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May 10, 2016

Mr. Bill Corsan
City of Nanaimo
2020 Labieux Road
Nanaimo, British Columbia
V2T 4M7

Via email: Bill.Corsan@nanaimo.ca

RE: PROPOSED CONFERENCE CENTRE HOTEL MARKET FEASIBILITY STUDY, NANAIMO, BRITISH COLUMBIA – FINAL REPORT

Dear Mr. Bill Corsan:

In accordance with the terms of our engagement, CBRE Limited is pleased to submit our Final Report Market and Feasibility Study findings in conjunction with assessing the viability of a potential hotel development to be located adjacent to the Vancouver Island Conference Centre (VICC).

This report has been prepared solely for the use of the City of Nanaimo. We understand that this report will be used for internal discussions related to the proposed conference centre hotel development and could potentially be utilized in discussions with potential developers for the project. It may not be used for any other purpose.

The entire study, including all findings and conclusions, pertain to the Nanaimo, B.C. 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 of March 18, 2016.

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.

As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sale of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

Yours very truly,

A handwritten signature in blue ink, appearing to read "Fran Hohol".

Fran Hohol, CMC
Senior Director
Tourism & Leisure Group

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EXECUTIVE SUMMARY

Study Purpose

CBRE Hotels was retained by the City of Nanaimo in January 2016 to assess the market and financial feasibility of a proposed Conference Centre hotel to be located at 100 Gordon Street, on a vacant site adjacent to the Vancouver Island Conference Centre.

Economic Overview

Overall, B.C.'s real GDP growth is forecast to reach 2.7% in 2016 and 3.4% in 2017. Employment is expected to grow by 2.2% in 2016 and 2.4% in 2017. As a result, the unemployment rate is forecasted to drop from 6.2% in 2016 to 5.7% in 2017.

The City of Nanaimo is a key transportation hub for Vancouver Island, and given its state of the art Conference Centre, waterfront location, new cruise ship terminal, Casino and highly regarded museum and sport infrastructure, the City of Nanaimo is well positioned for tourism and future increased visitation to the area.

However, despite Tourism Nanaimo's mission to promote Nanaimo as a year-round leisure tourism destination and an attractive destination to hold meetings, conventions and sporting events, Tourism Nanaimo has not strategically planned or implemented any marketing activities specifically directed towards M&C markets. As a result, no collaborative destination marketing plan exists between Nanaimo Tourism, the Vancouver Island Conference Centre (VICC) and its hotel partners.

Hotel Site Analysis

Located in the heart of downtown Nanaimo, the proposed hotel site is directly across from the VICC and enjoys proximity to key local and visitor demand generators, as well as the waterfront. The subject site is highly accessible to the mainland of B.C. via plane or ferry to Vancouver and can be accessed by major highways that connect Nanaimo to other Vancouver Island regions, including Victoria. At a site size of 0.42 acres, the proposed hotel will need to be a high rise structure, requiring concrete pilings, which will have implications on development costs.

Competitive Hotel Supply

The proposed VICC hotel's current primary competitive supply would be comprised of a total of 9 hotels in Nanaimo, consisting of 775 rooms. Although competitive hotels are all located within a 15 minute drive from the subject site, the proposed hotel would enjoy superior positioning for meeting and convention delegates, and compete for leisure and corporate/commercial demand, due to its location, and affiliation with a national brand.

Apart from the subject hotel, there are 2 other proposed hotels in Nanaimo including: a 32-storey proposed luxury waterfront Hilton hotel planned to have 303 rooms; and a 160 room hotel as part of a 6,000-seat arena development proposed on the 6.5 acre of the existing Howard Johnson hotel at 1 Terminal Avenue.

The current Nanaimo market only has the capacity to accommodate one new hotel and we have assumed this property to be the subject proposed VICC hotel.

Historic Accommodation Market Performance

Supply in the primary Nanaimo competitive hotel market has remained stable over the past five years at 775 guest rooms. Over the past 3 years, the Nanaimo market has experience year over year growth in demand of 3 to 4% per annum, which is reflective of the overall strong Provincial economy. Market occupancy levels have increased from 55% in 2011 to reach 60% in 2015. From 2012 to 2014 growth in Average Daily Rate (ADR) was minimal, however market ADR improved in 2015, growing 4% over 2014 levels to reach \$119.00.

The Corporate/Commercial market is the largest source of demand, followed by the leisure segment and meetings/conference segment. The M&C segment accounts for rooms demand generated for the purpose of attending meetings, conventions and social group functions internally within area hotels as well as at other venues within Nanaimo that offer public M&C facilities, such as the Vancouver Island Conference Centre. Approximately 43% of all M&C room night demand generated in 2015 (10,500 room nights) was self-generated by individual hotels holding meetings at their properties, while 57% (14,000 room nights) of Nanaimo's M&C demand was generated by events held at the VICC events in 2015.

TOTAL COMPETITIVE MARKET	2011	2012	2013	2014	2015
Rooms	773	775	775	775	775
Annual Occupancy	55.3%	54.8%	56.9%	58.6%	60.1%
Average Daily Rate	\$110.04	\$113.19	\$113.11	\$114.26	\$119.00
RevPar	\$60.87	\$62.07	\$64.33	\$66.94	\$71.53
Available Room Nights	282,145	282,875	282,875	282,875	282,875
Occupied Room Nights	156,058	155,137	160,888	165,726	170,024
Room Revenue	\$17,172,805	\$17,559,293	\$18,197,245	\$18,935,894	\$20,233,633
MARKET GROWTH	2011	2012	2013	2014	2015
Available Rooms	na	0.3%	0.0%	0.0%	0.0%
Occupied Room Nights	na	-0.6%	3.7%	3.0%	2.6%
Average Daily Rate	na	2.9%	-0.1%	1.0%	4.2%
Total Competitive Market	Compounded Annual Growth Rate (CAGR) 2011 - 2015	Total Growth 2011 - 2015	Market Segmentation 2015		
Available Rooms	0.1%	0.3%	Corporate	69,386	40.8%
Occupied Room Nights	2.2%	8.9%	Meeting/Conference	24,462	14.4%
Average Daily Rate	2.0%	8.1%	Leisure	59,349	34.9%
RevPar	4.1%	17.5%	Gov't/Other	16,826	9.9%
Source: CBRE Hotels			Total Market	170,024	100.0%

Subject Hotel Facility Program

In order to maximize the potential for the project, it is our opinion that the proposed subject hotel should be a branded, 150-room select service hotel. Some of the hotel brands that would fall underneath this designation would include:

- Fairfield Inn by Marriott;
- Courtyard by Marriott;
- Four Points by Sheraton;
- Hampton Inn by Hilton;
- Holiday Inn Express;

- Hilton Garden Inn; and
- Hyatt Place.

With the exception of Holiday Inn Express and Four Points by Sheraton, none of these brands are currently available on Vancouver Island. These brands of hotel typically feature spacious rooms with ample work space, complimentary high-speed Internet access in guest rooms and a complimentary breakfast each morning. Most hotels also have an on-site 24-hour pantry, a swimming pool, exercise center, 24-hour business center, meeting rooms, and guest use laundry facilities.

Subject Hotel Occupancy and ADR Projections

Based on our analysis, the 150-room potential hotel is projected to achieve a 125.8% market penetration in its first year of operation. As the operation matures and the hotel becomes more established in the market and an M&C Destination Sales Strategy is implemented for Nanaimo, its market penetration has been projected to improve to 135% by 2021. By 2022, the subject hotel is expected to stabilize at 74% occupancy, attracting an estimated 40,705 occupied room nights per annum.

	2019	2020	2021	2022	2023
Market Occupancy	53.3%	54.3%	55.1%	55.6%	56.2%
Market Average Daily Rate	\$132.64	\$135.96	\$139.36	\$142.84	\$146.41
Subject Occupancy	67.1%	70.9%	74.3%	74.3%	74.3%
Subject Average Daily Rate	\$156.52	\$160.43	\$164.44	\$168.55	\$172.76
Market Penetration - Subject	125.8%	130.6%	135.0%	133.6%	132.3%
Rate Penetration - Subject	120.0%	120.0%	120.0%	120.0%	120.0%

Source: CBRE Hotels

Subject Hotel Financial Operating Projections

Table 3 presents the projected pro forma operating statement for the 150-room select service hotel in downtown Nanaimo, with direct connections to the adjacent Vancouver Island Conference Centre.

Adjusted Net Operating Income for the hotel is projected to reach \$2,427,000 or 25.3% of revenue by Year 5 of operation.

1.0 INTRODUCTION

1.1 Study Background

Prior to the development and opening of the VICC in Spring 2008, the City of Nanaimo contracted Grant Thornton in 2004 to update a Market Feasibility Study and Financial Projection report completed in 2001 in order to reflect 2004 market and industry conditions. The City of Nanaimo retained CBRE Hotels in January 2016 to assess the market and financial feasibility of a proposed Conference Centre hotel to be located adjacent to the VICC, on a vacant site at 100 Gordon Street. In conjunction with this study, CBRE Hotels also prepared a partial update to the 2004 Market and Financial Assessment Study for the VICC to reflect 2016 market conditions and to assist the City in evaluating future VICC performance, operating decisions and management contract terms.

1.2 Study Purpose

CBRE Hotels was retained to undertake a preliminary hospitality feasibility study comprising of a market assessment for the subject proposed Vancouver Island Conference Centre Hotel. Specifically, the market assessment was completed with respect to: hotel industry context; current market supply and demand; competitive advantages/disadvantages of the site; projections (rooms, segmentation, occupancy, ADR); recommended franchise affiliation; programming of building; impact of strategic partnerships and amenities; and event business generated by the adjacent Vancouver Island Convention Centre.

1.3 Study Tasks

In meeting the study objectives, the consulting team completed the following tasks:

1. Undertook a field trip to Nanaimo from February 10 to 12, 2016, including a tour of the Vancouver Island Conference Centre and the potential site for hotel development and held a start-up meeting with City of Nanaimo representatives to address project objectives, an overview of the study approach, and information requirements. Meetings were held with the following City representatives and departments:
 - Ms. Tracy Samra, Chief Administrative Office, City of Nanaimo;
 - Mr. Bill Corsan, Manager Real Estate, City of Nanaimo;
 - Ms. Suzanne Samborski, Acting Director Strategic Relationships, City of Nanaimo;
 - Mr. Bruce Anderson, Manager Planning & Design, City of Nanaimo; and
 - Ms. Mary Smith, Manager Recreation Services, City of Nanaimo.
2. Assessed the physical characteristics and location of the subject hotel site, located adjacent to the Conference Centre.
3. Analyzed Nanaimo's competitive environment, in regards to the local accommodation market, primarily focusing on current and future supply demand dynamics and Nanaimo's current market position relative to the competition.
4. Held one on one meetings and/or telephone interviews with Nanaimo's key stakeholders and managers of key demand generators including:
 - Mr. John Hankins, Chief Executive Officer, Nanaimo Economic Development Corporation; and
 - Ms. Kara Walsh, Destination Development Specialist, Tourism Nanaimo

5. Held one on one meetings and/or telephone interviews with other key stakeholders including, but not limited to:
 - Mr. Dan Brady, Howard Johnson Hotel Nanaimo and President of Nanaimo Hospitality Association;
 - Mr. Henry Traa, GM, Coast Hotel Bastion;
 - Ms. Ashwak Sirri, Owner, Grand Hotel Nanaimo;
 - Mr. Odai Sirri, Owner, Grand Hotel Nanaimo;
 - Ms. Julie Park, GM BW Dorchester;
 - Ms. Monique De Chert. GM, Travelodge Nanaimo;
 - Mr. James Young, GM, Inn on Long Lake;
 - Mr. Ash Chadha, GM, Nanaimo Golf Club;
 - Mr. Arthur Wong, GM, Beach Club Resort, Parksville;
 - Ms. Margaret Spruit, Executive Director, Parksville Community Centre;
 - Ms. Sarah Lane, SEL Conference Services;
 - Ms. Wendy Sears, Lewis and Sears;
 - Ms. Jenn Houtby-Ferguson, Twist Consulting;
 - Ms. Jackie Fredericks, The HotKey Group; and
 - Mr. Jim Owens, Principal, JTO Hospitality Group.
6. Examined Nanaimo's tourism infrastructure, with emphasis on the current and future supply demand dynamics of the accommodation sector.
7. Analyzed the historic accommodation demand and supply performance of the Nanaimo hotel market over the past five years between 2011 and 2015, including the number of room nights generated by meetings and conventions (M&C) and the VICC.
8. Prepared a preliminary facility program for a 150 room select service hotel adjacent to the VICC.
9. Prepared supply and demand projections for the Nanaimo convention and conference market and the accommodation market for the 2016 to 2023 projection contemplating the development of a 150 room select service hotel adjacent to the VICC.
10. Prepared market share estimates and a penetration analysis for the proposed conference centre hotel development.
11. Prepared financial operating projections for the subject proposed hotel for the first five years of operation.
12. Documented study research, findings and conclusions in the subject Final report.

2.0 HOTEL SITE ANALYSIS

2.1 Site Location

As illustrated in Exhibit 2-1, the proposed subject hotel site is located at 100 Gordon Street, directly adjacent to the Vancouver Island Conference Centre at 101 Gordon Street. The site area measures approximately 1,695 m² or 0.17 hectares or 0.42 acres and is located centrally in Downtown Nanaimo. The proposed hotel site has direct frontage on Gordon Street, as well as side frontage on Museum Way and Cameron Road (refer to Exhibit 2-2). The legal description is Lot A, Section 1, Nanaimo District and the Bed of the Public Harbour of Nanaimo Plan EPP30518.

Zoning of the subject site (as of October 2013) is DT6 – Port Place, which would permit the development of a hotel. It is our understanding that the deemed value of land associated with the site is \$565,000.

2.2 Access and Visibility

The downtown area of Nanaimo is accessible from several key routes that run throughout the City. Gordon Street is located directly off of the Trans-Canada Highway/Highway 1. (The route is alternately known as Terminal Avenue within City limits.) This route runs north south through the City and was the original highway on Vancouver Island. The route is not an expressway. Rather, Highway 19, alternately known as the Island Highway, is the primary north/south freeway that connects large and small communities throughout Vancouver Island. Motorists travelling on Highway 19 can access downtown Nanaimo and the subject hotel site via several interchanges.

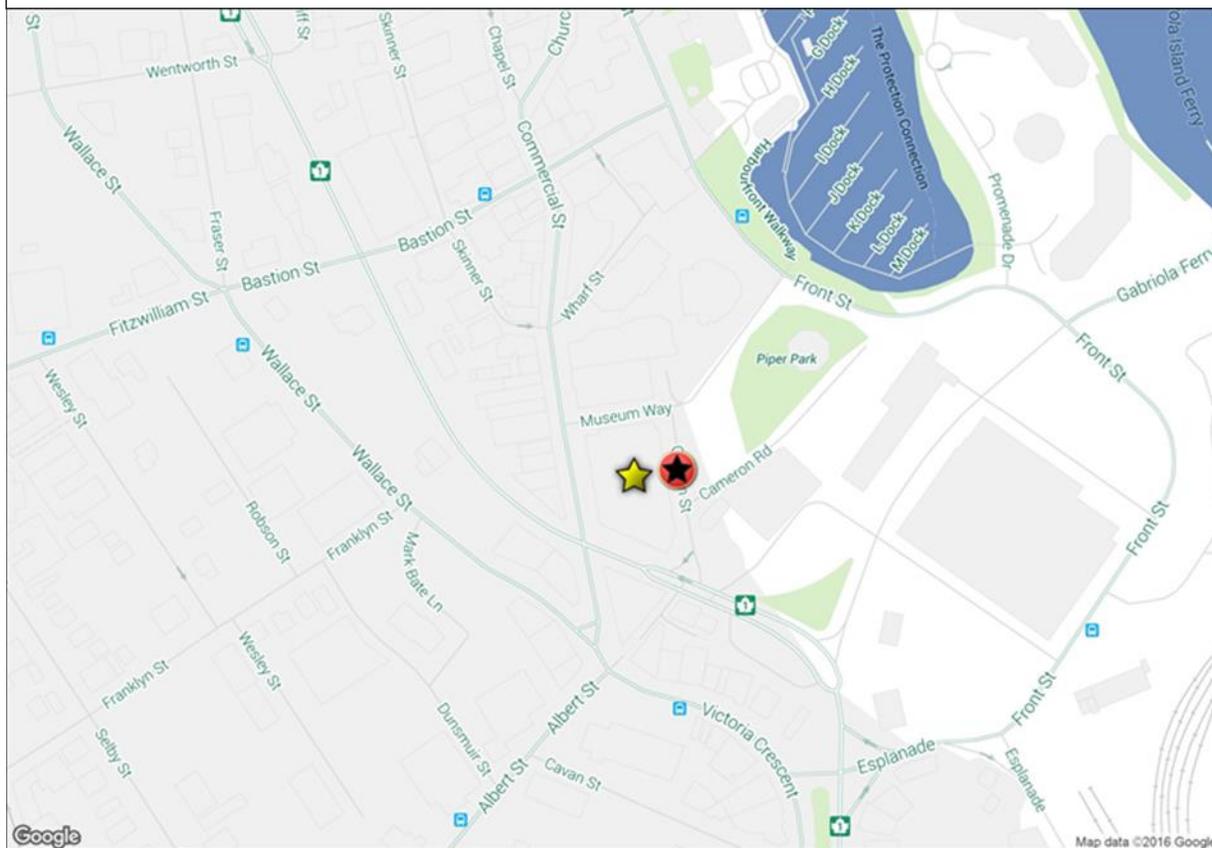
Visitors arriving on Vancouver Island at the Departure Bay ferry terminal access Highway 1 directly after disembarking. The ferry terminal is located approximately four kilometres north of the subject site.

The hotel developed on the subject site would exceed the height of the VICC and other nearby structures, which will result in the asset having good visibility to area motorists and pedestrians. However, Gordon Street is not a primary route and the hotel's entrance would not be visible to passing motorists on Terminal Avenue, due to the VICC's location. Thus, consideration should be given to strategically locating signage in the vicinity alerting motorists to the hotel's location.

Front Street is another important road in the vicinity of the subject site. Front Street is located to the east of the proposed hotel site and provides vehicle access to several important nearby structures, including float plane terminals, a major marina, the Gabriola Island Ferry dock and Port Place. Motorists on Front Street can access the hotel site by turning onto Museum Way, which flows into Gordon Street and the subject site. The subject hotel's upper portion would also be visible to motorists on Front Street. The lower floors and entrance are obstructed by other natural and developed features in the vicinity.

The subject hotel would connect to the VICC via an indoor walkway that would run over Gordon Street. There is a "roughed in" area on the east side of the VICC where the proposed walkway would connect.

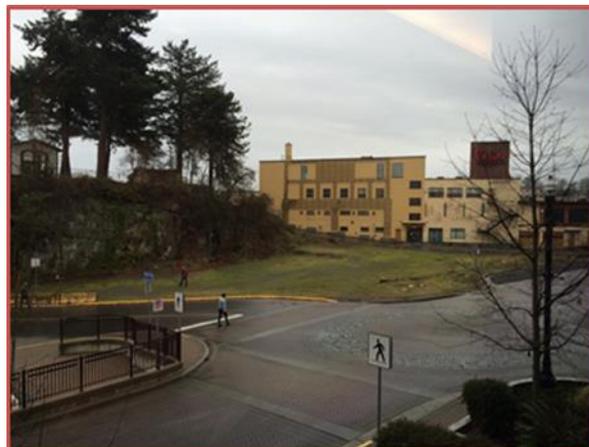
Exhibit 2-1
Proposed Conference Centre Hotel Location – Map View



- ★ Proposed Conference Centre Hotel
- ★ Vancouver Island Conference Centre

Exhibit 2-2
Proposed Conference Centre Hotel Location – Land View and Street View

Source: CBRE Hotels Research, Google Maps 2016



2.3 Proximity to Demand Generators

There are sources of hotel room demand located all throughout the City of Nanaimo. Government and business/professional offices are in numerous locations, including downtown. Several corporate travel sources prefer to stay in downtown Nanaimo due in part to the availability of existing hotels. The downtown area has numerous food and beverage options, retail and a scenic waterfront area for walking or running. The downtown area is also easily accessible from the nearby Departure Bay Ferry Terminal.

The subject site is located in close proximity to key attractions in downtown Nanaimo. Exhibit 2-3 displays major demand generators that are located in the direct vicinity of the proposed hotel.

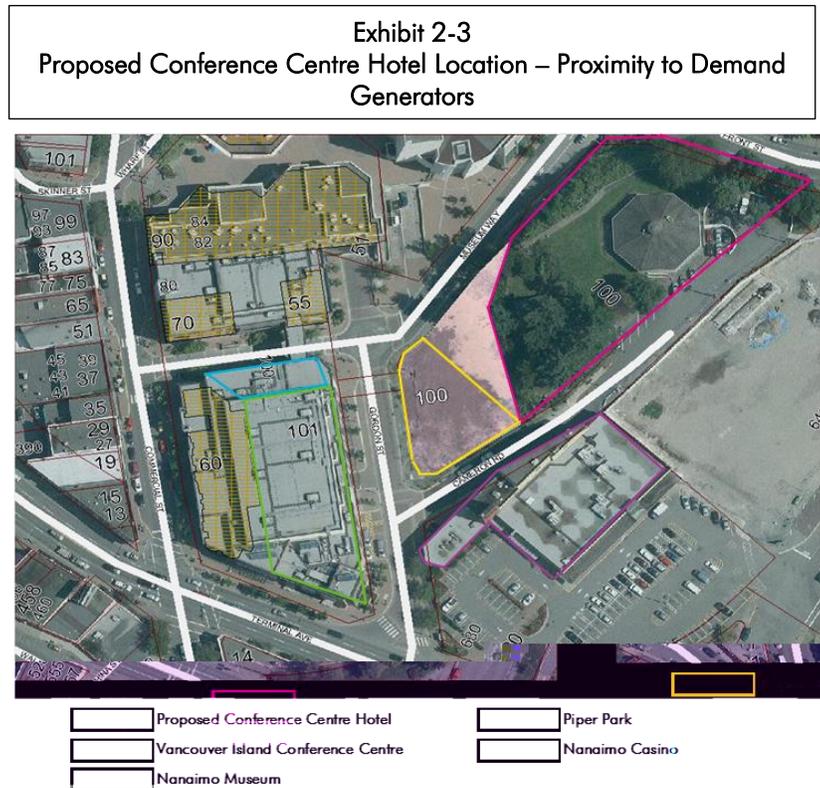
As previously mentioned, the subject site is located across the road from the VICC, which offers 38,000 square feet of meeting space and hosted almost 500 meetings in 2015 consisting of more than 40,500 attendees. The Nanaimo Museum is located within the VICC and can be accessed via Commercial Street or Gordon Street. The 16,000 square foot Museum showcases Nanaimo’s history and culture, featuring an extensive collection of local artifacts and memorabilia, as well as national and international exhibits.¹

Piper Park is located directly beside the subject site, to the northeast and spans about 1.1 acres.² Piper Park is home to the Nanaimo Military Museum, a miner’s cottage, first nation’s petroglyphs and a steam engine. Canadian military history and traditions are showcased at Nanaimo’s Military Museum, which offers visitors more than 25 exhibits.

Located just south of the subject hotel site on Cameron Road, Casino Nanaimo features a newly renovated 17,000 square foot gaming floor with more than 400 slot machines, as well as table games, Racebook for off-track betting and food and beverage offerings at the Black Diamond Bar & Grille.

The Commercial Street area is known as the “Arts District” and has some of the best downtown shopping in Nanaimo. From bookstores to clothing outlets, specialty stores and furniture stores, Commercial Street offers a variety of unique shops. In addition, Port Place Shopping Centre is the only downtown mall and is conveniently located across from the Casino.

Also within walking distance from the subject hotel, is Nanaimo’s Old City Quarter, which is home to Heritage Mews, a complex lined by retail shops and restaurants.



¹ Source: Nanaimo Museum

² Source: City of Nanaimo

The Port Theatre opened in 1998 and offers guests a wide range of cultural and community performances and events. The Theatre hosts approximately 250 events per year, attracting an attendance of more than 100,000 people.³ It is located on Front Street, close to the Nanaimo's Downtown Waterfront, which attracts visitors and locals throughout the year. In close proximity to the Waterfront are the Nanaimo Bastion and the Gabriola Island Ferry Terminal, which are frequented by tourists.⁴

An additional demand generator is the Vancouver Island University, which provides undergraduate and graduate degrees, and has more than 16,000 full-time students, inclusive of 1,800 international students. Its' main campus is located in Nanaimo, B.C. with 3 satellite campuses spread across Vancouver Island.

The subject site is located approximately 14km (13 minute drive) away from Nanaimo Airport (YCD), which provides direct air service to Vancouver and connecting flights to other national and international destinations. Visitors originating from Victoria or passengers arriving at the Victoria International Airport (YYJ) are about 111km away from the subject site, at a driving distance of just over an hour and a half. Southbound travelers from other Vancouver Island regions are connected to Nanaimo via the BC-19 South Highway.

Visitors arriving at the Departure Bay Ferry Terminal, located 4km south of the site, would experience ease of access and close proximity to the hotel. Although slightly further, the Duke Point Ferry Terminal is still within a close distance to the proposed site at about 16km away.

2.4 Summary

Located in the heart of downtown Nanaimo, the proposed hotel site is directly across from the VICC and enjoys proximity to key local and visitor demand generators, as well as the waterfront. The subject site is highly accessible to the mainland of B.C. via plane or ferry to Vancouver and can be accessed by major highways that connect Nanaimo to other Vancouver Island regions, including Victoria. At a site size of 0.42 acres, the proposed hotel will need to be a high rise structure, requiring concrete pilings, which will have implications on development costs.

³ Source: *Port Theatre Society*

⁴ Source: *GoNanaimo.com*

3.0 ECONOMIC OVERVIEW

3.1 Introduction

The following section provides an overview of the City of Nanaimo's economic profile and its strategic goals related to positioning the City as a meetings and convention destination.

3.2 Provincial Economic Outlook

In 2015, British Columbia achieved the highest economic growth nationally and it is expected to continue to outperform other provinces in 2016 and 2017.

As shown in Table 3-1, the Conference Board of Canada expects that British Columbia's real GDP growth will improve in 2016, despite the downturn in the resource sector, as a result of projected continued demand for new homes, boosting growth in the real estate, finance and insurance industries. The goods and services industries are also expected to grow strongly in 2016, due to BC's broad-based economic strength. Overall, B.C.'s real GDP growth is forecast to reach 2.7% in 2016 and 3.4% in 2017. Employment is expected to grow by 2.2% in 2016 and 2.4% in 2017. As a result, the unemployment rate is forecasted to drop from 6.2% in 2016 to 5.7% in 2017.

According to the Conference Board of Canada, the multi-billion dollar contract for construction of non-combat vessels by Seaspan Shipyard will continue to reinforce the manufacturing sector, along with the low Canadian dollar, which is contributing to growth in exports. Canada's low dollar will also benefit B.C.'s tourism sector, through expected gains in the food services and accommodation industries.

	2015f	2016f	2017f
Real GDP	2.3	2.7	3.4
Employment	1.3	2.2	2.4
Unemployment Rate (%)	6.1	6.2	5.7

Source: Conference Board of Canada Provincial Outlook, Winter 2016

It is important to note that the Conference Board's B.C. forecast includes Petrona's \$36-billion Pacific NorthWest LNG Terminal. The North America and Asia gap between LNG prices has been closing rapidly and uncertainty exists in terms of when and if this investment will go ahead. This project contributes about one percentage point to the real GDP forecast in 2017.⁵

3.3 City of Nanaimo Economic Profile

The City of Nanaimo is centrally located on the east coast of Vancouver Island, approximately 110 km north of Victoria and 55 km across the Strait of Georgia from Vancouver. Nanaimo is directly connected to Metro Vancouver through BC Ferry terminals that are located at Departure Bay and Duke Point. Nanaimo is also accessible by plane, with short, 20 minute flights offered from Vancouver to Nanaimo Airport. Primary air carriers include Air Canada, Island Express Air and WestJet.⁶

⁵ Conference Board of Canada, Provincial Outlook - Winter 2016

⁶ Nanaimo Airport

In 2014, GDP growth in Nanaimo was forecasted to be 2.1%, a significant improvement over declines seen in 2009, however not quite reaching the 2.7% bounce-back growth experienced in 2010 following the recession. With expectations for growth in the manufacturing and construction sectors, the forecast for 2015 shows moderate GDP growth of 2.5% in Nanaimo.

When compared to the pace of growth during periods preceding the recession, overall economic growth in Nanaimo has remained relatively slow, with forecasts continuing to show positive, but moderate growth.³

Significant employment growth was experienced in Nanaimo in 2012 and 2013.⁷ Due to losses in the goods sector and decreases in service sector jobs, in 2014 Nanaimo's total employment was expected to decline by 1.2%. Positive employment growth of 2.5% was forecasted for 2015, along with a slight decrease in unemployment, as a result of expectations for expansions in goods and services employment.

As shown in Table 3-3, in 2015 there was an estimated 102,200 residents in Nanaimo, a 2.8% increase over the City's population in 2010. Nanaimo's population is projected to be approximately 104,700 in 2018, and is expected to reach 110,500 persons by 2025. Exhibit 3-1 shows a further breakdown of Nanaimo demographics in 2015.

Historically Nanaimo's primary industry was coal mining, and when oil replaced coal as the primary fuel source, the pulp and paper industry took over.⁸ Today, Nanaimo's largest sectors by business license holders are construction, retail, government and education, knowledge-based companies, tourism, arts and culture, professional, scientific and technical sectors. In 2013, of the estimated 51,400 strong labour force, approximately 8,700 employees worked in the goods sector (manufacturing, construction, primary and utilities), while 43,300 (84%) worked in the services sector.⁹ Major service sector industry employers in Nanaimo include wholesale and retail trade, non-commercial services and personal services. Major employers include School District #68, Nanaimo Regional General Hospital and the Vancouver Island University. With a diversified business base, it is estimated there are more than 5,600 businesses in Nanaimo.¹⁰

	2009	2010	2011	2012	2013	2014F	2015F
GDP	-2.2%	2.7%	1.9%	1.3%	1.5%	2.1%	2.5%
Total Employment	-0.8%	5.0%	-11.1%	6.5%	5.5%	-1.2%	2.5%
Unemployment Rate (%)	7.6%	7.8%	12.1%	5.0%	5.5%	5.3%	5.1%

Source: Conference Board of Canada, *Mid-Sized Cities Outlook - 2014*

	2010E	2015E	2018P	2020P	2025P
Population (rounded)	99,300	102,200	104,700	106,400	110,500
% Change	-	2.8%	2.5%	1.7%	3.8%

Note: E - estimated, P - projected

Source: *Environics Analytics*

⁷ Note: Conference Board states that these growth estimates should be viewed with caution due to huge relative swing in manufacturing employment from 2010-2012 that could result from small local sample size

⁸ Marie Leduc, *Nanaimo's Historical Development*

⁹ Conference Board of Canada, *Mid-Sized Cities Outlook 2014*

¹⁰ *Nanaimo Economic Development Corporation*

A key indicator of the health of an economy is through its building permit values. For the City of Nanaimo, these are shown in Table 3-4 for the periods of 2011 to 2015.

Building permit values within the City of Nanaimo grew significantly in 2014, reaching \$230 million, largely due to increases in construction of residential units and higher values for commercial building permits. In 2015, although there was modest growth in residential construction permits, there were decreases in commercial, public/miscellaneous and industrial permit values. As a result, in 2015 building permit values contracted by 11% from 2014 levels to reach \$205 million.

There have been plans for TimberWest to build a \$60-million wood pellet fuel manufacturing plant at Duke Point in Nanaimo, which would produce an estimated capacity of 200,000 metric tons of wood fuel pellets annually to supply power generation plants across the world. Plans for development were announced in July 2014, with construction expected to begin sometime in 2015. In November 2015, Timberwest had yet to commence construction and then announced that their project has been put on hold while the facility and product business models are reviewed. The proposed development would be the largest plant of its kind on Vancouver Island if developed and would create approximately 65 full-time jobs.¹¹

In addition to a surge in recent residential building activity, Northwest Properties is planning a mixed use development project known as *Sandstone Towne Centre – South Nanaimo Lands*. The proposed new neighbourhood at the southern boundary of Nanaimo will include about 1 million square feet of residential and mixed use development space on 725 acres, for about 2,000 residents. An additional 1 million square feet will be allotted to industrial building space. The estimated cost of this proposed project is \$1 billion, with an expected start date of Spring 2015 and completion scheduled for 2020.¹²

	2011	2012	2013	2014	2015
Residential	\$143	\$94	\$71	\$144	\$157
Commercial	\$36	\$46	\$37	\$61	\$39
Public/Misc	\$4	\$20	\$6	\$19	\$5
Industrial	\$1	\$3	\$7	\$7	\$3
Total (\$M)	\$184	\$163	\$120	\$230	\$205
% Change	-	-12%	-26%	92%	-11%

Source: City of Nanaimo

¹¹ Chris Bush, *Nanaimo News Bulletin*, November 2015

¹² *British Columbia Major Projects Inventory*, March 2015

Exhibit 3-1

2015 Nanaimo demographics

POPULATION
102,161

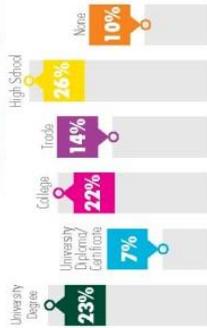
49.3% male
50.7% female

2.21 Persons per household
45.5 Median age
\$77k Average household income

75% own
25% rent

TRAVEL TO WORK
85.8% car
3.3% transit
6.9% walk
1.9% bike
2.0% other

EDUCATION

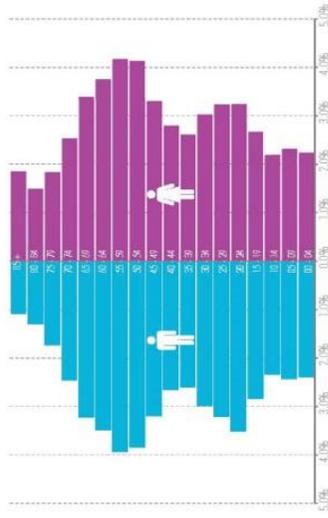


IMMIGRATION



15.7% immigrants

AGE DISTRIBUTION



HOUSEHOLD EXPENDITURE



*Participation Rate: 61.5%

For further information regarding demographics, please contact Naz Ali | National GIS Coordinator: 604.669.5173 | complan@ngis.com
 The information in this report is based on the 2015 Census of Canada and is subject to change. The information is provided for general information only and should not be used for any specific purpose. The information is provided for general information only and should not be used for any specific purpose. The information is provided for general information only and should not be used for any specific purpose.



3.4 Nanaimo's Tourism Sector

Known as a fast-growing urban centre, Nanaimo features a revitalized downtown core, art galleries, a new museum and a picturesque harbourfront walkway, attracting visitors both nationally and internationally.

In 2008, the Vancouver Island Conference Centre (VICC) opened in the downtown core of Nanaimo, offering approximately 38,000 square feet of function space for meetings and conferences. Located within the VICC, the Nanaimo Museum offers visitors 16,000 square feet of space showcasing Nanaimo's history and culture through interactive and informative exhibits. With a newly renovated 17,000 square foot gaming floor, Casino Nanaimo is another popular attraction, featuring more than 350 slot machines and table games, off-track betting and food and beverage offerings from the Black Diamond Bar & Grille.¹³

The Port of Nanaimo opened in 2002, however it had no permanent facility for discharging passengers and required passengers to be shuttled to shore by boat, limiting Nanaimo's ability to accommodate large vessels. In 2011, the Port completed a \$25-million "Nanaimo Port Cruise Facility Project", which included the construction of a new floating concrete pier, a 7,300 square foot Welcome Centre for cruise passengers, and a new pedestrian bridge. This expansion has enabled Nanaimo to welcome some of the largest cruise ships that travel through the passage towards Alaska, including international cruise lines such as Princess, Norwegian and Celebrity.¹⁴ In 2015 the Port hosted 3 cruise ships, and in 2016 that number is expected to double with 2 booked in May, 1 in August, 2 in September and 1 in October, for a total of 6 single-day cruises with an estimated 2,000 passengers per ship.

Nanaimo accommodation supply consists of approximately 1,300 rooms of which approximately 60% of the inventory is comprised of 9 hotels, with 40% comprised of smaller independent motels.

BC Ferry Service connects British Columbia's mainland to Vancouver Island. Two ferry routes are offered between the Metro Vancouver area and Nanaimo:

1. Tsawwassen to Duke Point
 - Up to 8 sailings per day each way on weekdays
 - First departure at 5:15am and last at 10:45pm
2. Horseshoe Bay (West Vancouver) to Departure Bay (Nanaimo)
 - Up to 8 sailings per day each way
 - First departure at 6:30am and last after 9:00pm

Table 3-5 displays ferry usage from 2014 to 2015 by vehicles, passengers and buses. When compared to 2014 levels, the Tsawwassen – Duke Point route saw an increase of just under 7% in vehicle use and a 3.5% growth in bus usage. At a 6% increase over 2014, approximately 1.5 million passengers utilized the Tsawwassen – Duke Point ferry route in 2015. The Horseshoe Bay – Departure Bay route saw about 3.4 million passengers in 2015, a 2.4% increase over 2014. The number of vehicles increased by 3.2%, while buses decreased by 3.1%.

BC Ferries	2014	2015	% Change
Tsawwassen - Duke Point			
Vehicles	602,837	643,661	6.8%
Passengers	1,382,037	1,461,860	5.8%
Buses	774	801	3.5%
Horseshoe Bay - Departure Bay			
Vehicles	1,151,690	1,189,109	3.2%
Passengers	3,285,852	3,365,756	2.4%
Buses	2,356	2,284	-3.1%

Source: Chemistry Consulting Group, Nanaimo Tourism Bulletin - December 2015

¹³ BC Casinos, Casino Nanaimo

¹⁴ Island Coastal Economic Trust

In 2013, an Economic Impact Assessment for Nanaimo was prepared by Chemistry Consulting Group and indicated that the Region had an estimated 2,154 tourism-related businesses and 551 tourism-related properties, providing about 3,370 jobs locally. Annual employment income generated from tourism-related jobs was estimated at \$90 million. Annual visitor spending was estimated at \$72 million, with about \$22 million in room revenue.¹⁵

Nanaimo's 2014 visitation from key markets, including Alberta, BC, US and China, increased, with airport traffic up 19.5%, a 3.0% rise in average occupancy and an increase of 5% in convention delegate days.¹⁶ Nanaimo has one year-round visitor centre and one seasonal visitor centre open from May to September. For purposes of increasing visibility, in 2014 the downtown summer Visitor Centre was relocated from the main floor of the VICC to the Bastion, which increased visitors by 46%. Nanaimo's Visitor Centres saw about 13,675 tourists in 2014.⁰

Tourism Nanaimo

In 2011, Tourism Nanaimo was formed as a destination marketing organization (DMO), operating under the Nanaimo Economic Development Corporation (NEDC). This organization is responsible for all NEDC tourism activities and tourism promotion for Nanaimo, with a tourism operating budget of approximately \$970,000 in 2016.

The NEDC is governed by a Board of Directors that directs and guides the activities of the entire organization. The Tourism Leadership Committee (TLC) is a standing committee of the Board, comprised of 14 tourism industry stakeholders who support Tourism Nanaimo, through providing strategic recommendations on tourism marketing, focus, infrastructure gaps, regulatory issues, and other relevant industry efforts/issues, to assist in achieving the goals outlined in Nanaimo's 2013 Tourism Strategic Plan.

Tourism Nanaimo's **Vision** is that "Nanaimo & Region is Vancouver Island's gathering place, the destination of choice for visitors to enjoy a uniquely west coast experience year-round." Its **Mission** is "to contribute to building a prosperous community through economic opportunity, by promoting Nanaimo as a year-round leisure tourism destination and an attractive destination to hold meetings, conventions and sporting events".¹⁷

Tourism Nanaimo participated in the following marketing campaigns in 2014:

- Go Vancouver Island (Alberta / BC);
- CTV Campaign (BC);
- You Won't Be Sorry (Seattle/Pacific Northwest);
- BC Games #Explore Nanaimo (Local Market/BC Games Visitors); and
- Seattle Times (Seattle).

These marketing activities were largely targeted towards Western Canada and Seattle. As an example, a campaign was built for the 2014 BC Summer Games to communicate Nanaimo's tourism offerings to athletes and spectators.

Despite Tourism Nanaimo's mission to promote meetings and conventions business, the DMO has not strategically planned or implemented any marketing activities specifically directed towards M&C markets. As a result, the VICC is currently responsible for all marketing activities related to promoting Nanaimo as an M&C destination. Currently, no collaborative destination marketing plan exists between Nanaimo Tourism, the VICC and its hotel partners.

¹⁵ Chemistry Consulting Group, *Nanaimo & Region Tourism Economic Impact Study*, December 2013

¹⁶ Source: *Nanaimo Economic Development Corporation, Annual Report 2014*

¹⁷ *Tourism Nanaimo*

In February 2013, the TLC, Tourism Nanaimo and Chemistry Consulting Group prepared a 3 year Tourism Strategic Plan for Nanaimo. Within the Tourism Strategic Plan there were few Strategic Goals that focused on increasing meetings and group events; the following is a list of M&C opportunities and strategies identified:

- Opportunity: “to build a conference centre hotel”;
- Strategy: “For accommodation, there is a need to improve the overall quality of existing accommodation and to add room inventory – especially in support [of] the region’s conference potential”; and
- Action Plan: “Support the City of Nanaimo’s efforts to attract sporting and major events and support VICC efforts to attract large meetings and events.”¹⁸

Although the preceding opportunities and strategies were identified, there was only one Action Plan item that focused on efforts to attract M&C business and no measurable targets/goals or timing for this strategy were set.

3.5 Summary

The City of Nanaimo is a key transportation hub for Vancouver Island, and given its state of the art Conference Centre, waterfront location, new cruise ship terminal, Casino and highly regarded museum and sport infrastructure, the City of Nanaimo is well positioned for tourism and future increased visitation to the area. However, despite Tourism Nanaimo’s mission to promote Nanaimo has a year-round leisure tourism destination and an attractive destination to hold meetings, conventions and sporting events, Tourism Nanaimo has not strategically planned or implemented any marketing activities specifically directed towards M&C markets. As a result, no collaborative destination marketing plan exists between Nanaimo Tourism, the VICC and its hotel partners.

¹⁸ *Nanaimo & Region Tourism Strategic Plan, January 2013*

4.0 COMPETITIVE HOTEL SUPPLY

4.1 Introduction

A new Nanaimo Conference Centre hotel would primarily compete for leisure and corporate/commercial demand with other hotels in Nanaimo, however would enjoy superior positioning for meeting and conference guests, due to its connection to the VICC, rooms and appropriateness of amenities.

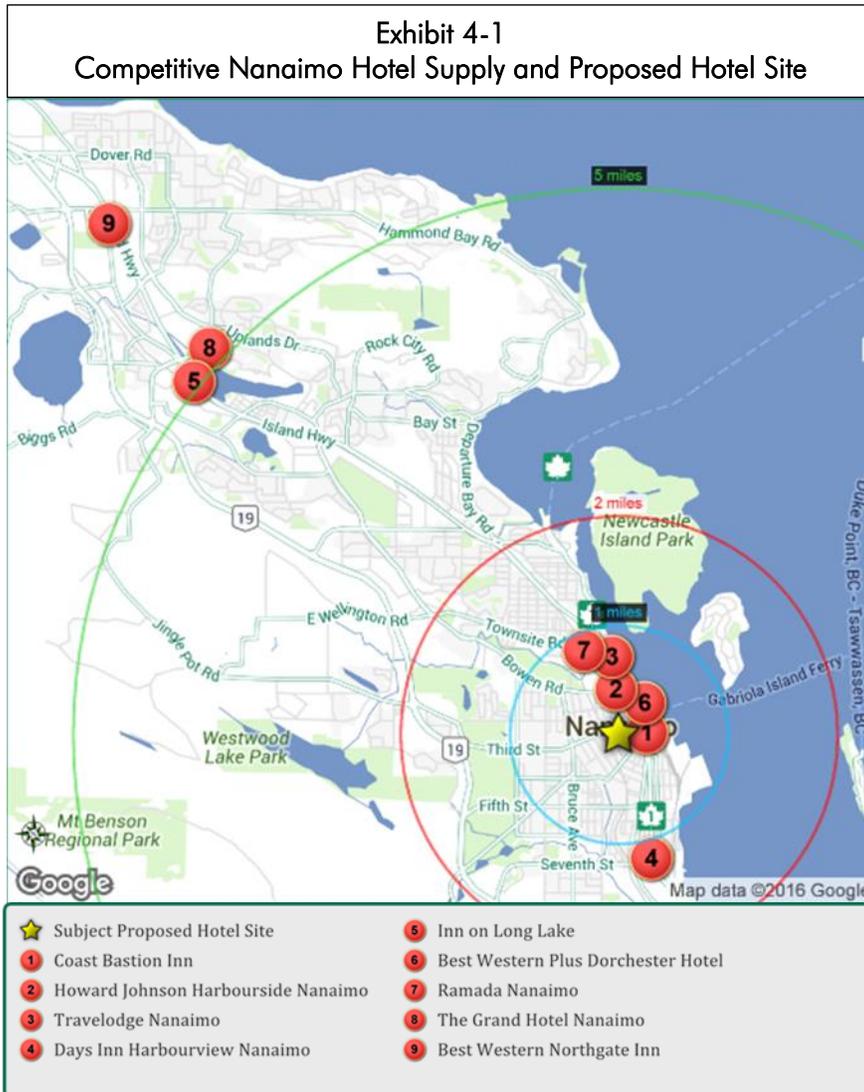
4.2 Nanaimo Competitive Hotels

The Nanaimo accommodation market is comprised of a number of hotels and motels offering approximately 1,322 rooms. For the purposes of this analysis, CBRE Hotels has identified a competitive hotel market of 9 hotels, with 775 rooms in Nanaimo, as summarized in Table 4-1.

Exhibit 4-1 displays the distance of the competitive hotels to the proposed hotel site. Five of the competitive properties are located within a 1 mile (1.6km) radius of the subject hotel site, while the Days Inn Harbourview Nanaimo is located just outside the downtown area, about 2.1km (1.3m) away. The Grand Hotel Nanaimo, Inn on Long Lake and Best Western Northgate Inn properties are located on the north end of the City within a 15 minute drive of the downtown site.

No.	Name	Location	Rooms	Type
1	Coast Bastion Inn	11 Bastion St, Nanaimo, BC	179	Full Service
2	Howard Johnson Harbourside Nanaimo	1 Terminal Ave, Nanaimo, BC	100	Limited Service
3	Travelodge Nanaimo	96 Terminal Ave N, Nanaimo, BC	76	Limited Service
4	Days Inn Harbourview Nanaimo	809 Island Hwy South, Nanaimo, BC	79	Limited Service
5	Inn on Long Lake Nanaimo	4700 N Island Hwy, Nanaimo, BC	62	Limited Service
6	Best Western Plus Dorchester	70 Church Street, Nanaimo, BC	70	Limited Service
7	Ramada Nanaimo	315 Rosehill Street, Nanaimo, BC	65	Limited Service
8	The Grand Hotel Nanaimo	4898 Rutherford Rd, Nanaimo, BC	72	Full Service
9	Best Western Northgate Inn	6450 Metral Dr, Nanaimo, BC	72	Limited Service
TOTAL			775	

Source: CBRE Hotels

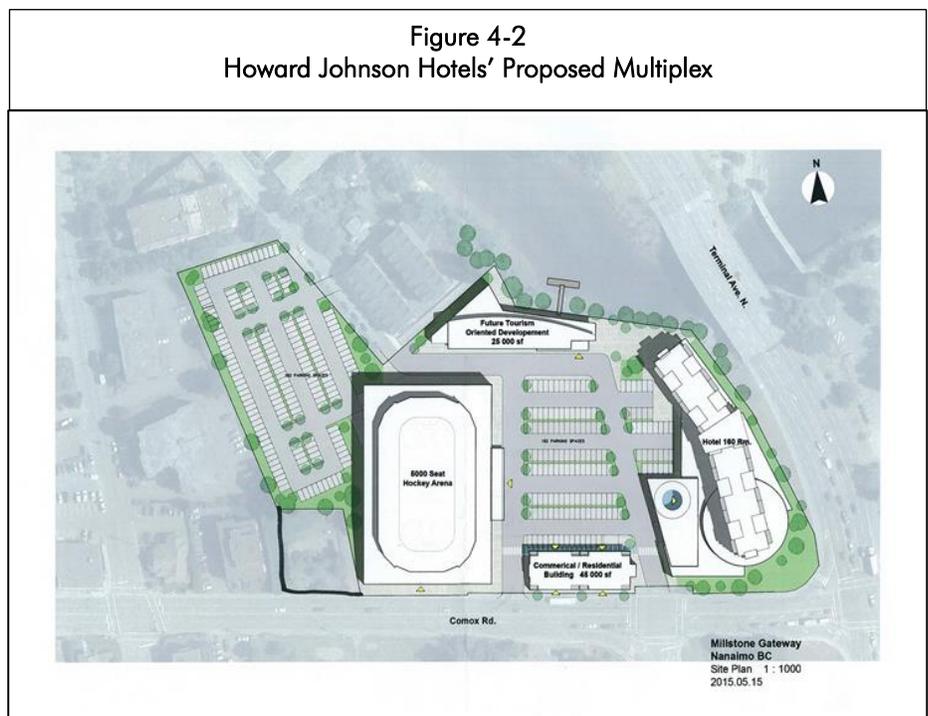


4.3 Proposed Hotel Supply

In addition to the subject VICC hotel, there are currently 2 other proposed hotels in the Nanaimo market: a Hilton Hotel at the waterfront and a new hotel replacing the existing Howard Johnson Hotel, as part of the Millstone Gateway development.

The 32-storey proposed waterfront Hilton Hotel has been planned to be located on 26 acres at 10 and 28 Front St. Plans detail that the hotel will feature 303 rooms, along with a bar/café, two restaurants, a health club, eight retail units and public waterfront access. Conceptual design drawings have been prepared and project zoning for this hotel have been approved.¹⁹ A conceptual picture of InSight Holdings Ltd.'s proposed Nanaimo Luxury Waterfront Hotel has been included in Figure 4-1.

In part due to an interest expressed by the Western Hockey League to potentially bring a second team to Vancouver Island, Howard Johnson Hotels' has developed a multiplex plan for downtown Nanaimo, inclusive of a proposed six-storey 160-room hotel and a 6,000-seat arena (Figure 4-2). The multiplex project would be constructed on 6.5 acres along the Millstone River, close to Comox Road and Terminal Avenue.²⁰ Development plans include the demolition of the existing Howard Johnson property at 1 Terminal Avenue in Nanaimo and rebuilding a new hotel, possibly under the Wyndham brand. In order for the plan to move forward, there is a requirement for rezoning of the multiplex site.



¹⁹ CBRE Hotels Research, Nanaimo Business News, Nanaimo News Bulletin, 2015

²⁰ CBRE Hotels' Research, Nanaimo Bulletin, June 2015

4.4 Summary

The proposed VICC hotel's current primary competitive supply would be comprised of a total of 9 hotels in Nanaimo, consisting of 775 rooms. Although competitive hotels are all located within a 15 minute drive from the subject site, the proposed hotel would enjoy superior positioning for meeting and convention delegates, and compete for leisure and corporate/commercial demand, due to its location, and affiliation with a national brand.

Apart from the subject hotel, there are 2 other proposed hotels in Nanaimo. The 32-storey proposed luxury waterfront Hilton hotel is planned to have 303 rooms, while the Multiplex Hotel would be 6 storeys and offer 160 rooms.

However, as will be discussed in the following section, the current Nanaimo market only has the capacity to accommodate one new hotel and we have assumed that this property to be the subject proposed VICC hotel.

4.5 Market Supply Projections

As identified above, there are 3 proposed hotels in the Nanaimo downtown market, which comprise a total of 450 rooms.

For the purposes of our analysis, we have assumed that the only property that will open is the subject proposed VICC hotel. Completion of the subject hotel is expected in 2019 and it will add 150 rooms to the existing market (775 rooms), increasing supply by 19.4%, for a total of 925 rooms in Nanaimo.

Table 4-1 NANAIMO SUPPLY PROJECTIONS										
SUPPLY ADDITIONS										
Existing Supply	775									
New Projects	Rooms	Probability	Impact	Timing						
PROPOSED VICC HOTEL	150	100.0%	150	2019						
1 Millstone Gateway Proposed Hotel	160	0.0%	0	2020						
2 Hilton Proposed Hotel	303	0.0%	0	2020						
Subtotal	613		150							
Total Supply				925						
SUPPLY PROJECTIONS										
Existing Supply	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Existing Supply	775	775	775	775	775	775	775	775	775	
New Projects										
PROPOSED VICC HOTEL	0	0	0	0	150	150	150	150	150	
1 Millstone Gateway Proposed Hotel	0	0	0	0	0	0	0	0	0	
2 Hilton Proposed Hotel	0	0	0	0	0	0	0	0	0	
Subtotal	0	0	0	0	150	150	150	150	150	
Total Supply	775	775	775	775	925	925	925	925	925	
Change	na	0	0	0	150	0	0	0	0	
% Change	na	0.0%	0.0%	0.0%	19.4%	0.0%	0.0%	0.0%	0.0%	

Source: CBRE Hotels

5.0 COMPETITIVE ACCOMMODATION DEMAND

5.1 Introduction

The following section provides an analysis of the historic performance of the primary competitive accommodation market in Nanaimo.

5.2 Nanaimo Historic Market Performance

Table 5-1 summarizes the historic occupancies and average daily rates achieved by the competitive market from 2011 to 2015.

Supply in the primary competitive market has remained stable over the past five years at 775 guest rooms.

Over the past 3 years, the Nanaimo market has experience year over year growth in demand of 3 to 4% per annum, which is reflective of the overall strong Provincial economy. Market occupancy levels have increased from 55% in 2011 to reach 60% in 2015.

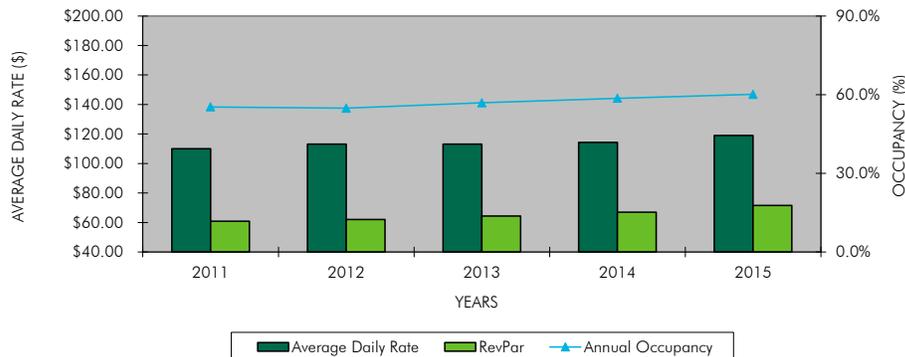
From 2012 to 2014 growth in Average Daily Rate (ADR) was minimal, however market ADR improved in 2015, growing 4% over 2014 levels to reach \$119.00.

In the past 5 years, 2011 to 2015, demand in the primary competitive market has grown at a compound annual growth rate of 2.2%, with rates growing by 2.0% and Revenue per Available Room by 4.1%, with no increases to hotel supply.

**Table 5-1
NANAIMO PRIMARY ACCOMMODATION MARKET
HISTORIC MARKET PERFORMANCE 2011-2015**

TOTAL COMPETITIVE MARKET	2011	2012	2013	2014	2015
Rooms	773	775	775	775	775
Annual Occupancy	55.3%	54.8%	56.9%	58.6%	60.1%
Average Daily Rate	\$110.04	\$113.19	\$113.11	\$114.26	\$119.00
RevPar	\$60.87	\$62.07	\$64.33	\$66.94	\$71.53
Available Room Nights	282,145	282,875	282,875	282,875	282,875
Occupied Room Nights	156,058	155,137	160,888	165,726	170,024
Room Revenue	\$17,172,805	\$17,559,293	\$18,197,245	\$18,935,894	\$20,233,633
MARKET GROWTH	2011	2012	2013	2014	2015
Available Rooms	na	0.3%	0.0%	0.0%	0.0%
Occupied Room Nights	na	-0.6%	3.7%	3.0%	2.6%
Average Daily Rate	na	2.9%	-0.1%	1.0%	4.2%
Total Competitive Market	Compounded Annual Growth Rate (CAGR) 2011 - 2015	Total Growth 2011 - 2015	Market Segmentation 2015		
Available Rooms	0.1%	0.3%	Corporate	69,386	40.8%
Occupied Room Nights	2.2%	8.9%	Meeting/Conference	24,462	14.4%
Average Daily Rate	2.0%	8.1%	Leisure	59,349	34.9%
RevPar	4.1%	17.5%	Gov't/Other	16,826	9.9%
Source: CBRE Hotels			Total Market	170,024	100.0%

HISTORIC MARKET PERFORMANCE (ANNUAL)



COMPETITIVE MARKET

Coast Bastion Inn
Howard Johnson Harbourside Nanaimo
Travelodge Nanaimo
Days Inn Harbourview Nanaimo
Inn on Long Lake Nanaimo
Best Western Plus Dorchester
Ramada Nanaimo
The Grand Hotel Nanaimo
Best Western Northgate Inn

Source: CBRE Hotels

5.3 Market Segmentation

Accommodation demand in the primary competitive market is generated from four general sources: Corporate/Commercial travellers; Meetings/Conference delegates; Leisure/Tourists; and Government and other demand sources. The market segmentation for the primary competitive market in 2015 is presented in Table 5-2.

Corporate/Commercial Demand

The Corporate/Commercial market represented 41% of overall demand in the primary competitive market in 2015, or about 69,400 room nights. This segment includes corporate representatives of forestry, retail, paper, construction and other firms operating in the region. It also includes suppliers and distributors of raw materials and manufactured goods and demand from transient commercial travellers, as well as locally generated individual and volume (or preferred) corporate accounts. However, it excludes group based corporate activity that is generated for the purpose of conducting meetings and/or conferences at hotels, local assemblies and the VICC.

Market Segment	Room Nights Occupied	Percent of Demand
Corporate/Commercial	69,386	40.8%
Meeting/Conference	24,462	14.4%
Leisure	59,349	34.9%
Government/Other	16,826	9.9%
Total	170,024	100.0%

Source: CBRE Hotels

Given Nanaimo's central location on Vancouver Island, it is a hub for retail, with corporate/commercial suppliers often overnighing in Nanaimo between business stops in Victoria on the south end of the Island and the north Island communities.

Meeting/Conference Demand

It is estimated that the Meeting/Conference demand segment of the Nanaimo hotel market accounted for approximately 14% of the overall competitive market demand in 2015, or approximately 24,500 occupied room nights.

This segment accounts for rooms demand generated for the purpose of attending meetings, conventions and social group functions internally within area hotels as well as at other venues within Nanaimo that offer public M&C facilities, such as the Vancouver Island Conference Centre. Demand from this segment primarily comes from corporate groups, First Nations and government meetings, associations, training sessions, conferences and meetings held by SMERF groups (social, military, educational, religious, or fraternal groups).

Approximately 43% of all M&C room night demand generated in 2015 (10,500 room nights) was self-generated by individual hotels holding meetings at their properties, while 57% (14,000 room nights) of Nanaimo's M&C demand was generated by events held at the VICC events in 2015. As identified in the accompanying report on the VICC, events held at the VICC in 2015 generated an estimated 14,900 room nights – of which an estimated 14,000 room nights were accommodated by Nanaimo hotels, with the balance (900 room nights) staying at hotels in neighbouring Parksville due to lack of availability in Nanaimo.

It should be noted that CBRE Hotel's estimates of the room nights generated by the Meeting/Conference segment in the Nanaimo hotel market has been based on our accompanying analysis of the *Vancouver Island Conference*

*Centre Market and Financial Assessment Study*²¹ together with interviews with hotel management of the competitive properties. While the hotel properties in the competitive market tend to internally track the number of room nights generated by those VICC meeting/convention events for which VICC management had requested room blocks and room rate bids, the subject analysis has been based on the estimated number of room nights generated by all events held at the VICC (inclusive of conventions, conferences, trade shows, multi-day meetings, and social banquet events) and have included these events within the Meeting/Conference segment.

Leisure Demand

The Leisure and Tourist market generated approximately 35% of total demand (59,350 room nights) in the primary competitive market in 2015. Leisure demand includes individuals and families who visit Nanaimo for tourist/leisure/recreation purposes. It also includes the VFR or Visiting Friends and Relatives market.

Leisure demand in Nanaimo is highest during the summer, primarily due to an increase of travelers who are on vacation. Weekend demand is largely comprised of the VFR, recreational markets. Some leisure demand is also related to stop overs for motorists off of BC Highway 1, the highway between Nanaimo and Victoria or BC Highway 19, connecting Nanaimo to northern regions on Vancouver Island.

A significant share of demand in this segment comes from sports teams/groups competing in the area. In the past, Nanaimo has hosted high volume sporting events such as the BC Summer Games, MC Senior Games, U-17 World Hockey Challenge, ABA BMX World Championships and the BC Disability Games.²² Much of this demand is often generated on Fridays and Saturdays as groups arrive for weekend events.

Government/Other Demand

Government/Other demand represented 10% of total room nights generated in 2015. Government sources include representatives at the federal, provincial, regional and municipal levels of government. Other demand includes extended stay and long stay markets for relocation purposes and other miscellaneous sources requiring accommodation at discounted rates, such as those traveling for medical treatment. Crew demand from such areas as residential/institutional construction and road, ferry and rail maintenance is also included within this segment.

²¹ Refer to Section 3.4, Vancouver Island Conference Centre Market and Financial Assessment Study, Prepared for City of Nanaimo, Prepared by: CBRE Hotels, May 2016

²² Source: City of Nanaimo, Nanaimo Sport Tourism Guide

6.0 PROPOSED HOTEL FACILITY PROGRAM

6.1 Introduction

With respect to the subject hotel site and facilities, we have considered multiple development alternatives, differentiated by levels of branding and levels of service, offerings and facility offerings.

Based on our review of the existing hotel inventory product, as well as future inventory additions in the market, and our understanding of the demand generators in the area currently, and within future developments, we have presented our estimate of a suggested development program for the subject VICC hotel.

6.2 Select Service Branded Hotel – 150 Guestrooms

In order to maximize the potential for the project, it is our opinion that the proposed subject hotel should be a branded, select service hotel. Some of the hotel brands that would fall underneath this designation would include:

- Fairfield Inn by Marriott;
- Courtyard by Marriott;
- Four Points by Sheraton;
- Hampton Inn by Hilton;
- Holiday Inn Express;
- Hilton Garden Inn; and
- Hyatt Place.

With the exception of Holiday Inn Express and Four Points by Sheraton, none of these brands are currently available on Vancouver Island. These brands of hotel typically feature spacious rooms with ample work space, complimentary high-speed Internet access in guest rooms and a complimentary breakfast each morning. Most hotels also have an on-site 24-hour pantry, a swimming pool, exercise center, 24-hour business center, meeting rooms, and guest use laundry facilities.

Table 6-1 presents the proposed hotel facility program for a 150-room select service hotel at 100 Gordon Street, directly adjacent to the VICC.

This hotel facility program includes a 70-seat restaurant and patio, which is intended to service hotel guests and meeting/conference patrons, as well as outside traffic. The facility program also includes an 800 square foot fitness centre and an indoor pool.

At 3,000 square feet of meeting space, the facility program also includes one 2,000 square foot main meeting room (divisible) and 1,000 square feet of breakout space for on-site meetings business. With a location directly adjacent to the VICC, associated M&C groups would utilize space at the Conference Centre and book room nights at the hotel. Utilizing the nearby Coast Bastion Inn (179 rooms) and BW Dorchester (70 rooms), in conjunction with the 150 subject hotel, it is likely that groups of up to 250 persons could be accommodated in room blocks. Conventions of 250 or more delegates will require additional Nanaimo hotels.

It has been assumed that Hotel will not require any above ground or underground parking spaces, as guests of the hotel will be able to use parking spaces in the underground parking garage of the Conference Centre.

This development program contemplates a total building size of approximately 520 square feet per room or roughly 77,200 square feet, to be built as a high rise, given the relatively small site size of 0.42 acres.

Table 6-1 PROPOSED SELECT SERVICE HOTEL DEVELOPMENT NANAIMO, B.C. HOTEL FACILITY PROGRAM - ESTIMATES			
Guestrooms	Rooms	Sq.Ft./Rm	Sq.Ft.
Standard King	52	325	16,900
Standard Queen / Queen	60	325	19,500
King Suite	36	380	13,680
Queen / Queen Suite	2	475	950
Total Guest Rooms	150	340	51,030
Food & Beverage	Rooms	Sq.Ft./Rm	Sq.Ft.
Restaurant and Patio	1	9	1,400
Total Food & Beverage	1	9	1,400
Meeting/Event Facilities	Rooms	Sq.Ft./Rm	Sq.Ft.
Main Meeting Room (Divisible)	1	13	2,000
Breakout Rooms	2	7	1,000
Total Meeting/Event Facilities	3	20	3,000
Recreational/Other Activities	Rooms	Sq.Ft./Rm	Sq.Ft.
Fitness Room	1	5	800
Indoor Pool	1	7	1,000
Lobby/Public Areas/Back of House			
Lobby/Public Areas/Back of House/Mechanical/Kitchen		133	20,000
TOTAL BUILDING SIZE	150	515	77,230
<i>Source: CBRE Hotels</i>			

7.0 MARKET SUPPLY AND DEMAND PROJECTIONS

7.1 Introduction

Market supply and demand projections for the competitive Nanaimo accommodation market have been prepared taking into consideration the development of a 150 room select service hotel located directly adjacent to the VICC, at 100 Gordon Street.

7.2 Projected Market Occupancy Performance

Table 7-1 provides the summary of supply and demand projections for the primary competitive market over the 2016 to 2022 period.

The market occupancy reached 60.1% in 2015. Over the next 3 years, demand is projected to grow modestly by 1.0% to 1.5% per annum, to reach 62.5% by 2018. Estimates for leisure demand growth in 2016 and 2017 have been based on increased US travel to Canada due to the low Canadian dollar.

With the addition of a 150-room hotel connected to the VICC, the market will be in a position to re-capture some of the lost M&C business reported by the Conference Centre due to the lack of a national recognized branded hotel in the market. Historic VICC records from 2011 to 2015, indicate that an average of 3,700 M&C room nights per annum have been lost for this reason. Given the booking lead time associated with Meetings and Convention, demand in this segment has been grown over the 2019 to 2021. For the purposes of this analysis, we have assumed 7.3% growth in the M&C sector in 2019, due to the opening of the subject hotel and the return of any displaced M&C demand associated with city-wide conventions that have been accommodated in Parksville; followed by 6.8% growth in 2020, and 3.5% growth in 2021 and 1.0% for the balance of the projection period.

With the opening of the subject hotel in 2019, room supply will increase by 19%. At the same time, demand will have increased by 6% compared to 2015 levels. As a result, market occupancy will decrease to 53% in 2019, climbing to 56% by 2022.

7.3 Projected Market ADR

From 2016 to 2017 market average daily rate (ADR) is projected to grow at a rate of 3.0%. Post 2017, market ADR is projected to grow at 2.5% annually – a rate that is generally in line with inflationary increases, with projected ADR of \$146 by 2023.

Demand Projections	2015	2016	2017	2018	2019	2020	2021	2022	2023
Corporate									
occupied room nights	69,386	70,080	70,781	71,489	72,203	72,925	73,655	74,391	75,135
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Meeting/Conference									
occupied room nights	24,462	24,706	24,953	25,203	27,053	28,903	29,903	30,202	30,504
demand growth		1.0%	1.0%	1.0%	7.3%	6.8%	3.5%	1.0%	1.0%
Leisure									
occupied room nights	59,349	60,833	62,050	62,670	63,297	63,930	64,569	65,215	65,867
demand growth		2.5%	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Gov't/Other									
occupied room nights	16,826	16,995	17,165	17,336	17,510	17,685	17,862	18,040	18,221
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Market Projections									
Total Demand									
occupied room nights	170,024	172,614	174,949	176,698	180,063	183,443	185,988	187,848	189,727
demand growth		1.5%	1.4%	1.0%	1.9%	1.9%	1.4%	1.0%	1.0%
Total Supply									
300 ROOMS									
available room nights	282,875	282,875	282,875	282,875	337,625	337,625	337,625	337,625	337,625
supply growth		0.0%	0.0%	0.0%	19.4%	0.0%	0.0%	0.0%	0.0%
Market Occupancy	60.1%	61.0%	61.8%	62.5%	53.3%	54.3%	55.1%	55.6%	56.2%
Market Average Daily Rate	\$119.00	\$122.58	\$126.25	\$129.41	\$132.64	\$135.96	\$139.36	\$142.84	\$146.41
Market RevPar	\$71.53	\$74.80	\$78.08	\$80.84	\$70.74	\$73.87	\$76.77	\$79.48	\$82.28
rate growth		3.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

Source: CBRE Hotels

8.0 SUBJECT HOTEL OCCUPANCY PROJECTIONS

8.1 Introduction

Based on the foregoing research and analyses, future occupancy and market penetration levels have been projected for a proposed 150-room subject hotel entering the market at January 1, 2019.

In assessing the anticipated occupancy performance of the subject property, a market penetration analysis was undertaken in which the concept of "fair market share" was utilized. The concept states that, all things being equal, a property will attract rooms demand in the same proportion as its share of rooms supply. The basic assumption of all things being equal, however, is seldom true, as different properties offer varying products, services and location attributes to demand coming into the market area.

Penetration levels are based on numerous factors including economic influences in addition to the projected supply/demand relationship in the subject hotel's overall competitive market. It is assumed that the guest facilities and public areas of the subject property will be maintained at a standard equal to, or better than, the best accommodation properties in the market.

Market penetrations in excess of 100.0% indicate that an accommodation property possesses competitive advantages relative to the market as a whole, while competitive weaknesses are reflected in penetrations of less than 100.0%. The marketing philosophy and pricing strategy for a property can also impact its penetration. For example, if a property elects to restrict room availability for a specific market segment (i.e. sports teams) to ensure room availability for regular corporate guests, its penetration in the restricted segments may be below fair share even though other factors would suggest the subject property should have a competitive advantage. Similarly, a property with room rates at the high end of the market may exceed market share in average rate but achieve below fair market share in terms of occupancy.

All demand projections were prepared on a calendar year basis, consistent with available information from the primary competitive accommodation market. The projections also take into consideration the seasonality of demand and monthly historic occupancy performance among the primary competitive properties.

Table 8-1 summarizes the projected market position of the proposed 150-room hotel over the projection period.

8.2 Corporate/Commercial Segment

In the Corporate/Commercial segment, the proposed subject hotel is projected to achieve more than its fair market share of demand throughout the projection period, primarily due to its central downtown location and its superior amenity offerings, when compared to many of the competitive Nanaimo hotels. At a market penetration of 115% In Year 1 and increasing to 120% by Year 3, the hotel is projected to capture 14,300 room nights from this segment by its stabilized year of operation. This segment is expected to represent approximately 35% of total demand.

8.3 Meeting and Conference Segment

Meeting/Conference demand for the subject hotel will be generated by events held at the VICC, and smaller functions within the hotel's meeting space itself. Having an affiliation with a national brand and direct connection to the VICC, the subject hotel is projected to penetrate this segment at 200% in 2019, increasing to 225% by 2021 – Year 3. The subject hotel is projected to stabilize at just under 11,000 room nights from Meeting and Conference demand, which represents 27% of total demand.

While the VICC is projected to generate 22,400 room nights in M&C related demand, approximately one-half of the demand is expected to be accommodated at the subject hotel.

8.4 Leisure Segment

The proposed hotel is expected to penetrate the market at 115% of its fair market share in its first year, with penetration increasing to 120% by 2021, and stabilizing at 12,656 occupied room nights, or 31% of total demand from this segment.

8.5 Government/Other Segment

The hotel is expected to penetrate the Government/Other markets at slightly below its fair share in Year 1, increasing to 100% of its fair market share by Year 3. It has been projected that penetration will stabilize at 2,900 occupied room nights by 2021, or 7% of total demand.

8.6 Average Daily Rate Projections

In terms of average daily rate, the proposed subject hotel is projected to have an ADR above the market. A new, modern hotel with direct connections to the VICC, and a strong franchise affiliation should perform well within the competitive market.

The Average Daily Rate for the property is projected to be \$156 in Year 1, representing a rate penetration of 120%, increasing at 2.5% per annum to reach \$173 by Year 5.

SUPPLY	2019	2020	2021	2022	2023
PROPOSED VICC HOTEL	150	150	150	150	150
Total Supply	925	925	925	925	925
Fair Share of Supply	16.2%	16.2%	16.2%	16.2%	16.2%
DEMAND PROJECTIONS	2019	2020	2021	2022	2023
Corporate					
occupied room nights	72,203	72,925	73,655	74,391	75,135
fair share of demand	11,709	11,826	11,944	12,063	12,184
penetration rate	115.0%	117.0%	120.0%	118.8%	117.6%
total demand captured	13,465	13,836	14,333	14,333	14,333
ratio to total demand	36.6%	35.6%	35.2%	35.2%	35.2%
Meeting/Conference					
occupied room nights	27,053	28,903	29,903	30,202	30,504
fair share of demand	4,387	4,687	4,849	4,898	4,947
penetration rate	200.0%	215.0%	225.0%	222.8%	220.6%
total demand captured	8,774	10,077	10,911	10,911	10,911
ratio to total demand	23.9%	25.9%	26.8%	26.8%	26.8%
Leisure					
occupied room nights	63,297	63,930	64,569	65,215	65,867
fair share of demand	10,264	10,367	10,471	10,575	10,681
penetration rate	115.0%	117.0%	120.0%	118.8%	117.6%
total demand captured	11,804	12,129	12,565	12,565	12,565
ratio to total demand	32.1%	31.2%	30.9%	30.9%	30.9%
Gov't/Other					
occupied room nights	17,510	17,685	17,862	18,040	18,221
fair share of demand	2,839	2,868	2,896	2,925	2,955
penetration rate	95.0%	97.5%	100.0%	99.0%	98.0%
total demand captured	2,697	2,796	2,896	2,896	2,896
ratio to total demand	7.3%	7.2%	7.1%	7.1%	7.1%
Total Demand					
occupied room nights	180,063	183,443	185,988	187,848	189,727
total demand captured	36,740	38,839	40,705	40,705	40,705
market occupancy	53.3%	54.3%	55.1%	55.6%	56.2%
market penetration	125.8%	130.6%	135.0%	133.6%	132.3%
Project Occupancy	67.1%	70.9%	74.3%	74.3%	74.3%

Source: CBRE Hotels

Table 8-2 PROPOSED VICC HOTEL NANAIMO PROJECT ADR PROJECTIONS					
RATE PROJECTIONS	2019	2020	2021	2022	2023
Market Average Daily Rate	\$132.64	\$135.96	\$139.36	\$142.84	\$146.41
% Growth	2.5%	2.5%	2.5%	2.5%	2.5%
Rate Penetration Subject	120.0%	120.0%	120.0%	120.0%	120.0%
Project Average Daily Rate	\$156.52	\$160.43	\$164.44	\$168.55	\$172.76
Market RevPar	\$70.74	\$73.87	\$76.77	\$79.48	\$82.28
Subject RevPar Penetration	148.5%	154.1%	159.3%	157.7%	156.1%
Subject RevPar	\$105.03	\$113.81	\$122.26	\$125.31	\$128.44

Source: CBRE Hotels

8.7 Summary of Property Projections

Based on the preceding analysis, Table 8-3 summarizes the projected occupancy performance of the 150-room subject VICC hotel for the 2019 to 2023 period. As indicated, the potential hotel is projected to achieve a 125.8% market penetration in its first year of operation. As the operation matures and the hotel becomes more established in the market and a M&C Destination Sales Strategy is implemented for Nanaimo, its market penetration has been projected to improve to 135% by 2021. By 2022, the subject hotel is expected to stabilize at a 74% occupancy, attracting an estimated 40,705 occupied room nights per annum.

Table 8-3 Subject VICC Hotel Projections Nanaimo, B.C.					
	2019	2020	2021	2022	2023
Market Occupancy	53.3%	54.3%	55.1%	55.6%	56.2%
Market Average Daily Rate	\$132.64	\$135.96	\$139.36	\$142.84	\$146.41
Subject Occupancy	67.1%	70.9%	74.3%	74.3%	74.3%
Subject Average Daily Rate	\$156.52	\$160.43	\$164.44	\$168.55	\$172.76
Market Penetration - Subject	125.8%	130.6%	135.0%	133.6%	132.3%
Rate Penetration - Subject	120.0%	120.0%	120.0%	120.0%	120.0%

Source: CBRE Hotels

9.0 SUBJECT FINANCIAL OPERATING PROJECTIONS

9.1 Introduction

The Uniform System of Accounts for the Lodging Industry, 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, marketing, property operations and maintenance and energy costs. The underlying rationale and assumptions used in preparing the proforma estimates are summarized in the following pages.

Based upon the discussion of projected occupancies and average daily rates presented previously, a five-year projection of annual operating results has been prepared for the subject hotel. Property income has been projected to the level of "Income Available for Debt Service", which is defined as income before the provision of finance and occupancy charges, depreciation, and income tax. These results make provision for inflationary impacts of 2.5% throughout the projection period unless otherwise stated. It has further been assumed that the property would be competently and efficiently managed.

9.2 Departmental Revenues and Expenses

Rooms Department

Revenue for the rooms department has been derived utilizing the occupancy levels and room rates developed within preceding sections of this report.

Rooms expenses include wages for housekeeping, front desk/reservations, night audit, laundry attendants, and a breakfast server/houseperson. Other rooms expenses include linen and guest supplies, travel agent commissions, room cleaning supplies, cable and internet, plus other miscellaneous costs. A salaried management position has been included for a Front Desk Duty Manager as well as a Housekeeping Supervisor, while hourly wages have been forecast at \$17 to \$18 in Year 1. Expenses for the rooms department are projected at a ratio of between 26.5% and 27.6% of revenues and have been prepared based on CBRE Hotel's knowledge of the hotel industry through our Trends in the Hotel Industry financial publication.

Food and Beverage

Food and Beverage revenue for the hotel is based on a restaurant and patio operation, assuming it is open for all meal periods each day for both hotel guests and outside traffic. It also includes room rental revenue and banquet catering revenue for all meetings and events held within the hotel. Revenue is projected at \$25 per occupied room night in the first year of operation, increasing with demand and inflation in subsequent years. Departmental expenses have been projected at between 79.9% and 80.7% of revenue each year of the projection period.

Other Operated Departments

Other Operated Departmental Revenue for the subject hotel would likely come from the telecommunications, retail, business centre as well as other miscellaneous areas such as guest laundry.

Other operated department revenues are projected at \$4.77 per occupied room night in Year 1, increasing in accordance with occupancy and inflation in subsequent years. Departmental expenses are projected at 45.9% of revenue for the duration of the projection period.

Rentals and Other Income Net

Other Income typically includes revenue generated from such sources as parking charges, movie/video game rentals, foreign currency exchange, interest income, guest room pet and smoking charges and fax/photocopy service. We have not assumed any parking revenue for the subject hotel, as hotel guest parking will be accommodated in the City's underground parking garage. Other income is projected as a net amount at \$0.50 per occupied room night in Year 1, increasing in accordance with occupancy and inflation in subsequent years.

9.3 Undistributed Expenses

Administration and General

Expenses in this category typically include items such as credit card commissions, office supplies, accounting and legal expenses, professional fees, management travel expenses, office equipment and other office related expenses. This category also includes the salary and benefits for a General Manager and an accounting position. The Administration and General expense is projected to be in the range of 6.4% and 6.9% of total revenue annually in the projection period. The projections have been prepared based on CBRE Hotel's knowledge of comparable select service hotels in Canada through our Trends in the Hotel Industry financial publication.

Sales and Marketing

This expense category typically includes the expenses for guest entertainment, in-house advertising, brochures, local advertising and agency expenses, plus other miscellaneous items relating to sales and promotion. Salaries and benefits for a sales manager and a coordinator have been projected for this department. This expense also includes franchise/marketing fees of 10.0% of projected room revenue annually, a notional figure that would vary depending upon the franchise affiliation of the property. The departmental expense totals approximately \$5,714 per available room in the first year of operation and subsequent increases are based on projected revenues and inflationary factors. These projections were prepared using information from comparable properties in Canada.

Property Operation and Maintenance

This expense comprises maintenance and repair costs associated with the upkeep of the building and grounds, as well as waste management and miscellaneous supplies. The projections for the proposed hotel include the salary and benefits for one full time maintenance manager and one part time employee. This expense is projected at approximately \$2,000 per available room in the first year of the projection period. CBRE Hotel's assumes that the subject hotel would be maintained at a high quality standard. The projections have been prepared based on our knowledge of the hotel industry through CBRE Hotel's Trends in the Hotel Industry financial publication.

Utilities

Utilities expenses include the cost of heat, light, power, water and sewage. In Year 1, utilities costs are projected at 3.8% of revenue, or \$2,000 per available room. Utilities expenses are projected to increase at a rate of 2.5% annually throughout the projection period. These projections have been prepared using information from comparable properties.

9.4 Fixed Expenses

Property Taxes

Property taxes for the subject property are projected at \$2,000 per room for a total of \$300,000 in Year 1. Property taxes represent between 3.5% and 3.8% of revenue each year of the projection period.

Insurance

Insurance has been projected based on a review of operating performance for a sample of select service and other comparable properties which participate in CBRE Hotel's Trends in the Hotel Industry financial publication. Insurance expenses are projected to be approximately \$375 per available room in the first year of the projection period, and increased annually with inflation throughout the projection period.

Management Fees

Management fees typically range from 3.0% to 5.0% of total revenue in accommodation properties in Canada, with variations depending on such things as volume of food and beverage operations and meeting/conference facilities. A notional management fee of 3.0% of gross revenue has been applied to this project throughout the pro forma projection period.

Reserve for Asset Replacement

A Reserve for Asset Replacement of 4.0% of total annual revenue has been applied to the subject hotel for the projection period. This percentage takes into consideration the need to accrue sufficient capital to maintain/upgrade the guestrooms, as well as the restaurant and other public areas. The capital reserve projected for the five year period accrues approximately \$1.8 Million or \$11,800 per available room.

9.5 Summary

Table 9-5 presents the projected pro forma operating statement for the 150-room select service hotel in downtown Nanaimo, with direct connections to the adjacent Vancouver Island Conference Centre.

Adjusted Net Operating Income for the hotel is projected to reach \$2,427,000 or 25.3% of revenue by Year 5 of operation.

**EXHIBIT 9-1
PROPOSED NANAIMO VICC HOTEL
ROOMS DEPARTMENTAL EXPENSES**

CBRE HOTELS

The World's Leading Hotel Experts.

	YEAR ONE	2019
ROOMS		150
OCCUPANCY (%)		67.1%
AVERAGE DAILY RATE (\$)		\$156.52
TOTAL OCCUPIED ROOM NIGHTS		36,740
TOTAL ROOM REVENUES (\$)		\$5,750,545
MANAGEMENT/SUPERVISORY STAFF		
MANAGER (STAFF/SALARY)	0.0	\$0
FRONT DESK MANAGEMENT (STAFF/SALARY)	1.0	\$60,000
HOUSEKEEPING SUPERVISION(STAFF/SALARY)	1.0	\$50,000
TOTAL MGT/SUPERVISORY	2.0	\$110,000
HOUSEKEEPING		
ROOMS PER SHIFT	15.0	
HOURLY RATE (ENTER IN FIRST YEAR DOLLARS)	\$18.00	
COST OF HOUSEKEEPERS - YEAR ONE		\$352,704
LAUNDRY		
SHIFTS PER DAY	1.0	
HOURLY RATE (ENTER IN FIRST YEAR DOLLARS)	\$17.00	
COST OF HOUSEKEEPERS - YEAR ONE		\$49,640
FRONT DESK		
SHIFTS PER DAY	3.0	
HOURLY RATE (ENTER IN FIRST YEAR DOLLARS)	\$18.00	
COST OF FRONT DESK STAFF		\$157,680
NIGHT AUDIT		
SHIFTS PER DAY	1.0	
HOURLY RATE (ENTER IN FIRST YEAR DOLLARS)	\$18.00	
COST OF FRONT DESK STAFF		\$52,560
OTHER STAFFING COST		
SHIFTS PER DAY (Housemen, Night Cleaners, Othe	1.00	
HOURLY RATE (ENTER IN FIRST YEAR DOLLARS)	\$17.00	
OTHER STAFFING COST		\$49,640
TOTAL ROOMS DEPT LABOUR COST		
ROOMS DEPT LABOUR COST		\$772,224
ADD PAYROLL COSTS & BENEFITS	20.0%	\$154,445
TOTAL ROOMS DEPT PAYROLL & BENEFITS		\$926,669
OTHER ROOMS DEPT EXPENSES		
T.A. COMMISSIONS (% OF ROOM REV)	2.0%	\$115,011
RESERVATION FEES (% OF ROOM REV)	2.5%	\$143,764
LAUNDRY/LINEN/GUEST SUPPLIES (\$ORN)	\$11.00	\$404,140
COMPLIMENTARY FOOD (\$ ORN)	\$0.00	\$0
AIRPORT SHUTTLE (Only if Applicable)	\$0.00	\$0
TOTAL ROOMS OTHER EXPENSES		\$662,915
TOTAL ROOMS DEPARTMENT EXPENSES		\$1,589,583
TOTAL EXPENSES		
LABOUR	16.1%	\$25.22
OTHER	11.5%	\$18.04
TOTAL	27.6%	\$43.27

Source: CBRE Hotels

EXHIBIT 9-2 PROPOSED NANAIMO VICC HOTEL FOOD AND BEVERAGE DEPARTMENTAL PROJECTIONS						
	SEATS	SQ.FT.	\$/SEAT	\$/SQ.FT.	\$ORN	REVENUES
HOTEL RESTAURANTS/LOUNGES						
RESTAURANT / PATIO	70	1,400	\$13,121	\$656	\$25.00	\$918,500
TOTAL HOTEL RESTAURANTS/LOUNGES	70	1,400	\$13,121	\$656	\$25.00	\$918,500
BANQUETING						
F&B REVENUE	200	3,000	\$4,593	\$306	\$25.00	\$918,500
MEETING ROOM RENTALS			\$919	\$61	\$5.00	\$183,700
TOTAL BANQUETING REVENUE			\$5,511	\$367	\$30.00	\$1,102,200
ROOM SERVICE/OTHER					\$0.00	\$0
TOTAL FOOD & BEVERAGE REVENUE	270	4,400	\$7,484	\$459	\$55.00	\$2,020,700
COSTS OF GOODS SOLD						
	%				\$ORN	EXPENSES
HOTEL RESTAURANTS/LOUNGES	33.0%				\$8.25	\$303,105
BANQUETING	25.0%				\$7.50	\$275,550
ROOM SERVICE/OTHER	28.0%				\$0.00	\$0
TOTAL COSTS OF GOODS SOLD	28.6%				\$15.75	\$578,655
PAYROLL & BENEFITS						
	%				\$ORN	EXPENSES
MANAGEMENT	3.7%	# of Mgmt Staff	1		\$2.04	\$75,000
HOTEL RESTAURANTS/LOUNGES	18.0%				\$4.50	\$165,330
BANQUETING	18.0%				\$5.40	\$198,396
ROOM SERVICE/OTHER	0.0%				\$0.00	\$0
KITCHEN	15.0%				\$8.25	\$303,105
BENEFITS	20.0%				\$4.04	\$148,366
TOTAL PAYROLL & BENEFITS	44.1%				\$24.23	\$890,197
GENERAL OPERATING EXPENSES						
	%				\$ORN	EXPENSES
GENERAL OPERATING EXPENSES	8.0%				\$4.40	\$161,656
TOTAL OPERATING EXPENSES	80.7%				\$44.38	\$1,630,508
NET DEPARTMENTAL PROFIT	19.3%				\$10.62	\$390,192

Source: CBRE Hotels

EXHIBIT 9-3 PROPOSED NANAIMO VICC HOTEL OTHER OPERATED DEPARTMENTS / RENTALS AND OTHER INCOME					
OTHER OPERATED DEPARTMENTS (YEAR 1)	\$ORN		TOTAL		Departmental Ratio
	Revenue	Expense	Revenue	Expense	
Telecommunications	\$0.15	\$0.14	\$5,511	\$5,144	93.3%
Retail Store	\$2.00	\$0.80	\$73,480	\$29,392	40.0%
Business Centre	\$0.50	\$0.25	\$18,370	\$9,185	50.0%
Other	\$2.00	\$1.00	\$73,480	\$36,740	50.0%
Total Other Operated Departments	\$4.77	\$2.19	\$175,250	\$80,461	45.9%
RENTALS AND OTHER INCOME (YEAR 1)	\$ORN		TOTAL		Departmental Ratio
	Revenue	Expense	Revenue	Expense	
Other Income Net	\$0.50	\$0.00	\$18,370	\$0	0.0%
Total Rentals and Other Income	\$0.50	\$0.00	\$18,370	\$0	0.0%

Source: CBRE Hotels

EXHIBIT 9-4 PROPOSED NANAIMO VICC HOTEL UNDISTRIBUTED EXPENSES		
ADMINISTRATIVE & GENERAL	Year One	2019
PAYROLL COSTS		
TOTAL PER ROOM	\$1,367	\$205,000
BENEFITS	20.0%	\$41,000
TOTAL PAYROLL COSTS	\$1,640	\$246,000
OTHER A&G EXPENSES		
CREDIT CARD COMMISSIONS (% OF GROSS REV)	1.5%	\$119,473
OTHER A&G COSTS (\$ PER AVAIL ROOM)	\$1,200	\$180,000
TOTAL 'OTHER A&G' COSTS	\$1,996	\$299,473
TOTAL ADMINISTRATIVE & GENERAL	\$3,636	\$545,473
<i>% OF GROSS REVENUE</i>	6.8%	
SALES & MARKETING	Year One	2019
PAYROLL COSTS		
TOTAL PER ROOM	\$733	\$110,000
BENEFITS	20.0%	\$22,000
TOTAL PAYROLL COSTS		\$132,000
OTHER MARKETING EXPENSES		
FRANCHISE ROYALTY FEE(% OF ROOMS REV)	5.0%	\$287,527
CENTRAL MARKETING FEE(% OF ROOMS REV)	5.0%	\$287,527
GENERAL (\$ PER AVAIL. RM.)	\$1,000	\$150,000
TOTAL 'OTHER MARKETING COSTS		\$725,054
TOTAL SALES & MARKETING	\$5,714	\$857,054
<i>% OF GROSS REVENUE</i>	10.8%	
PROPERTY OPERATION & MAINTENANCE	Year One	2019
PAYROLL COSTS		
TOTAL PER ROOM	\$667	\$100,000
BENEFITS	20.0%	\$20,000
TOTAL PAYROLL COSTS		\$120,000
TOTAL OTHER MAINTENANCE COSTS	\$1,200	\$180,000
TOTAL PROPERTY OPERATION & MAINTENANCE	\$2,000	\$300,000
<i>% OF GROSS REVENUE</i>	3.8%	
UTILITIES	Year One	2019
TOTAL UTILITIES	\$2,000	\$300,000
<i>% OF GROSS REVENUE</i>	3.8%	
OTHER EXPENSES	Year One	2019
Rent (only if applicable)	\$0	\$0
PROPERTY AND OTHER TAXES(\$ PER AVAIL. RM.)	\$2,000	\$300,000
INSURANCE(\$ PER AVAIL. RM.)	\$375	\$56,250
MANAGEMENT FEE(% OF GROSS REV)	3.0%	\$238,946
RESERVE FOR ASSET REPLACEMENT (% OF GROSS REV)	4.0%	\$318,595

Source: CBRE Hotels

Exhibit 9-5 PROPOSED NANAIMO VICC HOTEL NANAIMO, B.C. PROJECTED OPERATING RESULTS, 2019-2023						
	2019	2020	2021	2022	2023	
Rooms	150	150	150	150	150	
Available Rooms	54,750	54,750	54,750	54,750	54,750	
Occupied Rooms	36,740	38,839	40,705	40,705	40,705	
Occupancy Rate	67.1%	70.9%	74.3%	74.3%	74.3%	
Average Daily Rate	\$156.52	\$160.43	\$164.44	\$168.55	\$172.76	
RevPar	\$105.03	\$113.81	\$122.26	\$125.31	\$128.45	
REVENUE						
Rooms	\$5,750,545	\$6,230,941	\$6,693,530	\$6,860,868	\$7,032,390	73.4%
Food and Beverage	\$2,020,700	\$2,118,550	\$2,213,245	\$2,268,577	\$2,325,291	24.3%
Other Operated Departments	\$175,250	\$181,684	\$188,015	\$192,715	\$197,533	2.1%
Rentals and Other Income	\$18,370	\$19,044	\$19,708	\$20,201	\$20,706	0.2%
Total Revenue	\$7,964,865	\$8,550,219	\$9,114,499	\$9,342,361	\$9,575,920	100.0%
DEPARTMENTAL EXPENSES						
Rooms	\$1,589,583	\$1,685,174	\$1,777,096	\$1,821,523	\$1,867,061	26.5%
Food and Beverage	\$1,630,508	\$1,699,915	\$1,767,527	\$1,811,715	\$1,857,008	79.9%
Other Operated Departments	\$80,461	\$83,414	\$86,321	\$88,479	\$90,691	45.9%
Total Departmental Expenses	\$3,300,552	\$3,468,504	\$3,630,944	\$3,721,718	\$3,814,761	39.8%
TOTAL DEPARTMENTAL INCOME	\$4,664,312	\$5,081,715	\$5,483,554	\$5,620,643	\$5,761,159	60.2%
UNDISTRIBUTED OPERATING EXPENSES						
Administration and General	\$545,473	\$565,498	\$585,205	\$599,836	\$614,831	6.4%
Sales and Marketing ¹	\$857,054	\$898,648	\$939,346	\$962,829	\$986,900	10.3%
Property Operation and Maintenance	\$300,000	\$309,257	\$318,511	\$326,474	\$334,636	3.5%
Utilities	\$300,000	\$309,257	\$318,511	\$326,474	\$334,636	3.5%
Total Undistributed Expenses	\$2,002,527	\$2,082,659	\$2,161,574	\$2,215,613	\$2,271,003	23.7%
GROSS OPERATING PROFIT	\$2,661,785	\$2,999,055	\$3,321,981	\$3,405,030	\$3,490,156	36.4%
Management Fees	\$238,946	\$256,507	\$273,435	\$280,271	\$287,278	3.0%
INCOME BEFORE FIXED CHARGES	\$2,422,839	\$2,742,549	\$3,048,546	\$3,124,759	\$3,202,878	33.4%
FIXED CHARGES						
Property Taxes	\$300,000	\$307,500	\$315,188	\$323,067	\$331,144	3.5%
Insurance	\$56,250	\$57,656	\$59,098	\$60,575	\$62,089	0.6%
Total Fixed Charges	\$356,250	\$365,156	\$374,285	\$383,642	\$393,233	4.1%
NET OPERATING INCOME	\$2,066,589	\$2,377,393	\$2,674,261	\$2,741,117	\$2,809,645	29.3%
Reserve for Asset Replacement	\$318,595	\$342,009	\$364,580	\$373,694	\$383,037	4.0%
ADJUSTED NET OPERATING INCOME	\$1,747,995	\$2,035,384	\$2,309,681	\$2,367,423	\$2,426,608	25.3%

Source: CBRE Hotels

¹ Includes Franchise Fees

APPENDIX A: CBRE TERMS AND CONDITIONS, ASSUMPTIONS AND LIMITING CONDITIONS

APPENDIX A: CBRE TERMS AND CONDITIONS, ASSUMPTIONS AND LIMITING CONDITIONS**SCHEDULE A
TERMS AND CONDITIONS**

1. This Proposal and the Advisory and/or Appraisal Report to be prepared by CBRE shall be subject to General Assumptions and Limiting Conditions which are attached as Schedule "D" hereto. These Terms and Conditions and the General Assumptions and Limiting Conditions shall also be specifically included in the Advisory and/or Appraisal Report, failing which these Terms and Conditions, and the General Assumptions and Limiting Conditions, shall be deemed to have been specifically incorporated by reference into the Advisory and/or Appraisal Report, as though set out in full in the Advisory and/or Appraisal Report itself.
2. The Client in accepting, by its signature, this Proposal, has specifically agreed to the Terms and Conditions set out herein; and the General Assumptions and Limiting Conditions attached to this Proposal as Schedule "D".
3. This Proposal, and the Advisory and/or Appraisal Report to be prepared by CBRE, is intended for the exclusive use of the Client, and is not intended to be prepared for, given to, or relied upon, by any other person or entity, without the express prior written consent of CBRE, and the appraiser who authored the Advisory and/or Appraisal Report.
4. In the event the Client requests additional services beyond the scope or purposes stated in this Proposal, the Client agrees to pay CBRE an additional charge for such services, plus reimbursement of expenses, and all applicable taxes, regardless of whether any or all completed appraisal reports have been delivered to the Client at the time of the request.
5. In the event the Client fails to make payments to CBRE, when due and payable, then from the date due and payable until paid, the amount due and payable shall bear interest at a monthly rate of one and one-half (1.5%) percent or eighteen (18%) percent per annum.
6. In the event the CBRE appraiser preparing this Advisory and/or Appraisal Report for the Client, is requested to give testimony in any judicial or quasi-judicial process or hearing, an additional fee will be charged for the CBRE appraiser's time, which shall be calculated and payable in the amount of Four Hundred Dollars (\$400.00) per hour, plus applicable taxes. This hourly billing rate shall be applied to document review, preparation for testimony, all meetings related to testimony, attendance at and during any hearing or court proceeding as required, and all travel time.
7. The data gathered in the course of the preparation of the appraisals to be provided hereunder (except data furnished by Client) and the appraisal reports themselves, are, and will remain, the property of CBRE. With respect to data provided by Client, CBRE shall not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to CBRE. Notwithstanding the foregoing, CBRE is authorized by Client to disclose all or any portion of the Advisory and/or Appraisal Report, to be prepared hereunder, and the related data, and any working papers

- related thereto, to appropriate representatives of the Appraisal Institute if such disclosure is required to enable CBRE to comply with the Bylaws and Regulations of the Appraisal Institute, as now or hereafter in effect, and in any judicial or quasi-judicial proceeding if disclosure is required by the Client, or by the process, or by order of the trier of fact.
8. CBRE assumes that there are no major or significant items in the preparation of the Advisory and/or Appraisal Report that would require the expertise of a professional building contractor or engineer. If such items need to be considered in CBRE's preparation of the Advisory and/or Appraisal Report required hereunder, such services shall be provided by others at a cost which shall not be included in, or be any part of the fee stipulated in this Proposal.
 9. Client acknowledges that CBRE is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Proposal, and the preparation of the required Advisory and/or Appraisal Report shall be deemed to create any other relationship between Client and CBRE. This assignment shall be deemed concluded and the services hereunder completed upon delivery to Client of all the appraisal reports required herein.
 10. Client shall provide CBRE with such materials with respect to the preparation of the Advisory and/or Appraisal Report required hereunder as are requested by CBRE and in the possession or under the control of Client. Client shall provide CBRE with sufficient access to the Property to be appraised and hereby grants CBRE permission to enter upon the Property for the purposes of preparing the Advisory and/or Appraisal Report, unless CBRE has specifically agreed in advance, and in writing, to the contrary.
 11. CBRE agrees to indemnify, defend, and hold harmless the Client, as well as the Client's directors, officers, employees, agents, and representatives, from and against all claims, liabilities, judgments, actions, penalties and other expenses, including court costs and solicitor fees and applicable taxes, arising from any established gross negligence or willful misconduct on the part of CBRE in connection with the preparation of the Advisory and/or Appraisal Report.
 12. The Client agrees to indemnify, defend, and hold harmless CBRE, as well as CBRE's directors, officers, employees, agents, and representatives, from and against all claims, liabilities, judgments, actions, penalties and other expenses, including court costs and solicitor fees and applicable taxes, arising from any incorrect information supplied by the Client to CBRE, or any material fact or documentation known by the Client, which the Client fails to disclose to CBRE.
 13. In the event:
 - a) the Client requests the consent of CBRE to disclose the Advisory and/or Appraisal Report to a third party, and CBRE provides the Client with CBRE's written consent to disclose the Advisory and/or Appraisal Report to such third party; or
 - b) CBRE otherwise agrees in writing to the disclosure of the Advisory and/or Appraisal Report to a third party;

- then the Client agrees to indemnify, defend, and hold harmless CBRE, as well as CBRE's directors, officers, employees, agents, and representatives, from and against all claims, liabilities, judgments, actions, penalties, and other expenses, including court costs and solicitor fees and applicable taxes, arising from the disclosure of the Appraisal Report to the third party, and not attributable to any established gross negligence or willful misconduct on the part of CBRE in connection with the preparation of the Advisory and/or Appraisal Report.
14. Under no circumstances whatsoever shall CBRE be liable to the Client for any special, consequential, punitive, or incidental damages, of any kind whatsoever, arising in any manner whatsoever, from this Proposal and the Appraisal Report. Furthermore, in no event whatsoever shall CBRE's total liability to the Client for direct, indirect, or any other damages whatsoever, arising in any manner whatsoever, from this Proposal or the Advisory and/or Appraisal Report exceed, in the aggregate, the sum of ten thousand Canadian dollars (\$10,000.00 CAD).
 15. This Proposal, including Schedules "A", "B", "C" and "D", and the Advisory and/or Appraisal Report constitutes the entire agreement between the parties concerning the subject matter hereof, and supersedes all other prior proposals, agreements (whether oral or written), representations, statements, negotiations and undertakings as they relate to the subject matter of this Proposal.
 16. The headings inserted in this Proposal are for convenience of reference only and, in no way define, limit or enlarge the scope or meaning of any of the terms and conditions contained in this Proposal.
 17. Should any provision of this Proposal be unenforceable at law, it shall be considered separate and severable from the remaining provisions of this Proposal, which shall continue in force and shall be binding as though such provision had not been included.
 18. This Proposal shall not be assignable by the Client and CBRE without the express prior written consent of the other of them. This Proposal shall be for the benefit of and shall be binding upon the heirs, successors and the permitted assigns of the Client and CBRE.
 19. The validity, construction and performance of this Proposal and the Advisory and/or Appraisal Report shall be governed by the laws in force and effect in the Province where the Real Estate resides. The Client and CBRE hereto attorn to the jurisdiction of the Courts of such Province, with respect to all disputes regarding the validity, construction, performance, enforceability, and interpretation of this agreement.
 20. Any amendments or modifications to the Proposal shall not be effective unless in writing and signed by both the Client and CBRE.

SCHEDULE B**ASSUMPTIONS AND LIMITING CONDITIONS**

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties appraised is clear and marketable and that there are no recorded or unrecorded matters or exceptions to total that would adversely affect marketability or value. CBRE is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject property's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, provincial, and federal building codes and ordinances. CBRE professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE by ownership or management; CBRE inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraisers. CBRE has no knowledge of the existence of such materials on or in the property. CBRE, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater

or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.

4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE. This report may be subject to amendment upon re-inspection of the subject property subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. 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 appraisal report. Unless otherwise specifically noted in the appraisal 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 appraisal report prepared by CBRE.
6. The date of value 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 value opinion herein rendered is based upon the purchasing power of the Canadian Dollar on that date. This appraisal is based on market conditions existing as of the date of this appraisal. 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 appraisal. However, CBRE will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE assumes no private deed restrictions, limiting the use of the subject property in any way.

8. Unless otherwise noted in the body of the report, it is assumed that there is no mineral deposit or subsurface rights of value involved in this appraisal, whether they are gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value of the subject.
10. The estimate of Market Value, which may be defined within the body of this report, is subject to change with market fluctuations over time. Market value is highly related to exposure, time promotion effort, terms, motivation, and conclusions surrounding the offering. The value estimate(s) consider the productivity and relative attractiveness of the property, both physically and economically, on the open market.
11. 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
12. 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 at the value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
13. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
14. 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.

15. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
16. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. Component values for land and/or buildings are not intended to be used in conjunction with any other property or appraisal and are invalid if so used.
17. The maps, plats, 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.
18. 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 appraisers. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance.
19. 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 Appraiser 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.
20. CBRE assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.

21. 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 appraisal report.
22. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
23. The property has been valued on the basis that the property complies in all material respects with any restrictive covenants affecting the property and has been built and is occupied and is being operated, in all material respects, in full compliance with all requirements of law, including all zoning, land use classification, building, planning, fire and health by-laws, rules, regulations, orders and codes of all federal, provincial, regional and municipal governmental authorities having jurisdiction with respect thereto. There may be work orders or other notices of violation of law outstanding with respect to the real estate as described in the report. However, such circumstances have not been accounted for in the appraisal process.
24. No inquiries have been placed with the fire department, the building inspector, the health department or any other government regulatory agency, unless such investigations are expressly represented to have been made in the report. The subject property must comply with such regulations and, if it does not comply, its non-compliance may affect the market value of the property. To be certain of such compliance, further investigations may be necessary.
25. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the estimate of value expressed herein, as of the effective date of this appraisal, cannot be relied upon as of any other date without subsequent advice of CBRE.
26. 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.