	0.811622	=	$426,913	6.30%	7.74%
Stabilized	$653,000	x	0.731191	=	$477,468	7.05%	9.60%
2020	$669,000	x	0.658731	=	$440,691	6.51%	9.84%
2021	$686,000	x	0.593451	=	$407,107	6.01%	10.09%
2022	$702,000	x	0.534641	=	$375,318	5.54%	10.32%
2023	$720,000	x	0.481658	=	$346,794	5.12%	10.59%
2024	$739,000	x	0.433926	=	$320,671	4.73%	10.87%
2025	$755,000	x	0.390925	=	$295,148	4.36%	11.10%
2026	$776,000	x	0.352184	=	$273,295	4.03%	11.41%
Total Present Value of Cash Flows					$3,748,090	55.34%	9.78% Average
REVERSION							
2027	$797,000	/	**9.00%**		$8,855,556		
	Less: Cost of Sale	@	3.00%		265,667		
	Net Reversion				$8,589,889		
	x Discount Factor				0.352184		
					$3,025,221		
Total Present Value of Reversion					$3,025,221	44.66%	
Total Present Value					$6,773,311	100.00%	
			ROUNDED:		**$6,800,000**		

Number of Rooms	**50**
Estimated Value Per Room	**$136,000**
Year-One Statistics	
Room Revenue Multiplier	5.1
Gross Revenue Multiplier	4.3
Going-In Capitalization Rate	6.3%
Stabilized Statistics	
Room Revenue Multiplier	3.9
Gross Revenue Multiplier	3.4
Stabilized Capitalization Rate	9.6%
Stabilized Deflated	
Room Revenue Multiplier	4.1
Gross Revenue Multiplier	3.6
Stabilized Capitalization Rate	9.1%

SENSITIVITY ANALYSIS

The discounted cash flow analysis was recalculated to test the sensitivity of the cash flow to variations of the discount and terminal capitalization rates, as illustrated in the following matrix.

Valuation Matrix - Proposed 50-Suite Downtown Hotel in a Mixed-Use Development - St. Catharines, ON
(Value / Going-In-Cap / Value per Room)

		Residual Capitalization Rate				
		8.50%	**8.75%**	**9.00%**	**9.25%**	**9.50%**
Discount Rate	**10.25%**	$7,300,000 5.8% $146,000	$7,200,000 5.9% $144,000	$7,100,000 6.0% $142,000	$7,000,000 6.1% $140,000	$6,900,000 6.2% $138,000
	10.50%	$7,200,000 5.9% $144,000	$7,100,000 6.0% $142,000	$7,000,000 6.1% $140,000	$6,900,000 6.2% $138,000	$6,800,000 6.3% $136,000
	10.75%	$7,100,000 6.0% $142,000	$7,000,000 6.1% $140,000	$6,900,000 6.2% $138,000	$6,800,000 6.3% $136,000	$6,700,000 6.4% $134,000
	11.00%	$7,000,000 6.1% $140,000	$6,900,000 6.2% $138,000	**$6,800,000** **6.3%** **$136,000**	$6,700,000 6.4% $134,000	$6,600,000 6.5% $132,000
	11.25%	$6,800,000 6.3% $136,000	$6,700,000 6.4% $134,000	$6,700,000 6.4% $134,000	$6,600,000 6.5% $132,000	$6,500,000 6.6% $130,000
	11.50%	$6,700,000 6.4% $134,000	$6,600,000 6.5% $132,000	$6,600,000 6.5% $132,000	$6,500,000 6.6% $130,000	$6,400,000 6.7% $128,000
	11.75%	$6,600,000 6.5% $132,000	$6,500,000 6.6% $130,000	$6,500,000 6.6% $130,000	$6,400,000 6.7% $128,000	$6,300,000 6.8% $126,000

PROJECTION OF INCOME AND EXPENSE FOR A 25-ROOM, INDEPENDENT HOTEL (STAND-ALONE DEVELOPMENT) – PORT DALHOUSIE (ST. CATHARINES)

The following chart depicts a summary 10-year projection on a calendar basis beginning January 1, 2017. Stabilization is assumed to occur as of January 1, 2019. The statements are expressed in inflated dollars for each calendar year.

Ten Year Forecast - Proposed 25-Room, Independent Port Dalhousie Hotel - St. Catharines, ON

Projection Year:	1	2	3	4	5	6	7	8	9	10
Calendar Year:	2017	2018	Stabilized	2020	2021	2022	2023	2024	2025	2026
Days in Year:	365	365	365	365	365	365	365	365	365	365
Number of Rooms:	25	25	25	25	25	25	25	25	25	25
Rooms Available:	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125	9,125
Occupied Rooms:	3,650	3,924	4,106	4,106	4,106	4,106	4,106	4,106	4,106	4,106
Occupancy:	40.0%	43.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%	45.0%
Average Rate:	$145.00	$150.00	$153.75	$157.59	$161.53	$165.57	$169.71	$173.95	$178.30	$182.76
RevPAR:	$58.00	$64.50	$69.19	$70.92	$72.69	$74.51	$76.37	$78.28	$80.24	$82.24

	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross	$ (000's)	% Gross
REVENUES																				
Rooms	$529	97.8%	$589	98.0%	$631	98.0%	$647	98.0%	$663	98.1%	$680	98.0%	$697	98.0%	$714	98.1%	$732	98.0%	$750	98.0%
Other Income	12	2.2%	12	2.0%	13	2.0%	13	2.0%	13	1.9%	14	2.0%	14	2.0%	14	1.9%	15	2.0%	15	2.0%
Total Revenues	541	100.0%	601	100.0%	644	100.0%	660	100.0%	676	100.0%	694	100.0%	711	100.0%	728	100.0%	747	100.0%	765	100.0%
DEPARTMENTAL COSTS																				
Rooms	150	28.4%	158	26.8%	165	26.1%	169	26.1%	173	26.1%	178	26.2%	182	26.1%	187	26.2%	191	26.1%	196	26.1%
Other Income	10	83.3%	10	83.3%	11	84.6%	11	84.6%	11	84.6%	11	78.6%	12	85.7%	12	85.7%	12	80.0%	12	80.0%
Total Departmental Costs	160	29.6%	168	28.0%	176	27.3%	180	27.3%	184	27.2%	189	27.2%	194	27.3%	199	27.3%	203	27.2%	208	27.2%
DEPARTMENTAL INCOME	381	70.4%	433	72.0%	468	72.7%	480	72.7%	492	72.8%	505	72.8%	517	72.7%	529	72.7%	544	72.8%	557	72.8%
UNDISTRIB. OPERATING EXPENSES																				
Administrative & General	78	14.4%	81	13.5%	84	13.0%	87	13.2%	89	13.2%	91	13.1%	93	13.1%	96	13.2%	98	13.1%	100	13.1%
Marketing	39	7.2%	41	6.8%	42	6.5%	43	6.5%	45	6.7%	46	6.6%	47	6.6%	48	6.6%	49	6.6%	50	6.5%
Franchise Fees	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Property Operations & Maintenance	17	3.1%	26	4.4%	37	5.7%	38	5.8%	39	5.8%	40	5.8%	41	5.8%	42	5.8%	43	5.8%	44	5.8%
Utility	47	8.7%	49	8.2%	50	7.8%	51	7.7%	53	7.8%	54	7.8%	55	7.7%	57	7.8%	58	7.8%	60	7.8%
Total Undistrib. Operating Expen	181	33.4%	197	32.9%	213	33.0%	219	33.2%	226	33.5%	231	33.3%	236	33.2%	243	33.4%	248	33.3%	254	33.2%
INCOME BEFORE FIXED CHARGES	200	37.0%	236	39.1%	255	39.7%	261	39.5%	266	39.3%	274	39.5%	281	39.5%	286	39.3%	296	39.5%	303	39.6%
FIXED CHARGES																				
Property Taxes	42	7.8%	43	7.2%	44	6.8%	45	6.8%	46	6.8%	48	6.9%	49	6.9%	50	6.9%	51	6.8%	52	6.8%
Insurance	6	1.1%	6	1.0%	6	0.9%	6	0.9%	6	0.9%	6	0.9%	7	1.0%	7	1.0%	7	0.9%	7	0.9%
Reserve for Replacement	11	2.0%	18	3.0%	26	4.0%	26	3.9%	27	4.0%	28	4.0%	28	3.9%	29	4.0%	30	4.0%	31	4.1%
Total Fixed Charges	59	10.9%	67	11.2%	76	11.7%	77	11.6%	79	11.7%	82	11.8%	84	11.8%	86	11.9%	88	11.7%	90	11.8%
NET OPERATING INCOME	141	26.1%	169	27.9%	179	28.0%	184	27.9%	187	27.6%	192	27.7%	197	27.7%	200	27.4%	208	27.8%	213	27.8%

Discounted Cash Flow For A 25-Room, Independent Hotel (Stand-alone Development) – Port Dalhousie (St. Catharines)

In order to illustrate the potential value of the proposed new hotel, the discounted cash flow model is presented below. This model shows a value for the hotel based on the net cash flow of each year of operations. Incorporated in our model are these assumptions and opinions.

Within the past 3 years, the only local hotel that transacted is the 100-room Comfort Inn St. Catharines. It sold in June 2014 for $4.1 million ($41,000/room) at approximately 8.3% going-in cap rate. More recently, the 118-room Hilton Garden Inn Niagara-on-the-Lake in the area transacted in August 2015 for $15.0 million ($127,000/room). The reported going-in cap rate is 8.0%. The transactions indicate a narrow going-in cap rate range of 8.0%-8.3%. We believe the Hilton Garden Inn has a product and service level comparable to that anticipated for the subject property - i.e. a new, full-service, boutique hotel with food, meeting, and leisure facilities.

We have concluded with a 9.0% terminal capitalization rate for the proposed subject to reflect risk associated with selling the asset in 10 years. The Hilton Garden Inn's reported going-in cap rate of 8.0% reflects risk for only a one-year period. Furthermore, we have concluded with an 11.0% discount rate for the proposed subject to reflect the annual required rate of return during the 10-year holding period. The discount rate is 200 basis points above the terminal capitalization rate and represents our expected Government of Canada 10-year bond yield of approximately 2.0% (generally considered as a 'risk-free' investment).

Projection Period:	10 years with sale/refinancing at beginning of the following year.
Internal Rate of Return:	We have utilized a discount rate of 11.0% (annually) in this analysis.
Terminal Capitalization Rate:	We have utilized a terminal capitalization rate of 9.0% in this analysis. The terminal capitalization rate is applied to the eleventh year net operating income. We have deducted 3.0% for closing costs from the projected sale price to determine the reversionary value.

The discounted cash flow analysis indicates a rounded market value of **$1,900,000** (**$76,000** rounded per room).

Discounted Cash Flow Analysis - Proposed 25-Room, Independent Port Dalhousie Hotel - St. Catharines, ON

PROJECTION YEAR	NET CASH FLOW		DISCOUNT FACTOR		PRESENT VALUE	COMPOSITION OF YIELD	ANNUAL CASH ON CASH RETURN
			11.00%				
2017	$141,000	x	0.900901	=	$127,027	6.72%	7.42%
2018	$169,000	x	0.811622	=	$137,164	7.25%	8.89%
Stabilized	$179,000	x	0.731191	=	$130,883	6.92%	9.42%
2020	$184,000	x	0.658731	=	$121,207	6.41%	9.68%
2021	$187,000	x	0.593451	=	$110,975	5.87%	9.84%
2022	$192,000	x	0.534641	=	$102,651	5.43%	10.11%
2023	$197,000	x	0.481658	=	$94,887	5.02%	10.37%
2024	$200,000	x	0.433926	=	$86,785	4.59%	10.53%
2025	$208,000	x	0.390925	=	$81,312	4.30%	10.95%
2026	$213,000	x	0.352184	=	$75,015	3.97%	11.21%
Total Present Value of Cash Flows					$1,067,906	56.46%	9.84% Average
REVERSION							
2027	$217,000	/	**9.00%**		$2,411,111		
	Less: Cost of Sale	@	3.00%		72,333		
	Net Reversion				$2,338,778		
	x Discount Factor				0.352184		
					$823,680		
Total Present Value of Reversion					$823,680	43.54%	
Total Present Value					$1,891,586	100.00%	
			ROUNDED:		**$1,900,000**		

Number of Rooms	**25**
Estimated Value Per Room	**$76,000**
Year-One Statistics	
Room Revenue Multiplier	3.6
Gross Revenue Multiplier	3.5
Going-In Capitalization Rate	7.4%
Stabilized Statistics	
Room Revenue Multiplier	3.0
Gross Revenue Multiplier	3.0
Stabilized Capitalization Rate	9.4%
Stabilized Deflated	
Room Revenue Multiplier	3.2
Gross Revenue Multiplier	3.1
Stabilized Capitalization Rate	9.0%

SENSITIVITY ANALYSIS

The discounted cash flow analysis was recalculated to test the sensitivity of the cash flow to variations of the discount and terminal capitalization rates, as illustrated in the following matrix.

Valuation Matrix - Proposed 25-Room, Independent Port Dalhousie Hotel - St. Catharines, ON
(Value / Going-In-Cap / Value per Room)

		Residual Capitalization Rate				
		8.50%	**8.75%**	**9.00%**	**9.25%**	**9.50%**
Discount Rate	**10.25%**	$2,000,000 7.1% $80,000	$2,000,000 7.1% $80,000	$2,000,000 7.1% $80,000	$2,000,000 7.1% $80,000	$1,900,000 7.4% $76,000
Discount Rate	**10.50%**	$2,000,000 7.1% $80,000	$2,000,000 7.1% $80,000	$2,000,000 7.1% $80,000	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000
Discount Rate	**10.75%**	$2,000,000 7.1% $80,000	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000
Discount Rate	**11.00%**	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	**$1,900,000** **7.4%** **$76,000**	$1,900,000 7.4% $76,000	$1,800,000 7.8% $72,000
Discount Rate	**11.25%**	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000
Discount Rate	**11.50%**	$1,900,000 7.4% $76,000	$1,900,000 7.4% $76,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000
Discount Rate	**11.75%**	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000	$1,800,000 7.8% $72,000

ESTIMATED CONSTRUCTION COSTS

METHODOLOGY

In conducting our overall feasibility analysis, we have estimated the construction costs associated with each of the proposed hotel scenarios presented. This is used as a balance against the projected value of the proposed hotel scenarios to assess the overall financial feasibility of the proposed hotel development.

According to interviews with local real-estate brokers, land costs in St. Catharines Downtown and Port Dalhousie areas are estimated to be approximately $1 million per acre, while smaller parcels of 0.5 acres would still cost around $750,000. This is mainly driven by the Meridian Centre and FirstOntario Performing Arts Centre developments, which have increased the value of commercial real-estate in the Downtown core. Hotel construction cost estimates were then developed through an analysis of standard construction costs provided by midscale brands and a discussion with Mr. Adrian Mauro of Chamberlain Construction. Other sources of construction estimates considered include Marshall & Swift Cost Index and the HVS Hotel Development Cost Survey.

<u>It should be noted that due to the unknown size and composition of the non-hotel components of any mixed-use development, we have not estimated a construction cost for this scenario. Instead, for the 50-suite hotel integrated within a mixed-use development scenario, we have taken the annual return to owner after debt service and factored a 12% investment return (the anticipated minimum reasonable rate of return) in order to ascertain the level of total equity that can be required; this combined with the debt component, tells us the total amount that could be allocated to the hotel construction costs as part of the cost of the overall mixed-use development project.</u> This can be found in the Investment Analysis section that follows.

DEVELOPMENT COST ESTIMATION FOR A 100-ROOM, BRANDED HOTEL (STAND-ALONE DEVELOPMENT) – DOWNTOWN ST. CATHARINES

DEVELOPMENT COST ESTIMATION - 100-Room, Branded Downtown Hotel - St. Catharines, ON		
Category	**C&W Selected Cost Per Unit**	**Cost Estimate**
Number of Rooms	100 Rooms	
Gross Building Area (GBA) Per Guest Room	650 sq. ft.	
Estiamted Total Gross Building Area (GBA)		65,000 sq. ft.
Hard Construction & Site Improvements (Per Sq. Ft.)	$200.00	$11,512,800
Soft Costs (% of Hard Costs)	20.0%	$2,302,560
Furniture, Fixtures, and Equipment (Per Room)	$10,000	$1,000,000
Mechanical / Systems / Supplies (Per Room)	$8,000	$800,000
	Total:	**$15,615,360**
	Land (1.0 Acre) Cost:**	**$1,000,000**
	Total Cost with Land:	**$16,615,360**
	Per Square Foot	*$256*
	Per Room	*$166,154*

*The typical gross building area per room at comparable hotels is 650 SF per room.
**Above costs exclude Indoor Pool construction costs

Development Cost Estimation For A 50-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

DEVELOPMENT COST ESTIMATION - 50-Room, Independent Downtown Hotel - St. Catharines, ON		
Category	**C&W Selected Cost Per Unit**	**Cost Estimate**
Number of Rooms	50 Rooms	
Gross Building Area (GBA) Per Guest Room	600 sq. ft.	
Estiamted Total Gross Building Area (GBA)		30,000 sq. ft.
Hard Construction & Site Improvements (Per Sq. Ft.)	$210.00	$5,556,400
Soft Costs (% of Hard Costs)	20.0%	$1,111,280
Furniture, Fixtures, and Equipment (Per Room)	$12,000	$600,000
Mechanical / Systems / Supplies (Per Room)	$10,000	$500,000
	Total:	**$7,767,680**
	Land (0.5 Acre) Cost:	**$750,000**
	Total Cost with Land:	**$8,517,680**
	Per Square Foot	*$284*
	Per Room	*$170,354*

*The typical gross building area per room at comparable hotels is 600 SF per room.
**This indicates a land cost of $15,000 per room.

Development Cost Estimation For A 25-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

DEVELOPMENT COST ESTIMATION - 25-Room, Boutique Downtown Hotel		
Category	**C&W Selected Cost Per Unit**	**Cost Estimate**
Number of Rooms	25 Rooms	
Gross Building Area (GBA) Per Guest Room	600 sq. ft.	
Estiamted Total Gross Building Area (GBA)		15,000 sq. ft.
Hard Construction & Site Improvements (Per Sq. Ft.)	$215.00	$2,853,200
Soft Costs (% of Hard Costs)	20.0%	$570,640
Furniture, Fixtures, and Equipment (Per Room)	$12,500	$312,500
Mechanical / Systems / Supplies (Per Room)	$10,500	$262,500
	Total:	**$3,998,840**
	Land (0.5 Acre) Cost:	**$750,000**
	Total Cost with Land:	**$4,748,840**
	Per Square Foot	*$317*
	Per Room	*$189,954*

*The typical gross building area per room at comparable hotels is 600 SF per room.
**This indicates a land cost of $30,000 per room.

Development Cost Estimation For A 25-Room, Independent Hotel (Stand-Alone Development) – Port Dalhousie (St. Catharines)

DEVELOPMENT COST ESTIMATION - 25-Room, Boutique Port Dalhousie Hotel		
Category	**C&W Selected Cost Per Unit**	**Cost Estimate**
Number of Rooms	25 Rooms	
Gross Building Area (GBA) Per Guest Room	600 sq. ft.	
Estiamted Total Gross Building Area (GBA)		15,000 sq. ft.
Hard Construction & Site Improvements (Per Sq. Ft.)	$215.00	$2,853,200
Soft Costs (% of Hard Costs)	20.0%	$570,640
Furniture, Fixtures, and Equipment (Per Room)	$12,500	$312,500
Mechanical / Systems / Supplies (Per Room)	$10,500	$262,500
	Total:	**$3,998,840**
	Land (0.5 Acre) Cost:	**$750,000**
	Total Cost with Land:	**$4,748,840**
	Per Square Foot	*$317*
	Per Room	*$189,954*

*The typical gross building area per room at comparable hotels is 600 SF per room.
**This indicates a land cost of $30,000 per room.

INVESTMENT ANALYSIS

Based on the development costs presented earlier, we have completed an investment analysis taking into consideration the projected development costs, estimated hotel value and financing considerations. This analysis was conducted through attaining standard financing terms offered by currently active lenders in the hotel sector (BDC, Meridian Credit Union, DUCA etc.); these lenders typically provide financing at a level of 55% to 60% loan to value. This is then used to calculate a Mortgage Component related to the investment, followed by an Equity Component and Internal Rate of Return.

INVESTMENT ANALYSIS FOR A 100-ROOM, BRANDED HOTEL (STAND-ALONE DEVELOPMENT) – DOWNTOWN ST. CATHARINES

The total project costs are estimated to be $16,615,360 including land costs. The estimated hotel value was previously determined to be $6,400,000. Lenders generally limit their loan values to a percentage of estimated value, with typical loan-to-value ratios of between 55%-60% for projects developed on owned (fee-simple) lands. We have used a loan-to-value of 60%, which results in mortgage financing of $3,840,000 ($6,400,000 x 60%). The difference would have to be financed using a combination of equity and higher cost methods of financing. We have assumed the difference between the debt and total development would be funded through equity. Therefore approximately $12,775,360 in equity would be required to develop the project. This resultant level of equity, plus the level of debt ($3,840,000), dictate the maximum amount of funds that should be allocated to the hotel's construction costs.

We have assumed the borrowing rate on the mortgage to be 5.0%, compounded semi-annually which is within the industry range of 4.0% to 6.0% for similar projects. We have further assumed an amortization period of 20 years which is typical for commercial loans for this asset class.

The following table summarizes the financing assumptions.

Property Value Distribution	
Total Property Value	$6,400,000
Loan to Value Ratio	60.00%
Mortgage Component	$3,840,000
Mortgage Component	$3,840,000
Equity Component*	$12,775,360

Calculation of Annual Debt Service	
Mortgage Interest Rate:	5.0%
Amortization Period:	20
Mortgage Constant	0.07919
Mortgage Component	$3,840,000
Mortgage Constant	0.07919
Annual Debt Service	**$304,108**

Equity Component is comprised of the Construction Cost minus the Mortgage Component

Based on the previous table, the annual Debt Service payments would equal: **$304,108**. The following schedule details the cash flows to debt service and equity based on the forecasted net operating income. The Cash Flow to Equity is calculated as the Net Cash Flow minus the Debt Service payment:

Internal Rate of Return Calculations - Proposed 100-Room, Branded Downtown Hotel - St. Catharines, ON

Year	Net Cash Flow	Debt Service	Cash Flow To Equity	Debt Coverage Ratio	Cash on Cash Return
Init	($6,400,000)	($3,840,000)	($12,775,360)		
2017	$279,000	$304,108	($25,108)	0.92	-0.2%
2018	$481,000	$304,108	$176,892	1.58	1.4%
Stabilized	$627,000	$304,108	$322,892	2.06	2.5%
2020	$642,000	$304,108	$337,892	2.11	2.6%
2021	$659,000	$304,108	$354,892	2.17	2.8%
2022	$676,000	$304,108	$371,892	2.22	2.9%
2023	$693,000	$304,108	$388,892	2.28	3.0%
2024	$709,000	$304,108	$404,892	2.33	3.2%
2025	$726,000	$304,108	$421,892	2.39	3.3%
2026	$8,948,889 *	$2,693,414 **	$6,255,475 ***		
IRR	**10.9%**	**4.9%** ****	**-3.9%**		

* 10th year's NOI plus net sale proceeds

** 10th year's debt service payment plus mortgage balance

*** 10th year's NOI to equity plus net sale proceeds less mortgage balance

**** Note: Whereas the mortgage constant and value are calculated on a monthly mortgage payment basis, the mortgage yield for this proof is calculated on the basis of annual payments. As a result, the derived yield of this proof may be slightly less than that actually input.

Taking the projected income of the proposed hotel, the estimated Cash Flow to Equity (Net Cash Flow minus Debt Service payment) generated over first 10 years of operations would total **$3,197,924** (refer to the Cash Flow to Equity column above, being the sum of the amounts in 2017 through 2026, excluding the assumed sale of the hotel property at the end of 2026). This would then translate into a Return on Equity of approximately **25%** (**$3,197,924 ÷ $12,775,360**) or **2.4%** annually on a 10-year hold. Assuming the hotel were to be sold at the end of the 10th year, the total Cash Flow to Equity would equal **$9,010,507**, leading to an overall Return on Equity invested of **71%** (**$9,010,507 ÷ $12,775,360**).

This analysis indicates that the overall investment would not generate a reasonable return for a typical hotel investor/developer. While the assumed sale of the hotel may be of consideration from an investment perspective, it may not indicate the overall feasibility of the proposed hotel development. Therefore, it is in our opinion that a stand-alone Downtown St. Catharines hotel of 100 rooms would not be a financially feasible venture.

Investment Analysis For A 50-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

The total project costs are estimated to be $8,517,680 including land costs. The estimated hotel value was previously determined to be $5,000,000. Lenders generally limit their loan values to a percentage of estimated value, with typical loan-to-value ratios of between 55%-60% for projects developed on owned (fee-simple) lands. We have used a loan-to-value of 60%, which results in mortgage financing of $3,000,000 ($5,000,000 x 60%). The difference would have to be financed using a combination of equity and higher cost methods of financing. We have assumed the difference between the debt and total development would be funded through equity. Therefore approximately $5,517,680 in equity would be required to develop the project. This resultant level of equity, plus the level of debt ($3,000,000), dictate the maximum amount of funds that should be allocated to the hotel's construction costs.

We have assumed the borrowing rate on the mortgage to be 5.0%, compounded semi-annually which is within the industry range of 4.0% to 6.0% for similar projects. We have further assumed an amortization period of 20 years which is typical for commercial loans for this asset class.

The following table summarizes the financing assumptions.

Property Value Distribution	
Total Property Value	$5,000,000
Loan to Value Ratio	60.00%
Mortgage Component	$3,000,000
Mortgage Component	$3,000,000
Equity Component*	$5,517,680

Calculation of Annual Debt Service	
Mortgage Interest Rate:	5.0%
Amortization Period:	20
Mortgage Constant	0.07919
Mortgage Component	$3,000,000
Mortgage Constant	0.07919
Annual Debt Service	**$237,584**

Equity Component is comprised of the Construction Cost minus the Mortgage Component

Based on the above, the annual Debt Service payments would equal: **$237,584**. The following schedule details the cash flows to debt service and equity based on the forecasted net operating income. The Cash Flow to Equity is calculated as the Net Cash Flow minus the Debt Service payment:

Internal Rate of Return Calculations - Proposed 50-Room, Independent Downtown Hotel - St. Catharines, ON

Year	Net Cash Flow	Debt Service	Cash Flow To Equity	Debt Coverage Ratio	Cash on Cash Return
Init	($5,000,000)	($3,000,000)	($5,517,680)		
2017	$279,000	$237,584	$41,416	1.17	0.8%
2018	$404,000	$237,584	$166,416	1.70	3.0%
Stabilized	$477,000	$237,584	$239,416	2.01	4.3%
2020	$491,000	$237,584	$253,416	2.07	4.6%
2021	$502,000	$237,584	$264,416	2.11	4.8%
2022	$515,000	$237,584	$277,416	2.17	5.0%
2023	$528,000	$237,584	$290,416	2.22	5.3%
2024	$542,000	$237,584	$304,416	2.28	5.5%
2025	$556,000	$237,584	$318,416	2.34	5.8%
2026	$6,884,778 *	$2,104,230 **	$4,780,548 ***		
IRR	**10.9%**	**4.9%** ****	**2.7%**		

* 10th year's NOI plus net sale proceeds

** 10th year's debt service payment plus mortgage balance

*** 10th year's NOI to equity plus net sale proceeds less mortgage balance

**** Note: Whereas the mortgage constant and value are calculated on a monthly mortgage payment basis, the mortgage yield for this proof is calculated on the basis of annual payments. As a result, the derived yield of this proof may be slightly less than that actually input.

Taking the projected income of the proposed hotel, the estimated Cash Flow to Equity (Net Annual Cash Flow minus Annual Debt Service payment) generated over first 10 years of operations would total **$2,487,159** (refer to the Cash Flow to Equity column above, being the sum of the amounts in 2017 through 2026, excluding the assumed sale of the hotel property at the end of 2026). This would then translate into a Return on Equity of approximately **45% ($2,487,159 ÷ $5,517,680)** or **4.3%** annually on a 10-year hold. Assuming the hotel were to be sold at the end of the 10th year, the total Cash Flow to Equity would equal **$6,936,292**, leading to an overall Return on Equity invested of **126% ($6,936,292 ÷ $5,517,680)**.

This analysis indicates that the overall investment would not generate a reasonable return for a typical hotel investor/developer. While the assumed sale of the hotel may be of consideration from an investment perspective, it may not indicate the overall feasibility of the proposed hotel development. Therefore, it is in our opinion that a stand-alone Downtown St. Catharines hotel of 50 rooms would <u>not</u> be a financially feasible venture.

Investment Analysis For A 25-Room, Independent Hotel (Stand-alone Development) – Downtown St. Catharines

The total project costs are estimated to be $4,748,840 including land costs. The estimated hotel value was previously determined to be $2,700,000. Lenders generally limit their loan values to a percentage of estimated value, with typical loan-to-value ratios of between 55%-60% for projects developed on owned (fee-simple) lands. We have used a loan-to-value of 60%, which results in mortgage financing of $1,620,000 ($2,700,000 x 60%). The difference would have to be financed using a combination of equity and higher cost methods of financing. We have assumed the difference between the debt and total development would be funded through equity. Therefore approximately $3,128,840 in equity would be required to develop the project. This resultant level of equity, plus the level of debt ($1,620,000), dictate the maximum amount of funds that should be allocated to the hotel's construction costs.

We have assumed the borrowing rate on the mortgage to be 5.0%, compounded semi-annually which is within the industry range of 4.0% to 6.0% for similar projects. We have further assumed an amortization period of 20 years which is typical for commercial loans for this asset class.

The following table summarizes the financing assumptions.

Property Value Distribution	
Total Property Value	$2,700,000
Loan to Value Ratio	60.00%
Mortgage Component	$1,620,000
Mortgage Component	$1,620,000
Equity Component*	$3,128,840

Calculation of Annual Debt Service	
Mortgage Interest Rate:	5.0%
Amortization Period:	20
Mortgage Constant	0.07919
Mortgage Component	$1,620,000
Mortgage Constant	0.07919
Annual Debt Service	**$128,295**

Equity Component is comprised of the Construction Cost minus the Mortgage Component

Based on the above, the annual Debt Service payments would equal: **$128,295**. The following schedule details the cash flows to debt service and equity based on the forecasted net operating income. The Cash Flow to Equity is calculated as the Net Cash Flow minus the Debt Service payment:

Internal Rate of Return Calculations - Proposed 25-Room, Independent Downtown Hotel - St. Catharines, ON					
Year	Net Cash Flow	Debt Service	Cash Flow To Equity	Debt Coverage Ratio	Cash on Cash Return
Init	($2,700,000)	($1,620,000)	($3,128,840)		
2017	$164,000	$128,295	$35,705	1.28	1.1%
2018	$214,000	$128,295	$85,705	1.67	2.7%
Stabilized	$262,000	$128,295	$133,705	2.04	4.3%
2020	$268,000	$128,295	$139,705	2.09	4.5%
2021	$275,000	$128,295	$146,705	2.14	4.7%
2022	$281,000	$128,295	$152,705	2.19	4.9%
2023	$289,000	$128,295	$160,705	2.25	5.1%
2024	$297,000	$128,295	$168,705	2.31	5.4%
2025	$304,000	$128,295	$175,705	2.37	5.6%
2026	$3,750,111 *	$1,136,284 **	$2,613,827 ***		
IRR	**11.1%**	**4.9%** ****	**2.3%**		

* 10th year's NOI plus net sale proceeds

** 10th year's debt service payment plus mortgage balance

*** 10th year's NOI to equity plus net sale proceeds less mortgage balance

**** Note: Whereas the mortgage constant and value are calculated on a monthly mortgage payment basis, the mortgage yield for this proof is calculated on the basis of annual payments. As a result, the derived yield of this proof may be slightly less than that actually input.

Taking the projected income of the proposed hotel, the estimated Cash Flow to Equity (Net Cash Flow minus Debt Service payment) generated over first 10 years of operations would total **$1,383,046** (refer to the Cash Flow to Equity column above, being the sum of the amounts in 2017 through 2026, excluding the assumed sale of the hotel property at the end of 2026). This would then translate into a Return on Equity of approximately **44% ($1,383,046 ÷ $3,128,840)** or **4.3%** annually on a 10-year hold. Assuming the hotel were to be sold at the end of the 10th year, the total Cash Flow to Equity would equal **$3,813,168**, leading to an overall Return on Equity invested of **122% ($3,813,168 ÷ $3,128,840).**

This analysis indicates that the overall investment would not generate a reasonable return for a typical hotel investor/developer. While the assumed sale of the hotel may be of consideration from an investment perspective, it may not indicate the overall feasibility of the proposed hotel development. Therefore, it is in our opinion that a stand-alone hotel in Downtown St. Catharines of 25 rooms would <u>not</u> be a financially feasible venture.

Investment Analysis For A 50-Suite, Independent Hotel (Integrated Into A Mixed-Use Development) – Downtown St. Catharines

The estimated hotel value under this scenario was previously determined to be $6,800,000. Lenders generally limit their loan values to a percentage of estimated value, with typical loan-to-value ratios of between 55%-60% for projects developed on owned (fee-simple) lands. As the subject property would be integrated within a mixed-use development, the lending ratio is more likely to be 50%-70% of the estimated value. We have used a loan-to-value of 60%, which results in mortgage financing of $4,080,000 ($6,800,000 x 60%). The difference would have to be financed using a combination of equity and higher cost methods of financing. We have assumed the difference between the debt and total development would be funded through equity. As the total construction cost of the hotel is unknown, we have determined the level of equity required to deliver a return to the equity investor of 12% which we believe to be the minimum return required of sophisticated hotel investors. The resultant level of equity, plus the level of debt ($4,080,000), dictate the maximum amount of funds that should be allocated to the hotel's construction costs.

We have assumed the borrowing rate on the mortgage to be 5.0%, compounded semi-annually which is within the industry range of 4.0% to 6.0% for similar projects. We have further assumed an amortization period of 20 years which is typical for commercial loans for this asset class.

The following table summarizes the financing assumptions.

Property Value Distribution	
Total Property Value	$6,800,000
Loan to Value Ratio	60.00%
Mortgage Component	$4,080,000

Calculation of Annual Debt Service	
Mortgage Interest Rate:	5.0%
Amortization Period:	20
Mortgage Constant	0.07919
Mortgage Component	$4,080,000
Mortgage Constant	0.07919
Annual Debt Service	**$323,114**

Based on the above, the annual Debt Service payments would equal: **$323,114**. The following schedule details the cash flows to debt service and equity based on the forecasted net operating income:

Under this proposed hotel scenario, the average annual Cash Flow to Equity is **$326,400** throughout the first 10 years of the proposed hotel development's operations. Therefore, in order to generate a 12% Return on Equity during the first 10 years of operation of the hotel, the Equity Component of the proposed hotel would need to be **$2,720,000 ($326,000 ÷ 12%)**. This suggests that the total capital cost of the hotel should be no more than **$6,800,000**.

Avg. Annual Cash To Equity		% Return		Equity Component
$326,400	÷	**12%**	=	**$2,720,000**
Equity Component		Mortgage Component		Total Development Cost
$2,720,000	+	**$4,080,000**	=	**$6,800,000**

Taking the projected income of the proposed hotel, the estimated Cash Flow to Equity (Net Cash Flow minus Debt Service payment) generated over first 10 years of operations is **$3,360,915** (which refers to the sum of Net Cash Flow minus Debt Service payments from 2017 through 2026, excluding the assumed sale of the hotel property at the end of 2026). This then translates into a Return on Equity of approximately **124% ($3,360,915 ÷ $2,720,000)** or **12.1%** annually on a 10-year hold. Assuming the hotel were to be sold at the end of the 10th year, the total Cash Flow to Equity would equal **$9,473,108**, leading to an overall Return on Equity invested of **348% ($9,473,108 ÷ $2,720,000)**.

For illustrative purposes, we have also determined the rate of return on equity assuming a higher capital cost for the hotel. If we assume a cost of **$150,000 per room** (a total hotel construction cost of **$7,500,000**), the required equity is **$3,420,000** (**$7,500,000** less mortgage of **$4,080,000**). In this case, the average annual return on equity of **$326,400** delivers a **9.5%** annual return **($326,400 ÷ $3,420,000)** – less than is normally required of hotel investors.

This analysis indicates that the overall investment would generate a reasonable return for a typical hotel investor/developer. While the assumed sale of the hotel may be of consideration from an investment perspective, it may not indicate the overall feasibility of the proposed hotel development. However, it is in our opinion that a Downtown St. Catharines hotel of 50 rooms, integrated within a mixed-use development, would be the most financially feasible venture of the scenarios analyzed.

Investment Analysis For A 25-Room, Independent Hotel (Stand-alone Development) – Port Dalhousie (St. Catharines)

The total project costs are estimated to be $4,748,840 including land costs. The estimated hotel value was previously determined to be $1,900,000. Lenders generally limit their loan values to a percentage of estimated value, with typical loan-to-value ratios of between 55%-60% for projects developed on owned (fee-simple) lands. We have used a loan-to-value of 60%, which results in mortgage financing of $1,140,000 ($1,900,000 x 60%). The difference would have to be financed using a combination of equity and higher cost methods of financing. We have assumed the difference between the debt and total development would be funded through equity. Therefore approximately $3,608,840 in equity would be required to develop the project. This resultant level of equity, plus the level of debt ($1,140,000), dictate the maximum amount of funds that should be allocated to the hotel's construction costs.

We have assumed the borrowing rate on the mortgage to be 5.0%, compounded semi-annually which is within the industry range of 4.0% to 6.0% for similar projects. We have further assumed an amortization period of 20 years which is typical for commercial loans for this asset class.

The following table summarizes the financing assumptions.

Property Value Distribution	
Total Property Value	$1,900,000
Loan to Value Ratio	60.00%
Mortgage Component	$1,140,000
Mortgage Component	$1,140,000
Equity Component*	$3,608,840

Calculation of Annual Debt Service	
Mortgage Interest Rate:	5.0%
Amortization Period:	20
Mortgage Constant	0.07919
Mortgage Component	$1,140,000
Mortgage Constant	0.07919
Annual Debt Service	**$90,282**

Equity Component is comprised of the Construction Cost minus the Mortgage Component

Based on the above, the annual debt service payments would equal: **$90,282**. The following schedule details the cash flows to debt service and equity based on the forecasted net operating income. The Cash Flow to Equity is calculated as the Net Cash Flow minus the Debt Service payment:

Internal Rate of Return Calculations - Proposed 25-Room, Independent Port Dalhousie Hotel - St. Catharines, ON

Year	Net Cash Flow	Debt Service	Cash Flow To Equity	Debt Coverage Ratio	Cash on Cash Return
Init	($1,900,000)	($1,140,000)	(3,608,840)		
2017	$141,000	$90,282	$50,718	1.56	1.4%
2018	$169,000	$90,282	$78,718	1.87	2.2%
Stabilized	$179,000	$90,282	$88,718	1.98	2.5%
2020	$184,000	$90,282	$93,718	2.04	2.6%
2021	$187,000	$90,282	$96,718	2.07	2.7%
2022	$192,000	$90,282	$101,718	2.13	2.8%
2023	$197,000	$90,282	$106,718	2.18	3.0%
2024	$200,000	$90,282	$109,718	2.22	3.0%
2025	$208,000	$90,282	$117,718	2.30	3.3%
2026	$2,551,778 *	$799,607 **	$1,752,171 ***		
IRR	**10.9%**	**4.9%** ****	**-3.7%**		

* 10th year's NOI plus net sale proceeds

** 10th year's debt service payment plus mortgage balance

*** 10th year's NOI to equity plus net sale proceeds less mortgage balance

**** Note: Whereas the mortgage constant and value are calculated on a monthly mortgage payment basis, the mortgage yield for this proof is calculated on the basis of annual payments. As a result, the derived yield of this proof may be slightly less than that actually input.

Taking the projected income of the proposed hotel, the estimated Cash Flow to Equity (Net Cash Flow minus Debt Service payment) generated over first 10 years of operations would total **$967,181**. This would then translate into a Return on Equity of approximately **27% ($967,181 ÷ $3,608,840)** or **2.6%** annually on a 10-year hold. Assuming the hotel were to be sold at the end of the 10th year, the total Cash Flow to Equity would equal **$2,596,633**, leading to an overall Return on Equity invested of **72% ($2,596,633 ÷ $3,608,840).**

This analysis indicates that the overall investment would not generate a reasonable return for a typical hotel investor/developer. While the assumed sale of the hotel may be of consideration from an investment perspective, it may not indicate the overall feasibility of the proposed hotel development. Therefore, it is in our opinion that a stand-alone hotel in St. Catharines' Port Dalhousie area of 25 rooms would <u>not</u> be a financially feasible venture.

RECONCILIATION AND FINAL FEASIBILITY SUMMARY

The results of the analyses conducted in previous sections have been summarized in the following table:

Valuation Indices	Proposed 100-Room, Branded Downtown Hotel	Proposed 50-Room, Independent Downtown Hotel	Proposed 25-Room, Independent Downtown Hotel	Proposed 50-Suite, Downtown Hotel in a Mixed-Use Development	Proposed 25-Room, Independent Port Dalhousie Hotel
Projected Stabilized Year (2019) Revenue					
Number of Days Open:	365	365	365	365	365
Number of Rooms:	100	50	25	50	25
Stabilized Occupancy:	59.0%	61.0%	59.0%	66.0%	45.0%
Occupied Rooms (Stabilized Year):	21,535	11,133	5,384	12,045	4,106
Stabilized Average Rate:	$133.25	$138.38	$141.84	$143.50	$153.75
Stabilized RevPAR:	$78.62	$84.41	$83.69	$94.71	$69.19
Rooms Revenue:	**$2,870,000**	**$1,540,000**	**$764,000**	**$1,728,000**	**$631,000**
Net Operating Income:	**$627,000**	**$477,000**	**$262,000**	**$653,000**	**$179,000**
Estimated Hotel Value					
Discounted Cash Flow					
Projection Period:	10 Years	10 Years	10 Years	10 Years	10 Years
Holding Period:	10 Years	10 Years	10 Years	10 Years	10 Years
Terminal Capitalization Rate:	9.00%	9.00%	9.00%	9.00%	9.00%
Discount Rate:	11.00%	11.00%	11.00%	11.00%	11.00%
Indicated Value of Hotel:	**$6,400,000**	**$5,000,000**	**$2,700,000**	**$6,800,000**	**$1,900,000**
Per Room	**$64,000**	**$100,000**	**$108,000**	**$136,000**	**$76,000**
Estimated Construction Cost					
Number of Rooms:	100	50	25	See *Investment Analysis* Section	25
Gross Building Area (GBA) Per Guest Room:	650	600	600		600
Estimated Total Gross Building Area (GBA):	65,000	30,000	15,000		15,000
Estimated Land Cost:	$1,000,000	$750,000	$750,000		$750,000
Estimated Hotel Construction Cost:	$15,615,360	$7,767,680	$4,748,840		$4,748,840
Total Hotel Construction Cost including Land:	**$16,615,360**	**$8,517,680**	**$4,748,840**		**$4,748,840**
Total Hotel Construction Cost Per Room:	**$166,154**	**$170,354**	**$189,954**		**$189,954**
Total Hotel Construction Cost Per Square Foot (GBA):	$256	$284	$317		$317
Investment Analysis					
Total Estimated Property Value:	**$6,400,000**	**$5,000,000**	**$2,700,000**	**$6,800,000**	**$1,900,000**
Loan to Value Ratio:	60%	60%	60%	60%	60%
Mortgage Component:	$3,840,000	$3,000,000	$1,620,000	$4,080,000	$1,140,000
Equity Component:	**$12,775,360**	**$5,517,680**	**$3,128,840**	Minimum Equity Component Required for a 12% Return = **$2,720,000**	**$3,608,840**
Annual Debt Service:	$304,108	$237,584	$128,265	$323,114	$90,282
NOI After Debt Service (Stabilized Year)	$322,892	$239,416	$133,735	$329,886	$88,718
10-Year Cash Flow to Equity (Excluding Assumed Sale):	**$3,197,924**	**$2,487,159**	**$1,383,046**	**$3,360,915**	**$967,181**
Return On Equity (%):	**25%**	**45%**	**44%**	**124%**	**27%**
Average Annual Rate of Return:	2.4%	4.3%	4.3%	12.1%	2.6%

*Equity Component is comprised of the Construction Cost minus the Mortgage Component

As a result of our analysis, we have formed an opinion that the market could not likely sustain a stand-alone hotel development in St. Catharines (Downtown and Port Dalhousie). A stand-alone Downtown hotel development of between approximately 25, 50 and 100 rooms would be financially infeasible due to the highly-seasonal nature of the lodging market, corresponding hotel development costs, and overall financial investment viability. However, we do believe that a hotel of approximately 50 suites, integrated within a mixed-use development would lead to a more feasible venture, as the cost of construction would be shared among the other components of the mixed-use development. In addition, a hotel development in Port Dalhousie would not be able to provide a reasonably sustainable level of operational performance - in light of the highly-seasonal and weekend-centric nature of demand in the area.

We also believe it likely that some form of municipal incentive may be necessary to attract an investor. The market conditions are such that the hotels may take many years to provide a reasonable return on investment, with the result that a developer may need incentives (perhaps in the form of reduced or waived development fees, or other such programs) in order to make the project attractive.

EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions.

- Our conclusion of the proposed hotel values are based upon the assumption that the proposed hotels would be completed and operational as of January 1, 2017, as detailed in this report. Further, our 100-room hotel scenario conclusion assumes that the hotel will be affiliated with a midscale brand effective January 1, 2017. We also assume the hotel will be competently managed and that there will be an effective pre-opening and ongoing sales and marketing plan.

- Our conclusion of the proposed hotel values are based upon market participant attitudes and perceptions existing as of the date of our fieldwork. We assume no material change in overall market conditions between the date of fieldwork and effective date of value, except for those identified within the report.

Addenda Contents

ADDENDUM A: ASSUMPTIONS AND LIMITING CONDITIONS

ADDENDUM B: GLOSSARY OF TERMS AND DEFINITIONS

ADDENDUM C: LETTER OF ENGAGEMENT

Assumptions and Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.

- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.

- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions.

- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute of Canada or to the AACI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).

- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.

- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.

- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural members or for the condition of mechanical equipment, plumbing or electrical components.

- The forecast potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.

- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.

- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.

- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.

- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.

- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

- The estimated operating results presented in this report are based on an evaluation of the overall economy, and neither take into account nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of rooms, food, beverages, and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.

- Appraising hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.
- This report assumes that the 100-room hotel scenario would include a midscale brand affiliation. If the subject does not maintain a similar affiliation, it could have a negative impact on the subject's market value.
- Our financial analyses are based on estimates and assumptions which were developed in connection with this engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.

Glossary of Terms and Definitions

Glossary of Terms and Definitions

The following definitions of pertinent terms are taken from *Canadian Uniform Standards of Professional Appraisal Practice* (effective January 1, 2014) published by the Standards Committee of the Appraisal Institute of Canada, and from *The Appraisal of Real Estate*, Third Canadian Edition (2010) published by The Appraisal Institute of Canada and the Appraisal Institute as well as other sources.

Cash Equivalency

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

Exposure Time

The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based upon an analysis of past events assuming a competitive and open market. It is always presumed to have preceded the effective date of the appraisal.

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the four powers of government: taxation, expropriation, police power, and escheat.

Hypothetical Condition

A condition which is contrary to what exists, but is supposed for the purpose of analysis.

Intended Use

The use or uses of an appraiser's reported appraisal, review, consulting, or reserve fund planning assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

Intended User

The client and any other party as identified, by name or type, as users of the appraisal, consulting, review report, or reserve fund study, by the appraiser on communication with the client at the time of the assignment.

Market Value

The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

Special, Unusual, or Extraordinary Assumptions

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.