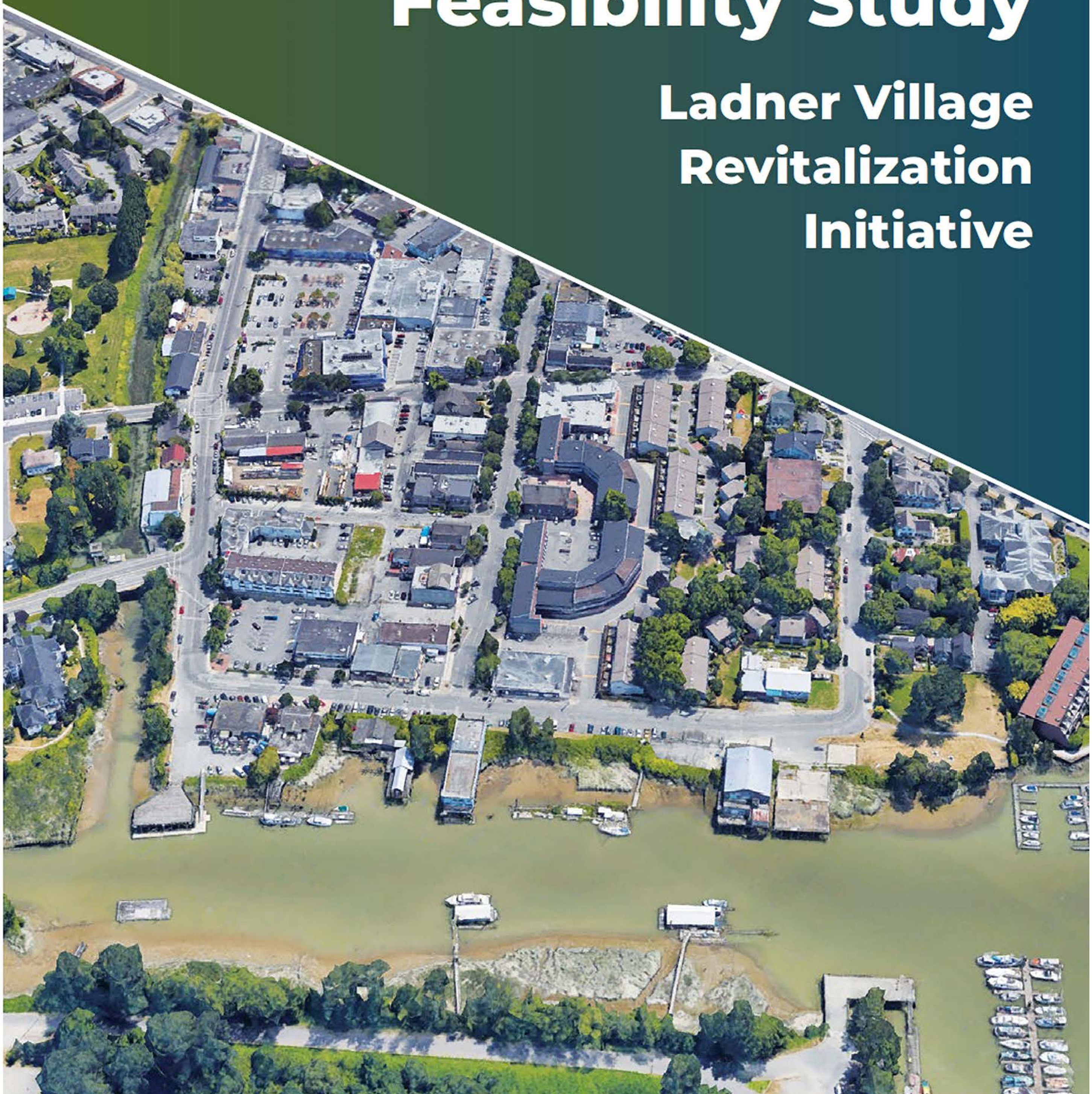
Kadence Hospitality
& Development

Accommodation Feasibility Study

Ladner Village Revitalization Initiative



Synopsis

A study of the evolving accommodation market and the recommendation of a hotel/aparthotel that could serve as a foundation for the Ladner Village Revitalization Initiative.

Notice to the Reader: This report has certain confidential details redacted to maintain the integrity of an EOI or RFP process that may occur as a next step.

Territorial Acknowledgements

Kadence Hospitality and Development, our team members, and associates, in carrying out this project on behalf of the City of Delta would like to acknowledge the traditional territory of the scəw̓ aθən məsteyəxw (T s a w w a s s e n) and xwməθkwəy̓əm (Musqueam) First Nations and of all the hən̓q̓əm̓in̓əm̓ speaking people who have been stewards of this land since time immemorial.

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May 24th, 2024

Marcy Sangret, Deputy City Manager,
The City of Delta, BC.
4500 Clarence Taylor Crescent,
Delta,

BC V4K 3E2

Re: Hospitality Accommodation Feasibility Study. Contract 24-066

Dear Marcy and team at the City of Delta:

Please find attached our feasibility study and recommendation for a property located in the Ladner Village, and as a part of the Ladner Village Revitalization Initiative.

It has been a pleasure to work with you, and to work on this proposal. Please contact us with any questions that you have on the report that we have prepared and presented here.

With Best Regards,

Salim Kassam
Principal
Kadence Hospitality & Development Inc.

Executive Summary Key Points

Kadence Hospitality and Development Inc. was engaged to provide a feasibility study for the subject site with a recommendation of a hotel or accommodation structure.

Based on our findings, an 88-room aparthotel would complement the community and provide a viable vehicle to enrich and revitalize the village.

The attributes of the Property would be as follows:

88 rooms of approximately 425 square feet (gross), 18,000 square feet of commercial space and parking to accommodate 1 stall per room. The enterprise would occupy a building of up to 6 stories total in addition to a rooftop patio area used for, or as an extension of, an onsite restaurant. The commercial space would ideally be tenanted by food service, health and fitness and a small spa with bodywork services. Catering to the upper scale (sub luxury) markets this property will complement the village revitalization and serve as a foundation for the revitalization efforts. We see 88 units as the minimum viable room count.

Aparthotels, or apartment hotels, are a category of hotel accommodation that is rapidly growing, have been adopted by the large brands, and has shown resiliency and growth in the hospitality market. Hallmarks of Aparthotels are larger units that have kitchens and seating areas with a high level of onsite amenities for the nightly guests and longer-term residents catering to the upscale and upper upscale markets.

This property will support an average rate of $219.76 with an occupancy of 74% in the first year, growing to $244.95 at 85% occupancy upon stabilization of the property in year 5 under the "Moderate" scenario that we have presented. Managed properly, the property can achieve an appropriate EBITDA percentage of [redacted] after land lease payments. The data we modeled was commissioned from Smith Travel Research (STR), who are the largest and most trusted source of hotel and market data in North America.

We estimate that the property and tenants will create over 100 jobs. The property and tenants would pay the city approximately [redacted] per year in land lease, which would escalate with CPI on a yearly basis on a term that would have a likely exit horizon in excess of 50 years.

On a DCF (Discounted Cash Flow) basis, this property would have an NPV (Net Present Value) of $29.7 million under our moderate (and most likely) scenario with our conservative and optimistic valuations providing a range of values between $23.9 and $34.8 million on either side of this estimate.

For each of the summary sections below please see the section referenced for additional information.

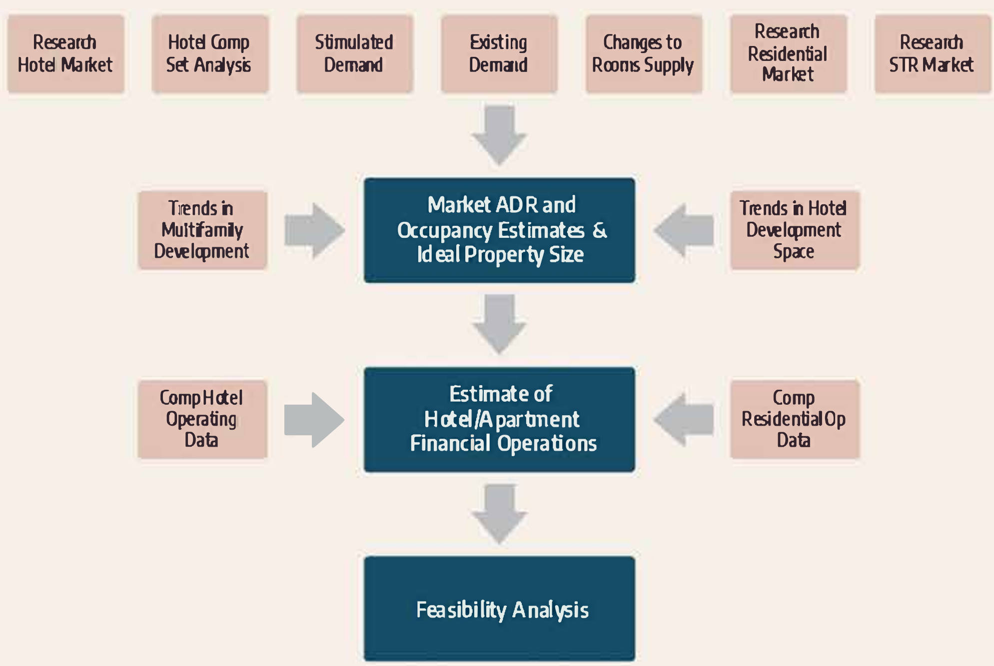
Executive Summary

Summary of Methodology, Description of Site and Background of the Project

We were guided by the Ladner Village Renewal Advisory Committee Final Report. Further, we commissioned custom data or accessed market data to model the market from sources that include STR, Costar, Sitings, Altus, Cushman Wakefield, HVS, Colliers et al. We undertook in person meetings with hospitality operators, developers, and construction companies in the process of conducting our study.

Our study was guided by The Ladner Village Revitalization Committee's final report, and we utilized the following methodology for understanding and assessing the market:

Figure 1: Methodology Diagram



We studied data from January 2016 through to February 2024 and commissioned a custom data set from STR (Smith Travel Research) to provide us the benchmark data for the market, we carried out further discoveries to understand the competitive marketplace with in-person and onsite meetings with operators, brands and management companies in the market. We were able to have candid conversations about their business.

The site that we have assessed is in Ladner Village at a location bounded by Delta Street, Chisholm Street, and Elliott Street and is approximately 1.2 acres.

Source: Google Earth

This vision for the site is that it will be developed with the city retaining ownership of the land with a land lease including a likely exit horizon in the range of 50+ years.

The following acronyms are used frequently in this report: ADR is the average of the daily rate, OCC is the occupancy rate in percentage, RevPar is the revenue per available room. HVS is Hotel Valuation Services, EBITDA is Earnings Before Interest Taxes, Depreciation and Amortization, STR is Smith Travel Research, STR* is also Short-Term Rental, we delineated the two in the report.

Summary of Trends in the Hospitality, Residential and Short Term Rental Market

Trends in the Hospitality business illustrate an ever-competitive industry that was heavily affected by the pandemic and then experienced a massive and rapid recovery. The contraction and expansion of demand has left many operators struggling to provide service to the appropriate level, with labor shortages, high turnover rates and inflationary increases affecting profitability and the ability to meet customer demands. Capital costs in the development industry, input costs, delays and labor shortages have affected the pace of development across the country.

The residential market, and specifically the market for purpose-built rentals is experiencing high demands, strong yields, married to an increased demand for heavily amenitized properties. Many of the Hotel brands have entered the branded residence space as their strategy to capture this market. This amenity "creep" also affects strata developments as individual owners see the market available amenities and desire a similar standard for the buildings that they own within. This manifests itself in pools, games rooms, enhanced amenity spaces and spas, concierge level services and other amenities normally found in upper scale and luxury hotels.

Residential, Hospitality & Purpose-Built Rental room footprints are merging to a point where they are becoming indistinguishable.

Residential, Hospitality and Purpose-Built Rental room footprints are merging to a point where they are becoming indistinguishable.

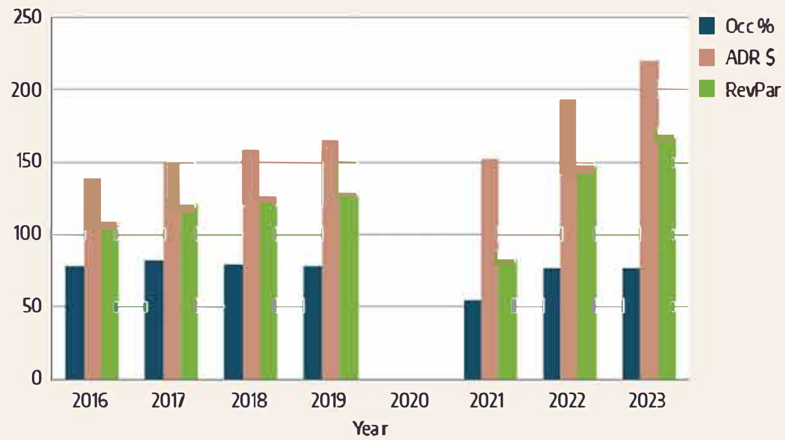
Emerging from this trend is the Apartment Hotel or ApartHotel. This model is rapidly growing and is resilient in that it can offer transient short stay and defined long stay accommodation options due to its full kitchen, living space and full bathroom layout. It is one of the most favored models to build due to its financial return, flexibility, and appeal to the traveler.

An analysis of the feasibility for accommodation requires us to define and model the market using current market data for the area. The STR (Smith Travel Research) database is a benchmark for the industry, their repository includes the anonymized data for 67,000 hotels housing over 8 million rooms, in 180 countries. We were able to extract a competitive set for Ladner and then use this data for our analysis.

Summary of the Competitive Set selection, Review of Market Rates and Occupancy, Supply and Demand

A competitive set was assembled from the property data sets available through STR which is considered the most accurate source of data in the hotel industry. A separate study of 8 Properties was then commissioned with STR to create a market overview with the two most important and heavily weighted properties included in the analysis: The Delta Hotel at the Cascades Casino with its 124 rooms and the Coast Tsawwassen with its 90 rooms being paramount to the study. The competitive set's performance exhibits strong growth and rapidly increasing rates in the market. There are some caveats to this data which we discuss in the study, and we choose a more moderate path for the analysis that factors an averaged growth using 8 years of data as opposed to relying on the trajectory that has been experienced post pandemic. The competitive set data showing Rate (Average Daily Rate), Occupancy and RevPar (Revenue Per Available Room) is tabulated below.

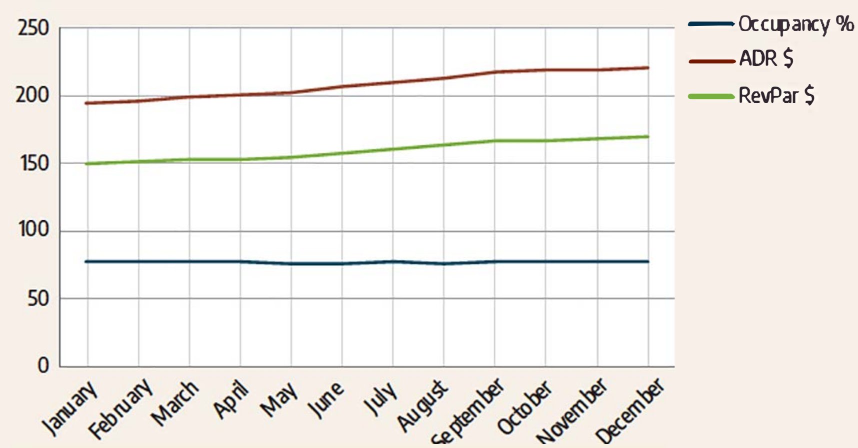
Figure 11: Competitive Set Performance



Seasonality, or fluctuation in Occupancy in the Market is very low.

Figure 11 visualizes the fluctuations in ADR in the market over the last 8 years, specifically the accelerated growth post pandemic. Figure 12 shows the current Seasonality, or fluctuation in occupancy in the market is very low. Please note that in 2020 data was not shared by many properties.

Figure 12: Comp Set Seasonality 2023



Figures 13.1-13.3 Day of Week Occupancy, ADR & RevPar by Month (March'23-Feb'24)

Occupancy (%)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 23	57.6	68.3	76.9	79.8	76.6	80.3	84.1	75.2
Apr - 23	61.5	74.4	81.7	80.2	83.0	83.3	85.0	78.1
May - 23	70.1	72.5	82.1	83.2	84.9	86.6	87.5	80.8
Jun - 23	75.4	85.2	94.4	96.0	87.6	83.8	89.0	87.3
Jul - 23	80.3	82.0	89.2	90.3	89.7	92.1	95.4	88.2
Aug - 23	78.9	82.7	85.4	84.5	80.9	89.3	95.3	85.1
Sep - 23	74.9	84.7	88.6	92.9	90.8	87.8	89.9	87.2
Oct - 23	63.9	70.1	79.2	85.7	84.1	81.5	83.6	77.6
Nov - 23	58.9	74.9	87.5	78.9	77.7	77.4	78.0	76.3
Dec - 23	48.3	55.3	62.9	65.4	61.5	65.3	58.4	59.4
Jan - 24	49.0	57.4	67.4	71.5	74.3	65.0	67.7	64.7
Feb - 24	60.9	68.6	81.7	87.3	76.5	78.5	85.1	76.9
Total Year	**64.9**	**72.8**	**81.2**	**82.6**	**80.6**	**80.8**	**83.2**	**78.0**

Occupancy in the market peaks in July at 88.2%, with June-September resulting in occupancies in the mid to high 80 percent marks. The lowest occupancy month is December at 59.4%. In the market, Wednesdays (corporate market) and Saturdays (leisure market) are the highest occupancies. Notably there are 96% occupancies achieved in the market on compression dates (Wednesdays in June).

Occupancy in the market peaks in July at 88.2%.

ADR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 23	184.73	180.75	183.40	184.53	186.63	192.07	197.70	187.50
Apr - 23	180.38	185.82	184.05	196.82	188.26	196.85	200.39	190.92
May - 23	218.23	215.48	216.55	223.02	223.47	237.23	246.99	225.71
Jun - 23	229.79	245.36	250.88	256.02	250.18	268.28	272.36	254.08
Jul - 23	261.05	263.19	262.83	268.86	273.79	290.22	293.32	273.87
Aug - 23	258.59	260.06	266.27	264.92	271.70	291.61	294.10	272.64
Sep - 23	236.13	247.96	247.21	244.82	250.33	280.39	283.17	257.88
Oct - 23	194.44	198.59	206.26	204.50	199.32	208.91	212.08	203.52
Nov - 23	180.41	185.67	205.14	187.02	187.02	199.28	202.87	192.75
Dec - 23	185.99	184.65	183.09	185.22	182.44	188.89	180.80	184.54
Jan - 24	173.92	176.32	179.34	187.25	193.49	187.82	184.46	183.68
Feb - 24	181.47	177.36	180.89	189.67	183.00	191.84	188.15	184.90
Total Year	**211.62**	**213.93**	**216.67**	**217.71**	**218.06**	**231.50**	**234.92**	**221.02**

Rates for the market increase on Wednesdays and Saturdays as occupancy peaks, July yields the highest average rate of $273.87 for the months however June through September are all in excess of $254 average rate per night.

Single Nite Rates of $294 are seen in August during peak season.

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Figure 14: Competitive Set Trend Graph of Supply, Demand, Difference of Supply to Demand, Revenue

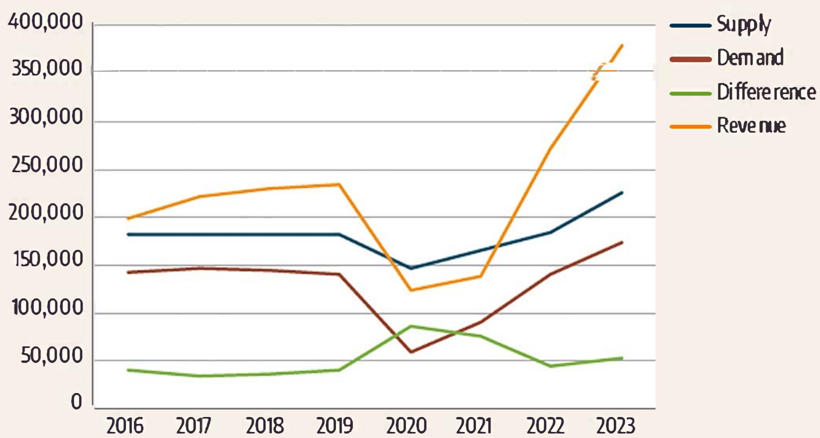

Figure 14 above shows the supply, demand and revenue in the market. Of note are the slopes of the lines. The Blue and Red lines represent Supply and Demand. These are seen to be at the same slope before the pandemic, and again at a parallel though accelerated slope post pandemic. We interpret this as a market that will absorb inventory. (The slope of demand is increasing). Analysis of the nightly occupancies and rates provided from STR supports this and is represented above in the graph.

The effects of the pandemic are very clearly illustrated in the graph above, namely the effect of the drop in demand vs the supply that was also restricted, but to a lesser degree. Revenue plummeted as a result.

A review of residential and commercial rates was informed by the statistics from the CMHC, Rentals.ca, market surveys through rental portals including Zillow, Trulia, Padmapper, and data that was shared with us from Colliers, Cushman and Wakefield, and Sitings. The Sitings data was local to Delta, it has been used in this report in an aggregate manner to not disclose any confidential or privileged information on transactions that may be pending or renewing in the Delta marketplace. At present the average 1 bedroom rate in BC is $2227/month.

Figure 16: Average Residential Rent

Prov.	TOTAL	0B	1B	2B	3B
AB	$1,728	$1,158	$1,549	$1,911	$2,054
Atl. Can	$1,938	$1,434	$1,760	$2,189	$2,259
BC	$2,494	$1,936	$2,227	$2,809	$3,363
MB	$1,561	$1,061	$1,357	$1,722	$1,937
NT	$1,805	$1,183	$1,555	$1,920	$2,305
ON	$2,410	$1797	$2,199	$2,676	$3,018
QC	$2,000	$1,441	$1,690	$2,215	$2,520
CAN	**$2943**	**$1,581**	**$1,949**	**$2,353**	**$2,632**

Source: Urbanation Inc., Rentals.ca Network data

Summary of the Income Statements and Modeling

The data suggests modeling of a property between 80 and 120 rooms in the market, with scenarios that span conservative, moderate and optimistic outcomes. We iterated 9 models with 3 scenarios and arrived at 88 rooms as the minimum room count for the property.

The data suggests modeling of a property between 80 and 120 rooms in the market, with scenarios that span conservative, moderate and optimistic outcomes.

The Conservative model expects lower returns based on low market rates and poor absorption of the new room inventory into the market, with high operational costs. This is our worst forecasted case. The Optimistic scenario is possible but relies on tailwinds. The Moderate Scenario is our most likely scenario and has the Optimistic and Conservative scenarios as bookends.

Presented next is the stabilized pro forma income statement for the Moderate scenario for the Property in Year 5. The EBITDA margin is within target for an operating and viable property.

Figure 21: Moderate Case, Stabilized Income -Year 5

Inputs	**Year 5**	
Total Units	88	
Hotel Units	88	
Residential Units	0	
Residential Rent Rate/Month	$ 2,564	
Commercial SF available	18,000	
CR Rate (Gross)	$ 35.00	
Inflation/Rate Increase	2.5%	
% Occupancy - Hotel	85.0%	
Average Room Rate	$244.95	
Rooms Sold	27,302	
Operating Revenue		
Hotel Room Revenue	6,687,523	85.4%
Residential Revenue	0	0.0%
CRU Revenue	630,000	8.0%
Parking Revenue	511,913	6.5%
Total Operating Revenue	7,829,436	100.0%
Cost Of Sales		
Hotel Rooms	1,671,881	25.0%
Residential	0	10.0%
CRU Revenue	94,500	15.0%
Concierge/Parking/Other	51,191	10.0%
Total Cost	1,817,572	23.2%
General Expenses		
Admin & Gen.	508,913	6.5%
Management Fee	391,472	5.0%
Advert. & Promo.	1,565,887	20.0%
Utilities	391,472	5.0%
Repairs & Maintenance	313,177	4.0%
Total General Costs	3,170,921	40.5%
Gross Operating Profit	2,840,942	36.3%
Property Taxes (staggered incentives)	128,695	4.5%
Insurance	36,932	1.3%
Sub Total	165,627	
EBITDA	$2,675,315	34.2%
[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]

The Moderate scenario still assumes high marketing costs, admin, general and maintenance costs to account for possible and enduring challenges in the market. The Land Lease is presented below the EBITDA line and then restated as an EBITDA less "Land Lease" value that is within our expected and viable range at [redacted] or [redacted] available to pay debt service and provide a return on equity.

Presented on the next page is the **Pro Forma** Income statement for 10 (11) years using the Moderate model which we will use to anchor our opinion of value analysis.

Figure 20: 10 (11) year Proforma Income Statement – 88 Unit Aparthotel-Moderate Scenario

	202X		Year 2		Year 3		Year 4		Year 5		Year 6		Year 7		Year 8		Year 9		Year 10		Year 11	
Inputs																						
Total Units	88		88		88		88		88		88		88		88		88		88		88	
Hotel Units	44		58		70		88		88		88		88		88		88		88		88	
Residential Units	44		30		18		0		0		0		0		0		0		0		0	
Residential Rent Rate/Month	$ 2,300		$ 2,369		$ 2,440		$ 2,501		$ 2,564		$ 2,641		$ 2,720		$ 2,801		$ 2,885		$ 2,972		$ 3,061	
Commercial SF available	18,000		18,000		18,000		18,000		18,000		18,000		18,000		18,000		18,000		18,000		18,000	
CR Rate (Gross)	$ 35.00		$ 35.00		$ 35.00		$ 35.00		$ 35.00		$ 45.00		$ 45.00		$ 45.00		$ 45.00		$ 45.00		45	
Inflation/Rate Increase	Nil		3%		3%		2.5%		2.5%		3.0%		3.0%		3.0%		3.0%		3.0%		3%	
% Occupancy - Hotel	74.0%		81.0%		82.0%		83.0%		85.0%		86.0%		87.0%		88.0%		88.0%		88.0%		88.0%	
Average Room Rate	$219.76		$226.35		$233.14		$238.97		$244.95		$252.29		$259.86		$267.66		$275.69		$283.96		$292.48	
Rooms Sold	11,884		17,148		20,951		26,660		27,302		27,623		27,944		28,266		28,266		28,266		28,266	
Operating Revenue																						
Hotel Room Revenue	2,611,716	55.8%	3,881,430	68.3%	4,884,587	75.9%	6,370,897	84.9%	6,687,523	85.4%	6,969,186	84.0%	7,261,729	84.5%	7,565,554	85.0%	7,792,520	85.3%	8,026,296	85.7%	8,267,085	86.1%
Residential Revenue	1,214,400	26.0%	852,840	15.0%	527,055	8.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
CRU Revenue	630,000	13.5%	630,000	11.1%	630,000	9.8%	630,000	8.4%	630,000	8.0%	810,000	9.8%	810,000	9.4%	810,000	9.1%	810,000	8.9%	810,000	8.6%	810,000	8.4%
Parking Revenue	222,833	4.8%	321,519	5.7%	392,831	6.1%	499,868	6.7%	511,913	6.5%	517,935	6.2%	523,958	6.1%	529,980	6.0%	529,980	5.8%	529,980	5.7%	529,980	5.5%
Total Operating Revenue	4,678,948	100.0%	5,685,789	100.0%	6,434,473	100.0%	7,500,765	100.0%	7,829,436	100.0%	8,297,121	100.0%	8,595,687	100.0%	8,905,534	100.0%	9,132,500	100.0%	9,366,276	100.0%	9,607,065	100.0%
Cost Of Sales																						
Hotel Rooms	652,929	25.0%	970,357	25.0%	1,221,147	25.0%	1,592,724	25.0%	1,671,881	25.0%	1,742,296	25.0%	1,815,432	25.0%	1,891,388	25.0%	1,948,130	25.0%	2,006,574	25.0%	2,066,771	25.0%
Residential	121,440	10.0%	85,284	10.0%	52,706	10.0%	0	10.0%	0	10.0%	0	10.0%	0	10.0%	0	10.0%	0	10.0%	0	100.0%	0	10.0%
CRU Revenue	94,500	15.0%	94,500	15.0%	94,500	15.0%	94,500	15.0%	94,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%
Concierge/Parking/Other	22,283	10.0%	32,152	10.0%	39,283	10.0%	49,987	10.0%	51,191	10.0%	51,794	10.0%	52,396	10.0%	52,998	10.0%	52,998	10.0%	52,998	100.0%	52,998	10.0%
Total Cost	891,152	19.0%	1,182,293	19.0%	1,407,635	19.0%	1,737,211	23.2%	1,817,572	23.2%	1,915,590	23.1%	1,989,328	23.1%	2,065,886	23.2%	2,122,628	23.2%	2,181,072	23.3%	2,241,269	23.3%
General Expenses																						
Admin & Gen.	304,132	6.5%	369,576	6.5%	418,241	6.5%	487,550	6.5%	508,913	6.5%	539,313	6.5%	558,720	6.5%	578,860	6.5%	593,613	6.5%	608,808	6.5%	624,459	6.5%
Management Fee	233,947	5.0%	284,289	5.0%	321,724	5.0%	375,038	5.0%	391,472	5.0%	414,856	5.0%	429,784	5.0%	445,277	5.0%	456,625	5.0%	468,314	5.0%	480,353	5.0%
Advert. & Promo.	935,790	20.0%	1,137,158	20.0%	1,286,895	20.0%	1,500,153	20.0%	1,565,887	20.0%	1,659,424	20.0%	1,719,137	20.0%	1,781,107	20.0%	1,826,500	20.0%	1,873,255	20.0%	1,921,413	20.0%
Utilities	233,947	5.0%	284,289	5.0%	321,724	5.0%	375,038	5.0%	391,472	5.0%	414,856	5.0%	429,784	5.0%	445,277	5.0%	456,625	5.0%	468,314	5.0%	480,353	5.0%
Repairs & Maint.	187,158	4.0%	227,432	4.0%	257,379	4.0%	300,031	4.0%	313,177	4.0%	331,885	4.0%	343,827	4.0%	356,221	4.0%	365,300	4.0%	374,651	4.0%	384,283	4.0%
Total General Costs	1,894,974	40.5%	2,302,745	40.5%	2,605,962	40.5%	3,037,810	40.5%	3,170,921	40.5%	3,360,334	40.5%	3,481,253	40.5%	3,606,741	40.5%	3,698,663	40.5%	3,793,342	40.5%	3,890,861	6.5%
Gross Operating Profit	1,892,822	405%	2,200,751	38.7%	2,420,876	37.6%	2,725,744	363%	2,840,942	363%	3,021,197	36.4%	3,125,106	36.4%	3,232,906	36.3%	3,311,210	36.3%	3,391,862	36.2%	3,474,934	
Property Taxes (staggered incentives)	85,745	4.53%	99,694	4.5%	109,666	4.5%	123,476	4.5%	128,695	4.5%	136,860	4.5%	141,567	4.5%	146,451	4.5%	149,998	4.5%	153,651	4.5%	157,415	4.5%
Insurance	24,607	1.3%	28,610	1.3%	31,471	1.3%	35,435	1.3%	36,932	1.3%	39,276	1.3%	40,626	1.3%	42,028	1.3%	43,046	1.3%	44,094	1.3%	45,174	1.3%
Sub Total	110,352		128,304		141,137		158,911		165,627		176,136		182,194		188,478		193,044		197,746		202,589	
EBITDA	1,782,470	38.1%	2,072,447	36.4%	2,279,739	35.4%	2,566,833	34.2%	2,675,315	34.2%	2,845,061	34.3%	2,942,912	34.2%	3,044,428	34.2%	3,118,166	34.1%	3,194,117	34.1%	3,272,346	34.1%
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
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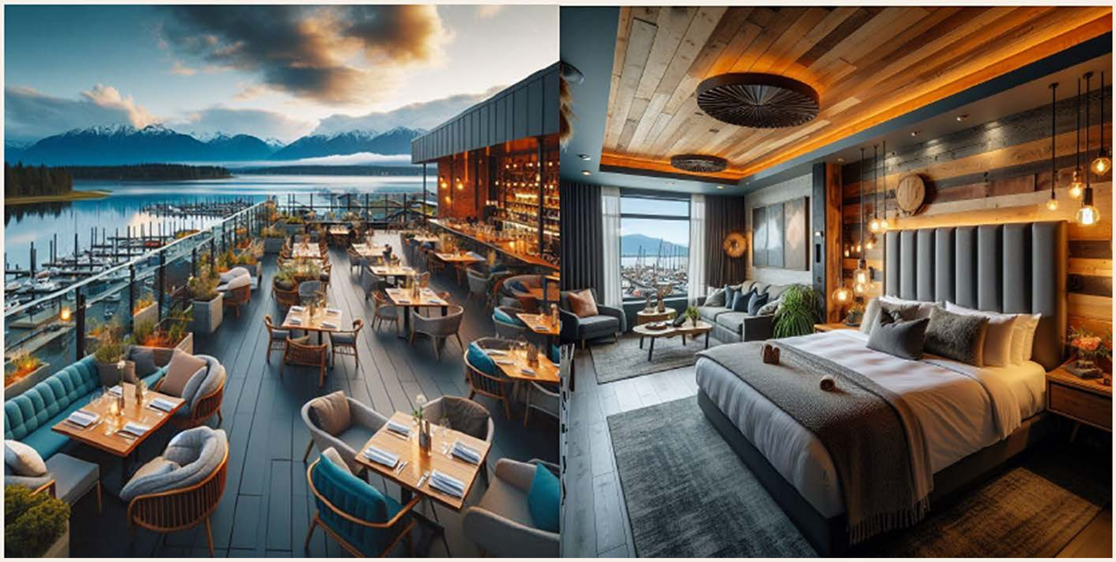
In Year 10, [redacted] is available to service debt and provide an equity return after paying the city a land lease payment of [redacted] A component of success in this project will be the appropriate capitalization structure the developer of the hotel employs.

Summary of the Proposed Property, Branding, Offering and Service Levels

We propose an 88 Room property (an Aparthotel) with all suite layouts of approximately 425 square feet (gross) constructed over 6 stories plus a roof top deck, dependent on massing studies and work done in the development stages of the property. It will feature 18,000 square feet of commercial space as well as parking in addition to this. Amenities via the tenant profile in the commercial space should include a restaurant with rooftop patio, a bar, coffee shop and bakery, gym, spa and body work amenities to complement the properties positioning as an Aparthotel in the upscale class.

An example of a room layout of approximately 425 SF.



The rooftop restaurant and an inspiration for the rooms. Source: Microsoft AI-Design

Inspiration for the lobby with coworking space and the coffee shop. Source: Microsoft AI-Design

We would describe the property as:

The new property, with amenities as described would create as many as 100 jobs in the community.

"A boutique harbourfront/boardwalk property in a historic community that is the hub of the city and the waterfront district. This mixed-use aparthotel features luxury finishes over hearty and resilient materials making this an accessible and upscale environment where you can feel at ease in your post workout sweats or your Friday night finery. Rooms include full kitchens and sitting areas in one and some two-bedroom configurations. Featuring a bar and restaurant with a small private room that lends itself to meetings and a stunning roof top deck, a community bakery and coffee shop and a boutique fitness studio with spa (consider treatment rooms with a shared bathroom space for the spa and fitness studio to use), the building creates a place where residents of the building, community locals and hotel guests can interact and enjoy. This building facilitates both hotel and residential apartment use to optimize the existing and future opportunities for purpose-built rental with extensive amenities and short-term accommodation to enrich the community offering."

The new property, with amenities as described, would create as many as 100 jobs in the community.

Summary of the Opinion of Net Present Value

We have used an 8.5% cap rate in our modeling which will generate a lower valuation of the asset and error on the side of caution.

A Discounted Cash Flow analysis with a discount rate of 9.94% was used to provide an estimate of the present value of hotel operating income, modeling the value of the hotel after 10 years of operations based on the market for transactions.

A Reversion analysis using market cap rates for transactions in the hospitality space and benchmarked by the study of recent transactions by Cushman Wakefield was used to create a reversion value based on the income in the 11th year. The range for this asset class and location is a terminal cap rate of 6.5-8.5%. We have used 8.5% in our modeling which will generate a lower valuation of the asset and error on the side of caution.

An estimate of build cost was created by taking the required square footage for the property, and the prevailing build costs in the market provided to us from our survey of projects and builders, alongside the information that was taken from HVS, Cushman, Sitings, Colliers, The Altus Construction Report, as well as our site visits to active construction projects.

There is no massing study available so our work was undertaken without that additional information on what structures the site may bear.

Modeling a Conservative, Moderate and Optimistic operating environment, we suggest the following ranges of Value and Costs:

Figure 25: Comparison of Values by Model

Measure	Conservative	Moderate	Optimistic
Reversion Analysis	$ 30,086,999	$ 37,535,729	$ 44,155,872
DCF based NPV	$ 23,940,619	$ 29,706,583	$ 34,847,723
MOIC	2.66	3.42	4.07
Est. Build Cost	$ 24,366,280	$ 24,366,280	$ 24,366,280
DCF vs Build Cost	$ (425,661)	$ 5,340,303	$ 10,481,443

Lastly, MOIC is listed as a measure of multiple on invested capital assuming a 65% LTV for this project. It is an indicator of viability as modeled on a return on capital basis that a developer will consider.

The Conservative model shows the nexus of the estimated build cost and the net present value intersecting (NPV is slightly lower by $425K or 1.7%).

The Moderate model has a variance of value to cost of $5.3 million or 21% which is positive, and the Optimistic model results in a variance of $10.5 million or 43%. These values are relevant as a developer will model their IRR (Internal Rate of Return) on these projects to ensure that they are considering their risk tolerances.

The treatment of the land and its value in these calculations, and how it is structured into or out of the project will affect value. The length of term of lease may need to be adjusted based on the covenants and restrictions of the debt vehicles and mechanisms employed by the developer. A term of more than 50 years may need to be offered, and a joint venture vehicle with a terminus date that facilitates the lending but returns the land (and asset) to the city over a period of time may be proposed by the developers.

The Moderate model calculates a transactional value of $37.5 mio, with a NPV of $29.7 million and a variance over build cost of $5.3 million.

The Moderate model calculates a transactional value of $37.5 million, with an NPV of $29.7 million and a variance over build cost of $5.3 million.

Summary of the Extraordinary Assumptions

Several assumptions are made in the feasibility, and the scenarios that are modeled to result in the recommended size of property, positioning and service level with amenities.

We are presuming as fact the unknown which in this case includes legal, economic, pandemic, geopolitical, physical and archeological characteristics of the site of the Aparthotel or external to the Aparthotel. The assumptions were used to create credible models that could be presented and were based on the best available data at the time. The credibility of the data if compromised or incorrect will affect the analysis undertaken. At the time of writing of this report, we have no indication that the data sources lack credibility. We cannot account for unforeseen events in the future that could affect the viability of the report, which we present here for your use with the limiting conditions described. Please contact the writer with any questions on the study.

Thank you for the opportunity to work on this project
on behalf of the City of Delta!

Scope of Engagement

Kadence Hospitality and Development was engaged to provide a feasibility study encompassing the following elements:

1.1 An analysis of the overnight and extended stay market within the community including a demand analysis factoring in Ladner's unique attributes and the City's vision of revitalization as guided by the Ladner Village Renewal Advisory Committee Final Report.

1.2 Identification of the optimal size, brand positioning, and service levels of a hotel/accommodation offering for the site, or the recommendation of an alternative use/mixed-use based on this scope of work. This will include recommended amenities and services from a third-party tenant.

1.3 Create an income and expense estimate for the model identified in 1.2 that illustrates ADR (Average Daily Rate) and Occupancy that is achievable in an operating year. Create a 10-year potential revenue forecast.

1.4 Provide an opinion of the value of the operations and comment on an appropriate lease term and leasehold value in the case that a third party develops and operates the business.

Methodology Applied

To assess the market for overnight accommodation we explored:

The Hotel Market in the community, the existing demand, changes to room supply, the residential market, the available STR Data (Smith Travel Research), market data on residential and commercial lease rates, and the short term overnight rental market.

This data provides us a broad scan of the market to then analyze, interpret and formulate the rates and occupancy for a property that can be absorbed into a growing market, or that can enter the market and take market share from others in the market. The analysis of the properties that are currently operating in the market, their market share, rates and occupancy, amenities and services will also guide the ultimate recommendation for positioning, look and feel of the proposed property.

Investigating and assessing the market for travel and accommodation, multifamily, short-term rental, alongside emerging consumer demand trends and the segments of the market that are most resilient are the final pieces to consider.

For clarity, the above terms and tasks are defined as follows as they appear in this document:

Research the Hotel Market – Using OTA and GDS platforms such as Expedia and Sabre explore the properties and location that are listed and promoted to the audience for Delta properties.

Hotel Comp Set Analysis – Selection of the 4 properties (minimum) that can be studied via STR to understand their occupancy, revpar and adr as well as the supply and demand for the market.

Stimulated Demand – The demand that will occur because of the new property.

Existing Demand – The demand that already exists in the market and that is catered to by the market hotels.

Changes to Room Supply – Hotel opens or closures coming into the market.

Research Residential Market – The new construction and inventory entering the market, and more importantly in a low vacancy market, the rental rates that are present.

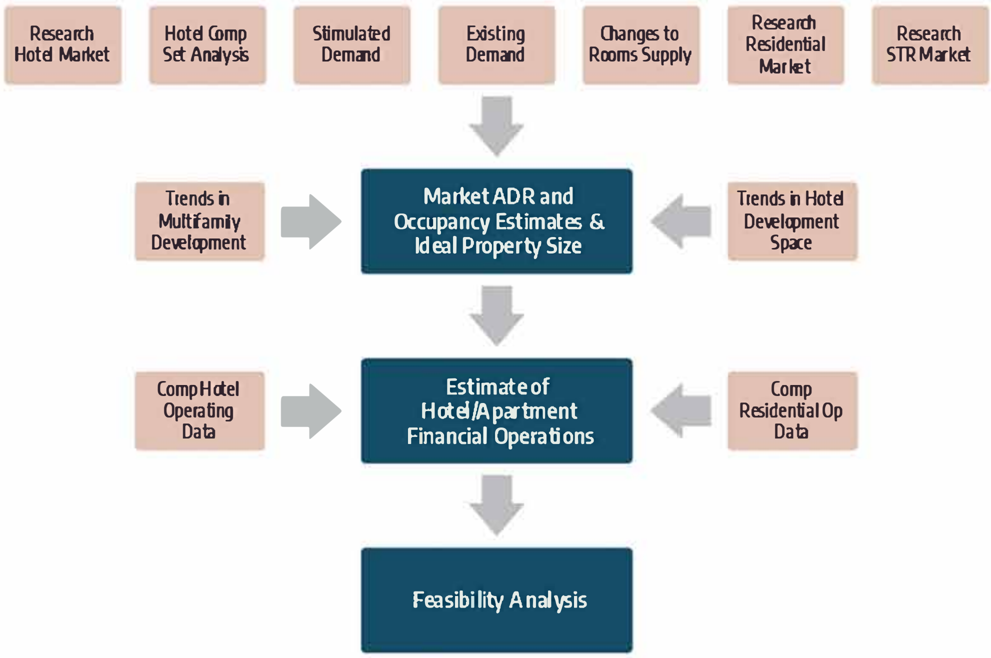
Market ADR and Occupancy estimated for an ideally sized property. *Note in this study an ideal size based on market demand/growth in the market and the new development in the village.

Trends in Multifamily Development –Macro movements in the industry as informed by Storeys, Western and Eastern Investor, Cushman Wakefield, Colliers, CBRE, HVS, Sitings and other operators or opinion sites. This includes conversations with developers and operators in the Canadian marketplace and alongside the work that Kadence is currently engaged in.

Trends in the Hotel Dev Space – derived from Skift, Conde Nast, Hotelier and Hospitality periodicals alongside the work that Kadence is currently doing in the hospitality space.

Feasibility Analysis – A yearly proforma, provided for 10 years. An analysis of debt and financeability, as well the value of the operations and rates for lease.

Figure 1: Methodology Diagram



Description of Site and Background of the Project

The Ladner Village Renewal Advisory Committee, and the report from Jan 31st, 2020, have established a vision for the renewal of the village of Ladner. (This section is referenced from the LVRAC Final report).

Vision

Ladner Village is a walkable, people-friendly place to live, work, shop, visit and play, with vibrant public spaces including opportunities to access and enjoy the waterfront and celebrate heritage features. The Village has year-round vitality, strong businesses, and varied housing options for people to live and work in the heart of the community.

GUIDING PRINCIPLES

- *Encourage a varied range of housing through smart densification in the Village core.*
- *Activate the waterfront for commercial development and public access.*
- *Support business sustainability through increased vibrancy in the Village.*
- Make the Village a special place for people by preserving our past and embracing our future.

The report strongly supported redevelopment and revitalization and changes to the community plan to allow for land use and height designations. Chisholm street as the main waterfront street has a special value in creating the harbourfront and promenade. The Ladner market, the incorporation of street design, patios and amenities are all a *part of the recommendations. Ground floor retail and services on Chisholm are specifically highlighted for entertainment, restaurants, pubs, retail and other recreation and hospitality businesses.*

The net effect of the revitalization will create a hub of the community with events and activities that will lend itself to a hospitality offering.

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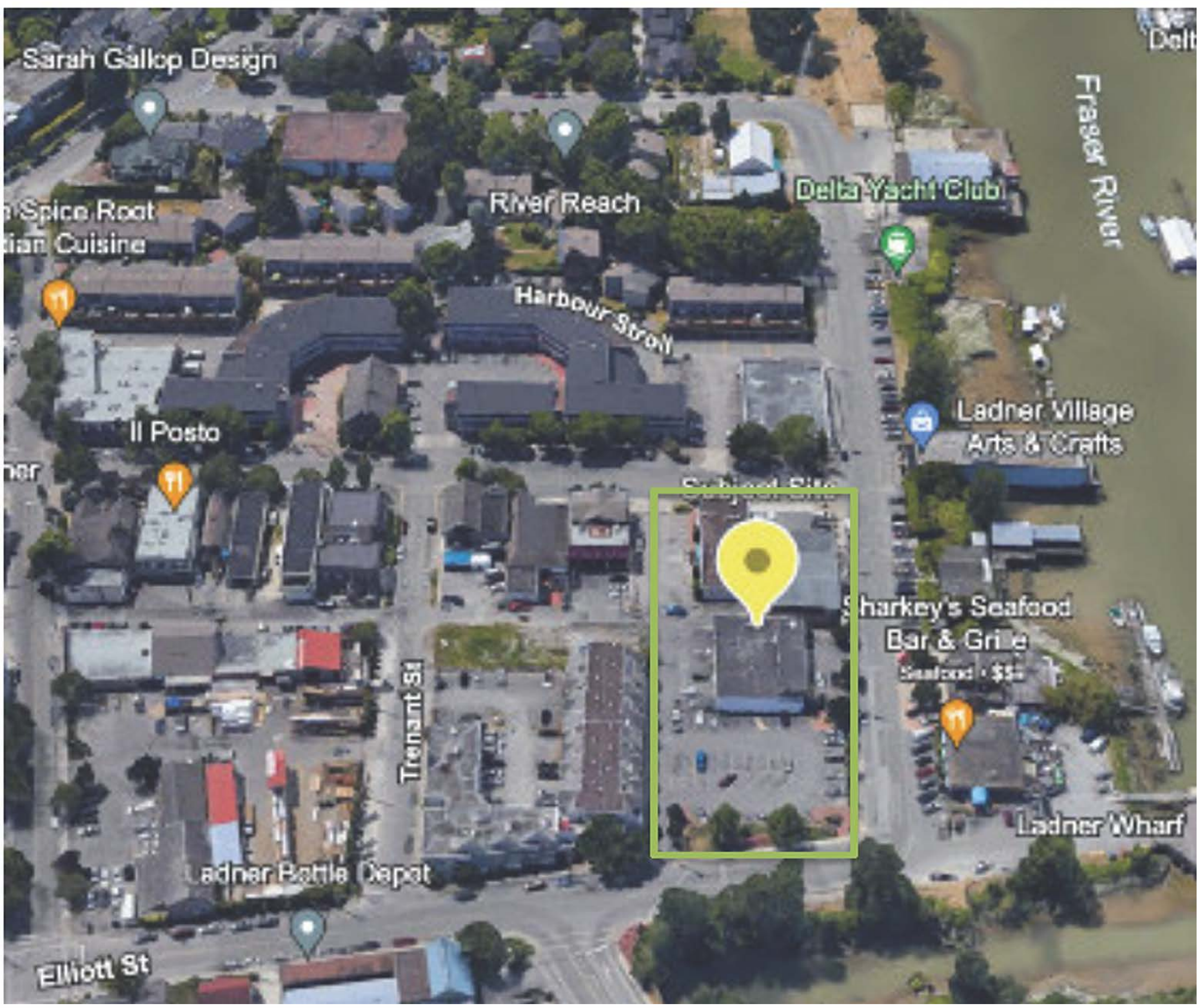
The City of Delta engaged Kadence to assess the viability of a hospitality accommodation business. This includes understanding the overnight stay market, and considering models that could work within the revitalization plan that includes and identifies mixed-use and residential developments.

The site that we have assessed is in the Ladner Village at a location bounded by Delta Street, Chisholm Street, and Elliott Street of approximately 1.2 acres in size.



Trends in the Hospitality, Residential and Short-Term Rental Market

The Hospitality business has changed more in the last 10 years than it has in the last 200. This statement may seem subjective, but there are some very real events that anchor this statement. Every university course in rate and revenue management at the Cornell School of Hospitality Management now includes a section on the effects of AirBnB and other short-term-rental platforms that create new inventory at the least opportune time for a hotel company, typically at the top of the yield curve as occupancy reaches 80+ percent. Expedia, with its wholesale/retail model is a bedfellow to hotels and their profit margins. At the time of the writing of this report new restrictions on short term rentals were announced which may positively affect the demand for hotel rooms.

The only hotel segments that continued to climb in RevPar were the upper and luxury segments.

At the time of the writing of this report new restrictions on short term rentals were announced which may positively affect the demand for hotel rooms.

Accommodation marketplaces are expected to remain popular, and another global pandemic would be catastrophic as a follow-up to the pandemic which very nearly broke the industry. The post pandemic labor force is fractured; many service workers did not return to the industry. Service levels have dropped, Hotel brands are sometimes very difficult to differentiate, management brands are consolidating while operating brands seem to be proliferating. As assets age operators are considering repositioning to the higher end of the rate spectrum at Luxury and Upper/Upscale to be able to achieve higher nightly rates or are considering alternate use models such as student housing, residential use or senior homes.

Going from operational and brand concerns to those of a development nature; capital costs, input costs, labor costs and delays in construction have beleaguered the development industry. In Ontario several projects are on the brink of receivership, in BC the Coromandel bankruptcy illustrated the need for liquidity in this environment. Many developers are moving to a build-and-hold model as they consider their costs of capital, land banks, opportunity, and liquidity.

At the heart of this is the Guest/Renter. What is it that they want? Across every category of Hotel accommodation in February and March of 2024, (STR Market Data, Jan Freitag Head of Data and Analytics quoted at the Host hospitality conference) the only hotel segments that continued to climb in RevPar were the upper and luxury segments. From an occupancy perspective the hotels with the greatest occupancy in North America are the extended stay properties. This is intuitive by design however more and more extended stay and now aparthotels are preferred by travelers. "Live like a Local" was a polarizing campaign by Airbnb. Customers became accustomed to "more" when they traveled, specifically they were staying in apartments and condos, so they had more livable square feet. Apartment Hotel concepts aren't new, and they are adjacent to extended stay properties, however, they formalize their existence in both worlds. The flexibility to scale up to transient and leisure needs while using residential as an anchor creates a scalable model that increases profitability as demand grows.

Residential is experiencing an amenity creep like never before. Being sequestered made people think about their space, and the amenities that they can access easily. Fully catered upper tier amenity rich properties are becoming more prevalent, and the work being done by Toronto based Tricon (recently acquired by Blackstone), Fitzrovia (The Parker, The Ivy) and RioCan (The Well) show the massive interest level of these types of purpose-built rental buildings. Again, in this segment both room size and amenity are essential to the success of the property.

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The Rise of the ApartHotel and Branded Residences

At the intersection of viability and customer demand lives the ApartHotel. Allowing for a flexible and scalable model, a baseline for revenue is derived from the residential market rent and the market vacancy, at the top of that revenue model is the all-hotel use that when properly operated generates multiples of the rental revenue.

ApartHotels are hotels that have larger rooms that feel like apartments. They have a full kitchen, small sitting area, and bedroom area ideally separated, but could be a bachelor layout.

ApartHotels are hotels that have larger rooms that feel like apartments. They have a full kitchen, small sitting area, and bedroom area ideally separated, but could be a bachelor layout. The building offers concierge, enhanced onsite fitness and spa, food and beverage. All of these amenities can be operated by third parties as long as it is to a common theme and service level.

Emerging aparthotel brands such as Placemakr, Aparthotels, Stay city, Lyf and Level Furnished Living are gaining in popularity. Seeing this trend, Marriott announced (Nov 9th, 2022, Bethesda Maryland franchisee announcement) that they will be launching their Marriott Executive Living Apartments, they clarified this as a different model from their extended stay hotels brands as they will include sitting rooms and full kitchens, allowing for work and leisure stay on an annual basis. Accor also has a partnership that they recently announced, and we will discuss later in this report.

Sonder is a Canadian company that went public over the pandemic and found a niche in occupying apartment buildings and adding floors of managed accommodation, i.e. a hotel product. This highly innovative idea utilized a SPAC (Special Purpose Acquisition Company) to go public, its market fortunes are currently challenged, however their idea was revered by developers who had properties that were underperforming in tier 1 and 2 markets.

A branded residence sounds like a new idea, however coveted buildings and residences in tier 1 cities are not a new concept. The community, rich amenities, experiences and services are what branded residences are all about. An example of this is Canadian developer Fitzrovia, focused on full-service apartments whose buildings offer all of the services and amenities of a luxury hotel, in a purpose-built residential setting (See the Parker and the Ivy developments in Toronto). Developer Tridel has taken this one step further and operates Del Suites within its buildings as a fractionalized Hotel to help stabilize their assets as they open and then optimize their assets as they mature.

There is a blurring of the lines between multifamily residential, purpose-built rentals, and hotels.

There is a blurring of the lines between multifamily residential, purpose-built rentals, and hotels. This blurring is seen to be of such a seismic nature that the hallmark hotel players globally are creating aparthotel brands as they know that their primary customer, the franchisee, and their mutual customer, the guest, is demanding these services, layouts and flexibility.

Figure 2: Aparthotel Brands by Affiliation

Accor Hotels	Adagio
	The Sebel
	Suite Novotel
	Breakfree
	Mantra
	Peppers
	Pullman
	SS Enseigne
	Sofitel
	Raffles
	Fairmont
	Swissotel
The Ascott Limited	Ascott The Residence
	Citadines
	Somerset
	Other Serviced Residences
	Tujia Somerset
	Quest Apartment Hotels
	Lfy

Table Continues

Extended Stay Hotels	Extended Stay America/ Canada
Frasers Hospitality	Fraser Residence
	Fraser Suites
	Fraser Place
	Modena Residence
	Capri
Intercontinental Hotel Group	Candlewood Suites
	Staybridge Suites
	Atwell Suites (from 2021)
Marriott	Marriott Executive Apartments
	Residence Inn
	Towne Place Suites (USA)
	Protea Hotels - Africa
	Element Hotels (Extended Stay)
Pierre & Vacancies	Pierre & Vacances
	Maeva
Choice Hotels	Mainstay Suites
	Suburban
	Woodspring Suites

In the rise of this category of accommodation is the Aparthotel Adagio. Boasting 96 properties and created as a joint venture between Accor and Pierre and Vacances, it is an interesting model to explore a little further.

Aparthotel Adagio properties typically range from 50 to over 200 units, with some larger properties exceeding 300 units.

They emphasize modern design aesthetics and urban locations, often situated in vibrant neighborhoods or near business districts. Each unit is designed to provide a comfortable living space for both short and long-term stays, with amenities such as fitness centers and communal spaces.

These properties attract developers due to their flexibility in design and suitability for mixed-use developments. The combination of hotel services and apartment-style accommodations appeals to a wide range of travelers, from tourists to corporate clients.

The model provides a great deal of flexibility, the model we propose, the pro forma income statement that we created, and the feasibility study we have provided all create space for this flexibility.

Marketplaces and listing sites – A brief commentary

Marketplaces and listing sites create visibility and distribution for accommodation. Expedia, Padmapper, Trulia, Zoopla, Airbnb, Craigslist, et al. all are built around this consumer accessibility. There is a strong argument that this level of distribution, the visibility of a spot price on accommodation and the accessibility of online purchases has effectively commoditized accommodation and will continue to do so. Aparthotels are not immune to this. Effective practices in data capture, repeat client initiatives, stimulating and maintaining demand will be an ongoing necessity for any operator that is ultimately selected.

Seeing this opportunity, fund backed marketplace BoB W, positioned as "Exceptionally Cool Apartments-Stay in style for days, weeks or months," https://bobw.co is set up to capture the consumer demand for these types of full equipped and longer-term rentals and stay providers as they see the market expanding toward aparthotel stays and away from traditional hotel rooms.

Delta Market Overview

(This information taken from Delta.ca. Additional Market Information Available at Delta.ca)

Geographic setting

Delta is a suburban municipality, with a population of approximately 108,455 (2021 census) located at the mouth of the Fraser River in the Metro Vancouver regional district. Delta has three geographically distinct urban communities – Ladner, Tsawwassen and North Delta - and almost half of its land is agricultural. In addition, the ecological conservancy area of Burns Bog takes up almost one-fifth of Delta's land mass. Tilbury and Annacis Island are two of the largest industrial areas in Metro Vancouver making Delta a large, mixed use municipality.

Figure 3: Geographic Setting

Figure 4: Delta Census Data 2021

Population	An estimated 108,455 people live in Delta:
Age	The average age of Delta residents is 42.9. • 65+ years 20.5% • 15-64 yrs 64.3% • 0-14 yrs 15.1%
Ethnicity	30% of Delta's population identifies itself as visible minorities: • South Asian 17% • Chinese 5.7% • Pilipino 2.6% • Aboriginal 2.3%
Immigrants	Approximately 30% of Delta's population are immigrants (1st, 2nd and 3rd generation): • Asia and Middle East 54.8% • Europe 30% • USA 6% • Mexico, Central/South America 5% Nearly 12% of the current immigrant population arrived since 2006
Language	One-third of new immigrants cannot speak English or French: • Punjabi 39% • Mandarin 16% • Tagalog 14% • English 12%
Education	Nearly 40% of Delta's residents have a university degree; 26% a college diploma; 26% graduated high school; and 9% did not graduate from high school.
Income	Under $40,000 = 43.7% $40,000- $79,999 = 29.2% $80,000 – $149,999 =23.4 % $150,000 and above = 4.1%
Housing	There are 39,736 dwelling units in Delta 80% of which are single family homes and duplexes. There is limited rental and apartment living with an increasing need. There are few homeless but specialized housing is needed for emergencies, mental health, family violence and youth transitioning out of care.
Labour	Unemployment rate 4% Self-employed 12.6%
Community health	Delta residents enjoy an average to high level of health with lower rates of smoking and chronic disease than other municipalities. Residents exercise more than most in Metro Vancouver, but also have higher rates of obesity and chronic conditions. Delta benefits from strong community resiliency and good access to primary care

National Hotel Market Trends

> *2019 was a highwater mark for the hospitality market in Canada.*

2019 was a highwater mark for the hospitality market in Canada. Tracking the progression from 2018 both Rate and Occ growth were stable and resilient. Post pandemic there has been a rebound of revpar (rate X occ) where occupancy has grown slightly above the 2019 levels, with rate generating most of the increase. Increases in costs are expected and indicated by the high transient inflation we have recently experienced (https://www.bankofcanada.ca/rates/indicators/capacity-and-inflation-pressures/inflation/) however these increases far outpace that trend. This is clearly communicated in the annual trend report and the chart below from the "Hotel Industry Trend 2023" analysis for Cushman and Wakefield issued in February 2024.

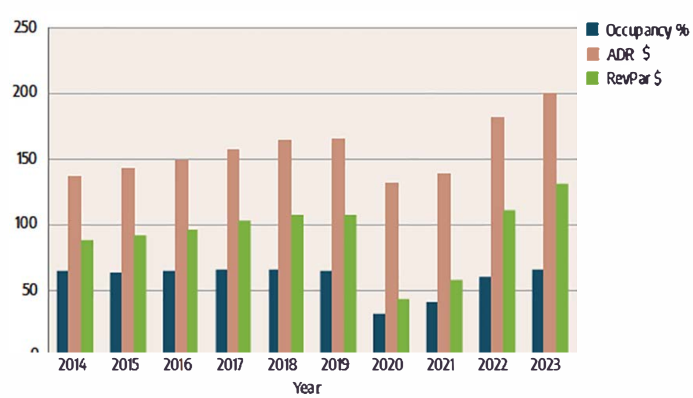
Figure 5: Canadian Historical Operating Statistics

Year	Room Nights	Supply	Supply % Change	Demand	Demand % Change	Occu-pancy	% Change	ADR	% Change	RevPAR	% Change
2014	203,182	74,161,430		45,164,311		64.8%		$137.36		$89.06	
2015	205.620	75,051,367	1.0%	46,474,076	0.2%	64.1	(1.1)%	142.98	4.1%	91.71	3.0%
2016	206,648	75,426,624	0.9	47,217,661	1.5	64.4	0.4	149.02	4.2	95.95	4.6
2017	207,682	75,803,757	0.8	48,209,232	3.2	65.7	2.0	156.72	5.2	102.95	7.3
2018	208,720	76,182,776	1.0	49,655,509	2.0	66.1	0.7	163.32	4.2	108.00	4.9
2019	210.807	76.944.604	1.5	49.754.820	0.1	65.0	(1.7)	165.08	1.1	107.35	(0.6)
2020	212,704	77,637,105	(3.7)	50,501,142	(51.0)	32.9	(49.4)	130.94	(20.7)	43.09	(59.9)
2021	217,169	79,266,728	2.6	33,974,701	30.3	41.8	27.0	139.19	6.3	58.17	35.0
2022	221,295	80,772,795	1.9	50,622,305	49.0	61.0	45.9	182.31	31.0	111.19	91.1
2023	222,844	81,338,205	0.7	54,925,200	8.5	65.7	7.7	200.08	9.7	131.48	18.2
Average Annual % Change			0.7%		1.1%		0.1%		4.3%		4.4%

Source: Cushman Wakefield, STR

Graphing this Data illustrates this trend.

Figure 6: National Occupancy, ADR and RevPar

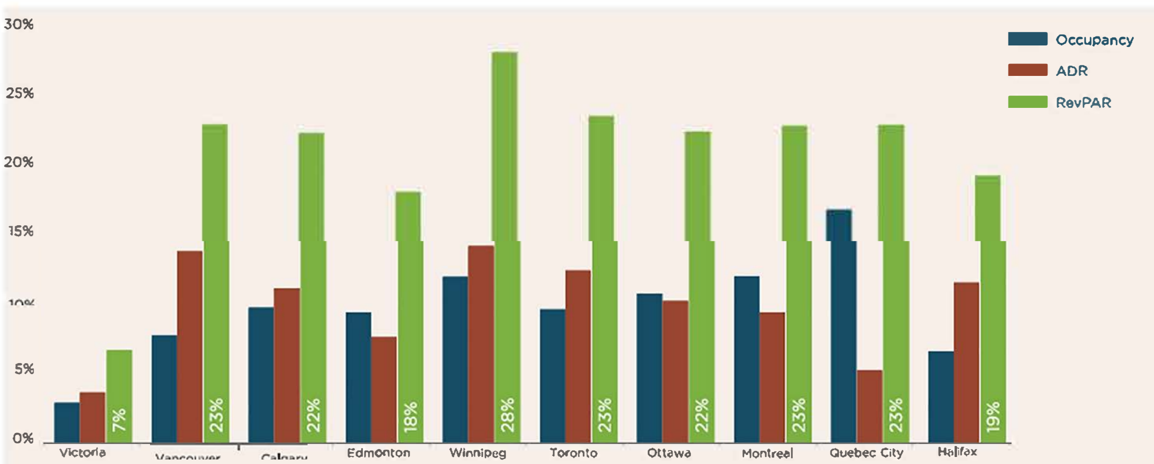


National Occupancy in 2023 has now returned to the 2018/early 2019 (65%) levels while rate ($200) seems to be on a higher slope of increase. The last two years show a very strong recovery and a return, if not an escalation of the trend lines that we were experiencing prior to the pandemic.

National Occupancy in 2023 has now returned to the 2018/early 2019 (65%) levels while rate ($200) seems to be on a higher slope of increase.

Market recovery is clearly illustrated in the following graph. The top Markets in Canada for rate recovery are Winnipeg , Vancouver, Toronto, Halifax. Considering rate and occ (revpar) the leader is Winnipeg, then Vancouver, Toronto, Montreal Quebec City, and Ottawa in a head-to-head race. The rationale is a return to business, pent-up demand post pandemic, and operators looking to offset some of their increased input costs inclusive of labor.

Figure 7: Major Markets Performance – YTD December 2023% Change



Source: Cushman Wakefield

Types of Demand

Commercial Demand is generated through businesspeople coming into the market. Ladner will see this from the local community, franchise restaurant, banking and retail businesses like Royal Bank and London Drugs, corporate, and groceries stores such as Save-On foods et al. Tilbury is a major commercial hub that will be a strong source for commercial and corporate business. This business usually comes to a property through LNR's or locally negotiated and/or contracted rates, sometimes available in an RFP process. It is higher volume but often rate discounted business that should form the base occupancy for the property.

Leisure Demand originates from individuals and families visiting to see family, for recreation, holiday or discretionary spend. Activity and attraction dependent this will be a large segment for this new property. Leisure business is heavily sourced and distributed through the OTA's like Expedia and Priceline. As a consequence of their dominance the business derived through these channels bears a high fee, 20% in many cases. In the initial years of opening a hotel will lean on the OTA's to help them achieve market share. To account for this we have allocated a generous allowance to sales and marketing costs in our models specifically in the conservative and moderate scenarios we have prepared. The Ladner property will need to develop and enhance the experiences that occur in the village to attract leisure travel which has been described in the revitalization plan. The demographics of Ladner's growing community infers family visitation during holiday peak seasons, and the occupancy of the surrounding properties infers strong summer demand which will help to anchor occupancy in the market. Exploration of a local market DMF is recommended as a mechanism to bolster local business. DMF’s (Destination Marketing Fee’s) exist in Richmond, Vancouver, Burnaby, and many other municipalities.

Meeting and group demand for the property will originate for meetings, seminars, conventions, trade shows and groups of 10 or more rooms. This business can be attracted through incentives created through the DMF. Corporate Groups, SMERFE (social, military, educational, religious, fraternal and ethnic) and associations are sources of this demand. This is highly lucrative business as it typically is experienced mid-week, and has a high ADR, occupancy and ancillary spend for food and beverage.

Defining, Ranking and Measuring Performance of the Competitive Set

In the hotel industry, a competitive set refers to a group of hotels that are considered direct competitors to a particular hotel property. These hotels typically share similar characteristics such as location, target market, amenities, pricing, and overall guest experience. Establishing a competitive set is important for hoteliers as it allows them to benchmark their performance against similar properties and make informed decisions regarding pricing, marketing strategies, and operational improvements.

The process of defining a competitive set involves identifying hotels that compete for the same target market(s) and analyzing various factors such as room rates, occupancy levels, guest reviews, and market positioning. By comparing key performance indicators with those of the competitive set, hotel management can gain insights into their relative strengths and weaknesses and devise strategies to maintain or improve their competitive edge within the market.

Smith Travel Research (STR) is a leading provider of data, analytics, and benchmarking insights for the global hospitality industry. STR defines a competitive set based on several criteria to ensure meaningful comparisons between hotels:

Geographic Proximity: Hotels in the competitive set are typically located near each other or within the same market area. This ensures that they are competing for a similar pool of potential guests and facing similar market conditions.

Similar Market Segment: Hotels within the competitive set cater to a similar target market or customer demographic. This could include factors such as business travelers, leisure travelers, luxury travelers, budget travelers, etc.

Comparable Size and Scale: The hotels in the competitive set are usually of a similar size and scale in terms of the number of rooms, amenities, and overall facilities. This ensures that the comparisons are fair and relevant.

Comparable Product Type: The hotels in the competitive set offer a similar product type or level of service. For example, they may all be full-service hotels, limited-service hotels, boutique hotels, or resorts.

Comparable Price Tier: The hotels in the competitive set typically fall within a similar price range or tier. This ensures that pricing comparisons are meaningful and reflective of market positioning.

Similar Operating Characteristics: Hotels within the competitive set may share similar operating characteristics such as average daily rate (ADR), occupancy rates, revenue per available room (RevPAR), and other key performance indicators.

In order to review a market, and to not breach the confidentiality or covenants by which a hotel shares this very sensitive and proprietary data, STR has the following conditions on the extraction and use of their data:

1. *All data request samples must include a minimum of four (4) reporting properties for the period covered.*
2. *No single property or brand can account for more than 50% of the aggregate room supply among the reporting hotels in a TREND report sample.*
3. *No single company can account for more than 70% of the aggregate room supply among the reporting hotels in the sample.*
4. *Property changes to any TREND report sample must involve a minimum of two reporting hotels (cannot add/delete one reporting property).*
5. *All properties included in a TREND report must be located within the vicinity of the majority of the properties in the set. Exceptions may be made on a case-by-case basis.*

STR has 271 properties in the Vancouver area with verified and audited data. Working to a 20KM radius of the site, this is reduced to 15 properties, and then refining further we arrive at a competitive set that provided the benchmarking data we needed for the initial analysis.

Further, as the data set was somewhat limited by the number of existing hotels in the market (this is a comment on total number of hotels in the market, not the market saturation of the market by hotels) we undertook and carried out site visits to the hotels in the competitive sets and in most cases had conversations with their management teams, ownership groups, operating and management companies to increase our understanding and grasp of the competitive market that the property in Ladner would operate within. We were able to have these conversations candidly and in confidence due to our long-standing relationships. Nothing that was discussed in those meetings that is privileged will be included in this report, however the information shared has been used to confirm our findings and recommendations that we make.

In meeting the requirements for the data set, and in eliminating the impact and compression in the market that takes place in Richmond, we selected properties that would compete for the same customer. Defining the market as a 10–15 minute drive, such as the Delta Hotel by Marriott and Coast Tsawwassen properties, or as having a similar product, size or market draw that would be comparable to the proposed Ladner property. The class of product is predominantly an upscale product. As mentioned previously in this report these are the most resilient segments in hospitality currently and will match the positioning of the proposed property well.

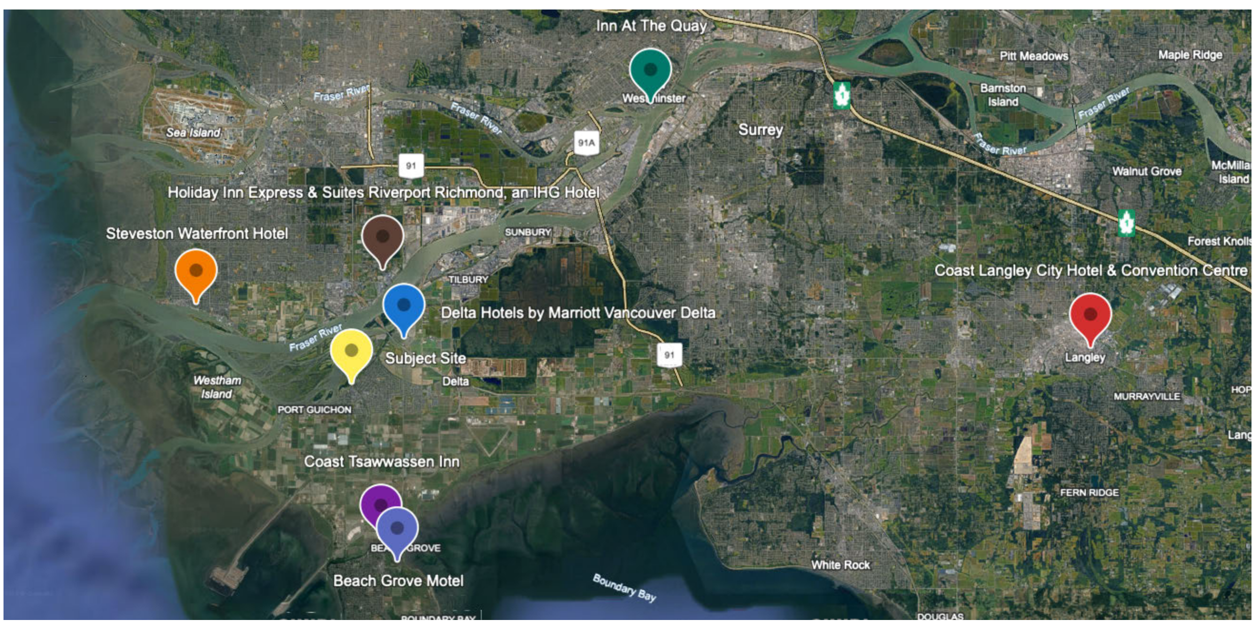
STR currently tracks 67,000 hotels with over 8 million rooms in 180 countries. We have worked with STR for over 20 years and applied their opaque and audited data in numerous studies. They are regarded as the highest authority and benchmark for hotel data globally.

This combination of data, conversations with operators and site visits to the properties and the community comprised our comprehensive study of the market.

Note: STR currently tracks 67,000 hotels with over 8 million rooms in 180 countries. We have worked with STR for over 20 years and applied their opaque and audited data in numerous studies. They are regarded as the highest authority and benchmark for hotel data globally.

Map of Competitive Set

Figure 8: Location of Comp Set properties in the STR database.



Source: Google Earth

Figure 9: Comp Set Property Details

Name of Establishment	City and Province	Postal Code	Class	Open Date	Rooms
Coast Langley City Hotel & Convention Centre	Langley, BC	V3A 7N2	Upscale Class	Jun 2005	77
Inn at The Quay	New Westminster, BC	V3M 6G1	Upper Midscale Class	Jun 1988	126
Tsawwassen Motel	Delta, BC	V4K 3N3	Economy Class	closed	20
Delta Hotels by Marriott Vancouver	Delta, BC	V4K 5B8	Upscale Class	Dec 2022	124
Beach Grove Motel	Delta, BC	V4L 1C6	Economy Class	Feb 1971	14
Coast Tsawwassen Inn	Delta, BC	V4L 2B2	Upscale Class	Jun 1990	90
Holiday Inn Express & Suites Riverport Richmond	Richmond, BC	V6W 1E7	Upper Midscale Class	Mar 2008	147
Steveston Hotel	Richmond, BC	V7E 3K1	Upper Midscale Class	Dec 2023	33

Property Description Examples

(Provided for comparison to the Property Description that follows for the proposed Ladner Hotel)

Coast Tsawwassen Inn

Nestled in the picturesque landscapes of Tsawwassen, British Columbia, the Coast Tsawwassen Inn stands as a beacon of comfort and convenience for travelers seeking a tranquil retreat. Boasting spacious and well-appointed rooms, this charming hotel offers a blend of modern amenities and warm hospitality. Guests can indulge in culinary delights at the on-site restaurant, relax by the indoor pool, or maintain their fitness regime at the well-equipped gym. The hotel's strategic location ensures easy access to nearby attractions, including pristine beaches and vibrant shopping districts. With glowing reviews praising its friendly staff and impeccable service, the Coast Tsawwassen Inn promises a memorable stay for both leisure and business travelers alike.

Delta Hotels by Marriott Vancouver (Delta location)

Experience unparalleled luxury and sophistication at the Delta Hotels by Marriott Vancouver, nestled in the heart of Delta, British Columbia. With an exceptional Google review score, this upscale hotel offers an array of lavish amenities, including spacious rooms, complimentary Wi-Fi, and a state-of-the-art fitness center. Guests can savor delectable cuisine at the on-site restaurant or unwind with cocktails at the stylish lounge. Conveniently located near major attractions and transportation hubs, the hotel provides the perfect base for exploring the vibrant city of Vancouver and its surrounding areas. With rave reviews lauding its attentive staff and impeccable facilities, the Delta Hotels by Marriott Vancouver promises an unforgettable stay for discerning travelers.

Holiday Inn Express & Suites Riverport Richmond:

Situated in the bustling district of Riverport in Richmond, British Columbia, the Holiday Inn Express & Suites Riverport Richmond offers modern comfort and convenience for travelers on the go. With its strategic location and easy access to local attractions, including the Riverport Entertainment Complex and Richmond Olympic Oval, this hotel is an ideal choice for both business and leisure travelers. Guests can relax in well-appointed rooms, enjoy complimentary breakfast at the on-site restaurant, and stay connected with complimentary Wi-Fi. The hotel's friendly staff and impeccable service, coupled with its positive Google reviews, make it a top choice for travelers seeking a hassle-free stay in Richmond.

Inn at the Quay New Westminster:
Perched along the scenic waterfront of New Westminster, British Columbia, the Inn at the Quay offers guests a unique blend of elegance and charm. Boasting breathtaking views of the Fraser River and surrounding mountains, this boutique hotel provides a tranquil oasis for travelers seeking a peaceful retreat. With its luxurious rooms, exquisite dining options, and personalized service, the Inn at the Quay exudes a sense of sophistication and refinement. Guests can unwind on the riverside terrace, explore the nearby shops and restaurants, or simply bask in the beauty of their surroundings. With glowing reviews praising its stunning location and attentive staff, the Inn at the Quay promises an unforgettable experience for those seeking a memorable stay in New Westminster

Rank and Weight of the Competitors

Using the criteria of Brand, Amenities offered, Location and Size, the properties were evaluated on a 4 point ranking system.

Using the criteria of Brand, Amenities offered, Location and Size, the properties were evaluated on a 4 point ranking system. Though subjective, we looked to compare each property fairly and with reviews of their online guest responses, physical site visits and in most cases discussions with the operators, owners, or management companies.

Properties can score 4 points for each category for a total of 16 points based on 1–Poor, 2–Fair, 3–Good, 4–Excellent. Then, properties were evaluated again on the relevance of operations to the proposed property to be built in Ladner. This was then used to create a weighting. This process requires a hotelier and developers' lens when looking at the operations. In light of the lack of competitive data in the market that would allow for a more data driven approach this weighting of the data rightly places the highest relevance upon the Coast Tsawwassen Inn and the Delta Hotels by Marriott, it is then influenced by the Holiday Inn Express and Suites Riverport location as this property has a larger destination market influenced by sports teams and is removed from some of the compression that occurs because of the Airport located in Richmond. The properties at the Quay and Richmond Waterfront experience a high leisure mix of business. Again, to extract data in this market we needed to provide a compset that could be reported upon without compromising the confidentiality of the data, and we carried out our in-person reviews to get a real sense of the market, properties and comparability.

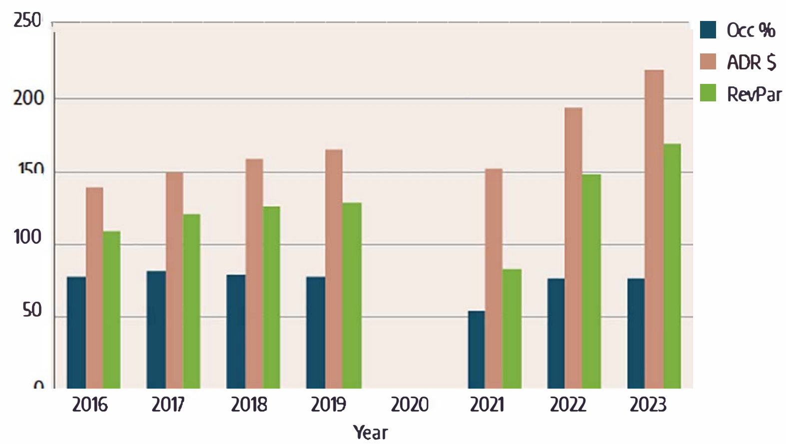
Figure 10: Property Ranking by Attribute

Name of Establishment	Amenity	Location	Size	Brand	Score	Rank	Weight %
Coast Tsawwassen Inn	3	4	4	4	15	1	33
Delta Hotels by Marriott Vancouver	3	4	3	4	14	2	25
Holiday Inn Express & Suites Riverport Richmond	3	3	3	4	13	3	15
Inn at The Quay	3	3	3	3	12	4	12
Coast Langley City Hotel & Convention Centre	3	1	4	3	11	5	10
Steveston Hotel old (19) Historic Hotel new (33)	3	4	1	3	11	6	5
Tsawwassen Motel	1	4	1	3	9	7	0
Beach Grove Motel	1	4	1	1	7	8	0

Attached as a reference is the comprehensive report and custom data set that we commissioned through STR. We directly reference from this report for the calculation of occupancy, supply, demand, and ADR. We model three scenarios for the ultimate size or property that is recommended.

Performance of the competitive set – STR Data

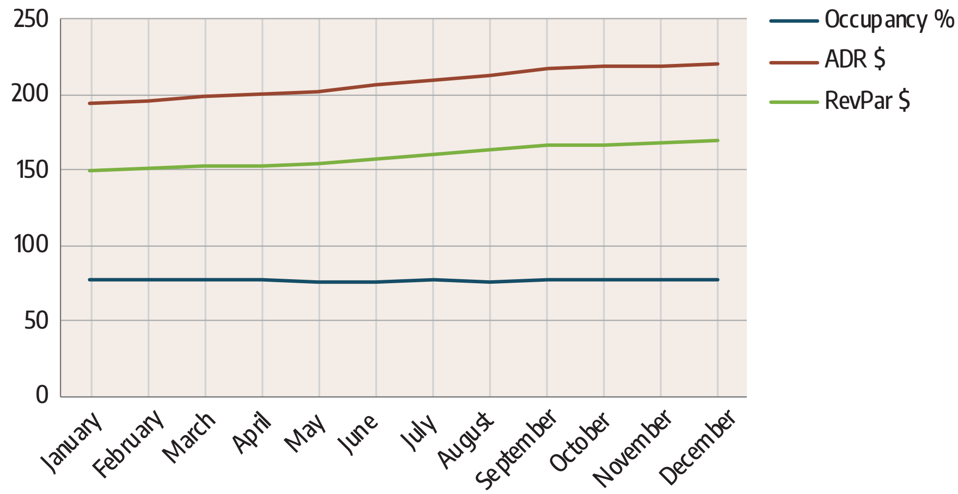
Figure 11: Competitive Set Performance



Occupancy has been relatively stable in the high 70 percentage ranges (2020 and 2021 being the exception) while rate has grown rapidly ($165 in 2019 to $219 in 2023).

The chart above looks back to 2016 and measures occupancy, adr and revpar. Revenue per available room blends rate and occupancy to provide a blended metric of performance. RevPar growth is an indicator of growth in the market as occupancy or rate viewed independently can be misleading. In the market across this competitive set occupancy has been relatively stable in the high 70 percentage ranges (2020 and 2021 being the exception) while rate has grown rapidly ($165 in 2019 to $219 in 2023) . The reasoning behind this is complex; operators deciding to sell less rooms and maximizing rate to optimize costs and have a higher flow through to profits with labor as a constraint. Demand is measured against supply later in this report and is shown to be in parallel to the increase in supply resulting in a balanced market where there is room for absorption and an opportunity for market penetration. Rate has increased at a far higher rate in the past two years which is attributed to pent up demand from the pandemic, as well as some creative revenue management techniques as the adoption of dynamic revenue management tools from Oracle, IDeas, Duetto et al. become widely utilized by hospitality, short-term rental and residential businesses. Note in 2020 a full data set was not available.

Figure 12: Comp Set Seasonality 2023



Graphed above, the blue line shows the stability in occupancy that exists in this specific market in Delta for the past year (76.8%). Modeling rapid or massive changes in occupancy are not realistic in this market, the occupancy is very stable. Interestingly the market has more stable occupancy at the higher end of the accommodation spectrum. Year-round occupancies at the upper mid scale and upper scale properties in the 85%+ ranges have been prevalent historically and are observed in the market at present.

To gain a granular level of understanding of the market we reviewed occupancy and rate by day of the week for the past year.

Figures 13.1 – 13.3: Day of Week Occupancy, ADR & RevPar by Month (2023)

Occupancy (%)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 23	57.6	68.3	76.9	79.8	76.6	80.3	84.1	75.2
Apr - 23	61.5	74.4	81.7	80.2	83.0	83.3	85.0	78.1
May - 23	70.1	72.5	82.1	83.2	84.9	86.6	87.5	80.8
Jun - 23	75.4	85.2	94.4	96.0	87.6	83.8	89.0	87.3
Jul - 23	80.3	82.0	89.2	90.3	89.7	92.1	95.4	88.2
Aug - 23	78.9	82.7	85.4	84.5	80.9	89.3	95.3	85.1
Sep - 23	74.9	84.7	88.6	92.9	90.8	87.8	89.9	87.2
Oct - 23	63.9	70.1	79.2	85.7	84.1	81.5	83.6	77.6
Nov - 23	58.9	74.9	87.5	78.9	77.7	77.4	78.0	76.3
Dec - 23	48.3	55.3	62.9	65.4	61.5	65.3	58.4	59.4
Jan - 24	49.0	57.4	67.4	71.5	74.3	65.0	67.7	64.7
Feb - 24	60.9	68.6	81.7	87.3	76.5	78.5	85.1	76.9
Total Year	**64.9**	**72.8**	**81.2**	**82.6**	**80.6**	**80.8**	**83.2**	**78.0**

ADR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 23	184.73	180.75	183.40	184.53	186.63	192.07	197.70	187.50
Apr - 23	180.38	185.82	184.05	196.82	188.26	196.85	200.39	190.92
May - 23	218.23	215.48	216.55	223.02	223.47	237.23	246.99	225.71
Jun - 23	229.79	245.36	250.88	256.02	250.18	268.28	272.36	254.08
Jul - 23	261.05	263.19	262.83	268.86	273.79	290.22	293.32	273.87
Aug - 23	258.59	260.06	266.27	264.92	271.70	291.61	294.10	272.64
Sep - 23	236.13	247.96	247.21	244.82	250.33	280.39	283.17	257.88
Oct - 23	194.44	198.59	206.26	204.50	199.32	208.91	212.08	203.52
Nov - 23	180.41	185.67	205.14	187.02	187.02	199.28	202.87	192.75
Dec - 23	185.99	184.65	183.09	185.22	182.44	188.89	180.80	184.54
Jan - 24	173.92	176.32	179.34	187.25	193.49	187.82	184.46	183.68
Feb - 24	181.47	177.36	180.89	189.67	183.00	191.84	188.15	184.90
Total Year	**211.62**	**213.93**	**216.67**	**217.71**	**218.06**	**231.50**	**234.92**	**221.02**

...RevPar data on next page

Rev PAR								
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Mar - 23	106.35	123.54	141.05	147.32	143.04	154.16	166.34	106.35
Apr - 23	110.96	138.18	150.35	157.78	156.33	163.90	170.31	110.96
May - 23	153.02	156.19	177.76	185.57	189.76	205.37	216.12	153.02
Jun - 23	173.22	209.13	236.88	245.84	219.18	224.91	242.47	173.22
Jul - 23	209.59	215.74	234.51	242.65	245.69	267.44	279.80	209.59
Aug - 23	203.94	215.01	227.36	223.91	219.79	260.48	280.27	203.94
Sep - 23	176.82	209.94	219.01	227.50	227.26	246.17	254.51	176.82
Oct - 23	124.30	139.31	163.28	175.19	167.72	170.21	177.28	124.30
Nov - 23	106.31	138.99	179.41	147.57	145.30	154.22	158.33	106.31
Dec - 23	89.75	102.17	115.09	121.05	112.18	123.42	105.56	89.75
Jan - 24	85.30	101.16	120.88	133.95	143.68	122.16	124.93	85.30
Feb - 24	110.59	121.69	147.74	165.62	139.96	150.55	160.09	110.59
Total Year	**137.28**	**155.80**	**175.89**	**179.93**	**175.72**	**187.03**	**195.37**	**137.28**

This data set shows that Market Occupancy peaks on Saturday night indicating a strong Leisure market(83.2%), with a secondary and almost equal peak on Wednesday (82.6%) that can be attributed to either group or corporate business demand.

This data set shows the Market Occupancy peaks on Saturday night indicating a strong Leisure market(83.2%), with a secondary and almost equal peak on Wednesday (82.6%) that can be attributed to either group or corporate business demand.

Market rates follow suit with a pooling on Wednesday at $217 and Saturday at $234. RevPar changes on Wednesday vs Saturday show the skew towards Leisure business being a stronger pull for the compsets.

Market rates follow suit with a pooling on Wednesday at $217 and Saturday at $234.

It is worth noting that the data set illustrates July as the peak month for the market at 88.2% occupancy at a rate of $273.87.

Supply, Demand Trends in Relation to RevPar

The multi attribute graph below shows supply, demand, and revenue over the last 8 years and illustrates the effects of supply outpacing demand over the pandemic, and the disproportionate increase in revenue or the multiplication effect that is seen when market compression occurs as a part of a rebound effect. The increase of demand and supply have a congruent slope (pre and post pandemic) however the revenue is at a higher slope of increase after the pandemic.

Construction of new inventory is not expected to be at an accelerated pace over the historic average, and demand drivers should remain at a constant pace.

The market will be able to absorb new inventory, and the exact ability to absorb can be optimized with the staggered release of hotel room inventory from the total units available.

The trajectory of the orange line, which represents Revenue, shows that revenue is outpacing expectations and the historical pace.

Figure 14: Competitive Set Trend Graph of Supply, Demand, Supply vs Demand Difference, and Revenue

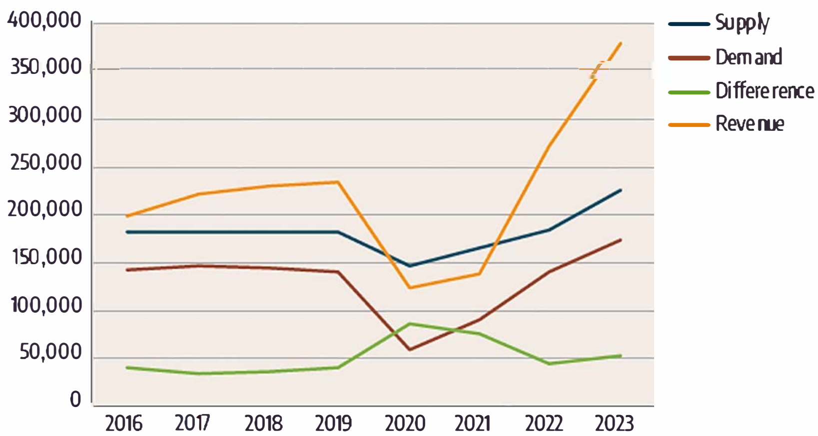
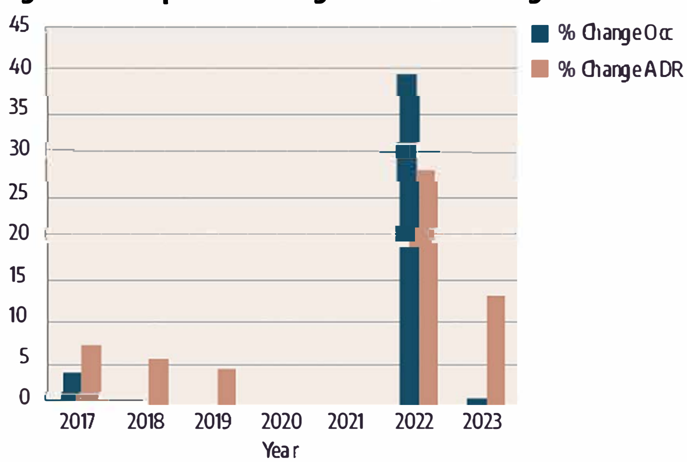


Figure 15: Comp Set % Change Occ and % Change ADR



There is a rebound effect currently with rate performance, however this rate has also been affected by inflationary increases in input costs as well as the optimization of property operations by optimizing rate and filling less rooms where labor can be a limiting factor.

The expectation is that this will normalize over the long term, the quantum of time defining the normalization is unknown and thus will be accounted for in the scenario modeling that is applied to the financial modeling.

Comments about short-term rental legislation:

The change in the Short-Term Rental legislation is likely to increase traditional accommodation demand.

The change in the short-term rental legislation is likely to increase traditional accommodation demand. The results of the changes in the past months will be very visible over the summer compression period and the fall corporate travel season. It is recommended that an additional STR report be commissioned and analysed at the end of the year to measure the increases in demand, rate and occupancy that is experienced in the market as they may increase the feasibility of the property. More information is available here: https://www2.gov.bc.ca/gov/content/housing-tenancy/short-term-rentals/principal-residence-requirement

Residential rates are a part of this analysis as the ApartHotel model has the ability to take longer term stays as a residential experience within its operating model. The table below details the average residential rental rates in the market as of February, this data was extracted from rentals.ca. The average rent in BC is $2,227 for a 1 bedroom apartment.

The average residential rent in BC is $2,227 for a 1 bedroom apartment.

Figure 16: Average Residential Rent

Prov.	TOTAL	0B	1B	2B	3B
AB	$1,728	$1,158	$1,549	$1,911	$2,054
Atl. Can	$1,938	$1,434	$1,760	$2,189	$2,259
BC	$2,494	$1,936	$2,227	$2,809	$3,363
MB	$1,561	$1,061	$1,357	$1,722	$1,937
NT	$1,805	$1,183	$1,555	$1,920	$2,305
ON	$2,410	$1797	$2,199	$2,676	$3,018
QC	$2,000	$1,441	$1,690	$2,215	$2,520
CAN	**$2943**	**$1,581**	**$1,949**	**$2,353**	**$2,632**

Source: Urbanation Inc., Rentals.ca Network data

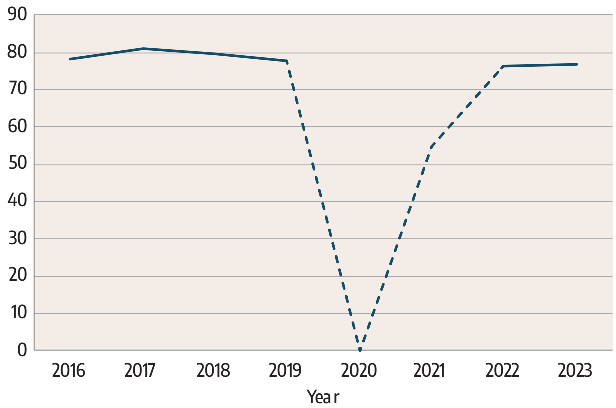
This value should serve as the base rent input in the conservative scenario within the model that will be applied to the feasibility. The Ladner property will be positioned in the heart of the village with water views in a highly amenitized property. The opportunity for rent as a backstop provides a fallback position that maintains the viability of the project and the investment, though the term for payback will change if the hospitality use is suspended as was the case during the pandemic.

Projection of Occupancy and Average Rate

Projections of occupancy were derived using the following analysis.

First, the occupancy was mapped over the last 8 years for the entire comp set, the chart below clearly shows the effects of Pandemic where data is unverified for year 2020.

Figure 17: Trend, Comp Set Occupancy %



The average occupancy over the last 8 years (excluding the pandemic data where rates were reported by some and not others, as many rooms were either closed completely (OOO) or used to house pandemic patients, and essential workers) is, 74.8%

When looking at the two core competitors and using the weighting of occupancy that we described in the compset analysis, the occupancy rate that can be expected is much higher. We estimate through our work with the operators in the market that the expected occupancy is currently in the mid to high 80's. Factoring in all of the information that we have collected, and using a phased approach in the number of units that will be used for Hotel vs residential accommodation initially in our mixed use model, we have started with an initial occupancy of 74%. This is a conservative estimate as we are diluting the market, though on a very small scale by adding 48 rooms into a compset in an overall market with 617 rooms or an increase of 8% of inventory.

At full operation of 88 rooms this new property will have added 14 % of inventory to the market, and for this reason a phased approach is suggested.

At full operation of 88 rooms this new property will have added 14 % of inventory to the market, and for this reason a phased approach is suggested. The goal is to have market rate grow without saturating the market, applying the rule of thumb of +/-5 % here to the supply model with some room for demand growth which the market has experienced historically and is illustrated in the graphs above. We feel this is prudent approach as we are only introducing 48 units initially. This number may change and

The overall trend within the market is an average rate (ADR) within the compset scaling up to between $270 and $290 in the next 10 years.

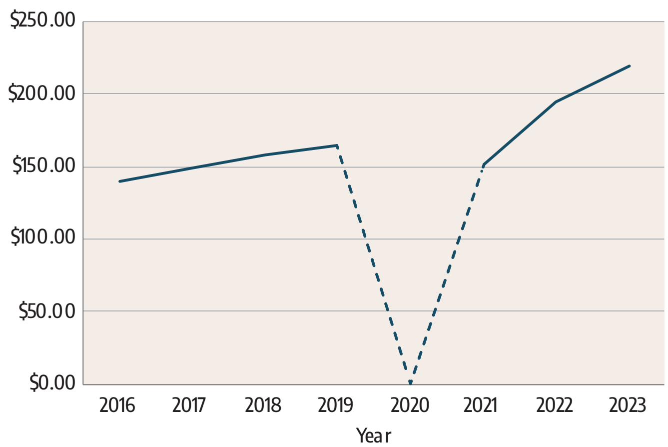
increase as the hotel operator/market supports a more rapid launch of units. Review of the occupancy numbers for 2023 above show heavy compression on approximately 21 days over the year.

This compression increases rates and results in property sellouts in the market where rooms are displaced to neighboring hotels which is a great indicator of viability and demand for new room product. Note the consistent rate of occupancy. This is due to overall market demand and the strategies for maximizing rate at a specific occupancy capacity that many hoteliers are now employing to maximize available labor and to increase operational profit.

Though outside of the scope of this study, a review of the revenue and rate management practices is essential for any proposed operator or management company.

Let's now contrast the stability in average occupancy with what we see in the rates.

Figure 18: Trend, Comp Set ADR



The average rate across the competitive set in 2023 was $221, with a peak of $273.

ADR is aggressively pushed by the dynamic pricing strategies employed by hotels and facilitated by tools and services from Ideas, Duetto, et al. The average rate across the competitive set in 2023 was $221, with a peak of $273. In our conservative scenario we propose an initial rate of $185, scaling to $195 in year 2 including additional inventory, and then a rate over $200 per nite within 3 years. In our Moderate scenario we start at a market rate of $219.76. In both of these cases we model below or at the competitive set averages.

The overall trend within the market is an average rate (ADR) within the compset scaling up to between $270 and $290 in the next 10 years. Based on the positioning of this property that would mean an average rate over $300 per night in year 10 with peak occupancy dates north of $400 per night. However, new inventory, global pandemics changing travel trends, changing customer trends, net travel to the US and Europe, and the ever-expanding unknown could affect this.

We have modeled a steady progression in ADR over the balance of the 10-year forecast provided. As this process progresses, and dependent on the operator, it will be important to plan the rate and occupancy strategy to create a plan for profit optimization. In launching a new hotel the property may need to position itself with market entry pricing to encourage introduction and sampling of the new product by patrons as is suggested in our conservative scenario.

Projection of Lease Rates

Sitings.ca was engaged in the market to carry out a market rate study and shared their findings with Kadence in confidence.

Sitings reviewed data on 55 recent transactions and provided us the salient points to inform our study. To attract the correct tenants, incentives and inducements may be required which will in turn need to be structured into the lease agreements. Our models and scenarios have been created with a gross lease model for the commercial space at an inception rate of $35.00 scaling to $45.00 after an initial 5-year term. The suggested use of this space is to create highly amenitized offerings in the building and to reduce the operational load upon the Aparthotel. The suggested tenants are a bakery and coffee shop, boutique gym, boutique spa, and restaurant that could/should occupy the rooftop of this building.

Sitings reviewed data on 55 recent transactions and provided us the salient points to inform our study.

Projection of Income and Expenses

To create the projection of income and expenses, these key inputs were considered:

The ADR (average daily rate) trend in the market that we derived through the analysis of the STR data and our weighting of the data by property.

The market occupancies and daily rates achieved with specific attention paid to the Delta and Coast properties that bookend Ladner Village.

The residential market rate for a 1-bedroom rental as derived from CMHC and rental.ca data.

The commercial rates in the market as derived from the study shared with us by Sitings.ca.

The revenue income sources are the sale of hotel rooms, the rental of long-term stays/residential, commercial space, parking and a small amount of ancillary revenue like wifi upcharges, commissary sales, movie set rentals, etc. The expenses are the cost to sell the rooms, maintain the commercial spaces, administration and general, marketing and advertising, repairs and maintenance, as well as utilities.

Size of the Property

Based on the market availability for rooms, the market demand and the rate of increase, and the macro-economic factors for growth in BC and the lower mainland, we identified a potential property size of 80-120 rooms. We then modeled an 80, 100 and 120 room property and applied the conservative, modest and optimistic scenario parameters to these three models.

We analyzed ADR, occupancy, absorption, and market share, as well as estimates of build cost, value and returns to the city and the investor.

For each model we create three scenarios, Conservative, Moderate and Optimistic to provide a spectrum of outcomes.

For each model we create three scenarios, Conservative, Moderate and Optimistic to provide a spectrum of outcomes. Just as cap rates fluctuate broadly, so does the performance of hotels. The conservative model tells us if the project "holds water", the moderate scenario is the expected outcome and the optimistic scenario is a thought exercise in what a property could flourish into if everything were to go absolutely right. We then underpin our expectations with the moderate model as the middle ground and the likely result with the bookends of conservative and optimistic as the likely worst and best possible cases. * In our models we account for human error, lack of experience, and unexpected occurrences. We do not account for negligence or absent management.

We recommend an 88 room property for the site and have modeled scenarios based on this size of property.

We recommend an 88-room property for the site and have modeled scenarios based on this size of property.

The Conservative Scenario

Accounting for a slower absorption of rooms into the market illustrated in the occupancy, with slightly lower rent rates, low ADR (well below market), and operational costs at the very high end for marketing (22%), Admin and General (7%), and Maintenance (5%) resulting in the lowest expectation of EBITDA. ADR commences at this property at $180.00 which is very low and indicative of a situation where the property needs to apply penetration pricing to buy market share to introduce the product to the market. Occupancy is also modeled at below market, though this is a bit of a complex model and counter intuitive. A pricing model as suggested would take business from the surrounding properties and increase occupancy at the subject property. Nonetheless, occupancy has been averaged down and allowed to increase steadily for the purposes of a model illustrating a very conservative entry into the market.

The Moderate Scenario

Modeling rates at the current market, informed by the properties across the entire spectrum we analyzed, led to us utilizing a rate of $219.76. This is the average rate from 2023, not the pace rate for 2024 (up 5.7% over 2023) which would set the ADR at $232.07.

Occupancy is set at 74% for the initial tranche of rooms launched for hotel use with 50% being used for an extended stay residential use. The number of hotel units increases with demand resulting in a sole hotel (Aparthotel) use for this property upon stabilization which should occur by year 5. The occupancy is set at the STR derived market average.

Leaving Costs of sales set, we reduced general expenses in the areas of advertising and promotion which we modeled at a higher rate in the conservative model, down to 20% in this case. This may feel high, however fees from Expedia are in the 20%+ range for bookings and in some cases constitute 50% of the business a hotel may see. (Good operators have created methods to reduce the dependence upon Expedia and OTA's. These methods are not a part of this study but should be understood as a part of the selection of a developer/brand/consortia/partner for this site). Repairs and maintenance were adjusted down to 4.0%.

This model still allows for the growing pains of a developer and operator coming into a new market, having to deal with the shortage of staff and attaining consistency in service and operations, as well as some room for improvement that will result in a higher return to the operator as the property matures and becomes established in the community.

There is room for franchise and management fees (in the marketing expenditure category) though we caution that brands are really looking to increase flag count and some very lucrative opportunities exist in the hospitality space for flagged, or managed properties with fee structures that are very beneficial to the developer including incentives from the brands such as key money for every room signed that flows back to the developer as a sort of signing bonus that can be used for the enhancement of the property or the rooms.

This scenario is a likely outcome and should serve as the benchmark scenario for the Opinion of Value.

Optimistic Scenario

This model considers what could happen if everything is in the favor of the property. Rates are set at the current market rates plus the increase that is currently experienced of about 6% in 2024 for a $232 average ADR for the opening year. Rental rates are increased to a $2400 baseline as well; however market absorption is such that the property begins to optimize the hotel rooms use very quickly. Costs come back towards industry norms, though we have still left room in the key area of sales and marketing to cover the volatile distribution costs in hospitality. Admin and general drop to 6%, advertising and promo is reduced to 17% but still remains a large spend due to the likely need to source leisure business through the OTA channels and the cost of franchise or consortia representation agreements, repairs and maintenance reduce to a level of 3%. A very robust result is delivered in the form of EBITDA and an equally high result in valuations.

It is important to note that the current trajectory of rates in the market is an ADR of $290 at year 10 for this competitive set.

The income for the property will come from the sale of hotel rooms, the rent of the residential rooms, the leasing of the commercial units, and the sale of parking and some other ancillary income such as day rooms and commissary if applicable.

The categories for expenditure are based on the experience and knowledge that we have of operating hotels, rental buildings, restaurants, gyms and spas for the last 20 year. We have also considered the benchmarking numbers for the expenditure categories published by STR, HVS and Cushman Wakefield studies.

An EBITDA target for an analysis like this is somewhere between 25 and 30%. In this model the lease payment is considered after the line for simplicity as opposed to adding it in as rent. In the Moderate case, post land lease payments, the EBITDA is [redacted] which is on target and in the range for currently operating properties.

Figure 19: Year 1 Pro Forma Income Statements – 3 models (Conservative, Moderate and Optimistic)

Inputs	Conservative		Moderate		Optimistic	
Total Units	88		88		88	
Hotel Units	44		44		44	
Residential Units	44		44		44	
Residential Rent Rate/Month	$ 2,200		2300		2400	
Commercial SF available	18,000		18000		18000	
CR Rate (Gross)	$ 35.00		35		35	
Inflation/Rate Increase	Nil		Nil		Nil	
% Occupancy- Hotel	74.0%		74.0%		74.0%	
Average Room Rate	$185.00		$ 219.76		$ 232.07	
Rooms Sold	11,884		11884		11884	
Operating Revenue						
Hotel Room Revenue	$ 2,198,614	52.2%	2,611,716	55.8%	2,757,972	56.5%
Residential Revenue	$ 1,161,600	27.6%	1,214,400	26.0%	1,267,200	26.0%
CRU Revenue	$ 630,000	15.0%	630,000	13.5%	630,000	12.9%
Parking Revenue (25% markup on costs)	$ 222,833	5.3%	222,833	4.8%	222,833	4.6%
Total Operating Revenue	$ 4,213,047	100.0%	4,678,948	100.0%	4,878,004	100.0%
Cost Of Sales						
Hotel Rooms	$ 549,654	25.0%	$ 652,929	25.0%	$ 689,493	25.0%
Residential	$ 116,160	10.0%	$ 121,440	10.0%	$ 126,720	10.0%
CRU Revenue	$ 94,500	15.0%	$ 94,500	15.0%	$ 94,500	15.0%
Concierge/Parking/Other	$ 22,283	10.0%	$ 22,283	10.0%	$ 22283	10.0%
Total Cost	$ 782,597	18.6%	$ 891,152	18.6%	$ 932,996	18.6%
General Expenses						
Admin & Gen.	$ 294,913	7.0%	$ 304,132	6.5%	$ 292,680	6.0%
Management Fee	$ 210,652	5.0%	$ 233,947	5.0%	$ 243900	5.0%
Advert. & Promo.	$ 926,870	22.0%	$ 935,790	20.0%	$ 829,261	17.0%
Utilities	$ 210,652	5.0%	$ 233,947	5.0%	$ 243900	5.0%
Repairs & Maintenance	$ 210,652	5.0%	$ 187,158	4.0%	$ 146,340	3.0%
Total General Costs	$ 1853,740		$ 1,894,974	40.5%	$ 1,756,082	36.0%
Gross Operating Profit	$ 1,398,443	33.2%	$ 1,892,822	40.5%	$ 2,188,927	44.9%
Property Taxes (staggered incentives)	$ 63,349	4.53%	$ 85,745	4.5%	$ 99,158	4.5%
Insurance	$ 18,180	1.3%	$ 24,607	1.3%	$ 28,456	1.3%
Sub Total	$ 81,529		$ 110,352		$ 127,614	
EBITDA	$ 1,316,914	31.3%	$ 1,782,470	38.1%	$ 2,061,312	42.3%
[redacted]	[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Comments on the Income in the pre-stabilized years.

The first few years into the opening of the hotel requires a lot of heavy lifting. For the purposes of this study we left the advertising and promotional budget at a static number to allow for some overspends in the first year and recovery in the future years and to allow room for franchise fees (up to 8%) alongside the typical marketing spend (5-7%). A prevailing conversation in the hospitality space between franchisees and franchisors is the cost of franchise fees based on so many bookings coming from OTAs. In the case of Marriott, they negotiated the rate with Expedia down to 13% which is near to what a traditional travel agent charged. We use a mixed model for revenue which makes room for residential/longer term stays alongside the traditional hotel use and then a move to a sole hotel use over time as the market absorbs the rates and rooms that the hotel side of the business receives.

We use a mixed model for revenue which makes room for residential/longer term stays alongside the traditional hotel use and then a move to a sole hotel use over time as the market absorbs the rates and rooms that the hotel side of the business receives.

Figure 20: 10-year ProForma Income Statement-88 Unit Aparthotel- Moderate Model

	202X		Year 2		Year 3		Year 4		Year 5	
Inputs										
Total Units	88		88		88		88		88	
Hotel Units	44		58		70		88		88	
Residential Units	44		30		18		0		0	
Residential Rent Rate/Month	$ 2,300		$ 2,369		$ 2,440		$ 2,501		$ 2,564	
Commercial SF available	18,000		18,000		18,000		18,000		18,000	
CR Rate (Gross)	$ 35.00		$ 35.00		$ 35.00		$ 35.00		$ 35.00	
Inflation/Rate Increase	Nil		3%		3%		2.5%		2.5%	
% Occupancy - Hotel	74.0%		81.0%		82.0%		83.0%		85.0%	
Average Room Rate	$219.76		$226.35		$233.14		$238.97		$244.95	
Rooms Sold	11,884		17,148		20,951		26,660		27,302	
Operating Revenue										
Hotel Room Revenue	2,611,716	55.8%	3,881,430	68.3%	4,884,587	75.9%	6,370,897	84.9%	6,687,523	85.4%
Residential Revenue	1,214,400	26.0%	852,840	15.0%	527,055	8.2%	0	0.0%	0	0.0%
CRU Revenue	630,000	13.5%	630,000	11.1%	630,000	9.8%	630,000	8.4%	630,000	8.0%
Parking Revenue	222,833	4.8%	321,519	5.7%	392,831	6.1%	499,868	6.7%	511,913	6.5%
Total Operating Revenue	4,678,948	100.0%	5,685,789	100.0%	6,434,473	100.0%	7,500,765	100.0%	7,829,436	100.0%
Cost Of Sales										
Hotel Rooms	652,929	25.0%	970,357	25.0%	1,221,147	25.0%	1,592,724	25.0%	1,671,881	25.0%
Residential	121,440	10.0%	85,284	10.0%	52,706	10.0%	0	10.0%	0	10.0%
CRU Revenue	94,500	15.0%	94,500	15.0%	94,500	15.0%	94,500	15.0%	94,500	15.0%
Concierge/Parking/Other	22,283	10.0%	32,152	10.0%	39,283	10.0%	49,987	10.0%	51,191	10.0%
Total Cost	891,152	19.0%	1,182,293	19.0%	1,407,635	19.0%	1,737,211	23.2%	1,817,572	23.2%
General Expenses										
Admin & Gen.	304,132	6.5%	369,576	6.5%	418,241	6.5%	487,550	6.5%	508,913	6.5%
Management Fee	233,947	5.0%	284,289	5.0%	321,724	5.0%	375,038	5.0%	391,472	5.0%
Advert. & Promo.	935,790	20.0%	1,137,158	20.0%	1,286,895	20.0%	1,500,153	20.0%	1,565,887	20.0%
Utilities	233,947	5.0%	284,289	5.0%	321,724	5.0%	375,038	5.0%	391,472	5.0%
Repairs & Maint.	187,158	4.0%	227,432	4.0%	257,379	4.0%	300,031	4.0%	313,177	4.0%
Total General Costs	1,894,974		2,302,745	40.5%	2,605,962	40.5%	3,037,810	40.5%	3,170,921	40.5%
Gross Operating Profit	1,892,822	40.5%	2,200,751	38.7%	2,420,876	37.6%	2,725,744	36.3%	2,840,942	36.3%
Property Taxes (staggered incentives)	85,745	4.53%	99,694	4.5%	109,666	4.5%	123,476	4.5%	128,695	4.5%
Insurance	24,607	1.3%	28,610	1.3%	31,471	1.3%	35,435	1.3%	36,932	1.3%
Sub Total	110,352		128,304		141,137		158,911		165,627	
EBITDA	1,782,470	38.1%	2,072,447	36.4%	2,279,739	35.4%	2,566,833	34.2%	2,675,315	34.2%
[redacted]										

	Year 6		Year 7		Year 8		Year 9		Year 10		Year 11	
Inputs												
Total Units	88		88		88		88		88		88	
Hotel Units	88		88		88		88		88		88	
Residential Units	0		0		0		0		0		0	
Residential Rent Rate/Month	$ 2,641		$ 2,720		$ 2,801		$ 2,885		$ 2,972		$ 3,061	
Commercial SF available	18,000		18,000		18,000		18,000		18,000		18,000	
CR Rate (Gross)	$ 45.00		$ 45.00		$ 45.00		$ 45.00		$ 45.00		45	
Inflation/Rate Increase	3.0%		3.0%		3.0%		3.0%		3.0%		3%	
% Occupancy - Hotel	86.0%		87.0%		88.0%		88.0%		88.0%		88.0%	
Average Room Rate	$252.29		$259.86		$267.66		$275.69		$283.96		$292.48	
Rooms Sold	27,623		27,944		28,266		28,266		28,266		28,266	
Operating Revenue												
Hotel Room Revenue	6,969,186	84.0%	7,261,729	84.5%	7,565,554	85.0%	7,792,520	85.3%	8,026,296	85.7%	8,267,085	86.1%
Residential Revenue	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
CRU Revenue	810,000	9.8%	810,000	9.4%	810,000	9.1%	810,000	8.9%	810,000	8.6%	810,000	8.4%
Parking Revenue	517,935	6.2%	523,958	6.1%	529,980	6.0%	529,980	5.8%	529,980	5.7%	529,980	5.5%
Total Operating Revenue	8,297,121	100.0%	8,595,687	100.0%	8,905,534	100.0%	9,132,500	100.0%	9,366,276	100.0%	9,607,065	100.0%
Cost Of Sales												
Hotel Rooms	1,742,296	25.0%	1,815,432	25.0%	1,891,388	25.0%	1,948,130	25.0%	2,006,574	25.0%	2,066,771	25.0%
Residential	0	10.0%	0	10.0%	0	10.0%	0	10.0%	0	100.0%	0	10.0%
CRU Revenue	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%	121,500	15.0%
Concierge/Parking/Other	51,794	10.0%	52,396	10.0%	52,998	10.0%	52,998	10.0%	52,998	100.0%	52,998	10.0%
Total Cost	1,915,590	23.1%	1,989,328	23.1%	2,065,886	23.2%	2,122,628	23.2%	2,181,072	23.3%	2,241,269	23.3%
General Expenses												
Admin & Gen.	539,313	6.5%	558,720	6.5%	578,860	6.5%	593,613	6.5%	608,808	6.5%	624,459	6.5%
Management Fee	414,856	5.0%	429,784	5.0%	445,277	5.0%	456,625	5.0%	468,314	5.0%	480,353	5.0%
Advert. & Promo.	1,659,424	20.0%	1,719,137	20.0%	1,781,107	20.0%	1,826,500	20.0%	1,873,255	20.0%	1,921,413	20.0%
Utilities	414,856	5.0%	429,784	5.0%	445,277	5.0%	456,625	5.0%	468,314	5.0%	480,353	5.0%
Repairs & Maint.	331,885	4.0%	343,827	4.0%	356,221	4.0%	365,300	4.0%	374,651	4.0%	384,283	4.0%
Total General Costs	3,360,334	40.5%	3,481,253	40.5%	3,606,741	40.5%	3,698,663	40.5%	3,793,342	40.5%	3,890,861	6.5%
Gross Operating Profit	3,021,197	36.4%	3,125,106	36.4%	3,232,906	36.3%	3,311,210	36.3%	3,391,862	36.2%	3,474,934	
Property Taxes (staggered incentives)	136,860	4.5%	141,567	4.5%	146,451	4.5%	149,998	4.5%	153,651	4.5%	157,415	4.5%
Insurance	39,276	1.3%	40,626	1.3%	42,028	1.3%	43,046	1.3%	44,094	1.3%	45,174	1.3%
Sub Total	176,136		182,194		188,478		193,044		197,746		202,589	
EBITDA	2,845,061	34.3%	2,942,912	34.2%	3,044,428	34.2%	3,118,166	34.1%	3,194,117	34.1%	3,272,346	34.1%
[redacted]												

Figure 21: Moderate Case- Stabilized Income- Year 5

Inputs	Year 5	
Total Units	88	
Hotel Units	88	
Residential Units	0	
Residential Rent Rate/Month	$ 2,564	
Commercial SF available	18,000	
CR Rate (Gross)	$ 35.00	
Inflation/Rate Increase	2.5%	
% Occupancy - Hotel	85.0%	
Average Room Rate	$244.95	
Rooms Sold	27,302	
Operating Revenue		
Hotel Room Revenue	6,687,523	85.4%
Residential Revenue	0	0.0%
CRU Revenue	630,000	8.0%
Parking Revenue	511,913	6.5%
Total Operating Revenue	7,829,436	100.0%
Cost Of Sales		
Hotel Rooms	1,671,881	25.0%
Residential	0	10.0%
CRU Revenue	94,500	15.0%
Concierge/Parking/Other	51,191	10.0%
Total Cost	1,817,572	23.2%
General Expenses		
Admin & Gen.	508,913	6.5%
Management Fee	391,472	5.0%
Advert. & Promo.	1,565,887	20.0%
Utilities	391,472	5.0%
Repairs & Maintenance	313,177	4.0%
Total General Costs	3,170,921	40.5%
Gross Operating Profit	2,840,942	36.3%
Property Taxes (staggered incentives)	128,695	4.5%
Insurance	36,932	1.3%
Sub Total	165,627	
EBITDA	2,675,315	34.2%
[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]

In Year 5, estimating the revenues and performance of the property at stabilization, the property delivers a [redacted] EBITDA after the land lease payment which has escalated from the open date of the property.

In Year 5, estimating the revenues and performance of the property at stabilization, the property delivers a [redacted] EBITDA after the land lease payment which has escalated from the open date of the property.

Comments on the Expenses Listed

Room Expense – Costs directly related to the sale and upkeep of the guest rooms and public spaces. The majority of this are wages, benefits and supplies for cleaning and laundry. Front desk, back of house, room attendants, Concierge,

CRU Costs – Includes Property management including marketing and leasing, Facility Services, Reporting, Fees and other expenses.

CAM Costs – Common Area Management fees.

Administrative and General expenses – The wages of personnel and systems not directly attributed to a department.

Marketing Expenses – Advertising, sales, promotion, distribution (online) and franchise/consortia fees.

Management fee – Services provided by the management company for the day-to-day operation of the hotel, including overall management oversight, staffing, training, budgeting, financial reporting, and operational support.

Description of the Proposed Property, Offering and Positioning

There are a dizzying number of brands that exist in the current hospitality landscape as visualized by the following chart.

Figure 22: International Chain Scale by Brand and Sub-Brand

Chain Scale	Marriott	Hilton	IHG	Hyatt	Choice	Wyndham	Radisson	Best Western	Red Lion
Luxury	Ritz-Carlton St Regis The Luxury Collection W Hotels Edition Le Meridien JW Marriott	Waldorf Astoria LXR Conrad	Inter-Continental	Park Hyatt Andaz Miraval Unbound Collection					
Upper Upscale	Marriott Westin Renaissance Sheraton Autograph Collection Tribute Portfolio Design Hotels Gaylord	Hilton Canopy Curio Signia Embassy Suites	Kimpton Indigo	Grand Hyatt Hyatt Centric Hyatt Regency Thompson Hotels Joie de Vivre Destination Hotels Alila		Wyndham Grand Dolce Hotels & Resorts	Radisson Blu Radisson Red Radisson Collection		
Upscale	Courtyard SpringHill Suites AC Aloft Delta Four Points Residence Inn Element	Hilton Garden Inn Tapestry Collection Tempo DoubleTree Homewood Suites	Voco EVEN Crowne Plaza Staybridge Suites	Hyatt Place Hyatt House Caption	Cambria Ascend Collection	Wyndham Dazzler	Radisson Park Plaza	Best Western Premiere Sadie Vib	Hotel RL
Upper Midscale	Fairfield Inn & Suites Moxy TownePlace Suites	Hampton Inn Motto Home2 Suites	Holiday Inn Holiday Inn Express		Comfort Inn Comfort Suites Clarion	La Quinta Trademark Tryp Wyndham Garden	Country Inn and Suites Park Inn	Best Western Plus Glo Executive Residency Aiden	Red Lion Hotel
Midscale		Tru	avid Candlewood Suites		Sleep Inn Quality Inn MainStay Suites	Wingate Baymont AmericInn Ramada Hawthorn Suites		Best Western	Red Lion Inn & Suites Signature Inn GuestHouse
Economy					EconoLodge Rodeway Inn Suburban Extended Stay Woodspring Suites	Microtel Super 8 Days Inn Howard Johnson Travelodge			Americas Best Value Inn Knights Inn

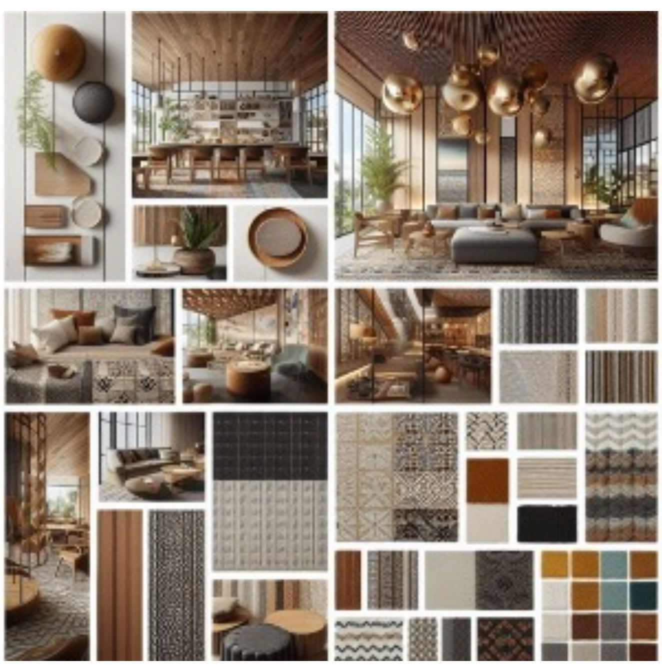
The two closest competitors to the proposed property are in the Upscale/Upper Upscale category. For Clarity, we are not recommending a Luxury offering for this market.

The Proposed Property

The Proposed Property would consist of:

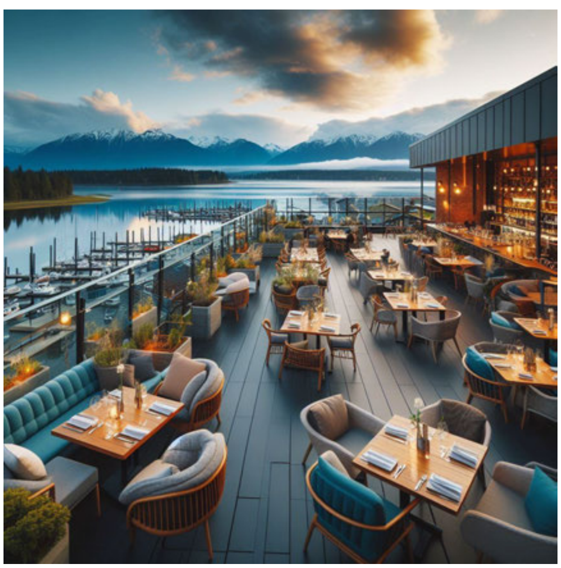
- An Upscale Class/encroaching on Upper Upscale class property. Note that the two nearest competitors are operating in the upscale class segment, also note that the upscale class and higher properties are the most resilient to rate fluctuation as reported by STR, HVS and Cushman Wakefield reports.
- 88 Suites – All of similar size and configuration with the required number of ADA rooms for the size of property.
- Roughly 18,000 SF of CRU with a tenant profile that matches the following profile:
- Boutique Gym/PT studio – Occupying approximately 3500 square feet of CRU.
- Massage and Body work rooms occupying approximately 2500 square feet of CRU.
- Shared change room, sauna and shower facilities totaling approximately 2500 Square feet.
- Bakery with Coffee Shop occupying approximately 2000 Square Feet.
- Restaurant and Bar with Private Room Occupying approximately 4000 square feet plus the expansive roof top.

The Property Positioning would be of an upper upscale/upscale property with a boutique feel, positioned at the 3.5-4+ star range. The interior could feature rich finishes over raw wood or open ceilings with a deliberate high/low aesthetic. We have included some renderings of a look and feel of the property as an initial concept. These are for provided for illustrative and discussion purposes only.

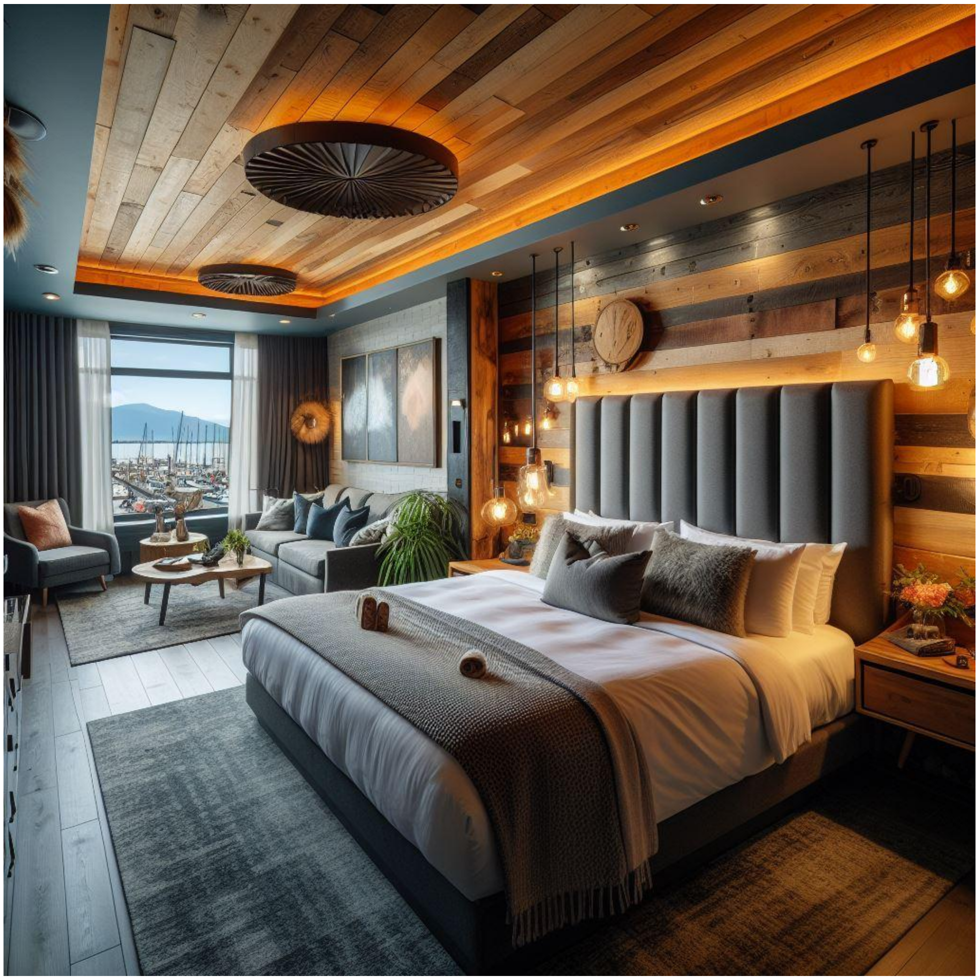


Mood Board

Lobby with Coworking/Coffee Lounge Seating Area



Roof Top Deck and Restaurant



Example of a 1 bedroom unit with Kitchen, sitting room and living area.

Possible Room Layouts

Approximately 400-425 square feet (two layouts below as examples)

Infrastructure

2 Elevators, Sprinklers and Smoke Detectors, Concrete Main Floor and up to 5 stories of wood frame above. Rooms Include 5-piece bathrooms, balconies, efficiency (apartment) kitchens with electric hobs, and access to 88 parking spots. (1 per occupiable room).

The Lobby of the Hotel will flow to the elevators as well as the restaurant, bar and the coffee shop areas (design dependent), creating an open plan that serves as a hub and venue as well as the check-in and reception areas.

Capital Expenditures

As recommended by the management company that operates the property in the future. Traditionally franchise brands have required a reserve fund that is spent on the quantum of 7, 11 and 15 years respectively. In practice, many properties do not require this level of refresh if they are maintained properly. The R&M allocation in the various scenarios reflects this model.

Site Utility

The Topography of the site is generally flat and the shape allows for a permissible use to construct a building that would house the accommodation and proposed retail/hospitality businesses and site improvements including ingress and egress. The building and site improvements may occupy the entirety of the site or a portion of the site depending on the future work to be done by the developer.

Soil and Subsoil Conditions, Hazards

This is beyond the scope of our expertise, and copies of reports were not made available to us. Visits to the site did not immediately present any concerns with the caveat that the site will need to be cleared, surveyed, and prepared prior to loading of the site including a consultation with local indigenous groups.

The Neighborhood

A lodging facility must compliment the community it inhabits. Matching the vision of the revitalization plan to the property that ultimately services the community is tantamount to success.

Zoning

There is a comprehensive zoning plan available at Delta.ca. The suggested zoning would fall under Hotel use.

Zoning should allow for the following attributes of a building:

Figure 23: Attributes for Zoning

Attribute for Zoning	
Height	6 stories plus a seasonal rooftop deck
FSR	2.5-2.7
Use	Hotel Primary
Parking	88 Stalls
Commercial SF available	18,000
Hotel Room Units	88 Units
Amenities	Spa, Gym, Restaurant, Coffee Shop & Bakery

Ownership, Management, Franchise Assumptions

The City retains the land, the developer builds and operates or brings in an operator. A flag/brand may be appropriate, or the aparthotel could operate as an independent property with affiliations for distribution, revenue management and representation. Management contracts and key money are available in the market, equity may not be as easy to access from Hotel Companies.

SLH, Preferred Hotels, or similar consortia organizations should also be considered by the city and developer as the distribution, flag and management decisions are weighed for this property.

Possible Property Positioning Statement

The following statement is a positioning statement to describe the property and its offering:

> *A boutique waterfront/boardwalk property in a historic community that is the hub of the city and the waterfront district. This mixed-use aparthotel features luxury finishes over hearty and resilient materials making this an accessible and upscale environment where you can feel at ease in your post workout sweats or your Friday night finery. Rooms include full kitchens and sitting areas in studio, one, and some two-bedroom configurations. Featuring a bar and restaurant with a small private room that lends itself to meetings and a roof top deck, a community bakery and coffee shop and a boutique fitness studio with spa (consider treatment rooms with a shared bathroom space for the spa and fitness studio to use). The property creates a place where residents of the building, community locals and hotel guests can interact and enjoy. This building facilitates both hotel and residential apartment use to optimize the existing and future opportunities for purpose-built rental with extensive amenities and short-term accommodation to enrich the community offering.*

The hotel property itself could create 25 new jobs for the community, the restaurant, spa, gym and coffee shops taking that number to over 100 new jobs.

Comment about the size of the property and the opportunity:

At the time of undertaking their own feasibility, a developer may decide to increase the number of units based on the continued rate of increase in ADR that has been experienced in January and February of 2024. This would result in an even stronger feasibility and as a result a build of 120 + rooms. The developer may also decide to retain a long-term rental component. Many developers are focused on the longer-term purpose-built rental model as the traditional model of landbanks is causing massive strains on liquidity. It is recommended that as a part of a next step to an EOI or RFP, that developers and hoteliers in the local market are directly approached and invited to bid for this

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opportunity. This work and these conversations will inform the city on the possible structures, deal points and attributes of an agreement between the city and a developer.

Opinion of Value

Evaluations of Value for Hotel, Motels, and lodging buildings predominantly use the criteria established by Stephen Rushmore from the American Institute of Real Estate Appraisers. His books and publications written in 1978,1983,1990,1992 and 2001 still provide the basis of attributing value and have been used to create this evaluation. Specifically, we have used his models for DCF and Reversion analysis.

Uncertainties

Data Sources/Benchmarks:

The Income and Expense forecast provides the EBITDA required to derive the future value of the income of the enterprise.

Cap Rates and Discount Rates were taken from the Cushman Wakefield Studies based on transactions within Canada in 2023.

Build Costs cited in the 2024 Altus Canadian Cost Guide provide the approximate cost per square foot for projects in (Vancouver) Delta to use as a baseline for the costs of creating the asset.

Rental Rates (commercial and residential) taken from the CMHC website, provided by Siting, AirDNA, rentals.ca et al. provide an indication of the income that can be expected from the commercial space and the portion of the rooms that will be used for Rental.

Hotel rates and occupancy data provided from STR provide the market information necessary to derive the expected ADR X OCC (RevPar) that the property can expected.

Cap Rates from Cushman Wakefield Hotel Outlook Report tabulate the cap rates (terminal) for transactions in the major city centers and ex urban, providing a high and low range for transactions that have occurred.

We analyzed three scenarios over 9 models (27 iterations) prior to providing our opinion and range of value.

Build Costs

Using an input cost of $375 per square foot for the building, $154 for the parking, an average room size of 425 square feet gross (before efficiencies/losses), 250 square feet for parking including drive outs, 18,000 square feet of commercial, we came to a total build cost excluding land of $24.4 million.

Reversion Analysis

The terminal cap rates for Hotels range between 6.5% and 8.5% as defined in the Cushman Wakefield study and detailed below for limited service ex-urban. Comparing this to full service in Vancouver the cap rate is between 6.5% and 5.0%. This is a large spread and has a material effect on the value. Modeling at 8.5% and using the moderate scenario this results in a value of $37.5 million. The same scenario at a 6.5% terminal cap rate equates to a value of $49.1 million. A variance of roughly $12 million based on the variance in cap rates that exists in this market.

*The value and the inclusion of the land in this analysis provides an enterprise value of the asset, the retention of the land by the city and the term with which it is vended into the project or returned from the project will affect the valuation. If the land value and the build cost are included, the total cost is roughly $34 million, the terminal cap rate would reduce from 8.5% and the value would be higher than $37.5 million. The developer and their capital stack will need to account for this in their own modeling, due diligence, and proposal.

Figures 24.1 – 24.3: Hotel Cap Rates (Q4 2023)

Full-Service Downtown

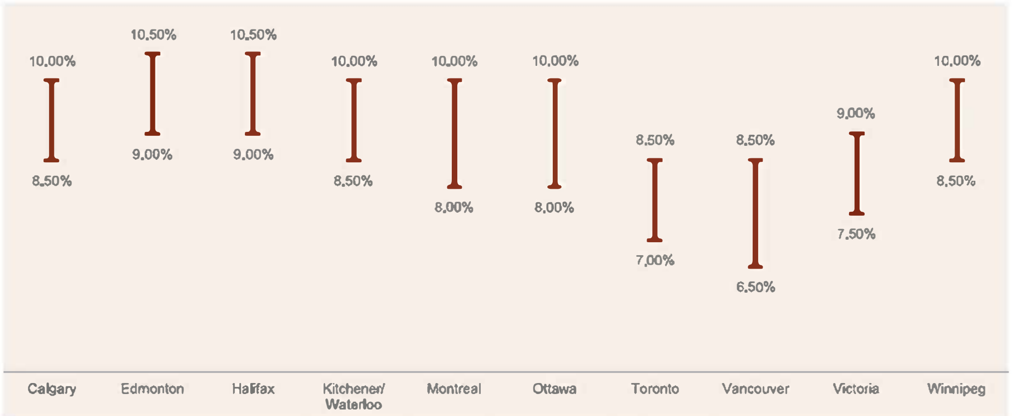
Source: Cushman & Wakefield

Select Service

Source: Cushman & Wakefield

... Limited-Service Suburban data on next page

Limited-Service Suburban



Source: Cushman & Wakefield

Net Present Value using a Discounted Cash Flow Analysis.

Using 9.94% as the discount rate to illustrate the risk, market and downside, and using the moderate scenario we arrived at an estimate of value of $29.7 Million.

Figure 24: Discounted Cash Flow Analysis- Moderate Case- Projected Net Present Value (DCF based NPV)

DCF Analysis						
Discount Rate	9.94%					
Year	**EBITDA ($)**	**Dis Factor**	**DCF**			
1	[redacted]	[redacted]	[redacted]			
2	[redacted]	[redacted]	[redacted]			
3	[redacted]	[redacted]	[redacted]			
4	[redacted]	[redacted]	[redacted]			
5	[redacted]	[redacted]	[redacted]			
6	[redacted]	[redacted]	[redacted]			
7	[redacted]	[redacted]	[redacted]			
8	[redacted]	[redacted]	[redacted]			
9	[redacted]	[redacted]	[redacted]			
10	[redacted]	[redacted]	[redacted]			
11	[redacted]	[redacted]	[redacted]			
Estimated Market Value	Sum of DCF Years 1-10		Net Sales Proceeds in Year 11 * DCF rate		Year 11 DCF	Estimated Market Value
	$15,595,967		$12,979,104		$1,131,512	$29,706,583

****Significant uncertainties exist in the development of a hotel:**

- The ultimate brand, look, feel and positioning of the hotel.
- The effective use of rate strategy and building business by segment.
- The brand, collection, or consortium that the hotel joins for representation and distribution and marketing.
- The experience of the operators.
- The strength of their capital structure, access to capital.
- The physical site. Physical planning beyond the scope of this study is required to arrive at the most cost effective and aesthetically pleasing solution for the building that is ultimately constructed. A site massing study that the developer undertakes will further inform what is possible at this location.
- The effect of a land lease vs a land inclusive deal with respect to financing.
- Appropriate zoning for the site, ie Hotel Use.
- Tax incentives offered to the development.

The items listed above can affect project costs and feasibility. These items will need to be further defined as the process of selecting and engaging a developer progresses.

All of these models return a land lease payment to the city of [redacted] in the first year, which is then increased by CPI yearly, in addition to the taxes that are generated.

Comparison of the Three Models:

Figure 25: Comparison of Values by Model

Measure	Conservative	Moderate	Optimistic
Reversion Analysis	$ 30,086,999	$ 37,535,729	$ 44,155,872
DCF based NPV	$ 23,940,619	$ 29,706,583	$ 34,847,723
MOIC	2.66	3.42	4.07
Est Build Cost	$ 24,366,280	$ 24,366,280	$ 24,366,280
DCF vs Build Cost	$ (425,661)	$ 5,340,303	$ 10,481,443

This table illustrates the range of values and costs that could emerge from the development and operation of the property. The size of property suggested is informed heavily from the data taken from STR which is unbiased, audited and verified. This data, which is the industry benchmark, tells us about the supply, demand, absorption, market share and market penetration data that is needed to analyze and advise on the property. The data on cap rates, discount rates and yields for transactions which comes from Cushman and HVS is indicative of the current and historical transactional data for hotels. The Sitings data gives us hyperlocal costs on rates of lease and rent. CMHC data and Rentals.ca data also provide benchmarks, though on a broader scale. Altus provide current construction costs in the major markets across

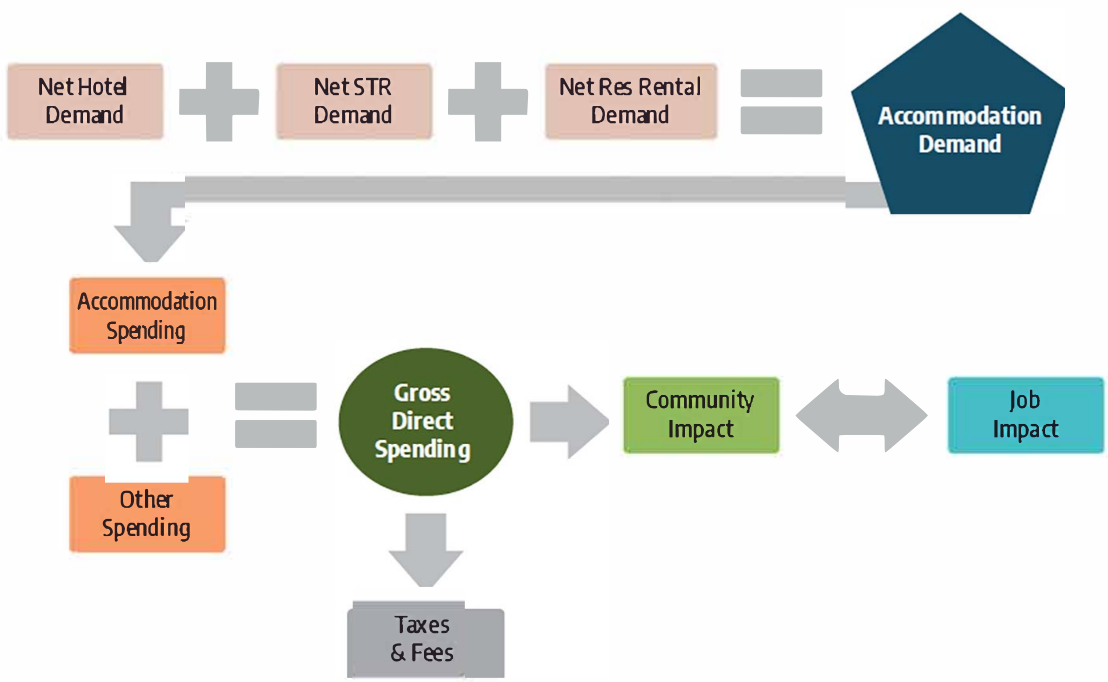
The Moderate model, which is also the likely model that will be realized, illustrates the ability for the 88 unit property to carry itself, and an indication of the returns and financeability of the enterprise.

Canada. The moderate model, which is also the likely model that will be realized, illustrates the ability for the 88-unit property to carry itself, and an indication of the returns and financeability of the enterprise. *Caveats for the current market for debt, the willingness of institutions to finance deals and the specific capacity and background of the developer that ultimately takes the project on/is awarded the bid.

Revitalization Model, Methodology Applied and Economic Impact of the New Enterprise

In this mixed used building, the traditional hotel, short-term rental (str) and long-term rental demand is considered in the gross demand for accommodation. With inbound overnight stays ancillary spend is generated via restaurant, activity, and retail spending. The community is impacted, commerce and jobs impacted, and taxes and fees are generated. Net new residential impact is also a benefit though it may not have the same effect for velocity of spend. Intuitively consumers spend more when they travel than when they are at home. The effect on the community is modeled below.

Figure 26: Methodology Overview – Impact and Ecosystem Considered



Caveats and Exclusions, Statement of Assumptions and Limiting Factors

1. This report is presented in complete form.
2. Data provided to us from STR, Cushman, HVS, Sitings, et all is treated as correct.
3. We assume zoning and site massing studies for the site will allow for the construction of a 6 story building conducive to hospitality and residential use.
4. Presentation of this report or work to present and enhance this report past June 3rd is excluded from this engagement and will need to be arranged on mutual agreement and in line with our standard engagement fees.
5. Any 3rd party considering investment or fiduciary decisions based on this report should contact the writer for any clarifications.
6. We take no responsibility for events or circumstance or emerging data past the date of this report.
7. We assume that there are no structural impediments to the site including toxic chemicals or hazardous materials. For clarity we are not engineers nor inspectors.
8. We do not warrant that the estimated revenues provided in the report will be made. Many of these are dependent on the ultimate operation of the property. Our study is intended to represent reasonable expectations.
9. Use of this report by third parties shall be solely at the risk of the third parties and our client.
10. This report is presented as a feasibility study for land already held by the city, it is not an appraisal.
11. The structure of a simple land lease, JV or other vehicle, is not considered in the effect of the capital structure and costs that a developer will ultimately employ and bare.

Kadence Hospitality and Development has a broad and deep background in the hospitality space. The opinions and analysis provided is based on our analysis and view. The financial assumptions and modeling are provided for the purposes of a recommendation for the use of land already purchased by the City for a hotel project. While best efforts have been made for accuracy, a winning proponent of the bid to build a hotel should undertake their own fiscal analysis, feasibility study and due diligence prior to proceeding. In the case of the information provided in the report it should be used to benchmark and evaluate a submission that is made, and not as a guide for a developer to use.

Certification Statement

Kadence Hospitality and Development Inc. certify to the best of our knowledge and beliefs:

1. *The statements made in this report are correct and true.*
2. *We have no biases or interest with respect to the property that is subject of this report, nor the parties involved with the assignment.*
3. *Our engagement was not contingent upon arriving at a predetermined result for this report.*
4. *The work presented was carried out by Kadence Hospitality and Development Inc, with source of data and information cited as used.*

Best Regards,

Salim Kassam
Principal,
Kadence Hospitality and Development Inc.