



MARKET STUDY – PROPOSED HOTEL DEVELOPMENT ADJACENT TO THE HERITAGE PLACE MALL OWEN SOUND, ONTARIO

October 2024



POTENTIAL HOTEL DEVELOPMENT – OWEN SOUND

To,
Heritage Mall Limited Partnership
C/O The Sterling Group Inc.

Dear Sirs,

Pursuant to your request, we (“Real Street Advisors”) are pleased to present this report, entitled “Market Study: Proposed Hotel Development – Owen Sound, Ontario”.

This study is in support for Heritage Mall Limited Partnership to develop a parcel of land adjacent to the existing Heritage Place Mall, in Owen Sound, Ontario. This study forms a part of their Zoning By-Law application and has been prepared in support of the introduction of a limited-service hotel within the overall market.

This type of market analysis has been requested by the City of Owen Sound to evaluate the need for the proposed development and the potential impact of the proposed new uses in the commercial structures of the City, as outlined in the Terms of Reference provided by the City of Owen Sound and their peer review consultants .

Thanking you,
Real Street Advisors™

Ambika Gandhi, MBA, MRICS



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INTRODUCTION



INTRODUCTION

Heritage Mall Limited Partnership is seeking a Zoning By-Law amendment to add a limited-service hotel located at 1750, 16th Avenue East, Owen Sound, Ontario. As outlined in the terms of Reference to the City of Owen Sound and their peer review consultants (MHBC and Tate Economic Research), this market study is required to assess the need for any impact to the proposed new use (a hotel), with a focus on the potential impact on the commercial structures of the Downtown.

The proposed hotel located on the site is further away from the Downtown area, and the downtown area retail shops and commercial buildings will benefit from a hotel development on the Subject Site. A hotel is a support use for the downtown area of Owen Sound.

The new uses proposed will consist of a 120-room hotel, with an indoor pool, a gym and a small meeting space to be located on the site. The overall construction floor area is expected to be 6,912 square meters or 74,400 square feet developed with 6-storeys.

APPROACH

Pursuant to the Terms of Reference, dated June 12, 2024, the following steps were undertaken;

- **Site and Access Review:** Building on our existing understanding of the site context, we have examined the physical and access characteristics of the subject site from a hotel perspective. This has included a review of the site—and in particular the proposed hotel use—in terms of its compatibility with surrounding land uses, its relationship with other potentially synergistic commercial uses on-site (e.g., restaurants, businesses and tourist attractions.), as well as the access system in the vicinity, plus the subject property’s location relative to other parts of the City of Owen Sound.
- **Market Profile:** We have prepared a demographic and economic profile for the community to identify the specific factors that could potentially influence the demand for hotel uses in this area in the coming years. In particular, we have determined the historical, current and projected levels of population and employment growth anticipated in Owen Sound, relying on the latest available Statistics Canada Census data, as well as any other more recent forecasts available directly from the municipality. This information has ultimately informed the extent to which visitation patterns to the City of Owen Sound can be expected to change moving forward (e.g., including any increases in business-related travel/conventioners, visiting family/friends, and/or recreation and tourism activities throughout the region).
- **Tourism Context:** We have reviewed available municipal information and other community listings relating to the existing supply of tourism and recreation amenities in Owen Sound and the surrounding area, as well as regularly scheduled events/festivals. This has included a review of existing heritage sites, natural/geographic features, galleries/museums, sports/recreation facilities, and other cultural attractions, in addition to the frequency and nature of various events/activities that may help to drive local tourism (e.g., concerts/shows, etc.).
- **Inventory of Accommodation Facilities:** We have undertaken a comprehensive review of all existing hotel and lodging facilities located in Owen Sound. This review has been based primarily on available online listings and business directories for the community, as well as accredited third-party data providers such as Co-Star. We have also undertaken a high-level overview of other accommodation facilities located in Owen Sound and the surrounding area (e.g., bed and breakfasts, Airbnb's etc.). In addition, we have determined whether there are any other development proposals for new hotel facilities in Owen Sound.
- **Market Research:** Additionally, we have reviewed the available market statistics and other data relating to the current market accommodation facilities in Owen Sound, this has included a review of current occupancy rates, room rates (Average Daily Rates or ADR – for pricing), amenities, features, and other relevant characteristics to existing hotels and motels within the City of Owen Sound.
- **Market Demand Evaluation:** Based on the research and other relevant data inputs, we have prepared an evaluation as to the future demand for additional hotel rooms in Owen Sound. This evaluation included a qualitative review of current market conditions (and any anticipated changes), as well as a more quantitative and high-level hotel room demand projection, based on per capita service levels and the level of population/employment and visitor growth expected in the City in coming years. These projections have been informed by our assessment of the current supply of hotel rooms in Owen Sound on a per capita and per employee basis, as well as rates compared to similar other Ontario communities and/or across the region.

ASSUMPTIONS

There are a number of underlying and basic assumptions on which the validity of the recommendations presented in this report depend. Based on our considerable and long-term experience in the retail planning process, we recognize and appreciate the complexities associated with making broad assumptions about future conditions. Undoubtedly, deviations from historic and current trends will take place in the future. However, basic assumptions are required regarding the possible extent of such deviations.

These basic assumptions are:

- During the forecast period discussed in this report, a reasonable degree of economic stability will prevail in the Province of Ontario and Owen Sound; and,
- Estimates of current population and future population growth in the study area, which were based on Statistics Canada Census data and information obtained from Owen Sound, are assumed to be reliable for the purposes of this study.

If, for any reason, major changes, occur which would influence the basic assumptions identified above, the recommendations contained in this report should be reviewed in light of such changed conditions and revised, if necessary.



SITE CONTEXT



LOCATION OF SITE

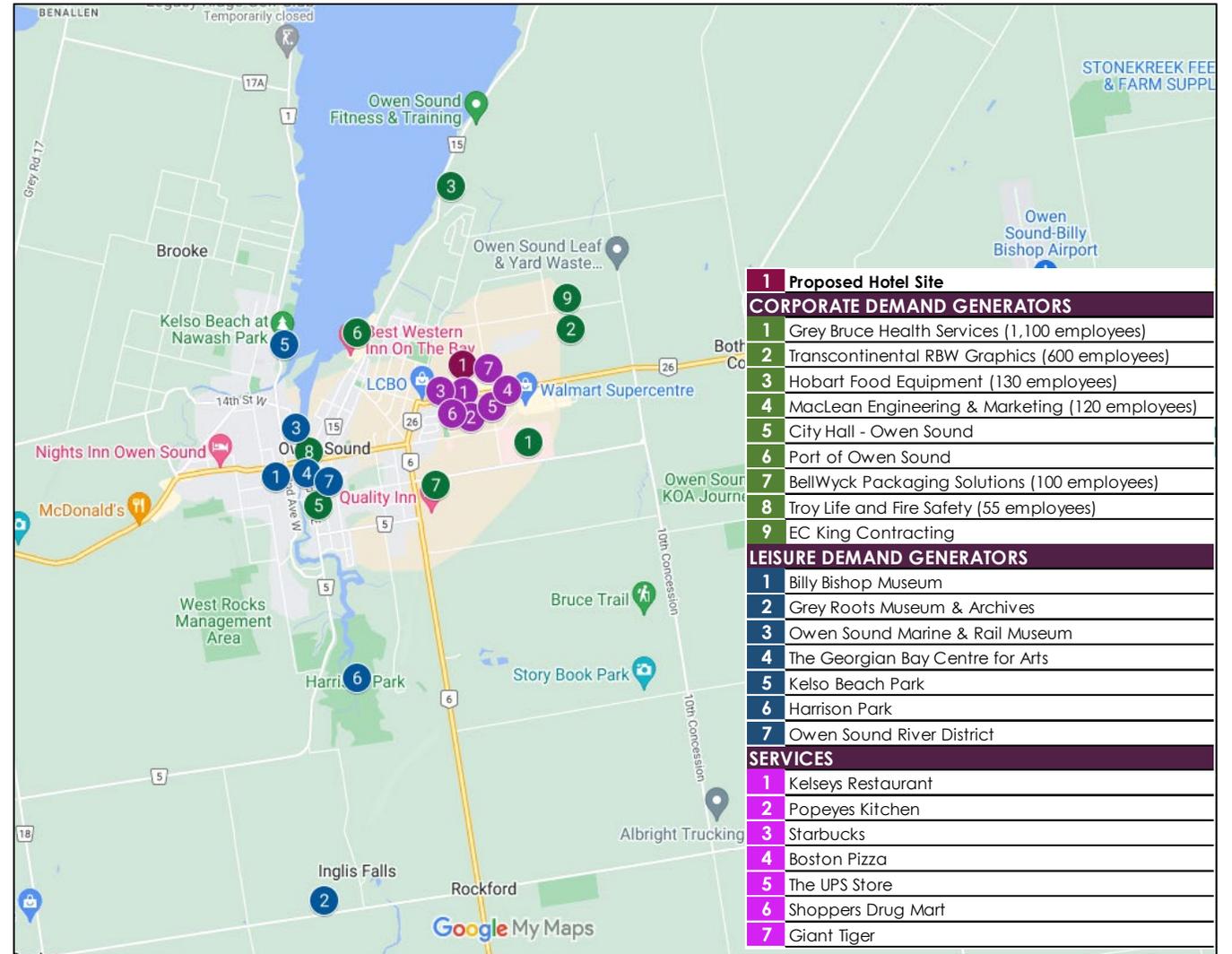


Source: Google Maps, Heritage Mall Website, Ownership Group

- The proposed site being considered for a hotel development is located adjacent to the Heritage Place Mall in Owen Sound, on 1750, 16th street East.
- The Heritage Place Mall is a large retail facility that consists of key flagship stores including Giant Tiger, Leon's, Bell, GoodLife Fitness, Kelseys Restaurant, Service Canada, Koodo, Virgin, Urban Planet and other amenities.

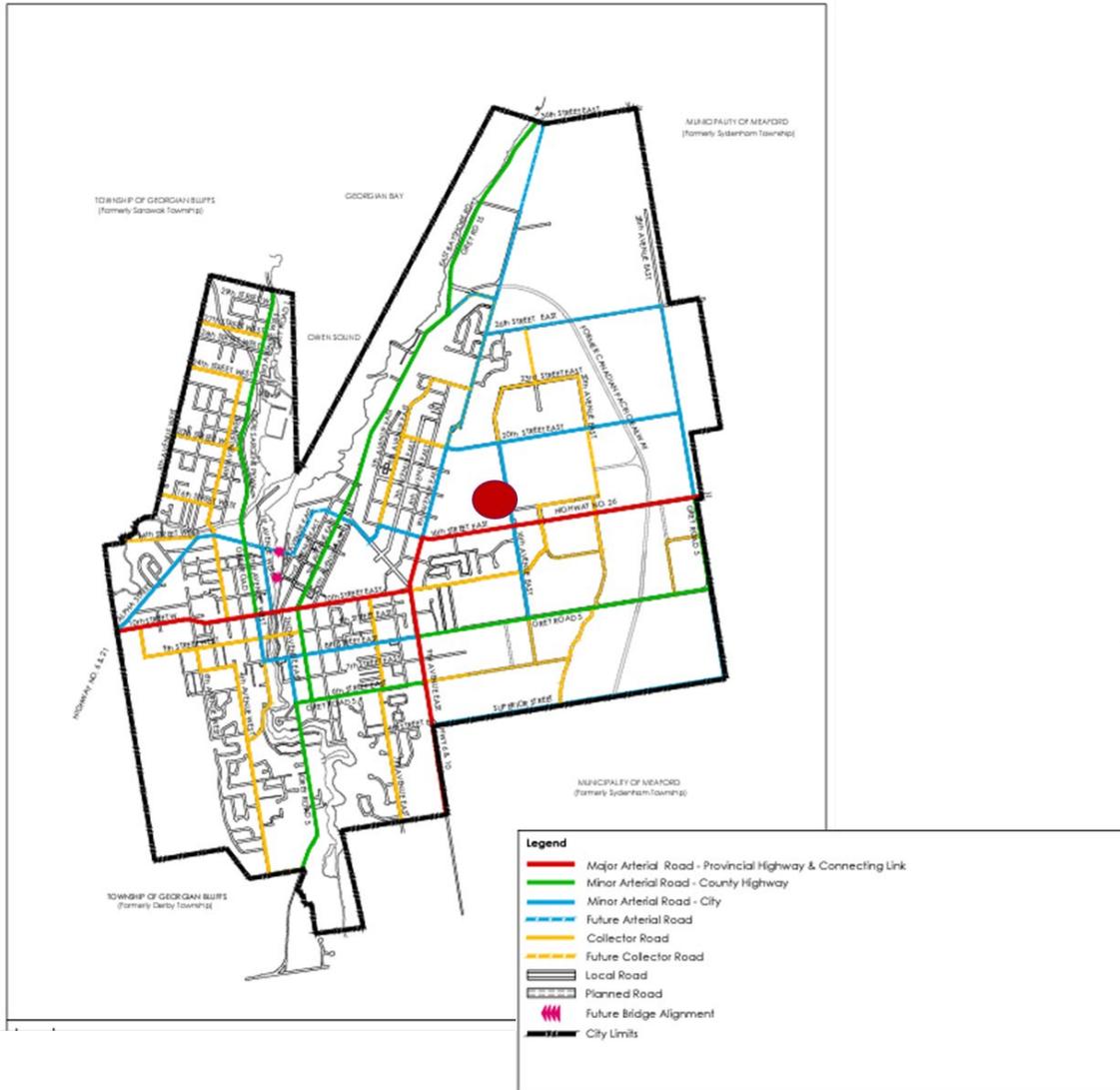
POTENTIAL DEMAND GENERATORS FOR SUBJECT SITE

- Given its location, the proposed hotel development would be located centrally to the major businesses in the municipality of Owen Sound.
- As noted on the graphic alongside, the hotel would benefit from the companies in Owen Sound, that could generate corporate clientele. These include **Grey Bruce Health Services**, **Transcontinental RBW Group**, **Hobart Food Equipment**, **MacLean Engineering and Marketing**, to name a few.
- The reader would note that the largest employer in Owen Sound, the **Grey Bruce Hospital** is located only 1.1 kilometres away from the site under study.
- We also note that the subject site is located less than 2 to 3 kilometres from majority of the leisure attractions in the city of Owen Sound, including the **Billy Bishop Museum**, **the Grey Roots Museum**, **the Owen Sound Marine and Rail Museum** to name a few.
- In addition to these, the subject site benefits from being adjacent to the **Heritage Place retail facility**, that consists of several restaurants, shops, banks, pharmacies and essential services for guests.
- All of these facilities serve as significant demand generators for the proposed hotel under study.



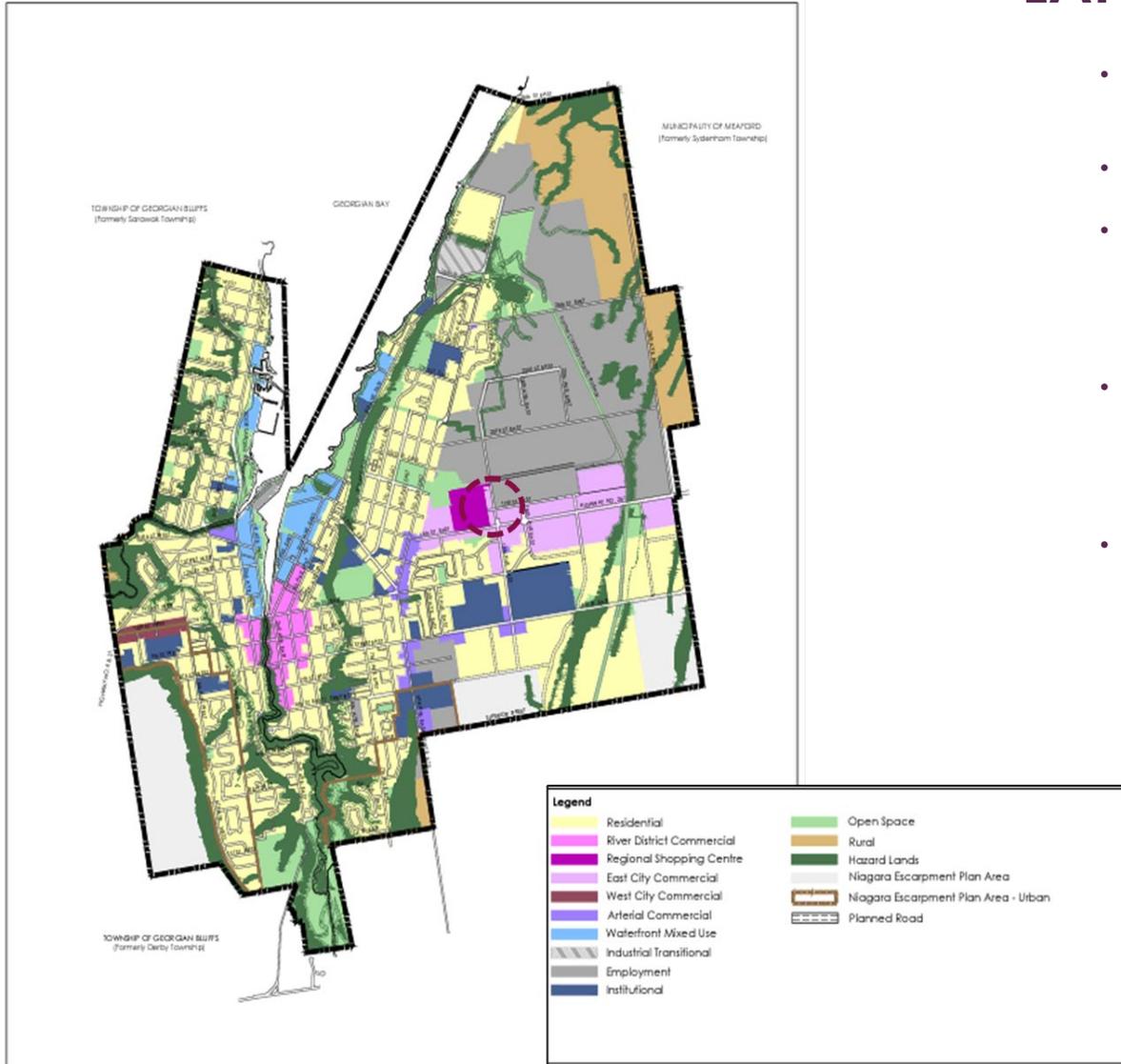
Source: Google Maps

ACCESSIBILITY TO THE SITE RETAINED



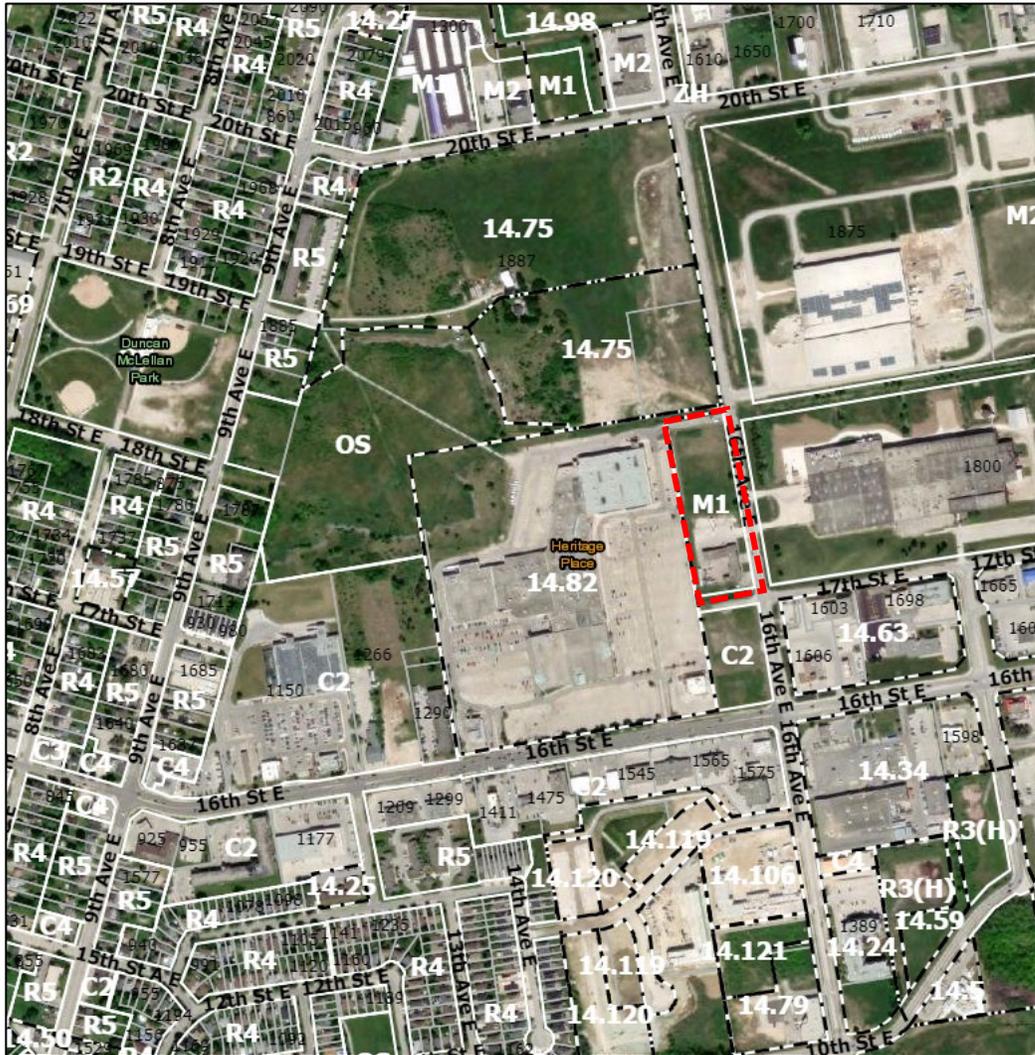
- The subject site is located at 1750, 16th Avenue East. The site is proximate to 16th Street East that connects to Highway 6, the main artery of Owen Sound.
- Highway 26 connects the City to Meaford, Blue Mountains and Collingwood towards the east.
- It also connects to the south and west routes of the city.
- The subject site is approximately a 3.3-kilometre drive from the downtown core of Owen Sound.
- The City of Owen Sound is a popular tourist destination as well, given that it is only two hours away from Toronto.
- According to the City of Owen Sound, we note that the city is proximate to several large population bases such as Barrie (118 kms), Kitchner (146 kms), London (204 kms), Niagara Falls (274), Ottawa (522 kms) and Toronto (192 kms).
- Directly off of Highway 26, located within an 8-minute (7 kms) drive is the Owen Sound Regional Airport, that serves as a charter airport and accommodates some tourist flights.

LAND USE



- The subject site is located adjacent to the Regional Shopping Centre and East City Commercial corridors.
- The site under study is zoned M1, which is a general industrial zoning.
- The Subject site is designated as East City Commercial by the Official Plan of Owen Sound, 2021 (seen in the graphic alongside). Permitted uses for East City Commercial include large format retail, offices, large entertainment and community service, commercial uses.
- The hotel under study would typically be intended to serve guests travelling into Owen Sound. The hotel would be amenity light with no planned restaurant or large retail facilities. As such, the hotel will prove to be complimentary where guests would utilize the amenities, retail facilities and F&B options in the downtown area as well as at the Heritage Place Mall.
- Surrounding land uses include:
 - To the north are lands designated East City Commercial and Employment.
 - To the east are lands also designated East City Commercial.
 - To the south are lands designated Residential and Institutional. The nearby institutional lands contain the Owen Sound Hospital.
 - To the west are lands designated East City Commercial.

ZONING EXTRACT



- The site under study is zoned M1, which is a general industrial zoning.
- The M1 zoning does not allow for commercial developments and is not zoned for a hotel.

Source: City of Owen Sound, Official Plan, 2021, ArcGIS application

IMPORTANCE OF DOWNTOWN

Downtown Owen Sound possesses a distinctive heritage charm. The Owen Sound Harbour and Downtown Urban Design Master Plan Strategy (published in 2000) highlighted the diversity of retail offerings in the area, with few gaps and a focus on specialty stores. However, large, regional-serving retail stores do not align with the Downtown's heritage character, as seen in the graphics alongside.

Redevelopment efforts prioritize infill projects rather than standalone stores with extensive surface parking, and the Downtown is not suited for the type of commercial uses proposed for 1750, 16th Avenue East. Acquiring and redeveloping large parts of the Downtown for such purposes would not be viable.

Key plans such as the Owen Sound Harbour and Downtown Urban Design Master Plan Strategy (2000), the Downtown River Precinct Plan (2013), and the Strategic Plan (2015-2020) emphasize the ongoing revitalization of Downtown, including beautification and its promotion as a tourism destination.

The commercial function of the East City Commercial area differs significantly from that of Downtown, which helps preserve Downtown's pedestrian-friendly retail environment. Downtown remains a popular spot for both tourism and local shopping, focusing on specialty retail and services. The proposed hotel development in the East City Commercial area is fitting, given its proximity to a major entrance into the city and the availability of ample surface parking and easy access.

Additionally, the proposed hotel is aligned with the Council's vision to attract investment and tourism into Owen Sound. The proposed hotel is also aligned with the Owen sound Strategic Plan that has several goals to support tourism.

In our opinion, the new use for the subject site is in line and is consistent with the City's Economic Development Initiatives.



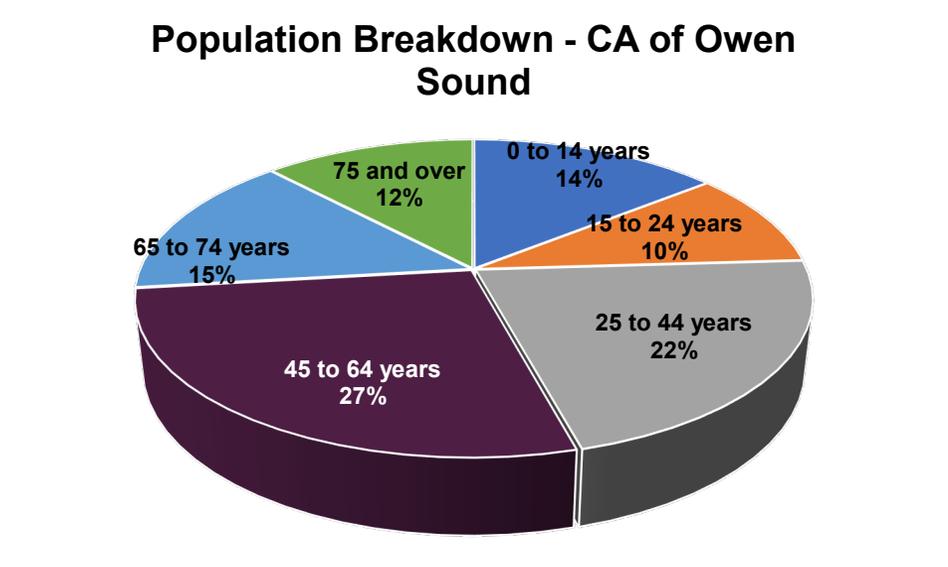
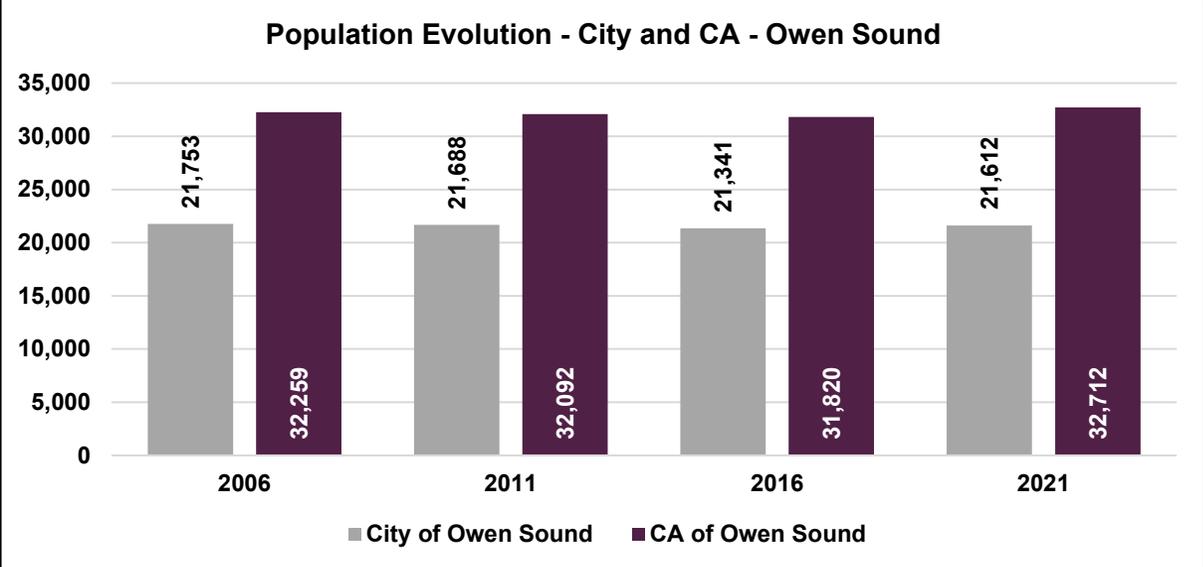
Source: Google Images



MARKET ANALYSIS



POPULATION CHARACTERISTICS



Source: Statistics Canada 2022

- The proposed hotel is to be located in the city of Owen Sound, which forms a part of the Census Agglomeration (CA) of Owen Sound, in the province of Ontario.
- The population of the CA of Owen Sound increased from 32,200 in 2006 to 32,700 in 2021, according to the Census of Canada. This indicates a compound annual growth rate (CAGR) of 0.09% between 2006 and 2021.
- The population of the city of Owen Sound decreased marginally by a CAGR of 0.04% between 2006 and 2021, ending at just over 21,600 people.
- In terms of population characteristics, approximately 45.7% of the population of the CA of Owen Sound is below the age of 44.
- The average age of the CA is 46.4 years, while the median age comes in at 49.2 years, for the year 2021.
- The average age of the City of Owen Sound is marginally younger at 46.3 years, while the median age comes in at 48.0 years, for the year 2021.

EMPLOYMENT AND LABOUR MARKET - 2021

	ONTARIO	CA OWEN SOUND	CITY OWEN SOUND
Labour Force Participation (% active population)	62.8%	56.1%	55.2%
Employment Rate (% active population)	55.1%	50.3%	49.0%
Unemployment Rate (% of labour force)	12.2%	10.3%	11.1%

EMPLOYMENT SECTORS - 2021	CA OWEN SOUND	CITY OWEN SOUND
Agriculture, forestry, fishing and hunting	2.5%	1.1%
Mining, quarrying, Oil & Gas	0.6%	0.5%
Utilities	2.4%	1.6%
Construction	10.0%	8.3%
Manufacturing	7.4%	8.2%
Goods Sector	22.8%	19.7%
Wholesale trade	1.7%	1.7%
Retail Trade	16.6%	18.6%
Transport & Warehousing	3.5%	3.9%
Information & Cultural Industries	1.1%	1.0%
Finance and Insurance	2.3%	2.1%
Real Estate	1.5%	1.6%
Professional, scientific and technical services	4.4%	3.6%
Management of companies & enterprises	0.0%	0.0%
Administrative & Support	4.3%	4.2%
Education services	5.7%	5.8%
Healthcare and social assistance	19.2%	20.6%
Arts, entertainment and recreation	2.1%	2.3%
Accommodation & food services	6.4%	7.6%
Others	4.2%	3.6%
Public Administration	3.9%	3.6%
Services Sector	77.2%	80.3%
Total	100.0%	100.0%

Source: Statistics Canada 2022

- Employment trends allows us to understand the source of the employment within the region, and allows us to understand the potential target market for the hotel under consideration.
- In comparison between Ontario, both the CA and the city of Owen Sound has a lower unemployment rate of 10.3% and 11.1%, respectively.
- The reader would note that this is higher during 2021, given the Covid-19 pandemic. This number is expected to decrease for year ending 2022 and 2023, should a recession not be forthcoming.
- In both the CA and the City of Owen Sound, the services sector is more dominant than the good producing sector, representing over 77% of the total workforce.
- The major industries within the CA of Owen Sound include Healthcare and social assistance (19.2%), Retail trade (16.6%), Construction (10.0%), and Manufacturing (7.4%).
- Similarly, the city of Owen Sound's major industries of employment include Healthcare and social assistance (20.6%), Retail trade (18.6%), Construction and Manufacturing (over 8%).
- According to the City of Owen Sound, total employment within 30 minutes of Owen Sound is approximately 40,000 people, indicating a large working population with easy access to the proposed hotel under study.

LARGEST EMPLOYERS

TOP EMPLOYERS - OWEN SOUND - 2022	
COMPANY	EMPLOYMENT COUNT
Grey Bruce Health Services	1,100
Grey County Administrative Office	700
Transcontinental RBW Graphics	600
Hobart Food Equipment Canada Inc	130
MacLean Engineering and Marketing Co. Ltd.	120
Grey Bruce Health Unit	120
BellWyck Packaging Solutions	100
Troy Life & Fire Safety	55
Bruce Grey Child & Family Services	N.A.
City of Owen Sound	N.A.
EC King Contracting	N.A.

Source: City of Owen Sound

- Owen Sound is a regional centre that serves both Grey and Bruce Counties, with a focus on healthcare, education, business, tourism and culture.
- Healthcare and social assistance employs the largest number of people, where the Grey Bruce Health Services employs over 1,100 personnel.
- Other prominent businesses within the region include manufacturing companies and general contracting companies.
- The reader would note that the Grey Bruce Health Services hospital, that employs over 1,000 employees is located less than a kilometre away from the Subject Site. The hospital performs over 9,000-day surgeries and is a regional centre for stroke and cancer treatment. The hospital serves over 165,000 residents residing in the Grey and Bruce Counties.

DEVELOPMENT PERMITS

- Based on the Owen Sound's city planning website, we note that there are currently 4 active development permits that are under consideration. They have been highlighted within the graphic below.

Name	Address	Description	Type of Development	Total Residential Units
Telfer Creek Square / Sydenham Square	Part park lots 9 and 10, Range 5, EGR	Mixed-use development with 3-multi-unit commercial buildings, 2 single purpose commercial buildings and three 3-storey multi unit residential units.	Mixed-use - Commercial and Residential	120 residential units
Heritage Grove	2125, 16th Street East, Heritage Grove	Multi-building commercial development. New 3,252 sqm of grocery storey with 1,310 sqm retail unit.	Retail and Commercial	Not applicable
Rock climbing Gym	1580, 20th Street East	Additional rock-climbing gym within the existing Industrial Mall of approximately 569 sqm.	Commercial	Not applicable
2198, 3rd Avenue East	2198, 3rd Avenue East	Redevelopment of lands with a mix of uses in 4 phases. The development is proposed to have two 7-storey buildings with 312 housing units, one 7-storey retirement building with 128 units, one 7-storey hotel with 180 suites, a marina with 73 boat slips and 264 sqm utility building with 339 surface parking stall.	Mixed-use - Commercial and Residential	312 housing units, 128 retirement units. Total 440 residential units

TRANSPORT

- Given the location of the proposed site being located in Owen Sound, several methods of transportation are available, as highlighted below.
- **Roads:** Owen Sound is easily accessible by provincial Highways 6 and 10 to the south and Highway 21 to the west. County Road 26 serves municipalities from the east, that connects Owen Sound to the tourist areas of Collingwood and Georgian Bay. Owen sound is approximately a two and half-hour drive from the GTA region and the Kitchener-Waterloo area, while being approximately three-hours from the US Border.
- **Airports:** The following airports serve Owen Sound:
 - Owen Sound has a regional airport – The Owen Sound Billy Bishop Airport that is an airport of entry for NAV Canada and is staffed by Canada Border Services Agents from Waterloo and Hamilton. The airport is a privately held airport and does tours, excursions and training for pilots. The airport does not have regular passenger service.
 - Region of Waterloo International Airport, 2 hours from Owen Sound. The airport underwent a major expansion in the early 2000s and in 2013, was noted as the 16th busiest airport in Canada. Since then, a new air traffic control tower was built and in early 2021 a \$44 million expansion was approved by Waterloo Regional Council, which will again increase capacity. The Government of Canada is investing an additional \$4 million to ensure better taxiways for the airport in 2022.
 - Toronto Pearson International Airport is located 2 hours and 15 minutes from Owen Sound. Canada's busiest airport, Pearson handled 50.5 million passengers in 2019 and 13.3 million passengers in 2020 (declined due to Covid-19). The airport recorded increases in passenger traffic of 180.8% in 2022, with 35.6 million passengers. The airport connects Canada to 155 cities across the world. In 2020, the airport handled more than 388,000 metric tonnes of cargo.
 - Billy Bishop Toronto City Airport is also located 2 hours and 15 minutes from Owen Sound, offers services to more than 20 cities in North America and handled more than 2.8 million passengers in 2019. The airport suspended its operations in 2020 and 2021 and reopened in September 2021.
 - John C. Munro Hamilton International Airport is located 2 hours and 45 minutes away from Owen Sound. Recently upgraded, this airport has increased passenger service and is a leading freight terminal. The airport handled approximately 330,000 passengers in 2020. Passenger airlines include air Transact, Sunwing, Swoop and WestJet at this airport.
- **Rail:** Direct rail access to Owen Sound is not available, as Owen Sound is not served with a passenger railway station. The railway station was present in Owen Sound until 1995.
- **Ports:** The Port of Owen Sound is a medium sized port and is the base for the Owen Sound Transportation Company. The Parrish & Heimbecker Grain Terminal is located in the inner harbour. In 2014 (latest available statistics), approximately 13 vessel movements were recorded carrying over 150,000 tonnes of product. The main products that are transported via the port include cement, grain and salt.
- The closest larger port facility to Owen Sound is the Port of Hamilton. The port handled more than 10.8 million metric tonnes of cargo in 2021, of which 3.4 million metric tonnes were from the United States. The port is Southern Ontario's largest gateway for overseas exports for Ontario-grown corn, wheat and soyabeans.

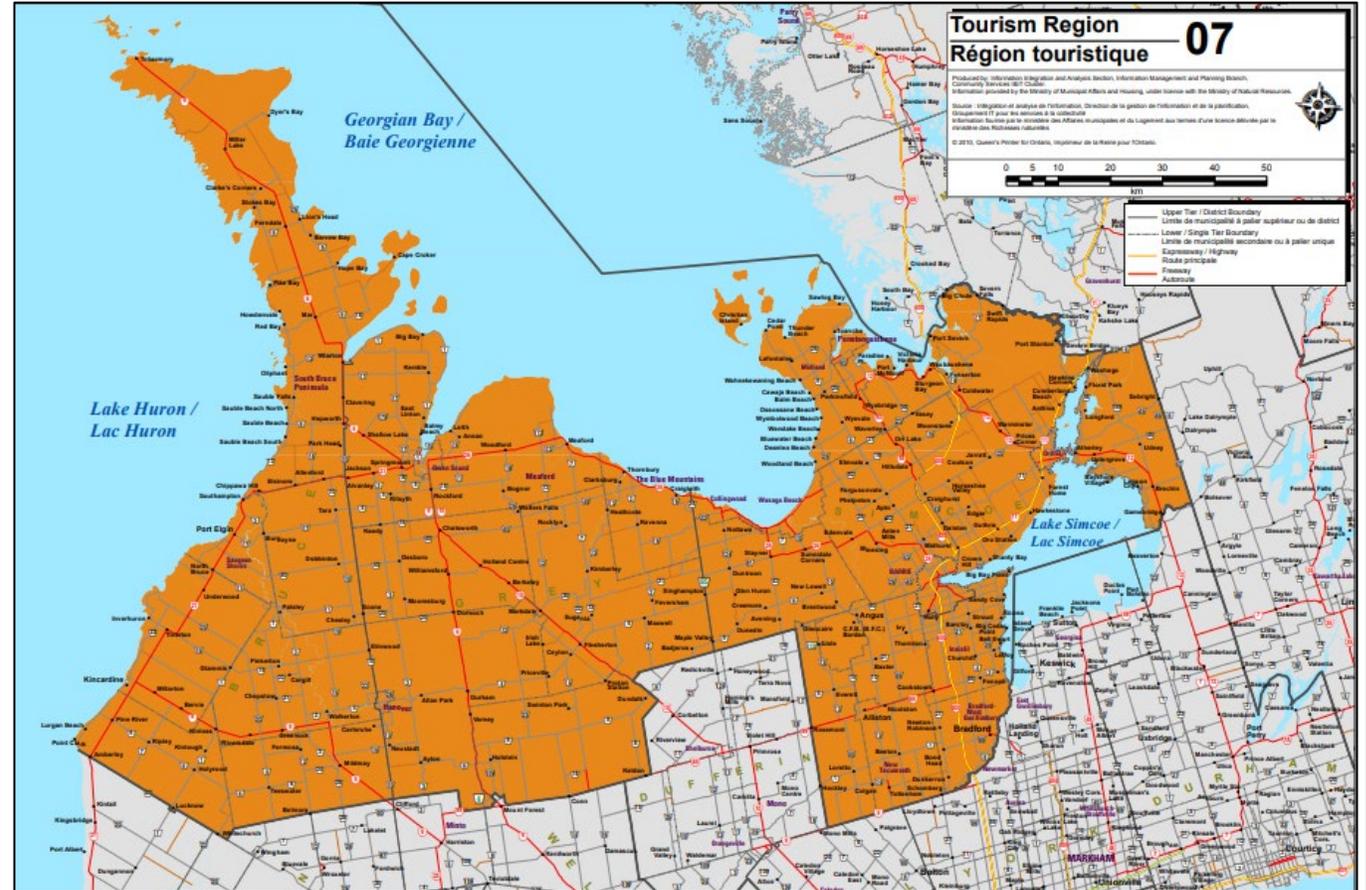


TOURISM CONTEXT



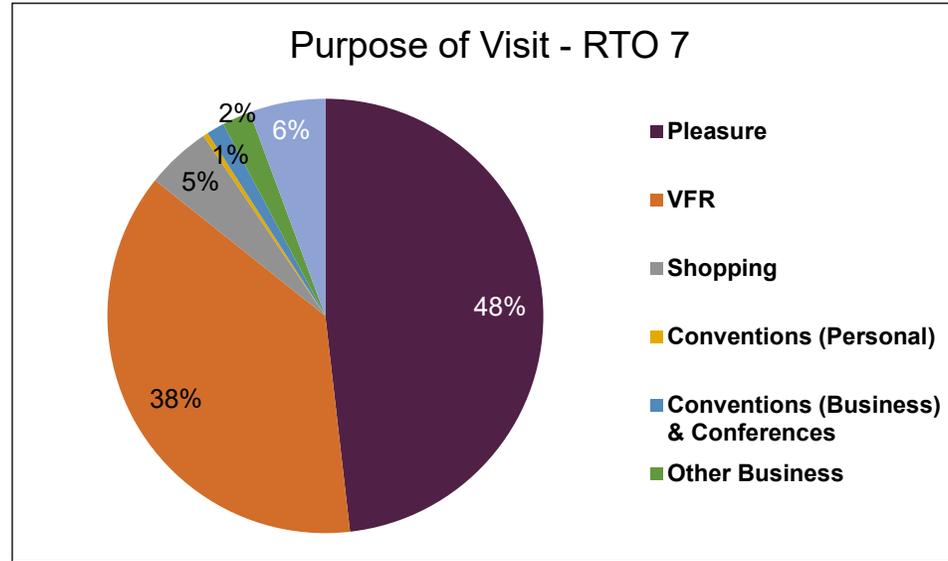
TOURISM – REGIONAL TOURISM ORGANISATION 7

- Owen Sound forms a part of the Regional Tourism Organisation (RTO) 7. This region also includes the regions of Lake Huron shoreline, Suable Beach, Collingwood, Blue Mountain Resorts, Midland, Barrie, Orillia, Wasaga Beach and Tobermory to name a few.
- The map alongside highlights the extend of RTO 7.
- Local tourism plays an important role in this region. 99% of the tourists arriving in the RTO are from Ontario, while 1% are from other provinces, in 2022 (latest available statistics).



Source: Ontario Ministry of Tourism, Culture and Sport

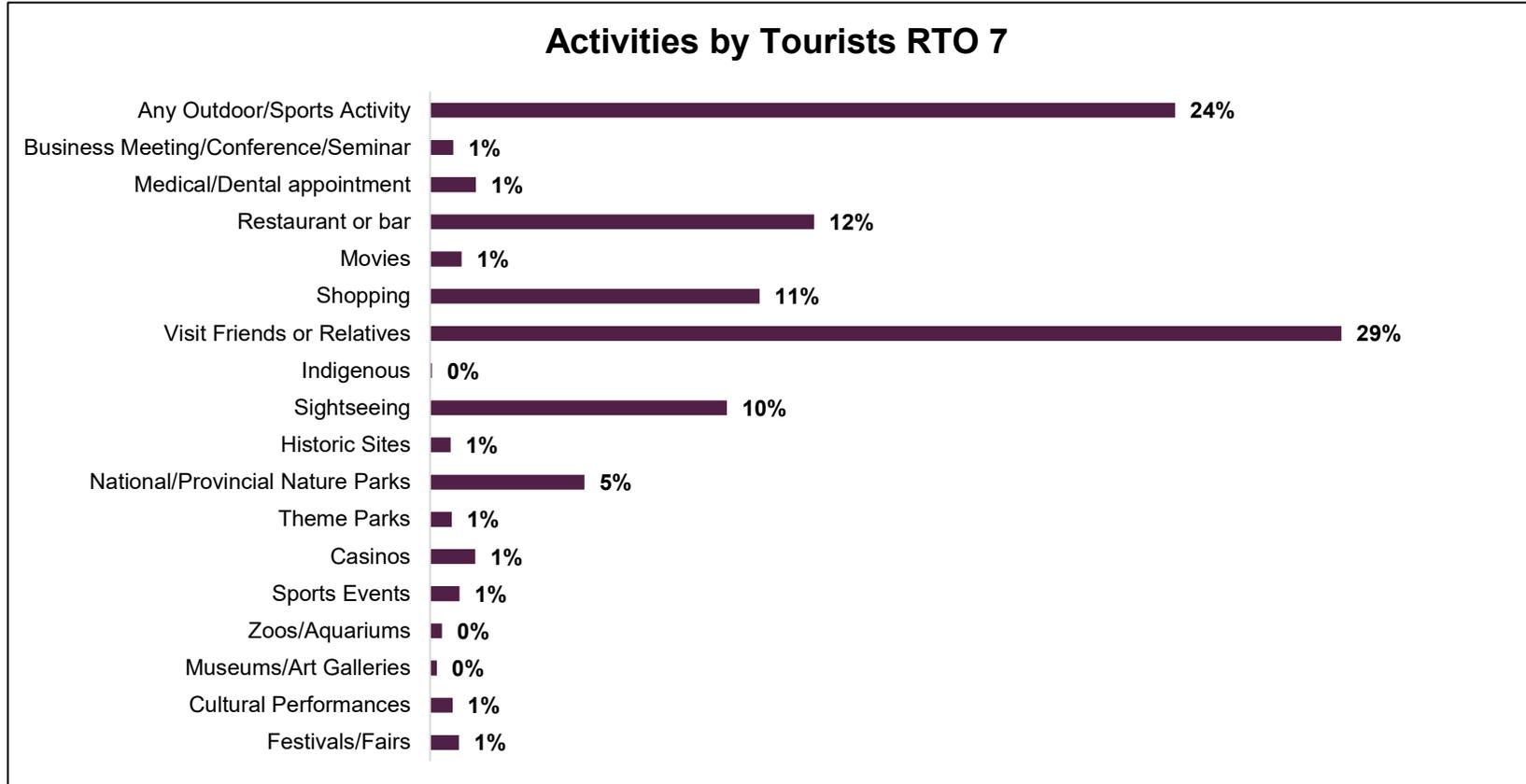
TOURISM CHARACTERISTICS – RTO 7



Source: Regional Tourism Organisation – Ontario Ministry of Tourism, Culture and Sport, 2022

- Based on the statistics available from the RTO 7 for the year ending 2022, we note that 48% of the visitors coming to the region are travelling for pleasure.
- This is followed by 38% visiting friends and relatives (VFR), 5% for shopping. 1% for business conventions, 2% for other business and 6% for other personal.

TOURISM CHARACTERISTICS – RTO 7



Source: Regional Tourism Organisation – Ontario Ministry of Tourism, Culture and Sport, 2022

- Based on the statistics available from the RTO 7 for the year ending 2022, we note that the main types of activities undertaken by tourists include visiting friends and relatives (29%), outdoor activities (24%), dining at restaurants and bars (12%) and shopping (11%).

TOURISM – OWEN SOUND

- Given the location of Owen Sound, it serves as a great location for tourists. Below are the key tourist attractions in the city.
- The city was developed in the early 19th century and still has reminiscent historical monuments that are available throughout the city.
- **Museums and Galleries:** Some famous museums are housed in Owen Sound. The most prominent ones include the Billy Bishop Home & Museum, the Community Waterfront Heritage Centre, Grey Roots Museum and Archives, Owen Sound Marine-Rail Museum, Georgian Bay Centre for the Arts, Grey Gallery and others.
- **Parks and Trails:** Known for its scenic locations, Owen Sound is abundant with parks, trails and scenic lookouts. Some prominent ones include the Kelso Beach Park, Harrison Park, Bruce Trail and the Tom Thompson Trail. A paved waterfront walkway with historic plaques are located along each side of the Owen Sound Harbour, that makes for an interesting walk as well.
- **Walking Tours:** Walking tours are another great way to discover the gems of Owen Sound. The city's Historic Walking Tour features four routes: the city's east side, west side, River District and the mill dam area. The city also has a Cemetery Tour, summer Ghost Walks and the Corkscrew City Tour, highlighting the City's wild days of bootlegging and prohibition.
- Motorcycle and cycle tourism are booming around the Owen Sound area and are popular during the summer months.





HOTEL EVALUATION



EXISTING ACCOMMODATION FACILITIES – OWEN SOUND

Proposed Hotel Under Study:

The proposed hotel under study is expected to be an upper midscale hotel to be branded under the Hilton banner called Hampton Inn. The proposed hotel located adjacent to the Heritage Place Mall is different from existing hotels and motels in Owen Sound by design and location. The proposed hotel is expected to attract more business and leisure guests of a mid to younger generation. The anticipated guest is seeking a modern room close to amenities of a mall. The guest is seeking the conveniences of the restaurant and other facilities located within the mall.

The proposed hotel is expected to consist of a 6-storey hotel with 120 rooms, approximately 700 square feet of meeting space, a gym, a pool and a breakfast area. Construction of this project is yet to begin, given that the land for the proposed hotel is zoned industrial. This market study forms a part of the ZBA for the site and includes then intended site plan for the hotel.

The proposed hotel is different from the existing hotel as it is more of a limited-service hotel adjacent to the mall. Additionally, the new product design and fresh amenities allows it to differentiate itself from the existing older hotels in Owen Sound.

Current Hotels and Motels in Owen Sound:

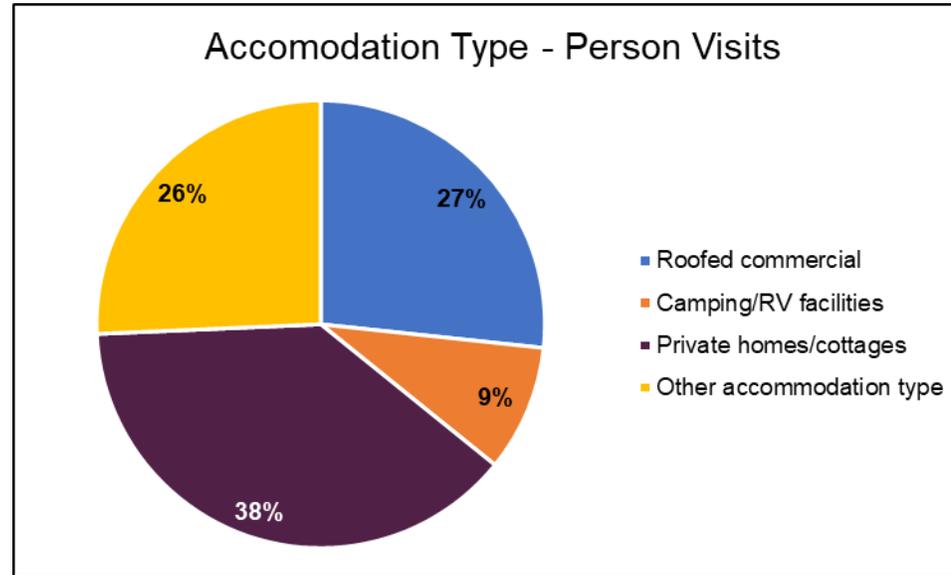
The inventory of existing hotels and motels in Owen Sound is based on several data sources including Google Map listing, Co-Star data, the Bruce Grey Simcoe Directory of Owen Sound and third-party booking engines such as Expedia and TripAdvisor.

The hotel with the most complete services in Owen Sound is the Best Western Inn on the Bay, which has extensive meeting and banqueting facilities. The property includes a restaurant, a cocktail lounge, and exercise facilities.

The other hotels located in Owen Sound are more limited-service with basic offerings. The proposed hotel under study will differentiate itself by being adjacent to a mall, an amenity that is suited to the guests. Additionally, the brand-new design and construction will allow it to differentiate itself from the older motels and hotels that have opened more than 40 years ago.

Based on our evaluation, we also note that two motels have closed since 2015 – The Derby Motel Inn and the Diamond Motor Inn. As such, the proposed new hotel will also allow for the displaced customers of these two motels to be accommodated in newer facilities within Owen Sound.

RTO 7 – TYPE OF ESTABLISHMENTS



Source: Regional Tourism Organisation – Ontario Ministry of Tourism, Culture and Sport, 2022

- As for the type of accommodation selected by tourists, we note that private home and cottages are the most sort after (38%), followed by roofed commercial accommodations (27%), other types (26%) and lastly camping RVs (9%).
- Within roofed accommodations, we note that hotels are more popular than motels, with 46% of the tourists staying in hotels and only 6% of the tourist staying in motels. Furthermore, approximately 50% of the tourists stay in other roofed commercial establishments.
- This suggests that hotels are a popular accommodation choice for the tourists visiting RTO 7 in 2022.

CHARACTERISTICS OF EXISTING HOTELS & MOTELS IN OWEN SOUND

	NAME OF HOTEL	# ROOMS	CHAINSCALE*	YEAR OPEN	TRIP	PUBLIC RATES		MEETING ROOMS (3)		RESTAURANT / BAR	FREE BREAKFAST	FITNESS CENTRE	POOL	WHIRLPOOL
						TRIPADVISOR (1)	EXPEDIA (2)	TOTAL	LARGEST					
1	Best Western Inn On The Bay	100	Midscale	1987	4.5	\$210 -	\$234	\$190	5,488	2,368	•	•	•	
2	Nights Inn Owen Sound	28	Upper Midscale	NA	4.0	\$117 -	\$140	\$109	No Meeting Space				•	
3	Pinecrest Motel (Inn on the 6th)	25	Economy	NA	4.0	NA -	NA	NA	No Meeting Space				•	
4	Comfort Inn Owen Sound	60	Upper Midscale	1987	3.5	\$157 -	\$172	\$158	No Meeting Space		•	•		
5	Owen Sound Inn	28	Economy	NA	3.5	\$105 -	\$117	\$89	No Meeting Space					
6	Travellers Motel	16	Economy	NA	3.5	\$100 -	\$111	\$85	No Meeting Space		•			
7	Quality Inn Owen Sound	79	Midscale	1985	3.0	\$143 -	\$159	\$127	4,506	2,900	•	•	•	•
8	Travelodge Owen Sound	65	Economy	1985	3.0	\$126 -	\$148	\$111	500	500				
9	Closed - Diamond Motor Inn	22	Economy	NA	2.0									
10	Closed - Derby Inn Motel		Economy	NA	NA									

N.A. Information not available.

TRIP: Tripadvisor rating.

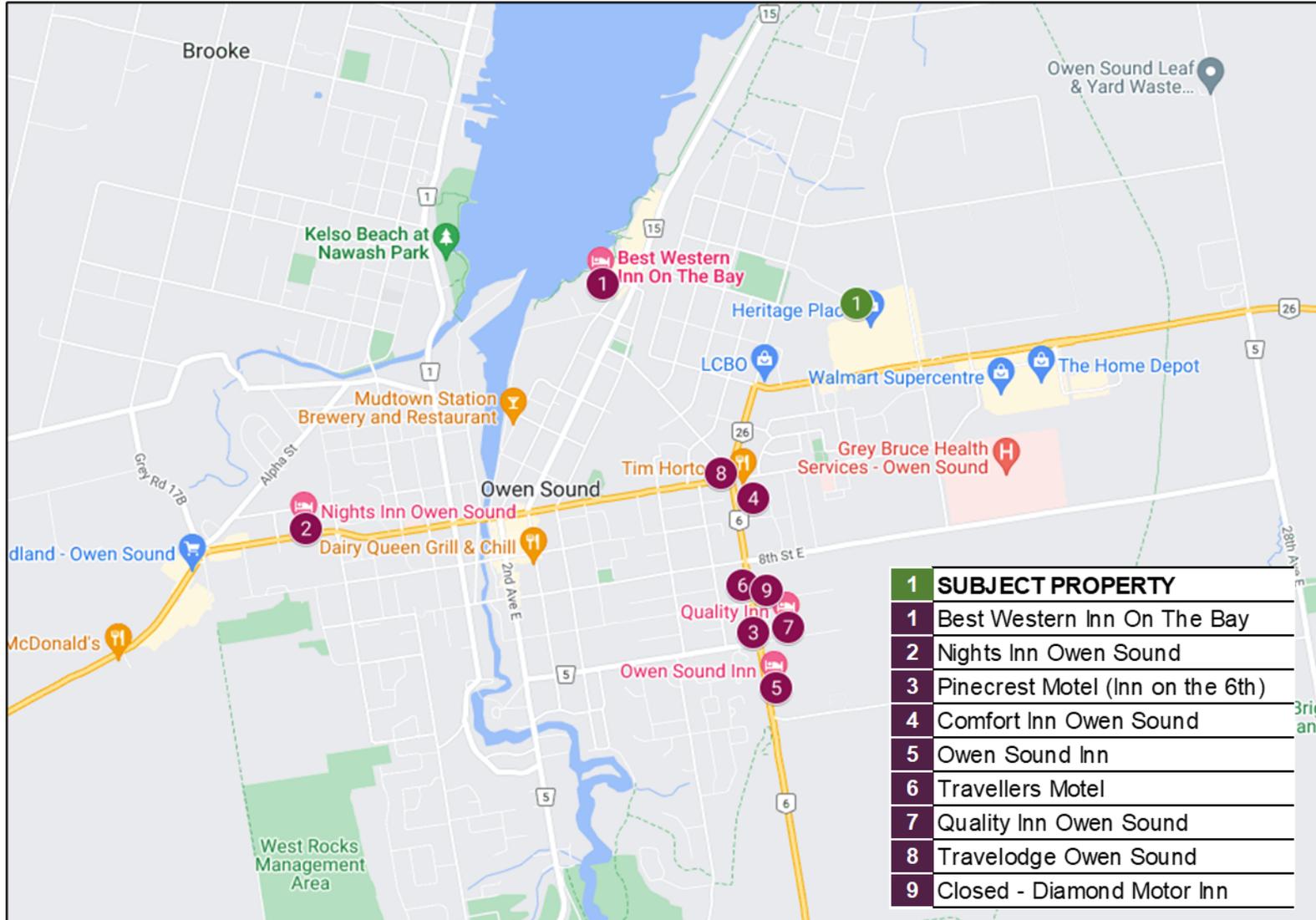
* Chainscale segments are based on STR, grouped primarily according to actual average room rates.

(1) Tripadvisor, in collaboration with Expedia.com, has published the highest and lowest displayed rates for this hotel over the past year.

(2) Rate for double occupancy according to Expedia.com - Night of October 25th, 2024

(3) Excludes atriums, foyers, restaurants, outside atriums, clubhouses and theatres.

LOCATION OF HOTELS AND MOTELS



The map alongside highlights the location of the competitive set of hotels in relation to the Subject Property planned at adjacent to the Heritage Place Mall in Owen Sound.

KEY FINDINGS OF COMPETITIVE SUPPLY RETAINED

- The average size of the 10 hotels and motels is 47 rooms, while the median comes in at 28 rooms. The hotels have a maximum room count of 100 rooms, with a minimum room count of 16.
- The average and median rating for the 10 properties is 4.0 stars and 3.5 stars, respectively, based on TripAdvisor.
- For the minimum displayed rate as per TripAdvisor, the average is \$137, while the median is \$126 for the last 12 months. For the maximum displayed rate, the average was \$154, and the median came in at \$148.
- Expedia, for the night of October 25th, 2024, showcases rates ranging between \$85 and \$190. The average displayed rate is \$124, while the median is \$111.
- 30% of the hotels (3 out of 10) have meeting facilities on site. As such, the average size of the overall meeting facilities is 40 square feet per available room. For the largest ballroom, the average meeting size is 23 square feet per available room.
- Three out of the 10 hotels (30%) have a restaurant or bar facility on site. Only two of the 10 hotels (20%) offer free breakfast option.
- Three of the 10 hotels (30%) offer a fitness facility on site, while three of the 10 hotels (30%) offer a pool facility.
- Whirlpools are only available in two (20%) of the hotels.
- The average age of the hotels within the competitive set is 36 years. The latest hotel that was constructed in the market was the Best Western and the Comfort Inn, both being constructed in 1987 (37 years old).
- The reader would note that the Derby Inn Motel closed before 2015, while the Diamond Motor Inn closed in 2022/2023.

EXISTING ACCOMMODATION FACILITIES – OWEN SOUND

Alternative Accommodation:

The proposed hotel development will be mainly competitive with the existing hotels and motels located within Owen Sound. As such, only 9 such properties currently operate in Owen Sound. That said, we have also taken into account alternative types of accommodations.

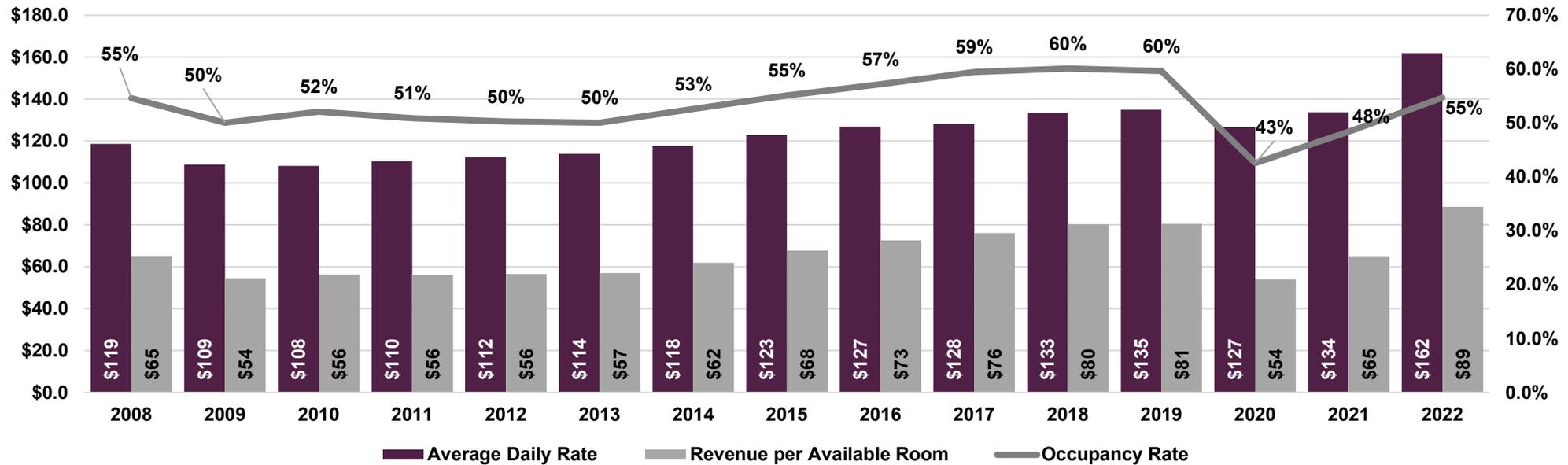
As of October 10th, 2024, we note that there are only two AirBnB listings for Owen Sound. Both are shared accommodation in apartments.

For bed and breakfasts located in Owen Sound, we note of the following;

- The Highland Manor Inn Grand Victorian B&B
- B&C Moses' Sunset Country B&B
- Heritage Reflections Guest House
- Butchart Estate.

We note that since 2015, some of the other popular B&Bs have since closed its doors. This includes the Between the Maples Bed and Breakfast, Maclean Estate Bed and Breakfast and the Wind in the Poplars Bed and Breakfast.

TOURISM – RTO 7 – HOTEL PERFORMANCE STATISTICS



Source: Regional Tourism Organisation – Ontario Ministry of Tourism, Culture and Sport, 2022

- The hotels within RTO 7 have performed consistently well. Based on the information provided by the Ministry of Tourism, Culture and Sport, occupancy levels within the hotels of RTO 7 witnessed an increase in occupancy from 50% in 2009, to 60% in 2018 and 2019.
- In the last 14 years, between 2008 and 2022, the RTO only witnessed two significant declines in occupancy, in 2009 (50% due to the 2009 recession) and in 2020 (43% due to the Covid-19 pandemic).
- Occupancy rates increased to 48% for year ending 2021 and 55% for year ending 2022.
- ADR within the hotel accommodations in the RTO 7 increased from \$119 in 2008 to \$135 in 2019, representing a CAGR of 1.2% in these 10 years. ADR dropped to \$127 in 2020 (Covid-19) increasing to \$134 for year ending 2021. ADR increased to \$162 for 2022, the highest ever since 2009.
- Similarly, Revenues per available room (RevPAR) increased from \$65 in 2008 to \$81 in 2019, representing a CAGR of 2% in these 10 years. RevPAR dropped to \$54 in 2020 (Covid-19) increasing to \$65 for year ending 2021. RevPAR increased to \$89 in 2022.

MARKET DEMAND EVALUATION

The key demand drivers for hotel room demand are, but not limited to:

- Proximity to major tourist attractions;
- Proximity to convention centres;
- Catering to local business travellers;
- Hospitals and services;
- Services catering to visiting friends and family.

The City of Owen Sound is seeking to become a major tourist destination and to support that there are several key services, facilities and amenities that the city already has. These include hosting cultural events, being a major outdoor recreation centre as well as having number of galleries and art centres. Additionally, the city is known to support sports tournaments. We also note that the hospital has expanded. This also brings in guests from neighbouring cities to Owen Sound and is a key room night demand generator.

As such, the need for a new hotel is required with the growth in local population as well as with the increase in employment.

The table on the following page highlights the municipal boundaries, with a comparison of room ratios per 1,000 population and employment for similar sized municipalities. The population and employment is based on the latest 2021 Census data as per Statistics Canada, and the hotel and motel room counts are based on Co-Star data, an accredited third-party hotel data aggregator.

MARKET DEMAND EVALUATION

Area	Hotel & Motel Rooms	Population (2021)	Rooms per 1,000 People	Employment (2021)	Rooms per 1,000 employees
Belleville	985	55,071	17.9	25,450	38.7
Brockville	462	22,116	20.9	9,780	47.2
Lindsay	263	22,367	11.8	9,655	27.2
Cobourg	291	20,519	14.2	7,680	37.9
Orillia	822	33,411	24.6	13,190	62.3
Collingwood	1,614	24,811	65.1	11,760	137.2
Average			25.7		58.4
Owen Sound	401	21,612	18.6	9,595	41.8

Source: Statistics Canada 2021 Census Data, Co-Star, Google and TripAdvisor

The reader would note that two motels in Owen Sound have closed since 2015. In addition to this, we note of a 100-room TownePlace Suites hotel under planning within the Heritage Grove centre. Construction on this project has not commenced at the time of writing this report.

The proposed hotel is well located being adjacent to amenities and support services that is required by a hotel guest. The type of hotel being proposed is also different from the existing hotels – being an upper midscale hotel, with a gym, pool and breakfast service. This type of hotel does not currently exist in Owen Sound. This hotel will be different from the full-service hotel of the Best Western Inn yet offer more services than the Comfort Inn and Quality Inn.

Should we take into consideration the rooms per 1,000 people and per 1,000 employees (chart above), we see that Owen Sound is much lower than the average of similar sized municipalities. The average rooms per 1,000 people comes in at 25.7, while the number for Owen Sound comes in at 18.6.

Similarly, the rooms per 1,000 employees comes in at an average of 58.4 for other municipalities yet comes in at 41.8 for Owen Sound. This suggests the need for additional hotel rooms within the overall market in Owen Sound.



APPENDIX



DEFINITIONS

Arithmetic Mean (Mean)

The arithmetic mean is calculated by adding all the numbers in a series for a given item, and by dividing the total by the number of responses for this item.

Average Daily Rate (ADR)

A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

Chain Scales / Class

Chain scale segments are a method by which branded hotels are grouped based on the actual average room rates. Independent hotels, regardless of their average room rates, are included as a separate chain scale category. The class segments are Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale, Economy and Independent. The price categories are based on the following in North America:

- Luxury – Top 15% of the average room rates
- Upper Upscale and Upscale – Next 30% of the average room rates
- Upper Midscale and Midscale – Next 45% of the average room rates
- Economy – Lowest 20% of the average room rates.

Occupancy

Occupancy is the percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by rooms available.

Overall Capitalization Rate

It is *“the relationship between a single year’s net operating income expectancy and the total property price or value”*.

Revenue per Available Room (RevPAR)

It is the total guest room revenue divided by the total number of available rooms. RevPAR differs from ADR because RevPAR is affected by the amount of unoccupied available rooms, while ADR shows only the average rate of rooms actually sold.