

HOTEL FEASIBILITY STUDY FOR THE CITY OF MAPLE RIDGE



CBRE File No. :: 17-APPRHOTELS-0157

Prepared for:
Mr. Lino Siracusa
Manager of Economic Development
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October 13, 2017

Mr. Lino Siracusa
Manager of Economic Development
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11995 Haney Place
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V2X 6A9

RE: Hotel Feasibility Study, Maple Ridge, British Columbia

Dear Mr. Siracusa,

As per the terms of our engagement, CBRE Limited has completed the research and analysis relating to the preliminary assessment of the potential for new hotel development in Maple Ridge, British Columbia. At this time, the City of Maple Ridge (the 'Client'), is looking to understand the economic viability of new hotel development in the City with an interest in attracting third party developers should new hotel development be economically feasible.

The purpose of this report is to determine the level of market and economic support for a potential hotel development within Maple Ridge, British Columbia.

This report may be used for public consumption and may be distributed by the Economic Development office to interested parties. The intended use of the report is to assist the Client, in attracting potential hotel/accommodation investment. As the conclusions offered in this report are preliminary in nature, and are subject to change should a specific site and hotel development program be identified; the report cannot be relied upon, by any person or entity other than the Client, without the express prior written consent of CBRE, and the individual(s) who authored the Advisory Report. As it relates to third party use of this report, it is expected that any potential developer or investor would undertake take their own due diligence in advance of proceeding with hotel development. The report is subject to the Assumptions and Limiting Conditions in Addendum A.

The projections are based on a review of market information and interviews with market participants. The entire study, including all findings and conclusions, pertains to the Maple Ridge market area and is based on our knowledge and information with respect to current and projected economic data, expected growth in the supply of and demand for hotel accommodation, proposed construction of facilities, which could be

deemed to be competitive, and the status of the competitive market as at the completion of our field work on September 30, 2017. Our conclusions presented in this report are reflective of this fieldwork date.

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

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Brian Stanford".

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Introduction

INTRODUCTION

In July 2017, CBRE Hotels was retained by the the City of Maple Ridge to prepare a Hotel Feasibility Study in order to assess the market potential for private sector hotel development in Maple Ridge, British Columbia.

It is felt by the Economic Development Office and city officials that the City of Maple Ridge is lacking sufficient overnight accommodation and meeting facilities, which is having an impact on the potential growth of the tourism sector in the City. You have commissioned this feasibility study to address three options for potential development including: 1) private sector hotel development; 2) private sector hotel development with city incentives or joint venture participation; and 3) shared accommodations strategy.

In our experience, a hotel development can provide meaningful economic impact for communities, by generating more spending in the local market, providing jobs, enhancing the attractiveness of a community and thereby increasing visitation or spurring on other forms of commercial/retail development.

Typically, if a community is going to be successful in attracting private sector hotel investment, a comprehensive and independent third-party assessment of the opportunity is required. The hotel investment community is exposed to a wide range of projects, and has many communities soliciting their development interest. They are looking for formal independent confirmation that a project has merit. Typical hotel investors have several key criteria they consider when determining how/where to invest their funds, the most important of which are:

1. **Return on Investment:** Return on Investment measures the gain or loss generated on an investment relative to the amount of money invested. Hospitality property is considered to be a secondary form of real estate investment due to its specialized nature, requirement for strong management and higher risk associated with the income stream. Investors require a higher rate of return on hospitality property as compared to more traditional real estate investments. Our experience in the industry indicates that typical hotel investors expect a return on equity investment in the range of 10% to 15%, far higher than what is characteristic of other real estate classes.
2. **Availability and Likelihood of Financing:** The availability and cost of financing has a direct impact on the value of a hotel, and hence hotel financing parameters play an integral role in the feasibility of new hotels. In today's lending environment, obtaining financing on a non-branded asset is highly challenging. The support of a large, well run international hotel brand reduces the performance risk of an asset with the premier brands almost always outperforming second tier brands or independent hotels. In addition, the support of a large brand/reservation system and national marketing network, also makes a hotel asset much less vulnerable to new supply. Further, when considering construction financing on new build assets, lenders will finance on the lower of capital cost or estimated market value ~ which directly impacts the level of equity required to move a project forward. In the most ideal situation, capital cost and estimated market value are equal.

3. **Liquidity/Exit Strategy:** Both lenders and developers consider the ultimate exit strategy when evaluating a hotel investment opportunity. Research shows that branding also helps to reduce the liquidity risk of an asset, in the sense that there would be more potential purchasers for product carrying strong brands that are not specific to one owner/operator/developer.

These are critical factors that influence a hotel developer's investment decision and these should be considered when evaluating the opportunity for attracting hotel development to any community. Throughout the engagement CBRE evaluated the potential for hotel development in Maple Ridge bearing in mind of these "typical" development and investment parameters. All recommendations, such as the size of the project, the nature of the hotel (i.e. branded vs. un-branded) were based on what our experience in the industry has shown would give the community the best means for attracting an interested developer, and ensuring a development with the most long-term potential for success is developed, all related to the market and investment factors related to Maple Ridge.

A detailed overview of the project is summarized in the Executive Summary that follows and in the detailed report.

Executive Summary

EXECUTIVE SUMMARY

Project Overview:

1. CBRE Limited was retained by the the City of Maple Ridge to prepare a preliminary assessment of the potential for new hotel development in Maple Ridge, British Columbia.
2. To assess the feasibility of accommodation development we first considered various forms of accommodation development that might be possible to determine a suitable hotel concept for further analysis. Independent hotel developments were considered, as well as smaller scale hotels, mid-scale branded hotels and upper scale branded hotels. Our determination of the most suitable product to be considered for development was based on factors which would best satisfy local demand while at the same time would lead to the greatest level of investor interest and support from the traditional lending community. By conducting our analysis on the product type that would have the greatest appeal to the traditional hotel investment market, this allows the community the greatest potential of attracting a serious developer/investor with the capabilities and knowledge to develop a successful hotel operation.
3. For the purposes of this analysis it is assumed that the hotel property would be developed and fully operational by January 1, 2020.

Competitive Market Overview

4. To assess the potential performance of the proposed hotel we have considered a regional competitive market including hotels that are located in Port Coquitlam, Pitt Meadows, Langley Township, Mission and those located in Maple Ridge. The City of Maple Ridge is located within relative proximity of these markets and would compete within this regional area. This market includes approximately 802 rooms and is comprised of focused service, limited service, and full-service hotels and motels.
5. Demand for hotels in the competitive accommodation market is comprised predominantly by sources that would be categorized as being within the corporate and leisure segments, which combined, generate an estimated 90% of occupied room nights. The market also generates hotel room night demand from sources that would be identified within a government/crew demand segment, estimated at approximately 4% of occupied room nights. The meeting/conference market accounts for an estimated 6% of annual occupied room nights in the competitive market.
6. Corporate segment guest room demand generators in the competitive market include manufacturing plants and processing businesses, distribution centres, local business headquarters, and other commercial and industrial businesses. In addition, Maple Ridge and the area is home to a number of construction industry businesses, high tech firms and a strong agricultural base.
7. The tourist/leisure market segment is a significant driver of occupied room night demand within the competitive market. This demand is generated primarily by sports teams and those engaging in

other types of events/competitions/demonstrations, visitors/tourists to the area, recreational tourism enthusiasts and those visiting friends and family.

8. Annual occupancy for the competitive market grew steadily when measured on a calendar year basis for the five-year period from 2012 to 2016 inclusive. Occupancy for the competitive market was at a low of 51.8% in 2012 and improved to 68.3% in 2016. The significant strengthening of the US dollar in recent years has had a positive impact on the volume of Americans visiting Metro Vancouver and concurrently has served to help keep Canadians at home and vacationing to various domestic destinations. The strong performance of the British Columbia economy, including within Metro Vancouver, the Fraser Valley and elsewhere on the south coast/Vancouver Island has helped to increase corporate and meeting related travel. Average Daily Rates for the competitive market have followed a similar pattern as occupied room night demand and increased every calendar year from 2012 to 2016 for the competitive accommodation market.

Competitive Market Performance Results

Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Change	ADR	% Change	RevPAR	% Change
2012	275,575	-	142,648	-	51.8%	-	\$101.16	-	\$52.36	-
2013	291,336	5.7%	153,952	7.9%	52.8%	1.1	\$101.57	0.4%	\$53.67	2.5%
2014	292,730	0.5%	169,854	10.3%	58.0%	5.2	\$104.51	2.9%	\$60.64	13.0%
2015	292,730		191,859	13.0%	65.5%	7.5	\$110.53	5.8%	\$72.45	19.5%
2016	292,730		200,050	4.3%	68.3%	2.8	\$117.59	6.4%	\$80.36	10.9%
Compounded Annual Growth Rate	1.5%		8.8%		7.2%		3.8%		11.3%	
June 2016 YTD	145,964	-	94,201	-	64.5%	-	\$111.37	-	\$71.88	-
June 2017 YTD	145,964		99,373	5.5%	68.1%	3.5	\$119.23	7.0%	\$81.17	12.9%

Source: CBRE Hotels

Development Overview:

9. Based on information gathered from our research and stakeholder interviews, it is our opinion that an appropriate development for the City of Maple Ridge would be a, branded, select service hotel in the range of 90 rooms.
10. This type of accommodation development is likely to appeal to the greatest range of travelers and capture demand from a wide variety of market segments. This type of accommodation is also very appealing to the traditional investor and lending community, which typically consider the investment risk and liquidity of a project and are much less likely to finance an unbranded development. In addition, a branded hotel property offers a number of other benefits including enhanced awareness and recognition among travellers, customer loyalty programmes with potentially broad ranging benefits and the powerful impact of an on-line brand presence/central reservations network that could generate as much as 60% to 70% of total occupied room nights. Branded hotels also offer design and construction prototypes/team services that can guide developers and their designers through the conceptual to construction processes. This can potentially help control development

costs. A property in the range of 90-100 rooms also allows for operational efficiencies at the property level. The overhead or fixed costs at the property such as the salaries, property taxes, and marketing costs exist regardless of the size of the property and having a larger number of rooms, and therefore a larger number of occupied rooms and stronger revenue generation, helps to generate stronger cash flow and profits than a smaller operation would.

In addition, a select service hotel that offers meeting space, some food and beverage service, recreational amenities such as an indoor pool and fitness centre, satisfies a need for additional meeting/conference facilities in the market and assists in attracting room demand.

11. Maple Ridge and the surrounding regional area generates room demand from a diverse variety of sources, including construction/work crews and sports teams, to families and couples travelling for recreational purposes, to corporate travelers. These demand sources can vary in terms of the types of services and amenities they would expect in a hotel, the preferred location of the hotel, and how price sensitive they may be. A branded, select service hotel would appeal to the greatest variety of demand sources.
12. The hotel development contemplated herein would offer a mix of guestrooms, an indoor swimming pool and hot tub, a fitness centre, a self-serve business centre, a small restaurant/bistro, as well as meeting space to accommodate approximately 150+ patrons.
13. Potential (available) branding options for the proposed hotel would include but are not limited to: Holiday Inn Express, Courtyard by Marriott, Hyatt Place, Four Points by Sheraton, Coast Hotels, and Hilton Garden Inn.
14. In recent years, construction costs for assets of this size and scope have fallen in the range of \$180,000 per room inclusive of land (based on traditional development conditions), which would equate to total costs of \$16,200,000 for this subject project.

Subject Projections:

15. Based on current and expected market supply/demand dynamics, the proposed hotel, as a select service property is projected to achieve the following top line results:

OCCUPANCY, ADR & REVPAR							
	Occupancy	Penetration	ADR	Penetration	RevPAR	% RevPAR Growth	RevPAR Index
FORECAST							
Year 1	64.4%	97.7%	\$148.78	110.3%	\$95.79	-	107.8%
Year 2	66.8%	99.4%	\$151.73	110.3%	\$101.43	5.9%	109.7%
Year 3	69.1%	100.8%	\$154.75	110.3%	\$107.01	5.5%	111.2%
Year 4	69.1%	99.8%	\$157.85	110.3%	\$109.15	2.0%	110.1%
Year 5	69.1%	98.9%	\$161.01	110.3%	\$111.34	2.0%	109.0%

Source: CBRE Hotels

16. The success of transient hotels (like the proposed subject development), is highly contingent on a strong base of Sunday to Thursday demand. In urban centres, the corporate demand segment can account for as much as 50% to 60% of all occupied room nights. While the City of Maple Ridge has a limited number of corporate businesses specifically in the City, there are a number of industrial, manufacturing and other corporate businesses in the surrounding area. This segment is projected to account for about 37% of occupied room nights for the subject hotel upon stabilization.
17. There are few competitive hotels in the market that offer significant levels of meeting space. As a result, there is a limited amount of Meeting/Conference demand within the regional competitive accommodation market. Research did indicate that there is a need for event space in the local area for both meetings and social catering events. The subject hotel is projected to generate demand from both in house meetings/functions as well as from those held at venues off-site. Upon stabilization, the hotel is projected to generate an estimated 1,500 room nights per year from the Meeting/Conference Segment.
18. The City of Maple Ridge and surrounding area has a strong base of recreational leisure/tourism demand. A new hotel in Maple Ridge is expected to capture reasonable levels of demand from leisure sources and this segment is projected to account for about 53% of total demand for the subject property. Leisure demand tends to be concentrated on weekends, during holiday periods and in the summer months and also includes sports teams and social groups. This segment will generate the highest volume of guest room demand for the property. Upon stabilization, the hotel will attract about 12,000 room nights annually from leisure sources.
19. Government/Other demand is projected to represent approximately 3% of total demand for the proposed hotel. Demand sources within this segment include travelers at all levels of government, extended stay guests (5 nights or more) and crews. This segment also captures industry discounts, complimentary stays and other promotional offers. Upon stabilization, the hotel will attract about 765 "Other" room nights annually.
20. Overall, occupancy for the proposed hotel development is projected to be about 64% in Year 1 and to improve to a stabilized occupancy of 69% by Year 3. Average Daily Rate (ADR) for the hotel is projected to be \$149 in the first year of operation, increasing to \$155 by Year 3. The hotel's rate positioning is predicated on the hotel being branded as a select service hotel.
21. When evaluating the top line or "occupancy" performance of a new build select service hotel traditional hotel operators will most often look for projects with expected annual occupancy at or above 70%. Occupancy results at this level provide a clear indication of adequate demand levels year-round and that the property will reasonably be able to capture an adequate number of occupied room nights year-round.
22. The proposed hotel is expected to generate positive cash flow each year over the projection horizon, with Earnings before Interest, Depreciation, Taxes and Amortization (EBIDTA) ranging from \$1,047,049 in Year 1 to \$1,328,802 by Year 5. As shown in the table below, the hotel is expected to generate adjusted net operating income (EBITDA) ranging from 27% to 29.5% of total revenue annually after the application of a Management Fee and Reserve for Asset Replacement, which is a typical requirement for hospitality real estate underwriting. (Page 77). The profit margins projected for the subject hotel fall in line with industry norms for select service hotels.)

Proposed Hotel, Maple Ridge, BC

	2020	2021	2022	2023	2024
Gross Revenue (\$000s)	\$3,876	\$4,102	\$4,326	\$4,412	\$4,501
Total Expenses	\$2,829	\$2,939	\$3,049	\$3,110	\$3,172
EBITDA	\$1,047	\$1,163	\$1,277	\$1,303	\$1,329
Profit Margin (% Revenue)	27.0%	28.3%	29.5%	29.5%	29.5%

*Profit Margin = EBITDA/Gross Revenue

23. Utilizing the projected cash flow, CBRE completed a discounted cash flow analysis (DCF) to estimate the total investment the project could support using market driven investment parameters. Based on the DCF analysis, the project is estimated to be able to support total investment in the range of \$15-\$16.5 million or \$167,000 per room to \$183,000 per room in 2020 dollars. As noted, in recent years, construction costs for assets of this size and scope have fallen within this level, coming in at \$16,200,000 or \$180,000 per room including land. In effect, should a developer be successful in obtaining financing at a 60% Loan to Value ratio (60% X \$16 million), the developer would be required to fund the balance of the cost of the project, investing a total of approximately \$6.5 million.

Overall Implications

Based on the factors noted above, and on our market research, we have determined that a branded, select service hotel in the range of 90 rooms (80-100) would be a suitable option for development at a site located within the City of Maple Ridge. Based on the critical lender and investment criteria noted above, a branded project of this size/scope/nature would carry the highest likelihood of financing for a potential investor. While development of a smaller sized or independent project may be possible, these types of projects are not viewed as "safe" by the lending community overall, as they carry greater risk – particularly with respect to liquidity - which ultimately softens the appeal to private developers who require conventional mortgage financing. Further, a smaller property would do little to enhance the overnight accommodation needs of the community during peak periods or satisfy the demand for meeting space. Similarly, a larger property would not achieve the optimum performance results to achieve financial feasibility.

CBRE Hotels have concluded that a new hotel built in Maple Ridge has the market potential to generate sufficient guest room and food and beverage demand to warrant consideration of a new hotel from potential developers and investors. The selection of an appropriate hotel concept, including facilities/amenities and site location, would be key considerations that would impact potential demand levels.

A key consideration for development is the overall project cost and the impact on potential return on investment. We have estimated the potential development cost for a 90 room, branded, select service hotel in Maple Ridge. Under a traditional development model (a 1.5 acre site, 3-4 storey development, with surface parking), a freestanding select service hotel in Maple Ridge has the potential to generate sufficient returns to attract private sector investment. Two factors specific to Maple Ridge could negatively impact this:

1. Land costs are a key component of the overall development cost. Based on our analysis, we are concerned that land costs in some locations in Maple Ridge could elevate a hotel project budget such that the projected cash flow would not allow for a sufficient return on investment.
2. There has been some consideration of this project being developed on a smaller site, requiring high rise construction and development of some form of parking structure. These two factors could also elevate a hotel project budget such that the projected cash flow would not allow for a sufficient return on investment.

In either of these situations, the potential for some form of public sector development incentives, could enhance the financial viability of the project. These potential incentives are discussed further in this report.



Project Overview

PROJECT OVERVIEW

In July 2017, CBRE Hotels was retained by the the City of Maple Ridge to prepare a Hotel Feasibility Study in order to assess the market potential for a hotel development in Maple Ridge, British Columbia.

It is our understanding that the the City of Maple Ridge is interested in assessing the market and economic potential for a hotel development with the objective of attracting third party development interest if the project is warranted.

This report presents the research and analysis pertaining to the economic and market potential of a proposed hotel. The analysis herein has assumed an opening date for the subject hotel of January 1, 2020.

The objectives of this assignment have been to:

- Evaluate the market potential for private sector hotel development;
- Recommend a facility program for the proposed subject hotel;
- Project the future occupancy and average daily room rate of the proposed subject hotel over the period of January 1, 2020 to December 31, 2024, allowing for economic conditions as well as supply and demand growth prospects; and,
- Provide an investment analysis indicating economic feasibility of the project and identifying strategies for City involvement to eliminate any investment shortfalls.

In addition, the study is also intended to address the implications for enhancing the shared accommodations economy in Maple Ridge.

In order to complete our analysis, we have undertaken the following steps:

- A review of economic conditions affecting the demand for accommodation in the market area;
- A review of accommodation demand trends in the market area;
- A review of the existing accommodation supply in the regional market, including an assessment of the existing facilities and the market demand segmentation;
- Interviews with a mix of local and regional stakeholders that represents various potential sources of guest room demand and other amenities for a proposed new hotel to be developed in the City of Maple Ridge;
- A review of various geographic areas and specific sites within the City of Maple Ridge that could be suited for the development of new hotel from a market perspective;
- An estimate of future growth in supply of, and demand for, hotel accommodation in the competitive market area over the calendar years 2017 to 2024 inclusive;

- Preparation of room night demand by market segment, occupancy and Average Daily Rate (ADR) projections for a proposed hotel over the projection period of January 1, 2020 to December 31, 2024, based on the recommended facilities, and market orientation;
- Preparation of a pro forma operating statement for the project for a five calendar year period from January 1, 2020 to December 31, 2024;
- An evaluation of the economic viability of the project;
- Consideration of potential public-sector incentives that might be required to enhance the viability of the project;
- An assessment of the implications for enhancing the shared accommodations economy in Maple Ridge; and
- Documentation of study research, findings and conclusions.

The following pages present a summary of our research and analysis as it relates to the proposed hotel development.



Economic Overview

Provincial Economic Overview

Local Economic Overview

Competitive Market Analysis

Supply Demand Analysis

PROVINCE OF BRITISH COLUMBIA ECONOMIC OVERVIEW

British Columbia is Canada's most western Province, bordered by the Pacific Ocean on its west, the American state of Alaska to the northwest, the territory of Yukon to the north, the province of Alberta to the east, and the American states of Washington, Idaho, and Montana to the south. British Columbia's land area is 944,735 km². British Columbia's coastline stretches for more than 25,000 km, including deep mountainous fjords and about 6,000 islands, most of which are uninhabited.

British Columbia's capital is Victoria, located at the southeastern tip of Vancouver Island. The province's most populated city is Vancouver, the third-largest metropolitan area in Canada, located in the southwest corner of the mainland.

British Columbia's demographics are summarized below:

British Columbia Economic Profile Demographics				
Population 2017 Estimate 4,787,050	% of Canadian Total 13.11%	% Change 2012-2017 5.30%	Average Annual Growth Rate 2012-2017 1.06%	
Household Income – 2017 Average				
% Above/Below National Average	Total Income 2017 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
1.46% Above	\$184,837,750,000	13.24%	\$38,612	34.60%
Household Spending – 2017 Average				
% Above/Below National Average	Total Household Spending 2017 Estimate	% Canadian Total	Per Capita	Per Household
4.69% Above	\$215,163,806,319	13.66%	\$44,947	\$113,464
Source: Sitewise, 2017				

Source: Sitewise, 2017

Economy

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

BRITISH COLUMBIA ECONOMIC INDICATORS								
	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Real GDP Growth at Basic Price (\$2007)	197,401	203,067	210,940	217,691	221,822	226,952	231,293	236,556
Annual % Change	1.9%	2.9%	3.9%	3.2%	1.9%	2.3%	1.9%	2.3%
Population (Thousands)	4,580	4,633	4,691	4,743	4,805	4,862	4,917	4,971
Annual % Change	0.9%	1.2%	1.3%	1.1%	1.3%	1.2%	1.1%	1.1%
Employment (Thousands)	2,264	2,278	2,459	2,530	2,558	2,587	2,616	2,641
Annual % Change	0.1%	0.6%	7.9%	2.9%	1.1%	1.1%	1.1%	1.0%
Unemployment Rate	6.6%	6.1%	6.1%	6.0%	5.9%	5.8%	5.6%	5.5%
Personal Income Per Capita (\$)	\$42,361	\$43,434	\$45,081	\$46,456	\$47,808	\$49,170	\$50,594	\$52,316
Retail Sales (\$ millions)	\$62,734	\$66,274	\$70,272	\$74,900	\$77,901	\$79,699	\$81,421	\$83,295
Annual % Change	2.4%	5.6%	6.0%	6.6%	4.0%	2.3%	2.2%	2.3%
CPI (Annual Change)	-0.1%	1.0%	1.1%	1.9%	1.9%	2.1%	2.4%	2.0%

Source: Conference Board of Canada, Winter 2017

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

- British Columbia's GDP growth will decelerate from 3.2% in 2016 to 1.9% in 2017 and 2.3% in 2018 due in part to the cooling housing market and the struggling resource sector. Job gains are forecast to slow from 3.0% in 2016 to 1.2% in 2017.
- The B.C. government's tax, imposed in August 2016, on foreign buyers of homes in Greater Vancouver has impacted the housing market significantly. In addition, the housing market has slowed down following the mortgage and tax regulations imposed by the Federal government in the fall of 2016, which was aimed at cooling housing market activity. Sales of detached homes, condominiums and townhouses in Greater Vancouver dropped by almost 40% in January 2017 compared with January 2016. The price for a detached home in the region declined by 6.6% to \$1.5 million, a drop from a record high of \$1.83 million in January 2016.
- Housing starts are expected to fall by 12.3% in 2017 and by close to 6.0% in 2018. Residential investment will decrease by 4.7% this year and 2.4% in 2018.
- Retail sales are anticipated to grow by 4.0% in 2017 and 2.3% next year, down from 6.6% in 2016. Activity in finance and insurance will also decelerate this year.
- In the mineral fuels sector, the agreement reached between the B.C. government and Kinder Morgan to expand the Trans Mountain pipeline will triple the capacity to move oil from Alberta to Burnaby, British Columbia. Pipeline construction could begin later this year.
- The federal government approved the Pacific NorthWest LNG's proposal to construct a plant on the coast of northern B.C. which will take five years to complete and will cost approximately \$11.4 billion.

- AltaGas announced it will construct a propane export terminal on Ridley Island near Prince Rupert. Real output in the mining sector is expected to decline by 6.5% in 2017 following a 1.2% drop in 2016. Output growth in mineral fuels will slow to 1.5% from a gain of 5.3% in 2016.
- Forestry is a key sector of British Columbia's economy, and the province is Canada's largest exporter of lumber to the U.S. With President Donald Trump's policy to put "America First", export tariffs averaging 20% on Canadian softwood lumber were announced in April 2017. Real output in the forestry sector fell by 1.1% in 2016 and forecast to increase by less than 1.0% in 2017 and 2018.

Tourism

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

PROVINCIAL TRAVEL MARKET OUTLOOK

British Columbia	2016e	2017f	2018f	2019f	2020f
Total ('000s overnight province visits)	23,626	24,543	25,310	25,985	26,628
	5.5	3.9	3.1	2.7	2.5
Domestic	15,529	15,944	16,354	16,712	17,066
	3.1	2.7	2.6	2.2	2.1
Business	1,214	1,246	1,287	1,319	1,348
	3.0	2.6	3.3	2.5	2.2
Pleasure	7,171	7,368	7,577	7,752	7,920
	3.3	2.8	2.8	2.3	2.2
United States	5,909	6,195	6,378	6,525	6,640
	9.3	4.9	2.9	2.3	1.8
Overseas	2,189	2,403	2,579	2,749	2,922
	14.6	9.8	7.3	6.6	6.3
Total Expenditures (\$ millions overnight)	11,809	12,697	13,500	14,256	14,991
	9.5	7.5	6.3	5.6	5.2
Travel Price Index	2.16	2.36	2.20	2.11	1.88

Source: The Conference Board of Canada, Spring 2017 Outlook

- Tourism activity in British Columbia is gaining from substantial increases in disposable income and consumer confidence due to a well-diversified provincial economy. The volume of both business and pleasure travel in BC by Canadians is making a strong contribution to the increases in overnight visits. Domestic travel constitutes over 70% of overnight visits in BC.
- International visitation continues to see strong growth in 2017, due to factors such as the low Canadian dollar increasing the affordability of travel to BC, increases in international air connections in recent years, particularly to Vancouver and strong cruise ship activity.
- Growth from both domestic and international markets is projected to remain strong in 2017, as a result of added air connections to the U.S. and to a number of overseas source markets.

- Overnight visitation to British Columbia is expected to benefit from upgrades to the tourism infrastructure in many regions of the Province, and the hosting of major sport events, particularly in Metro Vancouver and Whistler.

METRO VANCOUVER ECONOMIC OVERVIEW

Metro Vancouver consists of 21 municipalities, one electoral area and one treaty First Nation including Burnaby, Coquitlam, Langley and Langley Township, New Westminster, North Vancouver City and District, Port Coquitlam, Port Moody, Richmond, Vancouver, White Rock, Delta, Maple Ridge, Pitt Meadows, West Vancouver, Anmore, Belcarra, Bowen Island, Lions Bay and Surrey, as well as Electoral Area A (which includes University of British Columbia and University Endowment Lands) and Tsawwassen First Nation. Metro Vancouver is a significant commercial and industrial centre, and the gateway for import and export trade for Western Canada. The area is also the regional economic centre of business activity for the Pacific Rim. The 2016 population of Metro Vancouver was estimated to be 2.46 million by Statistics Canada, representing growth of 6.5% from its 2011 population. Growth projections suggest that the regional population will grow to reach 3.4 million by the year 2041.

The Metro Vancouver region is the headquarters of several forest products and mining companies, as well as a regional centre for many national and international financial institutions, software development companies, biotechnology firms and a strong film industry and television production. According to Metro Vancouver data, there are many major corporations located in Metro Vancouver including Telus Corporation, Jim Pattison Group, Canfor Corporation (forest products), HSBC Canada, London Drugs, Teck Resources Ltd. (mining and refining), Teekay Corporation (energy, shipping), West Fraser Timber Co. Ltd. (forest products) and the more recent additions of Pixar Canada (film animation) and Hoot Suite (social media). Rapid growth and development in demand for products and services particularly in the biotechnology, telecommunication, real estate and financial services industries have contributed greatly to further growth in the number of corporate firms located throughout Metro Vancouver.

According to the Business Council of BC, the top five industries in the Metro Vancouver corporate economy include mining, the high technology sector, forestry, diversified manufacturing and wholesale/distribution. The construction sector and the finance, insurance and real estate industry have been the two biggest drivers of economic growth since 2005, which highlights the impact of the housing market on the region's economy.

The Metro Vancouver region is well known as a base for film and television production in British Columbia and is, in fact, the third largest production centre in North America. It is estimated that \$2.4 billion was spent in the Province on film and television productions in 2015. Over 42,000 direct and indirect jobs are generated by the industry in the Province, with more than 80% located in Metro Vancouver.

Vancouver serves as Western Canada's major transportation centre. The Vancouver International Airport (YVR) is Canada's second busiest airport, with 22.3 million enplaned and deplaned passengers in 2016, up approximately 10% over 2015 results. In fact, the number of passengers has been steadily increasing each year since 2009.

Vancouver is also home to Canada's largest ocean port facilities for the shipment of raw and manufactured goods, as well as the major terminal for cruise ships. The Port of Vancouver tonnage has increased in recent years, according to Port Metro Vancouver statistics. However, total inbound and outbound tonnage was

approximately 136 million metric tonnes in 2016, compared with 138 million metric tonnes in 2015 or a decrease of 2%, the first decrease in several years. The number of revenue passengers in the cruise ship sector was up in 2016 to approximately 826,820 passengers, which represented an increase of 3% from 2015 totals.

Data relating to the local economy are included on the following table.

**Vancouver Economic Profile
Demographics**

Demographics				
Population	% of Canadian	% Change	Average Annual Growth Rate	
2017 Estimate	Total	2012-2017	2012-2017	
2,568,512	7.03%	6.70%	1.34%	
Household Income – 2017 Average				
% Above/Below National Average	Total Income 2017 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
6.43% Above	\$99,739,230,000	7.15%	\$38,832	36.00%
Household Spending – 2017 Average				
% Above/Below National Average	Total Household Spending 2017 Estimate	% Canadian Total	Per Capita	Per Household
9.49% Above	\$115,770,875,745	7.35%	\$45,073	\$118,676

Source: Sitewise, 2017

Tourism

Metro Vancouver, with its beautiful beaches and spectacular backdrop of forest-covered mountains has a lot to offer tourists. The tourism industry has experienced strong growth over the past decade as the region continues to become recognized, both nationally and internationally as a tourist destination. The annual number of overnight visitors to Metro Vancouver has grown steadily recently, with an increase of 7.3% realized in 2016, led by strong increases in travel from United States and Overseas markets. As indicated in the table below, forecasts suggest annual gains in visitation to be realized over the 2017 to 2020 period. All travel markets are showing positive growth, including domestic business. There is also expected to be continued strong growth from the Overseas markets.

CITY TRAVEL MARKET OUTLOOK

Vancouver	2016e	2017f	2018f	2019f	2020f
Total ('000s overnight city visits)	7,527	7,905	8,209	8,489	8,761
	7.3	5.0	3.8	3.4	3.2
Domestic	3,849	3,953	4,053	4,140	4,225
	3.3	2.7	2.5	2.1	2.0
Business	571	584	607	625	643
	3.2	2.2	4.1	2.9	2.8
Pleasure	1,194	1,231	1,265	1,295	1,324
	3.8	3.1	2.8	2.3	2.3
United States	2,105	2,214	2,281	2,341	2,396
	9.5	5.2	3.0	2.6	2.3
Overseas	1,573	1,738	1,875	2,008	2,141
	14.9	10.5	7.9	7.1	6.6
Total Expenditures (\$ millions overnight)	3,957	4,328	4,628	4,942	5,253
	11.2	9.4	6.9	6.8	6.3
Travel Price Index	1.46	2.62	1.80	2.21	1.88

Source: The Conference Board of Canada, Spring 2017 Outlook

Metro Vancouver is a popular destination for conferences and conventions. Many organizations and conference planners are able to successfully attract demand from potential delegates by promoting the scenic views and various leisure and recreational opportunities available. The increase in available meeting space within new and existing accommodation properties and other major venues has allowed for a greater share of conference demand being attracted to the Metro Vancouver area. In Autumn 2017, two new Marriott hotels are opening in downtown Vancouver that will add an additional 60,000 square feet of meeting space to the existing inventory.

With a joint contribution agreement between the Government of Canada, the Government of British Columbia and Tourism Vancouver, a \$900 million expansion project for the Vancouver Convention and Exhibition Centre was completed in September 2009. The funding allowed the VCEC to increase exhibit, meeting and ballroom capacities from 130,000 square feet to over 470,000 square feet creating an unparalleled convention facility in Western Canada. The project included the construction of new facilities on the Burrard Landing Site, west of Canada Place, the renovation of existing leased facilities within Canada Place and the linking of the two sites to form an integrated convention and exhibition centre.

A key indicator of annual meeting and convention activity which has a significant impact on visitor volumes, expenditure levels and accommodation room night demand is a comparison of the volume of major "City Wide" events. City Wide events are those that are held as private social organizations or business functions with registered delegates. The expansion of the Vancouver Convention Centre allows the city to attract more city-wide conventions, particularly of larger sizes, that the city has not been able to hold historically. To date, yearly totals for 2015 convention activity was the largest on record. Pace reports for 2017 suggest the year to be soft relative to 2016 and 2015. In 2018, pace reports suggest strong delegate volumes again, albeit below 2015 levels.

Vancouver hosted the 2010 Olympic and Paralympic Winter Games in February 2010. In preparation for the event, the City of Vancouver completed construction on several projects including accommodations for the Athletes Village, transportation infrastructure from the Vancouver International Airport into downtown Vancouver (the Canada Line) and the expansion of the Vancouver Convention Centre. The Canadian Tourism Commission indicated that in 2010 visitor arrivals were up almost ten percent over 2009 with the majority of growth coming in the first few months of the year and almost \$2 billion in economic impact as a result of the 2010 Winter Olympics. The Olympic Games were a highlight for the city as they helped to alleviate the pains of a slow economic recovery. The Tourism legacy of the games is expected to be realized over the next decade as Vancouver's image was elevated to a global audience.

MAPLE RIDGE ECONOMIC OVERVIEW

The City of Maple Ridge is the most eastern located municipality within the boundaries of Greater Vancouver. It is situated between the Fraser River and the Golden Ears mountain summits of the Coast Mountains and is located east of the Cities of Coquitlam and Port Coquitlam and north of Langley. In 2016, the population of Maple Ridge was approximately 82,940. Growth projections suggest a population of 118,000 in 2041.

Data relating to the local economy are included on the following table.

Maple Ridge Economic Profile Demographics				
Population	% of Canadian	% Change	Average Annual Growth Rate	
2017 Estimate	Total	2012-2017	2012-2017	
84,387	0.23%	6.80%	1.36%	
Household Income – 2017 Average				
% Above/Below National Average	Total Income 2017 Estimate	% Canadian Total	Per Capita	Hhlds. \$100,000+
6.61% Above	\$3,192,958,000	0.23%	\$37,837	41.60%
Household Spending – 2017 Average				
% Above/Below National Average	Total Household Spending 2017 Estimate	% Canadian Total	Per Capita	Per Household
Above Below	\$3,880,141,331	0.25%	\$45,980	\$124,451

Source: Sitewise, 2017

The economy of Maple Ridge has largely centred around forestry and agriculture, and today, forestry companies continue to be one of the largest private sector employers in the City. According to City stats, there were a total of 4,271 business licenses in the city in 2015. Of those, the construction and certified trades sector made up the greatest number of those businesses by a wide margin. In terms of largest employment sectors, the retail trade sector employs the largest number of people, followed closely behind by the Health Care and Social Assistance and Construction sectors. Public Administration, Manufacturing, Accommodation and Food Services, Education Services and Wholesale Trade are other large employment sectors.

The health of a market is often reflected in its value of building permits. The following table provides a summary of the building permit values by sector over the past five years. As shown, the residential sector has led the way and year over year growth has been steady and strong. The commercial, industrial and institutional sectors have had fluctuating levels of growth over the years. Overall, annual growth has been strong, with the exception of 2014 when a drop in commercial construction impacted overall growth that year.

Maple Ridge Building Permit Values (\$ 000's)					
	2012	2013	2014	2015	2016
Commercial	\$12,854	\$24,585	\$7,534	\$11,732	\$10,039
Institutional	\$707	\$783	\$1,397	\$8,785	\$2,950
Industrial	\$1,149	\$2,151	\$781	\$10,672	\$6,798
Residential	\$96,864	\$107,864	\$110,992	\$157,564	\$187,693
TOTAL	\$111,574	\$135,383	\$120,704	\$188,753	\$207,480
% Growth	-	21.3%	-10.8%	56.4%	9.9%

Source: City of Maple Ridge

Maple Ridge is home to some of the largest blueberry and cranberry farms in the Province and there are also producers of raspberries, blackberries and strawberries. Other agriculture businesses include an artisan cheese maker, vegetable and herb nurseries, manure and topsoil farms, Christmas tree farms and an 18 acre pumpkin patch. The manufacturing sector is growing with research and development companies and high technology companies. Some of the areas of business include bio-energy companies, roofing materials and milling, custom lumber manufacturing and software development, among others.

There are four industrial parks within Maple Ridge, each centrally located in four distinct areas of the City including at Kanaka/256th Street, Albion Industrial Park, Ruskin/Fraser River and Maple Meadows. The City has also identified areas of "Employment Land" where incentives are being offered for new construction and renovation projects for investment in buildings and infrastructure in these designated areas with the overall intention of encouraging job creation. In total, there is over 300 hectares of industrial and employment land available.

The film industry has also been big business for the economy of Maple Ridge. The Province in general has been a benefactor of the film industry for several years and Maple Ridge has been a desired location for its outdoor beauty, unique heritage sites and industrial warehouses. According to City stats, there were 82 productions in 2015, resulting in 417 "shoot" days with an economic impact estimated at over \$4 million.

Tourism revenues in and around Maple Ridge have been estimated to be about \$41 million as of 2015 and approximately 3,600 people are estimated to work in the accommodation, food services and recreation sectors. Tourism in Maple Ridge is driven by the City's outdoor recreational opportunities which are abundant because of the nearby lakes and mountains. There is an extensive network of parks and trails for hiking, biking and horseback riding throughout the City. Other activities include fishing, golfing, boating, camping and bird watching. Golden Ears Provincial Park, one of the largest provincial parks in BC, is estimated to have 600,000 to 700,000 day visits each year and 100-150,000 that stay overnight in the Park. Maple Ridge is also home to the Malcolm Knapp Research Forest, over 5,100 hectares in size and boasting some trees over 400 years old and offering a number of hiking trails.

Wildplay Element Park has a location in Maple Ridge. This adventure course offers aerial adventures and ziplines, bridges, nets, ladders, platforms and obstacles for a challenging, adrenaline filled day of adventure. And Maple Ridge has a strong agri-tourism industry with country farm markets, cheesecrafters, a pumpkin patch, and circle farm tours.

In addition to several festivals and events that happen throughout the year, Maple Ridge is home to the ACT Arts Theatre which is a performing arts venue for musical and dramatic performances, classes and other special events. The main stage theatre can seat over 480 people and regularly features live performances. Adjacent to the theatre is the Maple Ridge Leisure Centre which currently offers a fitness centre, swimming pools, racquetball and squash courts, a waterslide and more. The City has approved an extensive renovation of the facility that will include general upgrades to existing facilities and mechanical systems and rejuvenate the existing aquatic facilities with beach access to the pool, new spray park for children, and an expanded hot tub, among other features.

The City of Maple Ridge has been selected to host the 2020 BC Summer Games. This event attracts 3,700 athletes, coaches, managers and officials and is held over four key days in July every two years. The economic impact of the event is estimated at \$2.0 million with communities also benefiting from sport development legacies. Up to 3,000 volunteers are required for the event and the competition involves approximately 18 different sports.

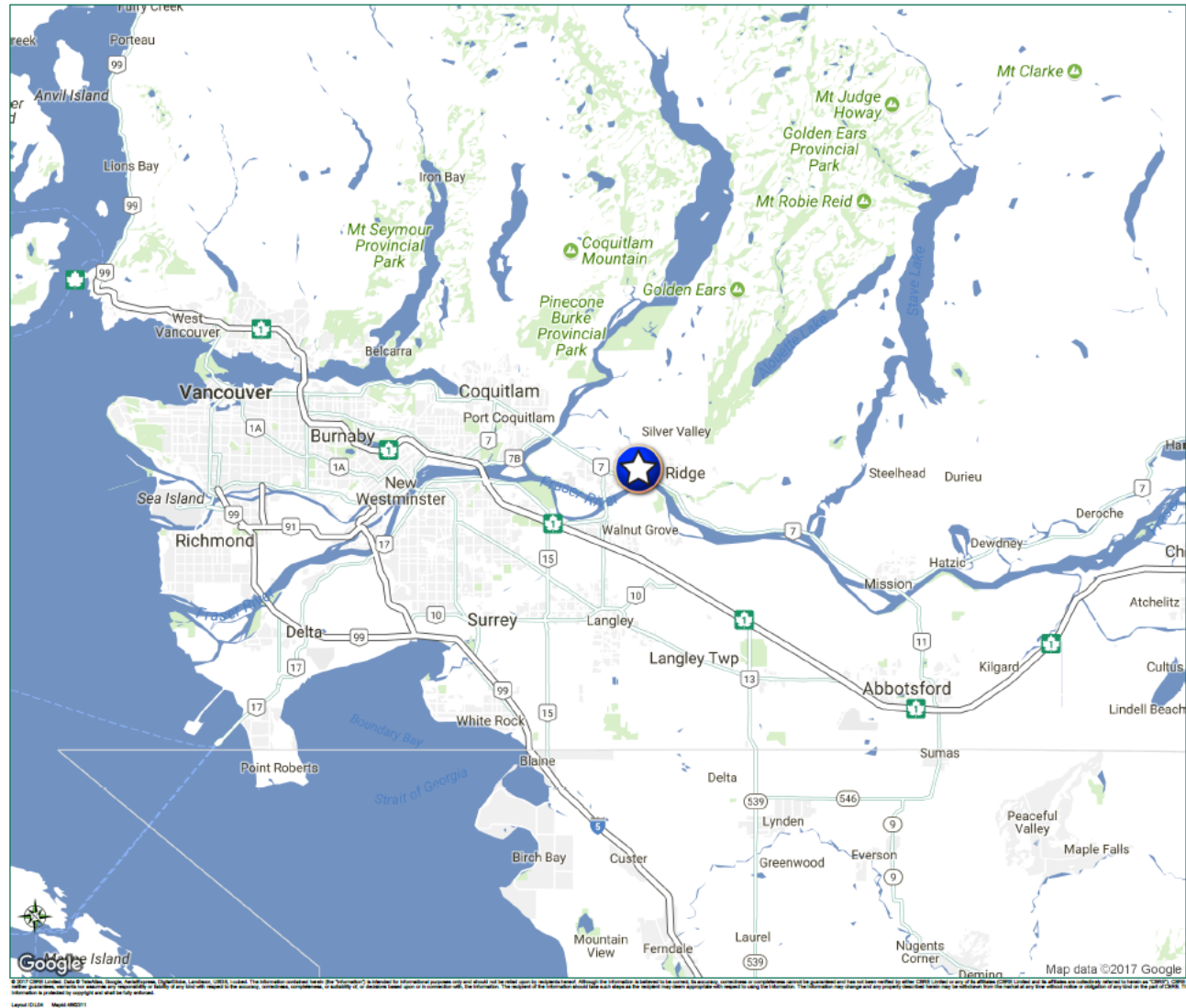
In an effort to further support the City's sport tourism strategy, the following initiatives are currently underway:

- Constructing two synthetic sports fields, retrofitting two existing fields to synthetic surfaces to allow year round use and expanded opportunities for regional and provincial tournaments (2020 summer games).
- Proposing a full retrofit to the City's track and field facility creating opportunities for regional/provincial events and increased spectator seating (2020 summer games).
- A full retrofit of The Maple Ridge Leisure Centre. The overall project will fully upgrade the pool tanks and supporting systems including mechanical, electrical and chlorination and renovate the change rooms, lobby and reception areas. The upgraded facility will provide opportunities to host regional and provincial aquatic events (2020 summer games).
- A proposed community centre to be co-located on the same site as a new elementary school and Neighbourhood learning centre. This development includes new trails and trail connections and a full sized sports field.
- Two proposed outdoor gathering pavilions in the Silver Valley area of Maple Ridge.
- A full renovation (proposed) to the Hammond Community Centre directly adjacent to Hammond Stadium, this includes new support buildings and infrastructure for the existing sports field and outdoor pool.
- A full renovation (proposed) to the existing canoe and kayak facility at Whonnock Lake, primarily in terms of training space, boat storage and access to the lake. This renovation will enable the club to host and expand existing regional and provincial competitions.
- Proposed expansion to the existing ice arena to accommodate local sports organizations and provide expanded facilities to host regional/provincial tournaments and large special events.
- Proposed outdoor pool to expand capacity for leisure and competitive swimming. This facility will provide expanded opportunities to host regional and provincial aquatic events (2020 Summer Games).
- The City is currently conducting a community consultation process on a proposed indoor pool and wellness complex.

REGIONAL MAP

Maple Ridge
British Columbia

★ Maple Ridge, BC





Competitive Market Analysis

Provincial and Regional Market Analysis

Competitive Market Analysis

PROVINCIAL MARKET ANALYSIS

Data compiled and published by CBRE relating to the British Columbia accommodation market is summarized as follows:

British Columbia Market Performance Results

Year	Occupancy	ADR	ADR % Growth	RevPAR	RevPAR % Growth
2005	64.0%	\$118.41	1.4%	\$75.74	4.3%
2006	65.6%	\$122.90	3.8%	\$80.60	6.4%
2007	66.6%	\$129.73	5.6%	\$86.37	7.2%
2008	64.5%	\$134.48	3.7%	\$86.74	0.4%
2009	58.9%	\$129.58	-3.6%	\$76.32	-12.0%
2010	60.2%	\$138.42	6.8%	\$83.33	9.2%
2011	59.7%	\$130.35	-5.8%	\$77.82	-6.6%
2012	59.6%	\$130.90	0.4%	\$78.02	0.3%
2013	60.9%	\$134.19	2.5%	\$81.72	4.7%
2014	63.9%	\$140.70	4.9%	\$89.91	10.0%
2015	65.9%	\$152.86	8.6%	\$100.79	12.1%
2016	68.3%	\$163.18	6.8%	\$111.45	10.6%
2016 YTD Jan - Jun	65.0%	\$153.22		\$99.66	
2017 YTD Jan - Jun	67.2%	\$161.58	5.5%	\$108.64	9.0%
CAGR	0.6%	3.0%		3.6%	

Source: CBRE Hotels

- Results in 2007 indicated growth with gains in market occupancy and ADR. Growth was linked to strong gains in the Canadian resource sector and the BC/Alberta economy as a whole.
- Beginning in the fall of 2008, the Province was negatively impacted by the global downturn which resulted in a recession for Canada in 2009. Most hotels in Canada, including hotels in British Columbia, experienced a decrease in both occupancy and ADR in that year, resulting in 12.0% negative RevPAR growth.
- Results improved in 2010, the year of the Winter Olympic and Paralympic Games. In 2011, demand levels were similar, with modest ADR growth. Results for 2012 indicate modest RevPAR growth of 0.3%.
- The British Columbia hotel market saw strong gains in both 2014 and 2015 due primarily to corporate, leisure and meetings/conference demand in Metro Vancouver. Leisure travel to many popular areas of the province increased particularly in 2015. These markets included Metro Vancouver, Vancouver Island, Whistler, the Okanagan region and the BC Rockies region. Strong resource related activity in many areas of northern BC in 2014 and 2015 also boosted performance levels.
- After achieving strong RevPAR growth of 10.0% in 2014, year end 2015 results saw RevPAR growth of 12.6%. This resulted from both strong room demand growth and significant increases in ADR in many markets throughout the Province. The lower value of the Canadian dollar helped attract stronger visitation from international markets, notably the United States. The low dollar also influenced many domestic sources to travel for leisure purposes within British Columbia.

- In 2016, the Province saw another strong year of RevPar growth. This is due to both additional growth in demand and also significant growth in ADR. Many operators throughout the province continue to be aggressive with room rates, particularly in key areas including Metro Vancouver, Whistler and in the Okanagan region.
- Year to date results as of June 2017 indicate the market to be up a further 9.0% in RevPAR over the same period in 2016. Both occupancy and ADR continue to grow in markets across the Province.

LOCAL AREA COMPETITIVE MARKET ANALYSIS

In order to more precisely identify hotel market trends as they relate to the potential hotel development, CBRE has prepared a market specific analysis using data collected by CBRE Hotels. CBRE Hotels collects top line (occupancy and average daily rate) data on close to 1,900 properties across Canada representing over 60% of the Canadian industry's 370,000 rooms. Our database is considered a standard source of reliable data for most markets.

The proposed hotel would compete within the regional area for occupied room night demand, and would primarily compete against a selection of primarily branded hotel properties located in Pitt Meadows, Coquitlam, Port Coquitlam, Langley Township and Mission, in addition to those properties located in Maple Ridge.

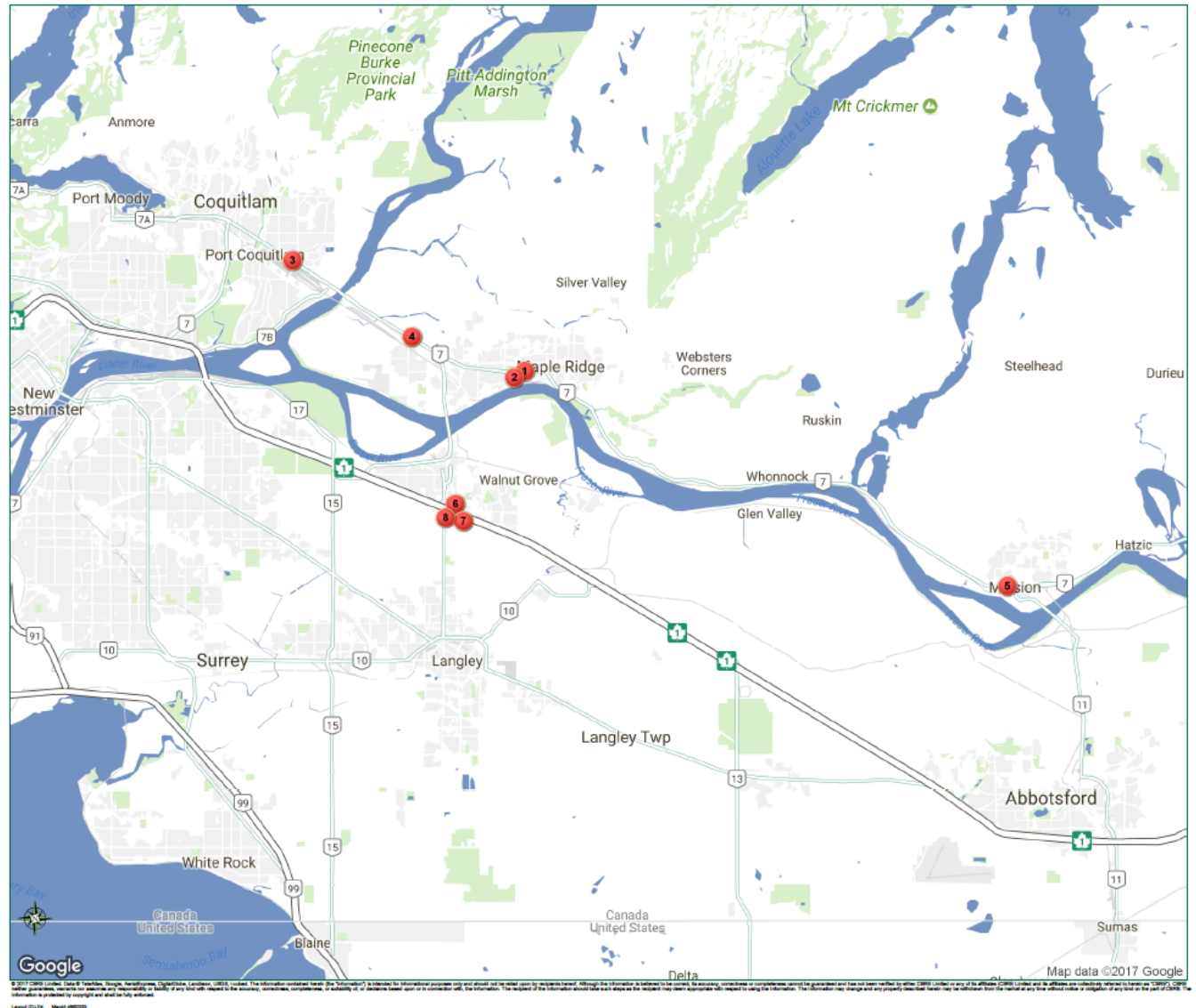
For the purposes of our analysis we have identified a competitive market, currently comprised of 802 rooms or 292,730 annual available room nights for which CBRE Hotels tracks the top-line performance within our Trends database.

A map of the location of the competitive properties and a summary of the facilities of each of the properties is provided in the following pages.

MAP OF COMPETITIVE MARKET

**Hotel Competitive Market
Maple Ridge, BC**

- 1 Econo Lodge Maple Ridge
- 2 Best Western Maple Ridge
- 3 Poco Inn & Suite
- 4 Ramada Inn Pitt Meadows
- 5 Best Western Mission
- 6 Sandman Inn Langley
- 7 Holiday Inn Express Langley
- 8 Sandman Signature Langley



COMPETITIVE MARKET FACILITIES

Competitive Market

No.	Name	Location	Rooms	Type	Total Meeting Space (SF)	Meeting Space SF per Room	Restaurant	Lounge	Breakfast Servery	Swimming Pool	Fitness Centre	Business Centre
1	Econo Lodge Maple Ridge	21735 Lougheed Hwy, Maple Ridge, BC	61	Focused Service Hotel	1200	20			x		x	x
2	Best Western Maple Ridge	21650 Lougheed Hwy, Maple Ridge, BC	56	Focused Service Hotel	na				x	x		x
3	Poco Inn & Suites	1545 Lougheed Hwy, Port Coquitlam, BC	99	Full Service Hotel	3100	31	x	x			x	x
4	Ramada Inn Pitt Meadows	19267 Lougheed Hwy, Pitt Meadows, BC	79	Limited Service Hotel	2600	33	x		x	x	x	x
5	Best Western Mission City Lodge	32281 Lougheed Hwy, Mission, BC	80	Full Service Hotel	5800	73	x	x	x	x	x	x
6	Sandman Inn Langley	8855 202nd St, Langley, BC	146	Limited Service Hotel	650	4	x				x	x
7	Holiday Inn Express Langley	8750 204th St, Langley, BC	85	Focused Service Hotel	2800	33			x	x	x	x
8	Sandman Signature Langley	8828 201 St, Langley, BC	196	Full Service Hotel	3050	16	x	x		x	x	x
Total			802									

The supply of competitive accommodation has remained relatively unchanged over the past ten years. The most recently built hotel among the competitive properties chosen is the 196 room Sandman Signature in Langley Township, near the 200th Street Interchange with Highway 1, which opened in 2011.

Overall the volume of new hotel construction throughout Metro Vancouver has been relatively low over the past decade. The hosting of the 2010 Winter Olympic and Paralympic Games spurred new construction, with the majority of new rooms being developed within downtown Vancouver. Since 2010, there has only been a limited number of new hotels opening across Metro Vancouver and further into Abbotsford and Chilliwack. New projects opened since the Olympic year throughout Metro Vancouver and the Fraser Valley, excluding downtown Vancouver, have included the following:

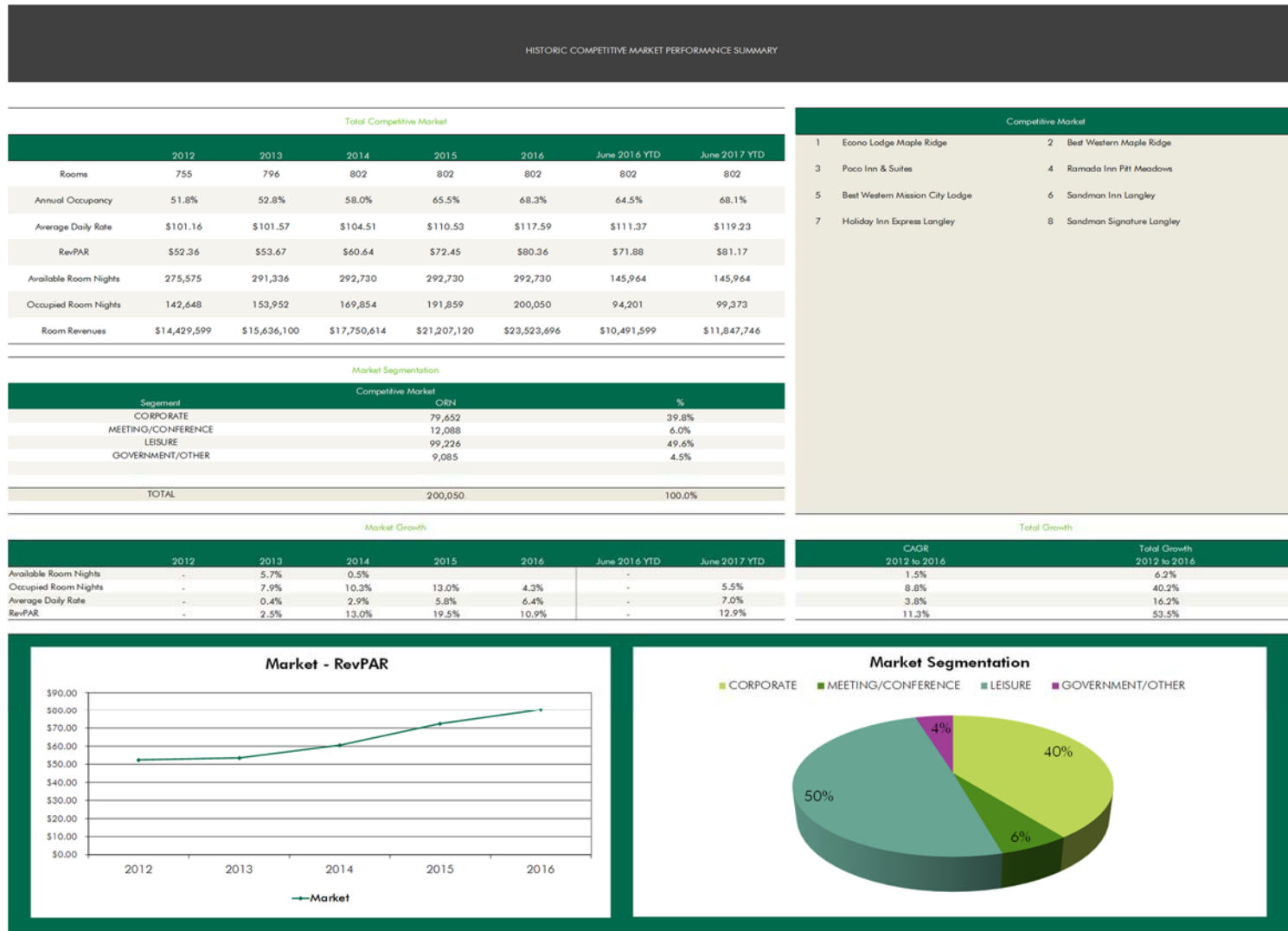
- A 151 room expansion of the River Rock Casino Resort in Richmond opened in 2011;
- A 75 room Hampton Inn and Suites in Chilliwack opened in 2013;
- A 147 room Sandman Hotel in Abbotsford opened in 2015; and,
- A 169 room Element Hotel (part of the Marriott Hotels & Resorts chain) opened in Burnaby in 2015.

A 144 room, high rise hotel is under construction in Surrey, adjacent to City Hall. The Civic Hotel, which will be affiliated with the Marriott Hotels and Resorts chain, is scheduled to open in November 2017.

Developers have been targeting hotels and hotel sites for redevelopment opportunities, either through demolition and reconstruction on the site or through repurposing the existing infrastructure for other uses. For example, the Best Western Plus Coquitlam Inn & Convention Centre has been sold to a Vancouver based developer, who will close and demolish the hotel in Fall 2018 and replace it with high rise residential/commercial towers. The Coquitlam Sleepy Lodge sold earlier in 2017 for a purchase price that cannot be justified by the cash flow produced by the existing accommodation property. The site was purchased for the redevelopment potential. The high demand for sites on which to build residential, commercial and industrial uses in Metro Vancouver has further escalated land pricing and has lead to developers focusing on projects that can yield highest returns. Yet, despite strong hotel market performance results in Metro Vancouver the past few years, there hasn't been a sizeable volume of new hotel development.

Competitive Market Historic Performance

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

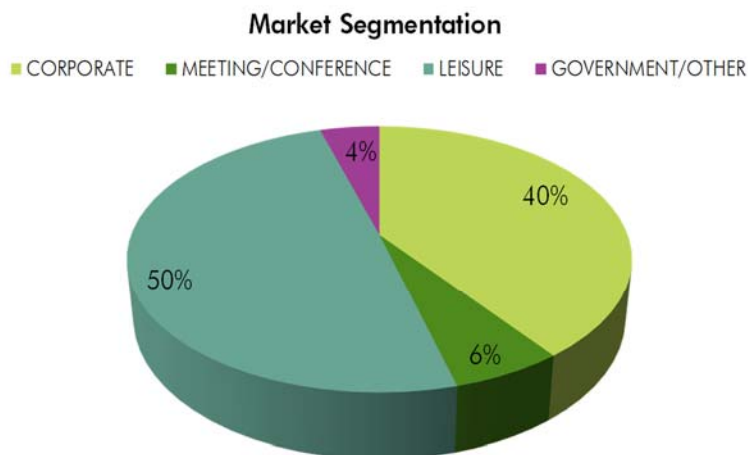


- Total rooms available in the competitive market has remained unchanged since 2014, with only minor increases in supply in 2013 and 2012.
- The competitive market steadily achieved increases in demand year over year between 2012 and 2016.
- Demand growth outpaced supply growth each year resulting in market occupancy growing from 51.8% in 2012 to 68.3% in 2016. There has been strong economic growth in the market during this period and the low Canadian dollar consistently benefits markets in British Columbia, particularly in the way of leisure travel.
- The regional competitive hotel market also benefits from “compression” out of downtown Vancouver. With both strong occupancies and average daily rates in downtown Vancouver, travelers look to other local markets for availability and lower rates. Burnaby, Richmond and North Vancouver benefit first and then demand continues to filter out across Metro Vancouver. As such, the identified regional market has benefited as well.
- Average daily rate (ADR) also increased each year between 2012 and 2016, growing from \$101.16 to \$117.59 during that period. This represents compounded annual rate growth of 3.8%.
- Overall, Revenue per Available Room (RevPAR) grew by 11.3% on a compounded annual basis. RevPAR is the measure of room revenue generated per available room, whereas ADR measures the revenue per occupied room. RevPAR is a hotel metric typically analyzed most significantly by hotel owners/asset managers.
- In terms of year to date performance as of June 2017, market demand is up 5.5% and ADR is up 7.0%. Overall, RevPAR has grown approximately 13% relative to the same six-month period in 2016.

MARKET SEGMENTATION ANALYSIS

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

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



Demand Segmentation - Competitive Market 2016

Segment	Room Night Demand	%
CORPORATE	79,652	39.8%
MEETING/CONFERENCE	12,088	6.0%
LEISURE	99,226	49.6%
GOVERNMENT/OTHER	9,085	4.5%

Compiled by CBRE Hotels

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

Corporate Segment

Corporate travelers are defined as business people attracted by businesses in the area. Commercial transient demand includes individuals visiting the companies in the immediate area or passing through town. Corporate volume demand is generated by local firms and includes employees of the company or others

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

In 2016, this segment generated approximately 79,652 occupied room nights or 39.8% of demand within the competitive market. Corporate demand in the competitive market would primarily be generated by a number of the smaller corporate and manufacturing companies located in the regional market area. There are several business and industrial parks in the regional market, as well as general businesses and professional services that would have traveling sales people and others traveling for the purpose of conducting business.

Meeting/Conference

Meeting/Conference travelers are defined as any group occupying five or more rooms on a given night. This segment includes corporate groups, associations, SMERF (social, military, educational, religious, and fraternal) groups. This segment is typically attracted by a hotel's meeting facilities and recreational amenities in the area. Demand from corporate groups is typically generated between Sunday and Thursday nights, and can include corporate functions, holiday parties, incentive groups, etc. Often, corporate groups pay high rates, especially incentive groups, where companies "wine and dine" their top salesman and upscale/luxury hotels. Corporate groups tend to have a high level of single occupancy, while other groups tend to have more double occupancy. Associations and SMERF groups have a more varied occupancy pattern and often hold weekend meetings. This demand segment tends to be somewhat price sensitive. The typical stay for group demand is between two and five days. There is a perception (often true) that by occupying a block of rooms, a volume discount should be given. Group/meeting travelers have a tendency to stay at full-service hotels and often utilize a hotel's food and beverage facilities. This segment is seasonal, and repeat business on an annual basis is not guaranteed. Overall, the meeting/conference segment is desirable as it provides for a full utilization of hotel facilities.

In 2016, the meeting/conference segment generated approximately 12,088 occupied room nights or 6.0% of demand within the competitive market. Meeting/conference demand within the competitive market is somewhat limited as many of the properties do not have an extensive volume of meeting space on-site. Typically, the full service hotels with a higher volume of meeting space would generate the most demand from this travel segment. Meeting/conference demand within the local area may also be generated by events taking place at other venues such as community halls, theatres and other social banquet spaces.

Leisure Segment

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

In 2016, this segment generated approximately 99,226 occupied room nights or 49.6% of demand within the competitive market. The leisure travel segment represents a significant source of demand for the competitive market. The regional area is a popular destination for various sporting events and for sports teams, community festivals and those looking to participate in outdoor recreational activities such as golf, hiking, biking, boating, etc. This regional market also has a high level of both leisure travelers visiting friends and relatives and those visiting Vancouver, generally, but choosing to stay in the Greater Vancouver area for lower rates and better availability.

Government/Other

Government/Other demand includes any airline contracts or construction and maintenance crew business as well as rooms generated through special promotions and discount offers. Government demand is also included in this segment. Demand in this segment is typically represented by sources that are highly rate sensitive and are normally provided with significantly discounted room rates. Demand within this segment typically occurs during the Sunday to Thursday period, although a portion of this demand is also likely to occur on the weekends. Overall, this equates to approximately 200-250 key demand days throughout the year.

In 2016, the government/other segment generated approximately 9,085 occupied room nights or 4.5% of demand within the competitive market. Other demand within the competitive market is generated by government sources, crew business (construction and work crews) and by other discounted sub-segments. This market is also occasionally known to get displaced airline passengers, particularly, in the last couple of years when occupancy rates in Richmond and Vancouver have been very high.



Future Demand Factors

FUTURE DEMAND FACTORS

In order to gain a better understanding of the existing or future demand which may exist for the potential hotel development, we conducted interviews with stakeholders such as local commercial businesses, local hotel operators as well as local sports and event facilities, tour operators, and festival and event organizers. This is in addition to discussions we had with representatives of the City of Maple Ridge.

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

Stakeholder Interviews	
Contacted (Interview Conducted)	Contacted (No Response)
School District 42 International Education	Lordco
Justice Institute of British Columbia	Advantec Global
Interfor	Left of the Dot
E-One Moli Energy Corp	Jewel Holdings
Malcolm Knapp Research Forest (UBC)	MC Freight
The ACT Arts Centre	Ridge Meadows Chamber of Commerce
The Ridge Studios	Chances Gaming Centre
Best Western Maple Ridge	
Econo Lodge Maple Ridge	
Ramada Pitt Meadows	
Best Western Mission City Lodge	
Sandman Langley	
Holiday Inn Express Langley	
Swan E Set Golf Club	
Meadow Gardens Golf Club	
Golden Eagle Golf Club	
RST Instruments	
Chrislan Ceramics	
Pitt Meadows Plumbing	
Johnson Meier Insurance	
Meadowridge School	

The City of Maple Ridge is generating some Corporate/Commercial hotel demand, however, the exact volume is difficult to estimate. A number of the companies that were contacted did indicate that they require overnight accommodation as part of their normal course of business, however, they are not tracking their hotel use, and therefore, many comments were anecdotal. CBRE has estimated that the needs range anywhere from 5 to 300 rooms per year for a small number of companies. Company needs do tend to change from year to year and even month to month but several companies indicated hotel use can be throughout the year and is not necessarily concentrated in any particular period.

In addition to overnight demand, there are several companies that have regular meetings and require space outside their current establishments. Group sizes specifically for meetings ranged from 10 to 40 people, however, in the event of a banquet/social function, group sizes ranged up to 200 people.

In terms of guestrooms, many of these companies are currently utilizing hotels primarily in Langley or Pitt Meadows as the existing accommodations in Maple Ridge have not met their specific requirements for quality. In one instance, Surrey hotels were utilized due to their location near the Skytrain and in another instance, downtown Vancouver hotels were used for quality considerations and for location as to where business was specifically being conducted. Most respondents indicated that the preference would be to have their guests stay locally in Maple Ridge and they would consider using “the subject hotel” if the accommodations were deemed suitable to their needs. Most respondents did not have a preference as to where the hotel should be located within the City, as anywhere in Maple Ridge would be accessible to their business within a short drive (and they are staying further afield currently). While there was some preference to a hotel location in the downtown area, there was equal preference to a location toward the west end of the City.

In addition to some Langley hotels, both Meadow Gardens and Swan-E-Set golf courses were noted as a frequent and/or preferred venue for banquets and social functions and larger meetings. Many companies indicated they are able to accommodate small meetings within their own facilities but were using venues outside Maple Ridge to accommodate larger functions.

Interviews with selected hotels in Langley Township located in the vicinity of Highway 1 and 200th Street, south side of the Golden Ears Bridge, indicated that they generate some guest room demand from sources that were participating in either business or leisure activities at locations in and around Maple Ridge. One operator estimated that they generate between 500 to 800 room nights annually from sources travelling over to Maple Ridge. Another operator indicated that their demand that travels from the Langley based hotel to Maple Ridge do so due primarily to a combination of them preferring a more upscale property plus their loyalty to the hotel brand, for which there is no closer property to Maple Ridge. It is reasonable to assume that most of these nights could be captured by the subject property as a new build hotel with quality amenities and services and modern décor.

In addition to the current demand that the competitive market generates through regional sports tournaments, etc. the City of Maple Ridge is set to host the BC Summer Games in 2020. The event typically attracts approximately 3,700 participants. While many of the athletes, coaches and other participants are generally housed in schools, the event does draw spectators and families that stay overnight in hotels. The subject hotel in its first year of operation would expect to generate one-time demand from this event.

In discussions with stakeholders, it was identified that there are conferences and events that the City is not able to host due to a lack of suitable hotel accommodations and meeting space. There are several provincial and regional associations that rotate their conferences each year through different municipalities. It is felt that with new, modern product and the additional capacity the rooms would bring to the market, the City could bid to host some of these events in future.



Development Overview

Locational Analysis

Development Concept

DEVELOPMENT OVERVIEW

Location Overview

The City of Maple Ridge, situated between the Fraser River and the Golden Ears mountain summits, is the eastern most located municipality in Metro Vancouver. It is situated approximately 45 kilometres to the east of downtown Vancouver, less than 20 kilometres to the north of Langley, and approximately 24 kilometres to the west of Mission, BC. Further, it is located approximately 34 kilometres to the north of the US border crossing at Blaine, Washington.

The City is accessible via Highway 7 (Lougheed Highway) which connects to Highway 1 in Coquitlam or in Langley via the Golden Ears Bridge. It is also connected to Pitt Meadows in the west via Dewdney Trunk Road.

Location Considerations

When determining the optimum location and site for a hotel development, the following characteristics should be considered.

- **Access** – An optimal hotel development site should be easily accessible and ideally situated in a convenient location with easy access to and from major arterial roadways.
- **Ingress/Egress** – An optimal hotel site should have simple, easily accessible routes of ingress and egress.
- **Visibility** – An optimal hotel development site should allow for the hotel to be oriented in such a way that the building could be seen by traffic in all directions. It would still be necessary to supplement the building visibility with appropriate signage along major roadways and on the building and site itself.
- **Proximity to demand generators** – An optimal hotel development site should be reasonably proximate to the local demand generators such as major businesses or industrial parks as well as recreation and leisure attractions.
- **Proximity to support amenities** – An optimal hotel development site should be within walking distance or reasonably proximate to a concentration of support amenities such as restaurants, entertainment, and retail.

In general, leisure travelers place a higher value on having amenities within walking distance, while corporate travelers and meeting/conference guests would expect business and industrial parks to be within a short driving distance.

If the location characteristics for a prospective hotel development are not optimized it would have an impact on the proposed hotel's ability to achieve the projections contained herein.

Development Area Review

City of Maple Ridge representatives have indicated that there are currently a number of potential sites within the municipality that may be suited to hotel development. Most sites are privately owned, however, there is one municipally owned site that was identified. These sites have been identified largely because they currently have some form of commercial zoning and they are either vacant or have potential for redevelopment. They are also located on major thoroughfares and within reasonable proximity to potential room demand generators.

We have identified two geographic areas within the City of Maple Ridge that are preferred and have been identified as having the highest potential for selection of a suitable hotel site. These two areas are identified as follows:

- Downtown Core/City Centre; and,
- The predominantly commercial stretch along Lougheed Highway (Highway 7) to the west of the downtown core/city centre. We have identified the area hereinafter referred to as “Lougheed Highway West”.

Please refer to the map on the next page to view the general areas under consideration. There are pros and cons to each general area, however, it is our opinion through our research and analysis that the performance of the hotel would not be materially different between the two areas and that the proposed development concept (discussed in the following section) would not change with either area.

Downtown Core/City Centre Area

We have defined an area of downtown Maple Ridge that is generally bound by:

- Dewdney Trunk Road to the north;
- 227 Street to the east;
- Lougheed Highway to the south; and,
- 222 Street to the west.

A hotel within the general area of the downtown core/city centre would enjoy proximity to shopping, multiple dining options, professional/medical services and other businesses. Downtown Maple Ridge is the home of City Hall, Haney Place Mall, Valley Fair Mall, the ACT Arts Centre, Maple Ridge Public Library, and the Maple Ridge Leisure Centre (the community recreation and aquatic facility). The Albion Industrial Park is also located within proximity of the downtown core. The high concentration of development in the area leads to a recommendation that the City must consider that the hotel proponent would seek permission for adequate signage that would help identify the hotel's location to area traffic, particularly for any site that is selected anywhere but along Lougheed Highway. The prospective hotel would likely be at minimum four stories in height, which would be taller than many existing structures within this defined geographic area, which will also help create awareness of the hotel.

Lougheed Highway West

We have defined an area of downtown Maple Ridge that is generally bound by:

- Lougheed Highway to the north and south;
- 218 Street to the east; and,
- Meadowtown Centre to the west.
- Note that we also consider the predominantly commercial zoned area along Dewdney Trunk Road from 207 Street west to the intersection with Lougheed Highway to be within the Lougheed Highway West area.

A hotel within the general area of Lougheed Highway West of the city centre would enjoy proximity to shopping, restaurants and business services, however, it would also benefit from being located closer to Pitt Meadows, Port Coquitlam and the Golden Ears Bridge to Langley. The Maple Meadows Industrial Park is located near to Lougheed Highway and the area is also home to Ridge Meadows Hospital, Meadow Gardens Golf Course and Meadowtown Shopping Centre. A hotel located along Lougheed Highway West would enjoy good visibility and exposure for highway motorists on this primary route. Note that while Lougheed Highway is identified as being the “north” boundary, we believe that commercial areas located between Lougheed Highway and Dewdney Trunk Road between the intersection of these two routes and 207 Street to be in this area.

As indicated earlier in this report, the demand interviews conducted indicated that for corporations within Maple Ridge, location is not generally a deciding factor in selecting an accommodation choice. The quality of accommodations/type of property is more important and a location anywhere in the City would be accessible within 15 minutes drive time. Nearby amenities and services are also important for hotel selection, therefore, both the Lougheed Highway West area and the downtown core/city centre areas would satisfy this requirement.

MAPLE RIDGE

SITE AREAS

CANADA
LOCATION INTELLIGENCE



Development Concept

Based on our review of the existing accommodation product within the competitive local and regional markets, the historic market performance, the nature of local demand generators and the economic operating conditions for hotels in Canada, we have recommended the following development option for a proposed hotel in Maple Ridge.

To assess the feasibility of accommodation development, we first considered various forms of accommodation development that might be possible in order to determine a suitable accommodation product for further analysis. Independent hotel/motel and inn developments were considered, as well as smaller scale hotels, mid-scale branded hotels and upper scale branded hotels. Our determination of a suitable product to be considered for development was based on factors which best meet market demand and would also lead to the greatest level of investor interest and support from the traditional lending community. By conducting our analysis on the product type that would have the greatest appeal to the traditional hotel investment market, this allows the community the greatest chance of attracting a serious developer/investor with the capabilities and knowledge to develop a successful hotel operation. Despite the fact that there are a number of development site alternatives, it is felt that the hotel development concept, generally, could apply to each of the sites. There may be slight differences in the hotel facility program between sites, however, this is identified in the quantitative discussion following.

It is our opinion that the development of a branded, select service hotel in the range of 90 rooms (80-100) would be appropriate for development in Maple Ridge. Examples of brands that could be considered for such a development include, but are not limited to, Holiday Inn Express, Courtyard by Marriott, Hyatt Place, Four Points by Sheraton, Aloft (Marriott Hotels and Resorts), Hilton Garden Inn, Wyndham Garden Inn, and Coast Hotels. Branding is recommended in that it will not only enhance the marketability of the project, but will also enhance the potential for project financing.

This type of accommodation development is likely to appeal to the greatest range of travelers and capture demand from a wide variety of market segments. This type of accommodation is also very appealing to the traditional investor and lending community, which typically consider the investment risk and liquidity of a project and are much less likely to finance an unbranded product. In addition, a branded hotel property offers a number of other benefits including enhanced awareness and recognition among travellers, customer loyalty programmes with potentially broad ranging benefits and the powerful impact of an on-line brand presence/central reservations network that could generate as much as 60% to 70% of total occupied room nights. Branded hotels also offer design and construction prototypes/team services that can guide developers and their designers through the conceptual to construction processes. This can potentially help control development costs.

A property in the range of 90 rooms also allows for greater operational efficiencies at the property level. The overhead or fixed costs at the property such as the salaries, property taxes, and marketing costs exist regardless of the size of the property and having a larger number of rooms, and therefore a larger number of occupied rooms and stronger revenue generation, helps to generate stronger cash flow and profits than a smaller operation would. Further, our analysis suggests that a room with more than 80-100 rooms is not

likely to capture much in the way of additional demand as group sizes in the market are not generally much larger and, historically, there have not been enough days of the year at full occupancy to warrant the extra capacity.

This product positioning is based on these primary factors:

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

The proposed hotel in Maple Ridge, as a branded, select service hotel should include a relatively comprehensive offering of amenities for both business and leisure travelers. Hotels of this nature typically feature a variety of guestrooms, including standard one or two bedded rooms, and a mixture of suite configurations. Guest rooms within this tier of hotels typically include amenities such as a spacious work desk, wireless internet access, a large, flat screen television, a mini fridge, a microwave, a coffee maker, a spacious closet with in room safe and iron/board, in room heating/air conditioning units with digital thermostat control and numerous electrical outlets/charging ports for electronic devices. The proposed development program should include a variety of room types as dictated by the brand development standards. It is also recommended that the proposed hotel include an appropriate number of suites that have a separate bedroom and/or include a kitchenette that can be used as a hospitality suite and are suitable for any long term stays (ie. those of 5 or more room nights).

Other services that should be available at the proposed hotel include an indoor swimming pool and whirlpool, a spacious fitness centre that includes free weights, aerobic machines and sufficient room for stretching/yoga, a self-serve business centre featuring computer terminals and a printer and licensed restaurant/lounge, and approximately 3,300 square feet of meeting space. The inclusion of a sufficient amount of meeting space to accommodate a capacity of approximately 150 people in a “banquet style” configuration would allow the hotel to attract both meeting/conference business and social banquet business. A room of that size could accommodate 200 guests for a reception or “theatre style” configuration for presentations, performances, etc. It is recommended that one 3,000 square foot room be divisible into three parts for greatest flexibility of the space and there should also be sufficient pre-function/corridor space and room for storage of banquet room supplies (ie. tables and chairs). The hotel is also recommended to have an executive style boardroom in the range of 300 square feet.

The majority of select service hotel brands do not typically offer a complimentary continental breakfast to overnight guests (this is generally a feature of limited service hotels) in favour of developing a food and beverage outlet that is open for paying patrons. However there are examples of select service assets that received authorization to develop a continental breakfast room in rare cases. For the proposed hotel, we have prepared the projections based on the asset having a licensed restaurant/lounge that would be open for all meal periods. In addition, the kitchen would be developed to handle patrons of this outlet as well as

provide food preparation for all meeting/banquet functions. A licensed restaurant/lounge with seating for a maximum 100 patrons should be located on the lobby level and also have direct street access. A popular licensed food and beverage outlet will help attract a variety of room demand sources and also help market the hotel to both visitors and area residents.

A spacious fitness room is an important amenity to business travelers. Both a fitness room as well as an indoor swimming pool and hot tub are highly desired amenities for the leisure travel segment. We have projected a strong volume of leisure travel for the proposed hotel concept and this segment will include a significant volume of demand sources that prefer to stay in hotels with a pool, including sports teams and families. Often times, the decision on where to stay for the leisure traveler can be the difference of whether there is a pool or not. It is also often a hotel brand required amenity.

The following table outlines a possible facility program for the proposed hotel based on a typical prototype of a select service property.

PROPOSED HOTEL FACILITY PROGRAM

GUESTROOMS	% of Room Mix	Keys	Sq. Ft./Rm	Total GFA
King	65%	59	325	19,013
Double Queen	30%	27	360	9,720
Suites	5%	5	525	2,363
Total	100%	90	346	31,095
FOOD & BEVERAGE / BANQUETS		Seats	Sq. Ft./Rm	Total GFA
Restaurant/Bistro		100	39	3,500
Total		100	39	3,500
MEETING/CONFERENCE FACILITIES		Capacity	Sq. Ft./Rm	Total GFA
Meeting Room 1		200	33	3,000
Meeting Room 2		20	3	300
Total		220	37	3,300
OTHER			Sq. Ft./Rm	Total GFA
Fitness Room / Pool			39	3,500
Lobby / Public Spaces			44	4,000
BOH / Circulation			99	8,900
Total Hotel GFA			603	54,295

Source: CBRE Hotels

Conclusion

Overall, the primary areas we have identified for potential hotel development include the downtown core/city centre core and a stretch of Lougheed Highway that is located west of the downtown core of Maple Ridge. or the commercial stretch along Lougheed Highway due to the general development in each area with access to nearby shops, restaurants and services and given proximity to major demand generators and access from major thoroughfares.

Based on a review of the existing hotel product, and on our research on the various sources of market demand, a branded, select service product in the range of 90 rooms, is considered to be a good opportunity for development in Maple Ridge and would also be regarded as a potential option from the perspective of hotel developers, franchise representatives and the lending community.



Competitive Market Projections

Supply Projections

Market Demand and ADR Projections

COMPETITIVE MARKET PROJECTIONS

Room Supply Changes

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

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

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

In the past five years, competitive supply grew only moderately with the 196 room Sandman Signature hotel in Langley, which began a phased opening in 2011 and only operated with full inventory in 2014.

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

Summary of Proposed New Supply					
1	Proposed Hotel Maple Ridge, BC	100	100%	Focused Service Hotel	1-Jan-20
2	Proposed Hampton Pitt Meadows	76	100%	Focused Service Hotel	1-Jan-19
3	Ramada Pitt Meadows expansion	4	100%	Focused Service Hotel	1-Jan-19
4	Proposed Hotel @ 200 St. Langley	0	0%		
Total		180			

- The current owner of the Ramada Pitt Meadows is proposing the development of a 76 room Hampton Inn hotel on a site adjacent to the Ramada. While construction has not started at the time of this report, it is reasonable to assume this project will move forward within the projection period based on our discussion with the developer.
- With the development of the Hampton hotel, the developer indicates changes will be made to the existing Ramada hotel which includes a 4-room expansion.
- It is our understanding that a large parcel of vacant land at the corner of 200 Street and Highway 1 in Langley is poised for development. The land owner is currently marketing a parcel specifically for hotel development. This project is preliminary in nature at this time

and is not considered far enough along in the planning stages to deem it to open within the projection period.

Over the projection period we have accounted for a net increase in supply of 165 rooms to enter the competitive market, reflecting the opening of the subject hotel and the Hampton Inn in Pitt Meadows, resulting in a 20.6% increase in rooms supply between the 2017 and 2020 period.

Market Demand and ADR Projections

The demand projections prepared for the competitive market are based on the economic and tourism outlook for the Province and local area, as well as on current market dynamics and anticipated changes in demand patterns throughout the projection period. The following summarizes our projections for future room demand and ADR growth.

- Based on market factors and year to date performance, demand growth in the competitive market is projected to be 5.1% in 2017.
- Given the health of the market in recent years, demand is projected to increase by a further 2.0% in 2018 in consideration of a continued strong economy and lower Canadian dollar. Market occupancy is projected to reach 73.3%.
- With the introduction of new supply to the market in Pitt Meadows in 2019 and the subject hotel in 2020, market demand is projected to increase at 4.1% in 2019, followed by a further 4.2% in 2020. The supply increase will outpace demand growth those years, resulting in a tempering of occupancy to 65.9% in 2020.
- In terms of Average Daily Rate (ADR), based on year to date performance to June and the health of the market overall, ADR is expected to grow 6.0% in 2017, followed by a further 4.0% in 2018.
- The competitiveness in the market will increase in 2019 with the introduction of new supply, therefore, ADR is projected to grow 2.0% per annum over the balance of the projection period.
- Market ADR is projected to be \$145.98 in 2024.

Market Room Demand and ADR Growth Projections by Segment

	2017	2018	2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024
Room Demand								
CORPORATE	5.0%	2.0%	4.0%	4.0%	2.0%	2.0%	1.0%	1.0%
MEETING/CONFERENCE	3.0%	2.0%	2.0%	3.0%	2.0%	2.0%	1.0%	1.0%
LEISURE	6.0%	2.0%	5.0%	5.0%	2.0%	2.0%	1.0%	1.0%
GOVERNMENT/OTHER	3.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%
ADR								
ADR	6.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

Overall Accommodation Demand for Competitive Market

	2017	2018	2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024
Available Room Nights	292,730	292,730	321,930	354,780	354,780	354,780	354,780	354,780
Occupied Room Nights	210,621	214,834	224,055	233,820	238,496	243,266	245,699	248,156
Market Occupancy	72.0%	73.4%	69.6%	65.9%	67.2%	68.6%	69.3%	69.9%
Demand Growth	5.3%	2.0%	4.3%	4.4%	2.0%	2.0%	1.0%	1.0%
Market Average Daily Rate	\$124.64	\$129.63	\$132.22	\$134.87	\$137.56	\$140.32	\$143.12	\$145.98
Rate Growth	6.0%	4.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels



Subject Property Projections

Occupancy and Rate Projections

Projected Financial Operating Results

SUBJECT PROPERTY OCCUPANCY AND RATE PROJECTIONS

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

Projected Subject Occupancy and Average Daily Rate

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

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

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

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

Corporate/Commercial Segment

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

The proposed subject hotel is projected to capture approximately 8,444 occupied room nights within the Corporate/Commercial segment in its stabilized year, 2022, representing 37% of the hotel's total demand. The majority of these occupied room nights within the Corporate/Commercial segment will be captured over the Sunday through Thursday period throughout the year. This level of demand equates to a market penetration rate of 95% of fair share.

Corporate/commercial demand is not as prominent in Maple Ridge as it is in most of the other Cities within the competitive region. Maple Ridge is located to the far east of Vancouver and the regional cities and there would be less propensity for corporate travelers to stay further east than necessary. The newly built hotel and its amenities and modern décor would make it a desirable choice for those travelers choosing to be in Maple Ridge. It is expected that as the City grows and economic development continues, Maple Ridge will generate more of its own corporate demand from within the City itself.

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

	Corporate/Commercial Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	7,689	8,104	8,444	8,444	8,444
Ratio to Total Demand	36.4%	36.9%	37.2%	37.2%	37.2%

Source: CBRE Hotels

Meeting/Conference Segment

The Meeting/Conference market segment typically consists of rooms' demand generated for the purpose of attending meetings and/or conferences internally within area hotels. Conference delegates who may be attending a meeting elsewhere in the vicinity may also generate demand.

It is assumed in our analysis that the subject hotel would have in the range of 3,000-3,500 square feet of meeting space consisting of one large room that is divisible into three parts to allow for the greatest flexibility of the space. That would allow the hotel to comfortably accommodate groups of 150+ people. As such, the subject hotel is projected to achieve better than fair share in the meeting/conference segment at up to 120% by year three of operation.

The proposed hotel is projected to generate about 7% of total demand or 1,542 occupied room nights upon stabilization in 2022. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded hotel, and will contain approximately 3,000 square feet of meeting space with a capacity of approximately 150+ people.
- The proposed hotel is expected to attract a number of in house meetings each year, of which a portion will generate occupied room night demand for the hotel, as well as capture demand from meetings and events in the local area.
- The subject hotel would be one of the preferred meeting venues in the City as there is not a significant amount of quality meeting and event facilities specifically in Maple Ridge. It is also expected that the downtown/city centre location would help draw specific corporate and association groups and that the venue in the city centre would be equally desired for banquets and social functions, relative to a location on Lougheed Highway.

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

	Meeting/Conference Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	1,445	1,487	1,542	1,542	1,542
Ratio to Total Demand	6.8%	6.8%	6.8%	6.8%	6.8%

Source: CBRE Hotels

Leisure/Tourist Segment

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

Occupied room night demand within the Leisure/Tourist segment will be generated from a variety of sources including sports tournaments, cultural events and festivals, and recreational and pleasure travel to

Maple Ridge and the surrounding area, as well as visiting friends and family.

Hotels within the competitive market typically capture approximately 45-50% of their total annual demand, or in the range of 7,000 to 12,000 occupied room nights for comparably sized hotels from the Leisure demand segment. The proposed hotel is projected to capture a higher proportion of demand from this segment, at 53% of total demand or approximately 12,000 occupied room nights upon stabilization in 2022, the third year of operations. Projections in this segment are based on the following:

- The proposed hotel will be a newly built, branded hotel with a restaurant and recreation amenities – features that are attractive to the leisure segment. It is also to be located in proximity of other food and beverage services and to shopping and recreational venues.
- The proposed hotel is expected to be an attractive accommodation choice for sports groups traveling to the Maple Ridge area, visitors to the nearby Golden Ears Park, and those visiting friends and relatives in Maple Ridge and the surrounding area.
- Sports tourism and festival/event demand is expected to generate a significant amount of occupied room nights for the hotel.

It is expected that the proposed hotel would be able to re-capture a portion of Leisure demand that was previously staying outside of

Maple Ridge as a result of the lack of suitable accommodations. The proposed hotel's projected performance within the Leisure demand segment is summarized below.

	Leisure/Tourist Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	11,280	11,618	11,964	11,964	11,964
Ratio to Total Demand	53.3%	52.9%	52.7%	52.7%	52.7%

Source: CBRE Hotels

Government/Other Segment

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

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

It is generally best practice not to attract a significant volume of this demand wherever possible as it has too much of an impact on the property's average daily rate. As such, the proposed hotel is projected to penetrate this segment below fair share at 80%, capturing approximately 765 occupied room nights in 2022 or about 3.5% of total hotel demand.

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

	Government/Other Segmentation				
	2020	2021	2022	2023	2024
Occupied Room Nights	736	750	765	765	765
Ratio to Total Demand	3.5%	3.4%	3.4%	3.4%	3.4%

Source: CBRE Hotels

Subject Hotel Average Daily Rate Projections

In terms of Average Daily Rate (ADR), the ADR for the proposed subject hotel is projected to be \$149 in its opening year, 2020, growing to \$155 by year 3 of operation. This translates to a penetration rate equal to fair share at 108.7%. There is typically a ramp up period on average daily rate as there is with occupancy as it takes some time for the hotel to be known to the marketplace and various specials/offers are put in place in the early opening days. The projections for rate are as follows:

	Subject Property Average Daily Rate Penetration				
	2020	2021	2022	2023	2024
Subject Average Daily Rate	\$148.78	\$151.73	\$154.75	\$157.85	\$161.01
Rate Penetration	110.3%	110.3%	110.3%	110.3%	110.3%

Source: CBRE Hotels

Average daily rate equal to fair share market share reflects the quality of the property, its brand affiliation, its amenities and services and its market orientation. The projections also take into consideration the location of the hotel in Maple Ridge relative to some of the other hotels in the region. Typically, the hotels in Maple Ridge have lower rates than those to the west, however, the subject hotel will be new and will be affiliated with an internationally recognized brand that will help to position the property toward the top end of the market.

Summary of Property Projections

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

Proposed Hotel Maple Ridge, BC Segmentation

	Year 1 1-Jan-20	Year 2 1-Jan-21	Year 3 1-Jan-22	Year 4 1-Jan-23	Year 5 1-Jan-24
CORPORATE					
Fair market share	8,543	8,714	8,888	8,977	9,067
Projected market share	90%	93%	95%	94%	93%
Demand captured by subject	7,689	8,104	8,444	8,444	8,444
Room Demand Growth	0.00%	5.40%	4.19%	0.00%	0.00%
Corporate ADR	\$145.00	\$147.90	\$150.86	\$153.88	\$156.95
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%
Corporate Room Revenue	\$1,114,903	\$1,198,610	\$1,273,852	\$1,299,329	\$1,325,315
MEETING/CONFERENCE					
Fair market share	1,235	1,260	1,285	1,298	1,311
Projected market share	117%	118%	120%	119%	118%
Demand captured by subject	1,445	1,487	1,542	1,542	1,542
Room Demand Growth	0.00%	2.87%	3.73%	0.00%	0.00%
Meeting/Conference ADR	\$135.00	\$137.70	\$140.45	\$143.26	\$146.13
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%
Meeting/Conference Room Revenue	\$195,129	\$204,747	\$216,630	\$220,962	\$225,381
LEISURE					
Fair market share	10,952	11,171	11,394	11,508	11,623
Projected market share	103%	104%	105%	104%	103%
Demand captured by subject	11,280	11,618	11,964	11,964	11,964
Room Demand Growth	0.00%	2.99%	2.98%	0.00%	0.00%
Leisure ADR	\$155.00	\$158.10	\$161.26	\$164.49	\$167.78
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%
Leisure Room Revenue	\$1,748,451	\$1,836,750	\$1,929,329	\$1,967,916	\$2,007,274
GOVERNMENT/OTHER					
Fair market share	919	938	957	966	976
Projected market share	80%	80%	80%	79%	78%
Demand captured by subject	736	750	765	765	765
Room Demand Growth	0.00%	2.00%	2.00%	0.00%	0.00%
Government/Other ADR	\$120.00	\$122.40	\$124.85	\$127.34	\$129.89
ADR Growth	0.00%	2.00%	2.00%	2.00%	2.00%
Government/Other Room Revenue	\$88,271	\$91,837	\$95,547	\$97,458	\$99,407
SUBJECT ROOM DEMAND BY SEGMENT					
CORPORATE	7,689	8,104	8,444	8,444	8,444
% of Demand	36.35%	36.91%	37.17%	37.17%	37.17%
MEETING/CONFERENCE	1,445	1,487	1,542	1,542	1,542
% of Demand	6.83%	6.77%	6.79%	6.79%	6.79%
LEISURE	11,280	11,618	11,964	11,964	11,964
% of Demand	53.33%	52.91%	52.67%	52.67%	52.67%
GOVERNMENT/OTHER	736	750	765	765	765
% of Demand	3.48%	3.42%	3.37%	3.37%	3.37%
Total Subject Demand	21,150	21,959	22,716	22,716	22,716
SUBJECT OCCUPANCY	64.38%	66.85%	69.15%	69.15%	69.15%
Total Rooms Revenue	\$3,146,754	\$3,331,944	\$3,515,357	\$3,585,664	\$3,657,378
SUBJECT ADR	\$148.78	\$151.73	\$154.75	\$157.85	\$161.01
SUBJECT RevPAR	\$95.79	\$101.43	\$107.01	\$109.15	\$111.34

Source: CBRE Hotels

PROJECTED FINANCIAL OPERATING RESULTS

Given that the potential hotel development would be a newly constructed asset, a review of historic results is not possible. Rather to estimate the revenues and expenses of the hotel, the pro forma assumptions have been based on a review of the operating performance of similar and like hotels as tracked through the in-house CBRE Canadian Hotel Trends database. The CBRE Hotel database of financial statements annually includes over 650 properties across Canada. This database, which provides insight into the operating performance of other directly competitive and comparable hotels, includes a sample of select service hotels. The comparative hotels were selected based on their size, facility program and market mix.

The Uniform System of Accounts for Hotels, recommended by the American Hotel and Lodging Association and in general use throughout the hotel industry in Canada, has been used to classify income and expenses in this report. In conformity with this system, only direct operating expenses are charged to operating departments of the hotel. The general overhead items, which are applicable to operations as a whole, are classified as undistributed and include administrative and general expenses, IT, marketing, property operations and maintenance, and energy costs.

Based on our review of the market, and upon the discussion of projected occupancies and average daily rates, a projection of operating results has been prepared for the potential hotel development as a 90-room branded, select service property. The projections assume an opening date of January 1, 2020.

Outlined in this section is a discussion on each of the hotel's major income and expense categories. Revenue and expenses have been forecasted using the Uniform System of Accounts.

Expenses have been projected with consideration given to the level of fixed versus variable costs in each department. Fixed costs are those that are not normally affected by changes in occupancy levels or sales volumes, such as property taxes, certain administrative payroll positions, or fixed internet and phone plans. Variable expenses however, are tied directly to occupancy levels and sales volumes and include items such as the cost of housekeeping supplies or food and beverage purchases. Revenues and expenses have been inflated at 2% per year unless otherwise noted. The following table summarized level of fixed versus variable expense projected by hotel department:

UNDISTRIBUTED EXPENSES

ADMINISTRATION & GENERAL	80%	20%
IT SYSTEMS	80%	20%
SALES & MARKETING ¹	80%	20%
PROPERTY OPERATIONS & MAINTENANCE	90%	10%
UTILITIES	90%	10%

FIXED CHARGES

PROPERTY AND OTHER TAXES	100%	0%
INSURANCE	100%	0%

¹ excludes franchise fees

Source: CBRE Hotels

The underlying rationale and assumptions used in preparing the proforma estimates are summarized in the following pages.

Rooms Revenue**Occupancy and Average Room Rate**

The proposed hotel's projected revenues for this department as a percentage of total revenue on a per available room basis and on a per occupied room basis are summarized as follows:

ROOMS REVENUE						
Year	Occupancy	ADR	Total \$ (000's)	% Total Sales	Per Available Room	Per Occupied Room
Year 1	64.38%	\$148.78	\$3,147	81.2%	\$34,964	\$149
Year 3	69.15%	\$154.75	\$3,515	81.27%	\$39,060	\$155
British Columbia Limited Service	74.40%	\$127.89	\$3,577	93.0%	\$34,731	\$128
British Columbia Full Service	76.10%	\$197.65	\$13,890	68.0%	\$54,901	\$128
National Select Service	65.70%	\$135.88	\$4,790	81.9%	\$32,585	\$136

Source: CBRE Hotels

Food and Beverage Revenue

Food revenue is generated by a hotel's restaurants, coffee shops, snack bars, banquet rooms, and room service. In the case of the subject, food revenue is expected to be generated by the hotel's restaurant, room service, and meeting rooms.

The subject's projected revenues for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

FOOD & BEVERAGE REVENUE				
Year	Total \$ (000's)	% Total Sales	Per Available Room	Per Occupied Room
Year 1	\$635	16.37%	\$7,050	\$30
Year 3	\$709	16.39%	\$7,878	\$31
British Columbia Limited Service	\$0	0.00%	\$0	\$0
British Columbia Full Service	\$5,486	26.85%	\$21,682	\$78
National Select Service	\$829	14.17%	\$5,638	\$24

Source: CBRE Hotels

The subject hotel is expected to generate food and beverage revenue in line with select service hotels in Canada. With meeting space for 150+ people, the subject hotel is expected to host both meetings and banquet events that will generate meeting room rental revenue and food and beverage revenue through banquet catering. It is also projected that the hotel restaurant would serve three meal periods each day.

We expect revenues POR will continue to grow based on inflationary growth in Year 2 and beyond.

Telecommunications and Other Operating Departments

Telecommunications and Other Operating Departments includes telecommunications revenue which is generated by charges to hotel guests for use of the hotels communications system. Telephone revenues for hotels have declined in recent years due to an increase in cell phone and internet usage. Revenue from Other Operating Departments also typically includes revenue generated by on-site ancillary sales, guest laundry, parking, and other miscellaneous sources.

The proposed hotel's projected revenues for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

TELECOMMUNICATIONS AND OTHER OPERATING DEPARTMENTS REVENUE				
Year	Total \$ (000's)	% Total Sales	Per Available Room	Per Occupied Room
Year 1	\$63	1.64%	\$705	\$3
Year 3	\$67	1.56%	\$750	\$3
British Columbia Limited Service	\$51	1.33%	\$498	\$2
British Columbia Full Service	\$516	2.53%	\$2,040	\$7
National Select Service	\$113	1.94%	\$771	\$3

Source: CBRE Hotels

Year One has been projected at \$3 per occupied room night. Projections are based on a review of comparable select service properties nationally. Overall, the projected revenues are deemed to be reasonable given the size, quality and nature of the proposed hotel.

Miscellaneous Revenue

Miscellaneous Revenue includes income from non-room package revenue, foreign exchange gains and losses, vending machines, movies, etc. Miscellaneous Revenue is typically reported as a net amount.

The proposed hotel's revenues for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

MISCELLANEOUS REVENUE				
Year	Total \$ (000's)	% Total Sales	Per Available Room	Per Occupied Room
Year 1	\$32	0.82%	\$353	\$2
Year 3	\$34	0.79%	\$377	\$1

Source: CBRE Hotels

Projections are in line with comparable properties and industry norms.

Departmental Expenses

Departmental expenses are typically occupancy sensitive and directly related to an associated revenue source. These expenses are therefore compared and estimated as a percentage of departmental revenues.

Rooms Expenses include labour costs such as salaries and wages for front desk, housekeeping, reservations, bell staff and laundry, plus employee benefits. Also included are linens, cleaning supplies, guest supplies, uniforms, equipment leases and travel agent commissions. Payroll costs are typically the largest component. Overall, wages typically account for 50% to 60% of the total departmental expense. The comparable data and projections for the proposed hotel are summarized as follows:

ROOMS EXPENSES				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$851	27.05%	\$9,459	\$40
Year 3	\$925	26.30%	\$10,275	\$41
British Columbia Limited Service	\$1,125	31.44%	\$10,919	\$40
British Columbia Full Service	\$4,283	30.84%	\$16,929	\$61
National Select Service	\$1,351	28.21%	\$9,192	\$38

Source: CBRE Hotels

Projections have been based on a review of comparable properties and industry norms. Rooms expenses are projected to be 30.6% of revenue or \$45 per occupied room night in Year One. Costs decline to 29.8% by Year Three as occupancy level/hotel revenues improve. Costs appear reasonable based on the comparable data – as a percentage of revenue and on a cost per occupied room basis.

Food and Beverage Expenses include the costs of goods sold (food and beverages), labour and related benefits, and other operating expenses. Labour costs include departmental management, cooks and kitchen personnel, service staff, banquet staff and bartenders. Other operating expenses include china, silverware, linens, restaurant and kitchen supplies, menus and printing, and special promotions. As with the rooms department, payroll costs are typically the largest component. The comparable data and projections for the subject are summarized as follows:

FOOD & BEVERAGE EXPENSES				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$529	83.30%	\$5,872	\$25
Year 3	\$562	79.26%	\$6,244	\$25
British Columbia Limited Service	\$0	0.00%	\$0	\$0
British Columbia Full Service	\$4,317	78.71%	\$17,065	\$61
National Select Service	\$658	79.37%	\$4,475	\$19

Source: CBRE Hotels

Projections have been based on a review of comparable properties and industry norms. F&B Expenses are projected at 83.0% of revenue in Year 1 (\$25.00 per occupied room night) and are projected to hold at this expense to revenue ratio over the projection period.

Other Operating Departments' Expenses are those expenses which offset the revenue generated by other operated departments, such as the telecommunications equipment and phone lines, guest laundry, parking, and market sundry shop. The comparable data and projections for the subject are summarized as follows:

TELECOMMUNICATIONS AND OTHER OPERATING DEPARTMENTS EXPENSES				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$32	50.00%	\$353	\$2
Year 3	\$34	50.00%	\$375	\$1
British Columbia Limited Service	\$19	36.55%	\$182	\$1
British Columbia Full Service	\$503	97.45%	\$1,988	\$7
National Select Service	\$62	54.60%	\$421	\$2

Source: CBRE Hotels

Expenses are projected to be 50% of revenues in Year One, and are expected to hold at this level throughout the investment horizon. Projections are based on comparable properties and industry norms and are deemed reasonable for the subject hotel.

Undistributed Expenses

Undistributed operating expenses are typically not directly related to an associated revenue source, but can be compared on the basis of total revenues for similar types of hotels. These expenses are therefore compared and estimated as a percentage of total revenues.

Administrative and General Costs include payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller and accounting staff. Other expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment. The comparable data and projections for the proposed hotel are summarized as follows:

ADMINISTRATION AND GENERAL EXPENSES				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$294	7.59%	\$3,268	\$14
Year 3	\$310	7.18%	\$3,450	\$14
British Columbia Limited Service	\$149	3.88%	\$1,451	\$5
British Columbia Full Service	\$1,105	5.41%	\$4,368	\$16
National Select Service	\$449	7.68%	\$3,053	\$13

Source: CBRE Hotels

Administration and General Expenses are projected to be 8.7% of revenue or \$3,167 per available room in Year One. As the hotel stabilizes and revenues increase, A&G expenses are projected to decline to 8.3% by Year Three. Overall the projections are deemed to be reasonable given the size, location and nature of the proposed hotel.

Information & Technology Systems expenses include the costs of internet, equipment rental, labour cost of operators and other related expenses. The comparable data and projections for the proposed hotel are summarized as follows:

IT Expenses are projected to be 0.5% of revenue or \$165 per available room in Year One. IT expenses are expected to decline to 0.4% of total revenues by Year Three. Overall the projections are deemed to be reasonable given the size, location and nature of the proposed hotel.

Sales & Marketing Expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff and civic and community projects. This category may also include a national advertising fee or assessment paid to the franchise company, plus the cost of frequent guest stay programs. The comparable data and projections for the proposed hotel are summarized as follows:

SALES AND MARKETING EXPENSES

Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$144	3.71%	\$1,600	\$7
Year 3	\$152	3.51%	\$1,689	\$7
British Columbia Limited Service	\$145	3.77%	\$1,408	\$5
British Columbia Full Service	\$1,063	5.21%	\$4,203	\$15
National Select Service	\$196	3.35%	\$1,332	\$6

Source: CBRE Hotels

Sales and marketing expenses are projected to be 4.4% in Year 1 (\$1,600 per available room). This cost includes cost of onsite marketing but does not include any fees paid to a brand as part of the hotels' franchise agreement. Projections are based on comparable properties and industry norms and are deemed to be reasonable given the asset's proposed orientation and branding.

Franchise Fees include all Royalty and Program Fees charged by the brand as part of the hotels' franchise agreement. These fees have been projected based on our understanding of the fees for Select Service hotel brands in Canada, which typically range from 9% to 11% of gross rooms revenue.

Royalty Fees, assessed as a percentage of Gross Rooms Revenue, are projected to be 5.5% and a Program Fee of 4.5% of Gross Rooms Revenue is expected. This results in total Franchise Fees of 10.0% of Gross Rooms Revenue, in line with the range of typical Select Service hotel brand fees.

Property Operations & Maintenance Expense includes all payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds and the removal of waste matter. The comparable data and projections for the proposed hotel are summarized as follows:

PROPERTY OPERATIONS AND MAINTENANCE EXPENSES

Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$126	3.25%	\$1,400	\$6
Year 3	\$132	3.05%	\$1,467	\$6
British Columbia Limited Service	\$143	3.72%	\$1,388	\$5
British Columbia Full Service	\$778	3.81%	\$3,076	\$11
National Select Service	\$246	4.21%	\$1,676	\$7

Source: CBRE Hotels

Costs are estimated to be \$1,400 per available room in Year 1 (3.9% of revenue), declining to 3.6% by Year 3. The property will be newly constructed and will be in excellent condition. Our estimate will allow for the hotel to be maintained and to make ongoing repairs.

This cost is in addition to the 4.0% FF&E Reserve used in our forecast.

Utility Expenses typically include electricity, fuel (oil and gas) and water. This category also includes any central plant and energy management systems. The comparable data and projections for the proposed hotel are summarized as follows:

UTILITIES EXPENSES				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$108	2.79%	\$1,200	\$5
Year 3	\$113	2.62%	\$1,258	\$5
British Columbia Limited Service	\$122	3.17%	\$1,183	\$4
British Columbia Full Service	\$494	2.42%	\$1,951	\$7
National Select Service	\$272	4.65%	\$1,848	\$8

Source: CBRE Hotels

Utility costs appear reasonable on a per available room basis and costs are in line with industry norms on a per available room basis.

Other Expenses

Management Fees are estimated at 3.0% of gross revenues, which is in line with industry averages for this type of hotel.

Fixed Charges

Municipal Taxes and Insurance is largely comprised of realty taxes. This cost is based on the comparable properties specifically within Maple Ridge and falls in line with the comparable national samples.

REAL ESTATE TAXES AND INSURANCE				
Year	Total \$ (000's)	% Sales	Per Available Room	Per Occupied Room
Year 1	\$144	3.71%	\$1,600	\$7
Year 3	\$150	3.46%	\$1,665	\$7
British Columbia Limited Service	\$149	3.88%	\$1,449	\$5
British Columbia Full Service	\$481	2.35%	\$1,900	\$7
National Select Service	\$333	5.69%	\$2,263	\$9

Source: CBRE Hotels

Taxes and insurance costs are calculated at \$1,400 and \$200 respectively, per room in Year One. Tax expense is estimated only and actual assessment and taxes for the hotel could differ from our estimate once the hotel is developed.

Reserve for Replacement

Reserve for Capital Replacement includes structural reserve and FF&E reserve. Structural reserves account for the replacement of short-lived items, including the roof, building systems, and parking lot. FF&E reserves for replacement are typically included in hotel expense projections to account for the periodic replacement of the furniture, fixtures and equipment (FF&E). It does not reflect the value of existing FF&E. It is solely an expense to reflect future replacements of short-lived items. This expense can be based on the actual replacement cost of the FF&E, its projected economic life and a reasonable reinvestment rate for the reserve funds (essentially a sinking fund account).

An alternative and more widely utilized method is to estimate FF&E reserves based on a percentage of total revenues. Typically market participants calculate reserves at 4.0%.

Summary

To verify the reasonableness of the projected expenses, we compared the proposed hotel's expenses to industry results as compiled by CBRE Hotels. Operating expenses are compared to a sample of comparable hotels identified in the chart below.

Proposed Hotel Maple Ridge, BC - Expense Comparison				
	British Columbia Limited Service	British Columbia Full Service	National Select Service	Subject Year One
Rooms Department Cost				
% of Room Revenue	31.44%	30.84%	28.21%	27.05%
Food & Beverage Cost				
% of Food & Beverage Revenue	0.00%	78.71%	79.37%	83.30%
Administration and General				
% of Room Revenue	3.88%	5.41%	7.68%	7.59%
Marketing				
% of Gross Revenue	3.77%	5.21%	3.35%	3.71%
Maintenance				
\$ per Available Room	\$1,388	\$3,076	\$1,676	\$1,400
Energy				
\$ per Available Room	\$1,183	\$1,951	\$1,848	\$1,200
Realty Tax & Insurance				
\$ per Available Room	\$1,449	\$1,900	\$2,263	\$1,600

Source: CBRE Hotels, Trends 2016 Canadian Edition

As shown above, the proposed hotel is expected to operate at ratios similar to industry norms.

Projected Operating Results

Outlined on the following page are the projected results for the proposed 90 room, branded, select service hotel, assuming an opening date of January 1, 2020.

Hotel Feasibility Study, Maple Ridge, BC
For Period Beginning

January 2020

(Numbers in 000's)

PERIOD	Forecast			Forecast			Forecast			Forecast			Forecast		
	Year 1	% Sales	PAR/POR	Year 2	% Sales	PAR/POR	Year 3	% Sales	PAR/POR	Year 4	% Sales	PAR/POR	Year 5	% Sales	PAR/POR
No. of Rooms	90			90			90			90			90		
ANNUAL AVAILABLE ROOMS	32,850			32,850	0.00%		32,850	0.00%		32,850	0.00%		32,850	0.00%	
ROOMS SOLD	21,150			21,959	3.82%		22,716	3.45%		22,716	0.00%		22,716	0.00%	
OCCUPANCY	64.4%			66.8%	3.82%		69.1%	3.45%		69.1%	0.00%		69.1%	0.00%	
AVERAGE RATE	\$148.78			\$151.73	1.99%		\$154.75	1.99%		\$157.85	2.00%		\$161.01	2.00%	
RevPAR	\$95.79			\$101.43	5.89%		\$107.01	5.50%		\$109.15	2.00%		\$111.34	2.00%	
OPERATING REVENUE															
Guest Rooms	\$3,147	81.18%	\$148.78	\$3,332	81.22%	\$151.73	\$3,515	81.27%	\$154.75	\$3,586	81.27%	\$157.85	\$3,657	81.27%	\$161.01
Food & Beverage	\$635	16.37%	\$30.00	\$672	16.38%	\$30.60	\$709	16.39%	\$31.21	\$723	16.39%	\$31.84	\$738	16.39%	\$32.47
Miscellaneous Income	\$32	0.82%	\$1.50	\$33	0.80%	\$1.50	\$34	0.79%	\$1.50	\$35	0.79%	\$1.53	\$35	0.79%	\$1.56
Telecommunications and Other Operating Departments	\$63	1.64%	\$3.00	\$65	1.60%	\$2.98	\$67	1.56%	\$2.97	\$69	1.56%	\$3.03	\$70	1.56%	\$3.09
Lease Income	\$0	0.00%	\$0.00	\$0	0.00%	\$0.00	\$0	0.00%	\$0.00	\$0	0.00%	\$0.00	\$0	0.00%	\$0.00
Total Operating Revenue	\$3,876	100.00%	\$183.28	\$4,102	100.00%	\$186.81	\$4,326	100.00%	\$190.43	\$4,412	100.00%	\$194.24	\$4,501	100.00%	\$198.13
DEPARTMENTAL EXPENSES															
Guest Rooms	\$851	27.05%	\$40.25	\$888	26.66%	\$40.45	\$925	26.30%	\$40.71	\$943	26.30%	\$41.52	\$962	26.30%	\$42.35
Food & Beverage	\$529	83.30%	\$24.99	\$545	81.15%	\$24.83	\$562	79.26%	\$24.74	\$573	79.26%	\$25.23	\$585	79.26%	\$25.74
Telecommunications and Other Operating Departments	\$32	50.00%	\$1.50	\$33	50.00%	\$1.49	\$34	50.00%	\$1.48	\$34	50.00%	\$1.51	\$35	50.00%	\$1.54
Total Departmental Expenses	\$1,412	36.41%	\$66.74	\$1,466	35.74%	\$66.77	\$1,520	35.15%	\$66.93	\$1,551	35.15%	\$68.27	\$1,582	35.15%	\$69.63
TOTAL DEPARTMENTAL INCOME	\$2,465	63.59%	\$116.54	\$2,636	64.26%	\$120.04	\$2,805	64.85%	\$123.50	\$2,862	64.85%	\$125.97	\$2,919	64.85%	\$128.49
UNDISTRIBUTED EXPENSES															
Administration & General	\$294	7.59%	\$3,268	\$302	7.37%	\$3,359	\$310	7.18%	\$3,450	\$317	7.18%	\$3,519	\$323	7.18%	\$3,589
IT Systems	\$16	0.41%	\$175	\$16	0.39%	\$178	\$16	0.38%	\$182	\$17	0.38%	\$186	\$17	0.38%	\$189
Sales & Marketing	\$144	3.71%	\$1,600	\$148	3.61%	\$1,644	\$152	3.51%	\$1,689	\$155	3.51%	\$1,723	\$158	3.51%	\$1,757
Franchise Fees	\$315	10.00%	\$3,496	\$333	10.00%	\$3,702	\$352	10.00%	\$3,906	\$359	10.00%	\$3,984	\$366	10.00%	\$4,064
Property Operations & Maintenance	\$126	3.25%	\$1,400	\$129	3.14%	\$1,433	\$132	3.05%	\$1,467	\$135	3.05%	\$1,497	\$137	3.05%	\$1,526
Utilities	\$108	2.79%	\$1,200	\$111	2.70%	\$1,229	\$113	2.62%	\$1,258	\$115	2.62%	\$1,283	\$118	2.62%	\$1,308
Total Undistributed Expenses	\$1,003	25.86%	\$47.40	\$1,039	25.33%	\$47.32	\$1,076	24.86%	\$47.35	\$1,097	24.86%	\$48.30	\$1,119	24.86%	\$49.26
GROSS OPERATING PROFIT	\$1,462	37.73%	\$69.14	\$1,597	38.93%	\$72.72	\$1,730	39.99%	\$76.15	\$1,764	39.99%	\$77.67	\$1,800	39.99%	\$79.23
Management Fees	\$116	3.00%		\$123	3.00%		\$130	3.00%		\$132	3.00%		\$135	3.00%	
INCOME BEFORE FIXED CHARGES	\$1,346	34.73%	\$14,957	\$1,474	35.93%	\$16,375	\$1,600	36.99%	\$17,778	\$1,632	36.99%	\$18,134	\$1,665	36.99%	\$18,497
NON-OPERATING INCOME AND EXPENSES															
Property and Other Taxes	\$126	3.25%	\$1,400	\$129	3.13%	\$1,428	\$131	3.03%	\$1,457	\$134	3.03%	\$1,486	\$136	3.03%	\$1,515
Insurance	\$18	0.46%	\$200	\$18	0.45%	\$204	\$19	0.43%	\$208	\$19	0.43%	\$212	\$19	0.43%	\$216
Total Non-Operating Income and Expenses	\$144	3.71%	\$1,600	\$147	3.58%	\$1,632	\$150	3.46%	\$1,665	\$153	3.46%	\$1,698	\$156	3.46%	\$1,732
EBITDA	\$1,202	31.01%	\$13,357	\$1,327	32.35%	\$14,743	\$1,450	33.53%	\$16,114	\$1,479	33.53%	\$16,436	\$1,509	33.53%	\$16,765
Less: Reserve for Replacement	\$155	4.00%		\$164	4.00%		\$173	4.00%		\$176	4.00%		\$180	4.00%	
EBITDA after Reserve for Replacement	\$1,047	27.01%	\$11,634	\$1,163	28.35%	\$12,920	\$1,277	29.53%	\$14,191	\$1,303	29.53%	\$14,475	\$1,329	29.53%	\$14,764

Source: CBRE Hotels



Investment Analysis
Investment Analysis
Development Economics

INVESTMENT ANALYSIS

The purpose and intended use of this report is to determine the level of market and economic support for a potential hotel development in Maple Ridge, British Columbia. The conclusions offered in this report are preliminary in nature, and could be subject to change should a specific site and hotel development program be identified. CBRE Hotels are not quantity surveyors and any capital cost estimates presented in this report were prepared based on information provided from secondary sources. These cost estimates do not necessarily represent actual capital costs that could be incurred in development of a proposed hotel at a suitable site within Maple Ridge.

This section discusses the preliminary order of magnitude capital costs of developing the recommended hotel scenario and an analysis of the investment parameters for the proposed hotel. Further, a discussion of the potential contribution that the City of Maple Ridge may consider to assist in attracting investment is presented.

DEVELOPMENT ECONOMICS

Preliminary Order of Magnitude Capital Costs

In estimating the base building costs of the subject property as a 90 room select service, branded hotel in Maple Ridge, British Columbia, we have utilized the Marshall Valuation Service handbook, an industry accepted publication. On a minimum 1.5 acre site, construction of the subject hotel would likely consist of a 3-4 storey, wood frame build and would entail surface parking. As outlined in the facility program provided earlier in this report, typical building area for a hotel of this nature would be in the range of 55,000 square feet or approximately 600 square feet per guest room. The estimated capital costs before land are summarized as follows:

Estimated Project Cost Summary			
Item	Cost	%	Cost Per Room
Building Construction Hard Costs	\$11,600,000	78.9%	\$128,889
Furniture, Fixtures & Equipment	\$1,350,000	9.2%	\$15,000
Soft Costs	\$1,750,000	11.9%	\$19,444
Total Project Costs	\$14,700,000	100.0%	\$163,333

Source: CBRE Hotels, Marshall Valuation Service

As shown, the cost summary above provides the estimated construction hard costs, cost of furniture, fixtures and equipment and soft costs (typical soft costs associated with hotel development such as architectural and engineering fees, legal fees, management costs, etc.) but does not include the cost of land. Based on our experience and industry practices, the cost of land for a hotel of this nature is ideally in the range of \$15,000-\$20,000 per room for select service hotel development. For the 90 room subject hotel, this would amount to \$1,350,000 to \$1,800,000 in traditional circumstances. This would put the total capital cost of the project at between **\$16.0-\$16.5 million or \$178,000-\$183,000 per room.**

Estimate of Supportable Investment Value

Yield Capitalization (Discounted Cash Flow) is a valuation method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change and yield. The procedure used to convert periodic income and reversion into present value is called *discounting*; the required yield rate of return is called the *discount rate*. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested. Yield capitalization is also called *discounted cash flow analysis*, or DCF, because a discount rate is used to calculate the present value of anticipated future cash flows.

We have utilized the Discounted Cash Flow (DCF) methodology, in order to quantify the level of investment that could reasonably be supported based on the operating projections for the potential hotel as presented in this report.

The DCF calculations indicate that the hotel could support a total investment in the range of **\$15.0-\$16.5 million or \$167,000 to \$183,000 per room.**

As noted, a key consideration for development is the overall project cost and the impact on potential return on investment. We have estimated the potential development cost for a 90 room, branded, select service hotel in Maple Ridge. Under a traditional development model (a 1.5 acre site, 3-4 storey development, with surface parking), a freestanding, select service hotel in Maple Ridge has the potential to generate sufficient returns to attract private sector investment.

Alternate Hotel Development Option – “High Rise” Hotel on Municipally Owned Site (224 Street and Haney Place)

There is one municipally owned, potential hotel site identified by City representatives, located on 224th Street and Haney Place in the downtown core, that is reported at 0.766 acres in size. With that small footprint, a developer would have to construct a taller “high rise” hotel that would be in excess of the four to six storey range of a wood frame project. We estimate that high rise/tower construction would increase development costs in the range of 10% (\$1.5 million or \$15,000 per room).

In addition, the small site area would require that the hotel developer build underground parking. We have estimated that the development of underground parking (based on 90 stalls) could add an additional \$3.0 million (\$30,000 per room) or higher to the project cost. Using these estimates, a high rise hotel on the municipally owned site at 224 Street and Haney Place could have a total project cost that would increase by approximately \$4.5 million or \$50,000 per room over the four storey, frame construction scenario described herein. This would put the total capital cost of the project as a high rise hotel at between **\$20.5-\$21.0 million or \$228,000-\$233,000 per room.**

The projected financial operating results for a “high rise” hotel in Maple Ridge with the same facilities/amenities would be the same as for development of a 4 storey, wood frame constructed, select service hotel on a 1.5 acre site. Thus, while the prospect of a highly visible, prominent hotel in Maple Ridge may be desirable from an aesthetic perspective, the project would have a significant shortfall between the estimated development costs and the supportable value.

Land and Development Cost Issues Impacting the Investment Opportunity

Land Cost

As previously indicated, the cost of land for select service hotel development in Canada is ideally in the range of \$15,000-\$20,000 per room or approximately \$1.35 to \$1.8 million. For a 1.5 acre site (65,340 SF) this would equate to \$20-\$28 per square foot. While a full land analysis was not conducted, CBRE Hotels reviewed some recent commercial land transactions within the City of Maple Ridge to understand local costs. The sales reviewed indicated a price per square foot to be in the range of \$35-\$45 equating to \$1.5 to \$2.0 million per acre or \$25,000-\$35,000 per room. Further, one of the sites identified by City proponents as a potential site for hotel development, located on Lougheed Highway at 223rd Street in the downtown core, is currently listed with a commercial broker at over \$80 per square foot.

At a (hypothetical) mid-range price of \$40 per square foot, the cost of land for the subject hotel development could amount to \$2.6 million or almost \$30,000 per room (based on 90 rooms). Total project construction costs with land for a 90 room hotel on a 1.5 acre site (no underground parking, four storey frame constructed) would be approximately **\$17,300,000 or \$192,000 per room** which would be above the indicated supportable value range of \$15.0-\$16.5 million (\$167,000 to \$183,000 per room).

Based on our analysis, we are concerned that land costs in preferred locations in Maple Ridge could increase a hotel project budget such that the projected cash flow would not allow for a sufficient return on investment. Therefore, soliciting developer interest from an existing land owner should be considered by municipal representatives.

Development Cost

As previously described in this section, the identified site at 224 Street and Haney Place would require the development of a “high rise” hotel with underground parking. Any other site that would have development potential but a similarly small total area/footprint (ie. 1 acre or smaller) would also require development of a taller hotel with underground parking. Our calculation of the supportable value range is below the estimated development cost, thereby eliminating the site/opportunity for consideration.

Shared Accommodation Strategy

Airbnb Performance

Consumer & Industry Trends

Shared Accommodation Strategies

Implications for City of Maple Ridge

INTRODUCTION

As an additional step in the subject study, CBRE has been asked to consider the opportunity for Maple Ridge to promote sharing accommodation platforms as inventory for visitors to the City. Although there are numerous platforms available, CBRE's analysis has focused on Airbnb, which represents the largest sharing accommodation rental provider in Canada.

The following section provides an overview of the performance of active Airbnb units in Maple Ridge over the most recent 12-month period in relation to the Greater Vancouver Area, an overview of consumer trends relating to the popularity of Airbnb, key issues being raised by the hotel industry in relation to the sharing economy, and implications for the City of Maple Ridge.

Airbnb Performance

For our analysis of Airbnb, we have relied on estimates of performance from **Airdna (Airdna.co)**. Airdna tracks Airbnb listings and revenue generated by Airbnb hosts. Airdna data includes a unique identifier for each host as well as monthly nights available, nights rented, and the associated revenue for each property. This data covers only "active" units on Airbnb and excludes units that did not have a single booking over the previous month (defined as being "inactive"). The subject analysis includes Airdna data from the most recent 12-month period from April 1, 2016 to March 31, 2017.

The following table shows the performance of Airbnb in Maple Ridge over the April 2016-March 2017 period, and breaks out the performance of single unit Entire Homes (wherein the guest has complete and sole access to the entire unit during their stay), and All Other units (which include private rooms, shared rooms, and other unique property rentals).

Airbnb Performance in City of Maple Ridge vs Greater Vancouver - April 1, 2016 to March 31, 2017

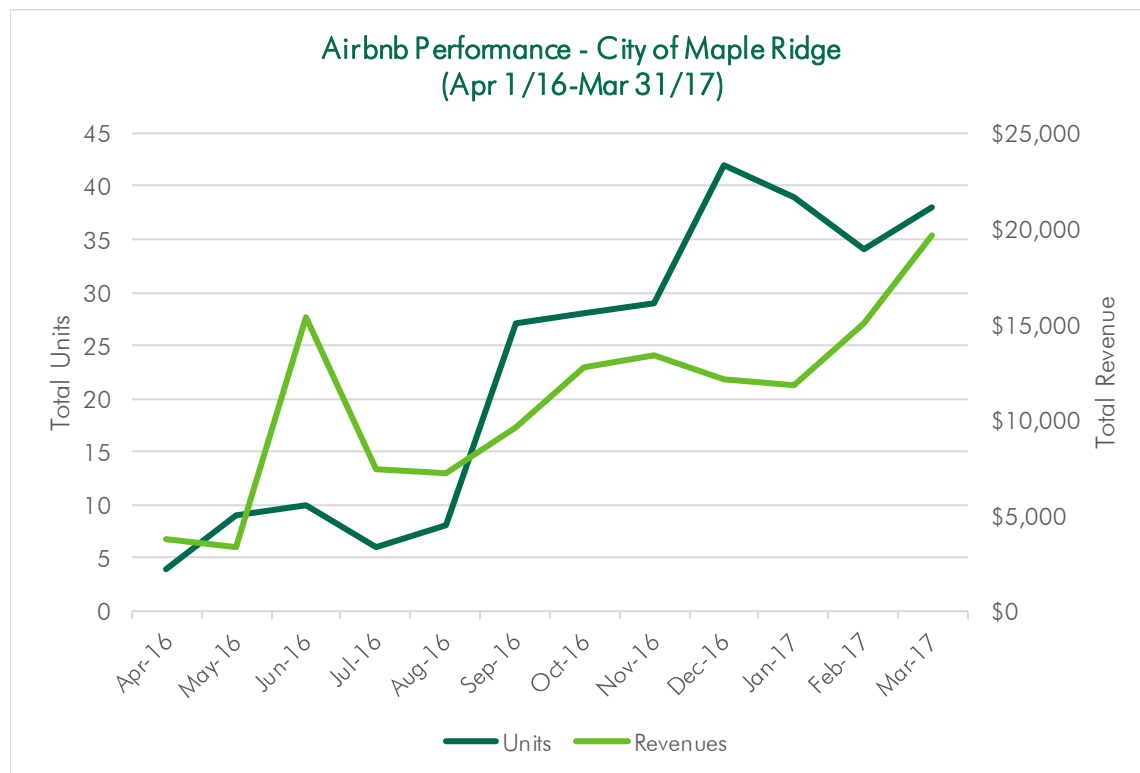
MARKET	UNIT TYPE	HOSTS	UNITS	REVENUE
City of Maple Ridge	Entire Home	34	34	\$61,100
	All Other	22	29	\$70,500
	Total	56	63	\$131,600
Greater Vancouver Area	Entire Home	7,357	9,688	\$85,256,200
	All Other	2,314	4,736	\$18,763,600
	Total	9,671	14,424	\$104,019,800
City of Maple Ridge - Share of GVA Performance	Entire Home	0.5%	0.4%	0.1%
	All Other	1.0%	0.6%	0.4%
	Total	0.6%	0.4%	0.1%

Source: Airdna.co, CBRE

* Includes All Airbnb Rentals (Entire Home, Shared Room and unique property rentals)

As shown, in the year ended March 31, 2017, the City of Maple Ridge had 56 hosts renting out 63 active units, which generated a total of \$131,600. An estimated 34 hosts listed 34 entire home units, indicating that each unique host only rented out one home, and generated a total of \$61,100 in the 12-month period. In comparison, 22 hosts rented out 29 other units in Maple Ridge (i.e. shared and private rooms), generating \$70,500. Shared rooms and other types of Airbnb rentals comprised 53% of Airbnb revenues in Maple Ridge, as compared to the rest of the Greater Vancouver Area, wherein these types of unit rentals only made up 18% of Airbnb rental revenue. Overall, rentals in Maple Ridge represented 0.6% of Airbnb hosts in the GVA, 0.4% of the units, and 0.1% of revenues.

The following chart graphically depicts the growth in active units and Airbnb revenues on a monthly basis in Maple Ridge for the April 1/16 to March 31/17 period. As shown, following an increase of 19 units in September 2016, the total number of active units has increased on a steady basis in Maple Ridge, with the largest amount of available inventory in December 2016 (total 42 active units). In contrast, Airbnb revenues ranged from \$3,400 to \$20,000 over the 12-month period, with the biggest spikes occurring in June 2016 (\$15,400) and March 2017 (\$19,700).



Source: Airdna.co, CBRE

Consumer & Industry Trends

The rapid growth of peer-to-peer sharing accommodation platforms has been enabled by two factors:

1. Technological innovation – which streamlines market entry for suppliers, makes searching easy for consumers and keeps transaction overhead low; and
2. Supply-side flexibility – which allows hosts to list and de-list services very easily.

Although there are a large number of platforms available for consumers to choose from today, the most active by far is Airbnb. Founded in August 2008 in San Francisco, California, Airbnb has grown from accommodating 21,000 guests in 2009 to over 80 Million guests in 2016. In 2017, Airbnb reported having 3 million+ listings worldwide in 65,000 cities and 191 countries.

Over the past 8 years, the number of Airbnb guest arrivals worldwide has increased at a compound annual growth rate of 225%. In Canada, the average number of active Airbnb units has almost doubled in the past 2 years, from 52,000 in 2015 to just over 100,500 in 2016 (April 1, 2016 to March 31, 2017), representing an increase of 93%. In 2016, Airbnb's share of total accommodation supply in Canada (including hotel rooms and Airbnb units) reached 18%, and Airbnb rentals generated an estimated \$554 million.

Airbnb has primarily targeted the leisure traveller, but this is changing as some commercial properties are also starting to put their supply on the market. At the same time, many Airbnb hosts with multiple properties are not paying commercial property taxes, and in larger communities suffering from housing shortages, this has become a larger municipal concern. Furthermore, hotel supply is fixed (i.e., the hotel room is available for rent every night of the year), whereas Airbnb supply is fluid (i.e., Airbnb hosts can take supply off and on the distribution platform, based on when they choose to rent it), leading to challenges in both monitoring and measuring performance. These issues have led to a number of concerns that are starting to be voiced by the hotel industry.

According to CBRE's analysis of Airdna data, there are approximately 68,600 entire-home units listed on Airbnb in Canada, out of a total of 100,500 units. In comparison, there are approximately 450,000 hotel rooms in Canada. In other words, there were 6.5 hotel rooms for every entire-home Airbnb units entire-home Airbnb rental unit in 2016. In 2015, Airbnb represented 1.5% of total room revenues (hotel room revenue and Airbnb combined), which grew to 3% in 2016, and is estimated to be 5% by year end 2017. Guests of Canada's hotel properties contributed an estimated \$2.2 billion in consumer taxes and fees in 2016 (through a combination of destination marketing fees, tourism tax levies, PST, GST and/or HST applied to hotel room revenues). Amongst the 11 cities highlighted in the study, these consumer taxes and fees ranged from 12% to 18.5%, and averaged 15.3% in Canada overall. If the same rates were applied to the Airbnb revenues, Canada's Airbnb sector has the potential to contribute \$85 million in consumer taxes and fees to the Canadian economy.

Sharing Accommodation Strategies

With respect to a potential initiative to promote shared accommodations or short-term rentals through platforms such as Airbnb, there are limited examples in Canada. The most common examples are tied to large-scale events. For instance, in advance of the 2008 Democratic National Convention in Denver,

Colorado, the Mayor considered opening public parks accommodations. Airbnb launched its platform to connect locals with extra space in their homes to convention attendees. Similarly, before the 2012 London Summer Olympics, Airbnb organized an event to connect local hosts with government and Olympic authorities, to learn how to best prepare for the Games. Airbnb's hosts were recognized as unofficial ambassadors of London and "neighborhood concierges." Airbnb also worked collaboratively with the Brazilian government to accommodate excess demand for the 2014 World Cup, and in Canada, worked with the City of Winnipeg to accommodate attendees of the Grey Cup in 2015.

Those jurisdictions that have worked with Airbnb to bid on and host large scale events also tend to be larger urban centres with facilities capable of hosting conventions, tournaments, etc. When not hosting larger events, most communities are more concerned with finding ways to regulate short-term rental by requiring owners to rezone their properties, or pushing to recategorize the properties as businesses.

The Centre for Sustainability Whistler addressed the topic of short-term rentals (STRs) in the late nineties, and have a dedicated arm assisting communities to navigate concerns and develop relevant policies. According to the Centre for Sustainability Whistler "getting the policy right means understanding the scope of the activity, knowing what your community wants and needs, understanding leading practices and using that to guide policy."¹ Whistler's current approach only permits STRs in new residential developments, in order to maintain a vibrant village/neighbourhood; the Municipality of Sun Peaks is allowing the opportunity for STRs throughout the community so visitors have more choice, and Tofino restricted STRs to larger size lots with a resident present onsite. Tofino, being a known tourist destination, originally established rules for vacation rentals in 2005, but in 2017, City Council decided to double fines for hosts operating without a business licence, or in zones where vacation rentals aren't permitted.

In June 2017, Tofino put in a request to BC Assessment to come up with a split classification for this new kind of business, ensuring fair taxation rules are applied across the accommodation industry in the Province. This initiative is still underway and no decision has been made to date.

Implications for the City of Maple Ridge

As discussed, during the Apr/16-Mar/17 period, an estimated 63 Airbnb units generated \$131,500 in revenue for the City of Maple Ridge, representing less than 1% of units and revenues generated by Airbnb in the Greater Vancouver Area. Unit availability peaked over the winter months, which corresponds to both vacation schedules for many residents and periods of winter sport tournaments.

As identified earlier in this report, in addition to those properties located in Maple Ridge, a proposed hotel would compete with 802 hotel rooms at properties located in Pitt Meadows, Port Coquitlam, Langley Township and Mission. An estimated 50% of demand for hotel rooms in 2016 derived from the leisure segment, as the regional area is a popular destination for various sporting events and for sports teams, community festivals and those looking to participate in outdoor recreational activities such as golf, hiking, biking, boating, etc. This regional market also has a high level of both leisure travelers visiting friends and relatives and those visiting Vancouver, generally, but choosing to stay in the Greater Vancouver area for lower rates and better availability. These markets have a lot of crossover with demand for Airbnb properties,

¹ <http://www.whistlercentre.ca/2015/04/airbnb-syndrome-a-new-opportunity-to-get-residential-nightly-rentals-right/>

but there would be no immediate benefit to the Municipality to promote Airbnb units over hotel units and, in fact, this might be perceived as an unfavourable strategy relative to the regional hotel market.

An example of a potential opportunity for the City to work with sharing accommodation platforms like Airbnb, is when bidding on or hosting large-scale events. For instance, the City of Maple Ridge has been selected to host the 2020 BC Summer Games. This four-day event is estimated to attract 3,700 athletes, coaches, managers and officials, and up to 3,000 volunteers are required to assist for proceedings. The City may have an opportunity to launch a platform to connect local residents with extra space in their homes to event attendees, volunteers, athletes and other management. However, it is strongly suggested that the City ensure the regional hotels are part of any strategic initiatives that involve overnight accommodations for the Summer Games, and part of any discussion that involves working with Airbnb and other sharing accommodation platforms.

That being said, we believe that you cannot rely on the shared accommodation platform as a primary means of attracting additional events, festivals, conferences, etc. into Maple Ridge as there is no control of the inventory availability of Airbnb units. The majority of corporate and meeting/conference travel policies have not fully embraced allowing delegates/employees to utilize shared accommodation. Some reasons include safety concerns, concerns around quality control, proper billing procedures, accessibility and transportation and appropriate insurance policies.

Addendum "A"

Assumptions and Limiting Conditions



ASSUMPTIONS AND LIMITING CONDITIONS

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

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

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



Addendum "B"

Glossary of Industry Terms

Supply: Available Room Nights (ARNs)

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

Demand: Occupied Room Nights (ORNs)

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

Occupancy Rate

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

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

Average Daily Rate (ADR)

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

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

Rooms Revenue per Available Room (RevPAR)

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

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

Market Segmentation

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