



Accommodation Needs Requirement Study For South Kent

PHASE 1 FINAL REPORT PRESENTATION

**Chatham-Kent
Council Meeting**
March 23, 2009

Presented by:
PKF Consulting Inc.



Scope of Study

- Regional review of accommodations and tourism demand generators
- Overview of the existing economic and tourism conditions
- Evaluation of the supply and demand factors impacting the accommodation sector
- Interviews with stakeholders throughout Chatham-Kent
- Assessment of the market opportunity for development
- Identification of preliminary development programs for Transient Hotel, Resort, and Bed & Breakfast Development in South Kent



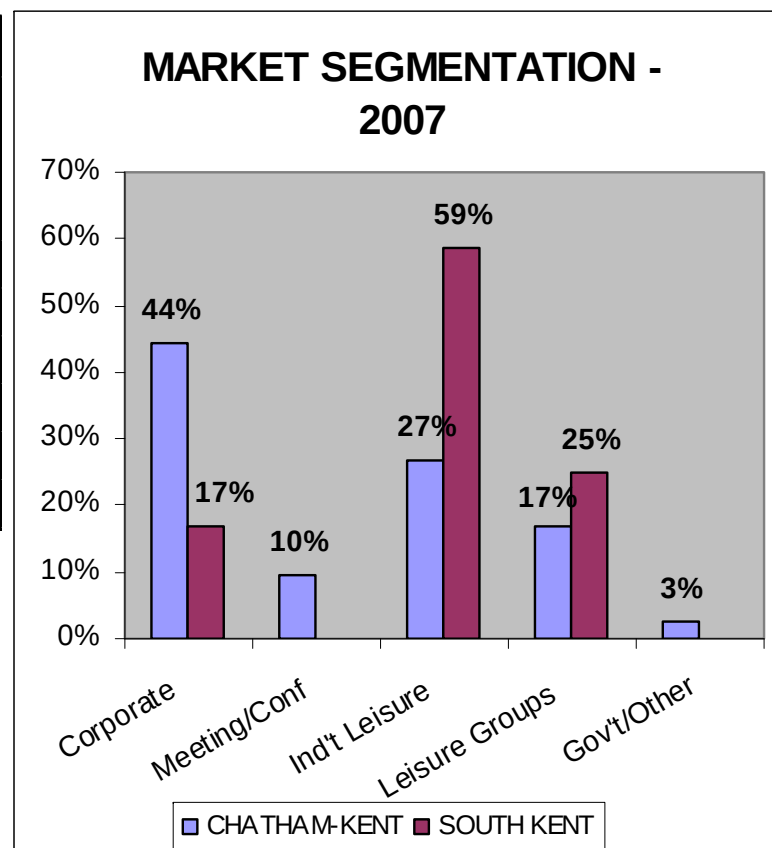
Accommodation Industry Overview

HISTORIC PERFORMANCE – ONTARIO MARKETS -		
2008 F		
	Occupancy %	Average Daily Rate
Ontario	62.0%	\$127.20
Ontario - Resorts	51.4%	\$184.41
London	57.0%	\$101.44
Windsor	48.0%	\$106.40
Sarnia	47.0%	\$96.92
Chatham-Kent	40.5%	\$83.28



Chatham-Kent Accommodation Market

TRANSIENT HOTEL MARKET – 2008 F		
	Chatham-Kent	South Kent
Rooms	866	51
Available Room Nights	316,090	18,615
% Change	0.0%	4.1%
Occupied Room Nights	128,141	5,670
% Change	-1.0%	0.4%
Occupancy	40.50%	30.50%
ADR	\$83.28	\$61.15





Stakeholder Interviews

- Accommodation Operators – 29 interviews
- Corporate Demand Generators (companies with 100+ staff) - 18 interviews
- Government/Public Sector – 5 interviews
- Attractions/Tourism Demand Generators – 12 interviews
- **64 Complete interviews in December, 2008**



Transient Hotel Development Program

- **Minimum lot size:**
2.5 – 3 acres
- **Potential Sites**
 - Highway 3 & Highway 11
 - Highway 11/40 and Highway 401

PROPOSED FOCUSED SERVICE HOTEL - 50 UNITS	
RECOMMENDED FACILITY PROGRAM	
Guestrooms	Rooms
Standard Rooms	35
Double/Double	15
Total Guestrooms	50
Food and Beverage	Seats
Breakfast Room	40
Conference/Banquet Space	100
Total	140
Recreation/Commercial	Square Feet
Indoor Pool/Fitness Area	1,400
Total	1,400



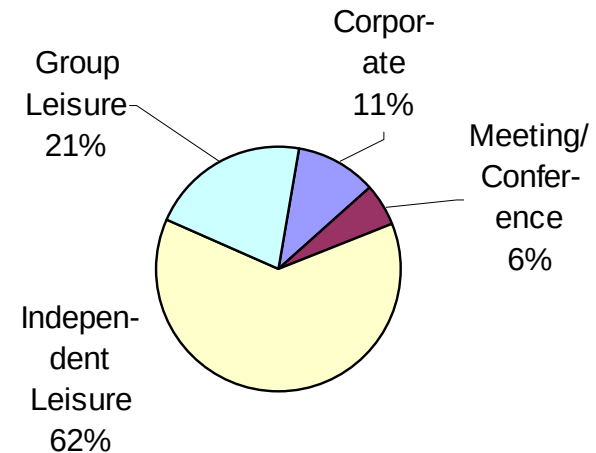
Transient Hotel Development

- Stabilized Project Projections

PROJECT PROJECTIONS - STABILIZED YEAR (2014)

Chatham-Kent Market Occupancy	42.0%
South Kent Market Occupancy	34.3%
Project Occupancy	41.9%

Subject Hotel Stabilized Market Mix - 2014





Transient Hotel Development

- Implications for South Kent

- “Need” for additional Transient Hotel facilities
- Current product is inadequate (from a quality perspective)
- Insufficient corporate “demand” year round
- At projected 42% occupancy, demand is not strong enough to warrant development
 - Occupancy levels of 65% to 70% generally required



Resort Hotel Development Program

- Lake access would be critical to the success of a resort in South Kent, close to tourism infrastructure (i.e. Erieau)

PROPOSED RESORT MIXED USE FACILITY- 120 UNITS	
RECOMMENDED FACILITY PROGRAM	
Guestrooms	Rooms
Standard Rooms	90
One Bedroom Suites	25
Two Bedroom Suites	5
Total Guestrooms	120
Food and Beverage	Seats
Dining (120 seats)	120
Lounge (50 seats)	50
Conference/Banquet Space (1,000 seats)	1,000
Total	1,170
Recreation/Commercial	Square Feet
Indoor Pool/Fitness Area	2,040
Spa/Health Centre	2,520
Total	4,560

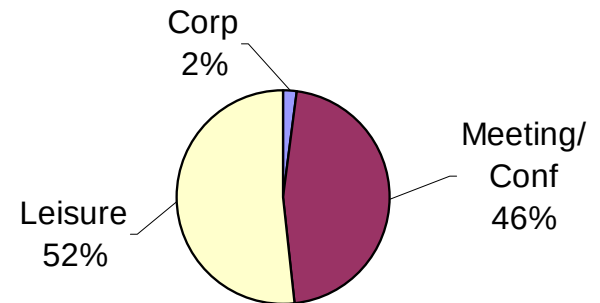


Resort Hotel Development

- Stabilized Project Projections

PROJECT PROJECTIONS - STABILIZED YEAR (2014)	
Ontario Resort & Inn Market Occupancy	53.3%
South Kent Market Occupancy	44.2%

**Subject Resort Stabilized
Market Mix - 2014**





Resort Hotel Development

- Implications for South Kent

- Advantages: strong natural resource setting of Lake Erie, golf courses, museums and wineries
- Resort could attract new leisure travelers and meeting/conference guests to the region – but will NOT help local leisure needs



Bed & Breakfast Market in Chatham-Kent

2008 PERFORMANCE INDICATORS - BED & BREAKFAST MARKET					
MUNICIPALITY OF CHATHAM-KENT					
Range	# of Rooms	Advertised Rates	Occupancy	Market Mix	
				Leisure	Corporate
Low	2	\$60.00	10%	15%	0%
High	12	\$130.00	70%	100%	85%
Average	7	\$94.00	29%	77%	23%

- **15 licensed B&B's** in Chatham-Kent = 59 rooms
- **2 B&B's located in South Kent** (Blenheim) = 4 rooms
- Lack of steady demand, due to the few activities, festivals, events in the low/shoulder season



Bed & Breakfast Market

- Implications for South Kent

- Key component of the tourism infrastructure
- B&B's cater to an adult getaway leisure market, but do not appeal to traditional corporate travelers
- Possible enhancement and positioning strategies for the sector:
 - Enhanced Marketing of Existing B&B Product
 - Strategies to Encourage Additional B&B Product



Overall Implications for Accommodation Development

- PKF recommends that the study NOT proceed to the Second Phase (financial analysis and implementation plan to attract developers)
- PKF recommends that the Municipality does NOT conduct any further Accommodation Needs Assessments
 - *PKF research pertains to the entire Municipality of Chatham-Kent, and given the current economic climate, the **implications of any other studies would be the same as those for South Kent***

MUNICIPALITY OF CHATHAM-KENT
COMMUNITY DEVELOPMENT AND PLANNING SERVICES
ECONOMIC DEVELOPMENT SERVICES

TO: Mayor and Members of Council
FROM: Joy A. Sim, Tourism Development Coordinator
DATE: March 11, 2009
SUBJECT: South-Kent Accommodation Needs Requirement Study

RECOMMENDATIONS

It is recommended that:

1. The Accommodation Needs Requirement Study for South-Kent prepared by the firm of PKF Consulting be accepted.
2. No further hotel attraction efforts for South-Kent be undertaken at this time.
3. An action plan for support and development of the South-Kent bed & breakfast sector be developed and brought back to Council for approval.

BACKGROUND

The Economic Development Services and Tourism Strategy Update approved by Council on November 26, 2007 recommended a South-Kent Accommodation Needs Requirement Study be developed. Council approved this study, which would determine if a business case for private investment in the local accommodation sector could be developed at this time.

The purpose of this study was to review the current accommodations serving the area of South-Kent and recommend what may be needed to enhance the tourism industry offerings including researching the need for additional accommodations and providing analysis of the types of accommodations that could be considered necessary and/or suitable for this underdeveloped region. The research was conducted with the co-operation of the existing Chatham-Kent tourism stakeholders, accommodations, recreational, historic, and cultural and heritage tourist attractions.

COMMENTS

The consultant proposed to conduct this study in three phases as follows:

- Phase 1 was to undertake a market and opportunity assessment for the South-Kent ward. Consideration was given to stakeholder input and supply and demand levels, along with determining a recommended development program that could best match the market requirements and enhance existing tourism offerings.
- Phase 2 would be to conduct a business case analysis including the identification of potential locations for future accommodations.
- Phase 3 would include an implementation framework with a plan to attract potential developers and investors.

Upon the completion of Phase 1, the consultant recommended not proceeding with Phase 2 or 3 based on their findings.

The study determined the following:

- The current accommodation inventory in South-Kent is inadequate and not suitable for leisure, corporate or the meeting/conference segments. However, this need is currently being met in the Chatham and Windsor areas.
- The current weekday demand for accommodation in South-Kent may not be sufficient during the off season/shoulder season to support a hotel property.
- The projected 42% occupancy rate is not a strong enough demand to warrant development at this time. Occupancy levels of 65-70% are the benchmark for hotel development.
- Sufficient demand does not exist to support development of a traditional transient hotel.
- Opportunities do exist and should be pursued in enhancing the existing bed and breakfast product; however, this would not satisfy the corporate and sports tourism accommodation needs identified. Economic Development Services will develop an action plan for enhancing the existing bed and breakfast product.
- Recommended not proceeding with the second phase and third phases.

COMMUNITY STRATEGIC PLAN

The recommendations in this report support the following objectives and strategic directions:

B: Economy – We are a prosperous community.

Expected Results

B2: Make Chatham-Kent a business-friendly community and a desirable leisure destination.

B3: Maintain and enhance new and existing infrastructure to support economic and smart growth opportunities.

The recommendations will not adversely impact on the remainder of the Community Strategic Plan.

CONSULTATION

All Chatham-Kent accommodation operators including hotels, motels, bed and breakfasts, major employers, major attractions and key stakeholders were consulted.

The Acting Manager, Recreation Facilities; Facilities Allocation Assistant, Recreation Facilities; Service/Commercial Coordinator and the Heritage Coordinator were all consulted in the preparation of this study.

FINANCIAL IMPLICATIONS

The total cost of the study \$27,200 was shared 50/50 with the Ministry of Economic Development's Communities in Transition funding program and Chatham-Kent strategic reserves as determined by Council on March 23, 2008.

Prepared by:

Reviewed by:

Joy A. Sim, C.R.M.
Tourism Development Coordinator

Aileen Murray, Ec.D.(F)
Acting Director, Economic Development
Services

Reviewed by:

Evelyn Bish, Acting General Manager
Community Development
and Planning Services

Rob Browning
Chief Administrative Officer

Attachment: Accommodation Needs Study for South-Kent – Appendix 1

c: Scott Mailing, Acting Manager, Recreation Facilities
Shawn Allen, Facilities Allocation Assistant, Recreation Facilities
Dave Benson, Heritage Coordinator, Culture and Special Events
Geoff Wright, Service/Commercial Coordinator, Economic Development

G: RTC/2009 Reports/RTC South-Kent Accommodation Needs Requirement Study

ACCOMMODATION NEEDS REQUIREMENT STUDY FOR SOUTH KENT

PHASE 1 FINAL REPORT

Prepared for:
Municipality of Chatham-Kent

Prepared by:



February 2009

*Funding for this project was made available, in part, by the Ontario Ministry of
Economic Development's Communities in Transition Initiative.*



St. Patrick Tower
30 St. Patrick Street
8th Floor
Toronto, Ontario
M5T 3A3
Tel: (416) 360-5000
Fax: (416) 777-1567
pkftoronto@pkfcanada.com
[Website: www.pkfcanada.com](http://www.pkfcanada.com)

February 12, 2009

Ms. Joy Sim
Tourism Development Coordinator for Economic Development Services
Municipality of Chatham-Kent
446 Grand Avenue
Chatham, Ontario
N7M 5L3

**RE: ACCOMMODATION NEEDS REQUIREMENT STUDY FOR SOUTH KENT - PHASE 1 FINAL
REPORT**

Dear Ms. Sim:

In accordance with the terms of our engagement, we have completed our market research and analysis pertaining to the Phase 1 analysis of the Accommodation Needs Requirement Study for the Ward of South Kent, in the Municipality of Chatham-Kent.

This report has been prepared solely for the internal use of the Municipality of Chatham-Kent, Economic Development Services Departments, and may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

At this time, market factors do not appear to support the opportunity for transient or Resort Hotel development in South Kent. The details supporting this conclusion are included in this report.

Yours truly,

A handwritten signature in blue ink that reads 'PKF Consulting Inc.' with a stylized flourish at the end.

PKF CONSULTING INC.

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1.0 INTRODUCTION

1.1 Study Background

In November 2008, PKF Consulting was retained by the Municipality of Chatham-Kent to conduct an Accommodation Needs Study for the Ward of South Kent. In relation to Corporate Strategy Goal #1, within the *Economic Development Services and Tourism Strategy Update* for Chatham-Kent in 2007, the Municipality was interested in retaining a professional consultant in order to provide an assessment of a business case for private investment in the local accommodation sector. South Kent was chosen as the first Ward within the Municipality to receive an investigation, based on its geographic location and value to the tourism economy, with points of interest including: The Buxton National Historic Site and Museum, and Rondeau Provincial Park.

PKF proposed to conduct this study in three phases. The scope of Phase One (the subject report) was to undertake a market and opportunity assessment for the South Kent ward, with consideration given to stakeholder input and supply and demand levels, and to determine a recommended development program that could best match the market requirements and enhance existing tourism offerings. Phase Two would be to conduct a business case analysis including the identification of potential locations for accommodations, and Phase Three would include an implementation framework with a plan to attract potential developers and investors.

Our Phase 1 research and analysis has included the following:

- A regional review of accommodations and tourism demand generators throughout the Ward of South Kent;
- An overview of the existing economic and tourism conditions in the community;
- An evaluation of the supply and demand factors impacting the accommodation sector provincially, regionally and locally;
- Interviews with potential users of the proposed property, including representatives from local businesses, sports and community organizations, tourism operators, and local accommodation operators;
- An initial assessment of the market opportunity for accommodation development in the Ward;
- Identification of preliminary development strategies and programs for Bed and Breakfast, Transient Hotel and Resort Development in South Kent.

Our detailed research and analysis supporting our Phase 1 conclusions is detailed on the following pages.

2.0 ECONOMIC AND TOURISM OVERVIEW

2.1 Introduction

The market potential of hotel properties is influenced by both provincial and local economic conditions. Accordingly, this analysis has included a review of recent economic performance in the Province of Ontario, the Municipality of Chatham-Kent and the Ward of South Kent in order to assess potential implications for the development of a new accommodation property. In addition to economic fundamentals, we have reviewed and summarized travel and tourism trends in the Province of Ontario, as well as a review of tourism industry offerings within South Kent.

2.2 Provincial Economic Overview

Over the last four years, Canada's economic performance has been one of strong domestic demand held back by a weak trade sector. Until recently, Canadian households seemed to have weathered the downturn in the US, with real consumer spending advancing by 5.6% over the first six months of 2008, bolstered by strong home buying, and record auto sales. However, the recent global financial turmoil has dampened Canada's economic prospects significantly. The uncertainty in the financial markets has dramatically affected consumer and business confidence all over the world. While Canada's banks are on relatively firm foundations, they are not immune to potential bankruptcies in financial and commercial institutions elsewhere in the world. As such, the credit crunch that is occurring on global basis is also affecting consumer and corporate lending here in Canada via tighter credit conditions and interest rate spreads that remain well above typical levels. Canada's exporters are also facing the difficulties of much weaker U.S. demand, especially for autos. While the lower Canadian dollar has brought some relief to exporters, Canadian manufacturers will have a difficult time gaining market share at a time when demand is plummeting. Finally, and perhaps most importantly, is the effect that falling commodity prices will have on Canada's domestic economy. Over the past six years (if one includes 2008), high resource-sector prices have been the source of strong real income gains in Canada. For 2009, this source of strength will quickly evaporate.

According to the most recent Provincial Outlook published by the Conference Board of Canada, Ontario's economy will struggle against the tide of softening U.S. consumer demand, financial market fallout, and the strong Canadian dollar in 2008 and 2009. The slowdown in financial and consumer activity in the United States will take its toll on the Ontario economy, which is expected to avert a technical recession in 2008. The deflation in consumer and business confidence resulting from the collapse of several major investment banks and insurance brokerage houses in the U.S. will reverberate strongly in the Ontario trade sector and, to a lesser degree, among domestic consumers. Growth in real GDP at market prices has been projected as marginally positive at 0.2% by year-end 2008, with only a modest improvement of 0.8% in 2009.

**TABLE 2-1
ONTARIO KEY ECONOMIC INDICATORS**

	<i>Percentage Change</i>			
	2006	2007	2008 (f)	2009 (p)
Real GDP	1.9%	2.1%	0.2%	0.8%
Unemployment Rate	6.4%	6.4%	6.4%	6.5%
Personal Disposable Income	5.1%	4.5%	4.9%	3.8%
<i>Source: Conference Board of Canada – Autumn 2008</i>				

2.3 Provincial Tourism Overview

The Conference Board's projections for Ontario's tourism industry are somewhat subdued compared to recent years. Total overnight visits to Ontario were expected to rise by only 1.4% in 2008, due in large part to continued declines in U.S. visits. Further, Ontario tourism's tough times can also be attributed to overall concerns over the economy and high fuel prices, which are not only causing U.S. visitors to stay away, but have also led to some softening in the domestic travel segments.

U.S. travel to Ontario is slated for another year of decline in 2009. The province's dependence on the auto market will prove to be doubly challenging. First, compared to air travel, auto travel is much more sensitive to the exchange rate. Second, auto travel will also be affected by the additional identification requirements imposed by the Western Hemisphere Travel Initiative (WHTI). By contrast, overseas travel to Ontario is projected to see solid growth in 2008 and 2009, fuelled by the strong performance of the province's Asian markets. Overseas visits were expected to grow 3.9% in 2008, with a dip to 1.0% growth in 2009 due to an impending economic downturn in Asia and Europe, yet international travel is expected to grow to 4.7% by 2010.

**TABLE 2-2
PROVINCIAL OVERNIGHT TRAVEL FORECAST (% CHANGE)**

	2006 (e)	2007 (e)	2008 (f)	2009 (f)	2010 (f)	2011 (f)
Domestic Origin	2.3%	2.8%	2.7%	1.5%	4.0%	3.0%
United States Origin	-4.4%	-4.5%	-6.2%	-4.9%	2.9%	1.8%
Overseas Origin	3.0%	-1.1%	3.9%	1.0%	4.7%	4.7%
Total Visitation	1.2%	1.4%	1.4%	0.6%	3.9%	2.9%

Source: Conference Board of Canada Travel Markets Outlook, Autumn 2008; Statistics Canada

Nevertheless, the Ontario government has been helping its beleaguered tourism sector. The province announced in its Fall 2008 economic statement that it will commit an additional \$20 million to marketing Ontario tourism within Canada and internationally, as well as spend an additional \$10 million to support Ontario's festivals and events.

2.4 Regional Overview

The Municipality of Chatham-Kent is located within the economic region of Windsor-Sarnia, which also includes Essex County and Lambton County. The Windsor-Sarnia Region had an estimated population of 646,800 in 2006 making it the fifth largest economic region in Ontario, with Chatham-Kent accounting for 17% of the Region's population. Table 2-3 provides a breakdown of Windsor-Sarnia's population by region.

TABLE 2-3 WINDSOR-SARNIA ECONOMIC REGION POPULATION (THOUSANDS) 2001 & 2006			
Region	2001	2006	% change
Chatham-Kent	112.0	108.2	-3.0%
Essex County	389.8	406.1	5.5%
Lambton County	132.0	132.5	0.4%
Windsor-Sarnia	633.7	646.8	2.9%
<i>Source: FP Markets - Canadian Demographics, Statistics Canada - 2006 Census</i>			

The closest airport serving the economic region of Windsor-Sarnia is the Windsor International Airport, which has experienced month over month growth in aircraft landings from 2001 to 2007, and has received a steady number of total domestic passengers despite recent economic downturns. The airport is in the process of completing a \$1.2 million renovation to the west terminal area including a new departures lounge, additional gates for airlines, new pre-board security and future café and wine bar.¹

Despite the growth in aircraft landings and the steady number of domestic passengers, the number of U.S. auto border crossings into Windsor has been on the decline since 2002. The number of border crossings in 2007 was less than half that of 2002 levels, with same-day visitation accounting for most of the decline, as shown in Table 2-4.

TABLE 2-4 US AUTO BORDER CROSSINGS INTO WINDSOR (THOUSANDS) 2002 - 2008YTD								
	2002	2003	2004	2005	2006	2007	2007 (YTD October)	2008 (YTD October)
Same Day	5,957	5,059	4,369	3,866	3,290	2,571	2,217	1,798
% Change	-	-15.1%	-13.6%	-11.5%	-14.9%	-21.8%		-18.9%
Overnight	1,188	943	945	904	797	760	646	614
% Change	-	-20.7%	0.2%	-4.3%	-11.9%	-4.7%		-5.0%
Total	7,145	6,002	5,314	4,771	4,087	3,331	2,864	2,412
% Change	-	-16.0%	-11.5%	-10.2%	-14.3%	-18.5%		-15.8%

Source: Statistics Canada

¹Windsor International Airport <http://www.yqq.ca/ecom.asp?pg=news&specific=22>

In terms of international visitation to the Windsor-Essex region, U.S. residents make up an overwhelming majority of visitors, with Michigan accounting for more than half of all international overnight visits to the region, as shown in Table 2-5.

TABLE 2-5 OVERNIGHT PERSON VISITS BY PLACE OF RESIDENCE INTERNATIONAL VISITORS ONLY (2006)	
Location	% of Total International Visitors
Michigan	56%
Ohio	31%
Pennsylvania	3%
Other USA	1%
Europe	5%
All Other	3%
<i>Source: Statistics Canada, International Travel Survey</i>	

The City of Windsor is the closest major city to the Municipality of Chatham-Kent, and as such, economic conditions in this area tend to have a significant impact on the Chatham-Kent. This has been felt most severely during the recent collapse of the auto industry. Windsor currently has an unemployment rate of about 10%, the highest in Ontario, while auto assembly and parts plants are not just cutting back, but fully closing down.² Furthermore, the increase in personal bankruptcies being filed in the city of Windsor is double that of the same period last year.³

2.5 Municipality of Chatham-Kent

The Municipality of Chatham-Kent is located in Southwestern Ontario, bordered by Lake Erie to the south, and Lake St. Clair to the west. Chatham-Kent is situated along Highway 401, approximately three hours (290 km) south west of Toronto, 100 km south west of London and 80 km east of Windsor (Exhibit 2-1). The Municipality covers a total area of approximately 2,500 square km and is comprised of 22 communities within the six wards of: West Kent, South Kent, East Kent, North Kent, Wallaceburg and Chatham, as shown in Exhibit 2-2.⁴

According to Statistics Canada, the Municipality of Chatham-Kent had a population of 108,177 in 2006, with the community of Chatham being the most populous at 43,690 residents. Table 2-6 shows the 2001 and 2006 population of the Municipality of Chatham-Kent broken down by major communities. As demonstrated, despite the fact that the overall population has increased over the 6-year period, the population of Blenheim, the largest community in South Kent, has decreased by 4.5%.

² *Toronto Star*, Dec. 24, 2008 "No Light at the End of the Tunnel" pp.A19

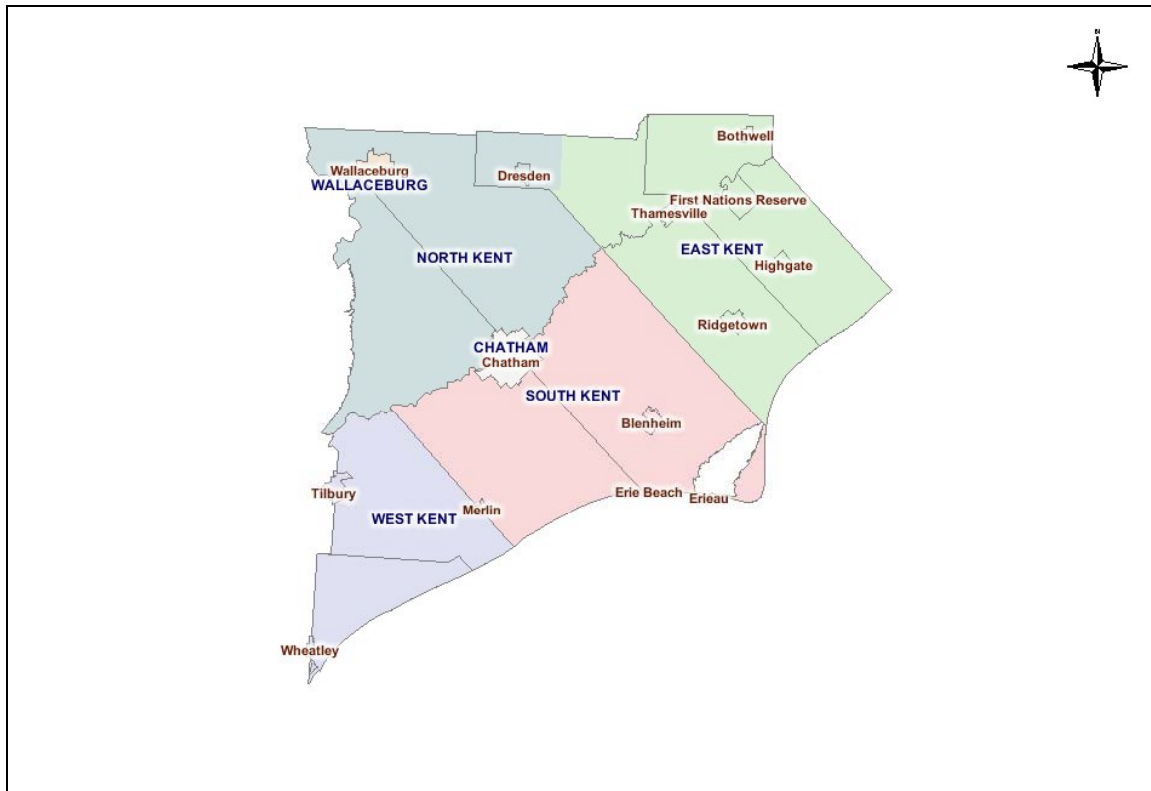
³ *ibid.*

⁴ Community of Chatham-Kent <http://www.chatham-kent.ca/council+and+administration/mayor+council+and+cao/election+2006/voter+information+centre/Ward+Map.htm>

EXHIBIT 2-1 **LOCATION OF THE MUNICIPALITY OF CHATHAM-KENT** **WITHIN ONTARIO**



EXHIBIT 2-2
MUNICIPALITY OF CHATHAM-KENT
LOCATION OF WARDS



Source: Community of Chatham-Kent, <http://gisweb.chatham-kent.ca/onpoint/servlet/onpoint>

TABLE 2-6 POPULATION BY COMMUNITY - MUNICIPALITY OF CHATHAM-KENT		
Area	2001	2006
Chatham-Kent	107,341	108,177
Chatham	43,690	45,282
Wallaceburg	11,114	10,903
Blenheim (South Kent)	4,870	4,649
Tilbury	4,599	4,809
Ridgetown	3,358	3,254
Dresden	2,572	2,496
Wheatley	1,686	1,943
Thamesville	928	930

Source: Statistics Canada, Chatham-Kent Community Profile 2007

The Municipality of Chatham-Kent had a labour force of 57,240 in 2006 according to Statistics Canada, and an unemployment rate of 7.2%. Manufacturing was the largest industry in Chatham-Kent, employing over 20% of the workforce, or 11,765 workers in 2006. Many of the major employers in the private sector are manufacturers of automotive parts and products. Table 2-7 highlights the major private sector employers in the Municipality of Chatham-Kent.

TABLE 2-7 MAJOR PRIVATE SECTOR EMPLOYERS MUNICIPALITY OF CHATHAM-KENT 2007			
Business Name	Location	# of Employees	Industry Description
International Truck & Engine Corp	Chatham	1,150	Manufacturer of Class 8 trucks
Union Gas Limited	Chatham	706	Sale, transportation, storage and distribution of natural gas
YA Canada	Chatham	480	Customer fulfillment centre
Mahle (Canada)	Tilbury	480	Manufacturer of plastic processes, air induction products
Autoliv Canada	Tilbury	471	Manufacturer of side airbags for the automotive industry
Arvin Meritor, Inc.	Tilbury	350	Manufacturer of on-highway brakes for heavy vehicles
NuComm International	Chatham	350	Contact centre services and solutions, automated voice services, collections
Omstead Foods Limited	Wheatley	350	Frozen foods

Source: 2008 Chatham Kent Business Directory

The Municipality of Chatham-Kent is also home to three major business/industrial parks: Bloomfield, Blenheim and Ridgetown. Bloomfield Business Park is located to the south of Highway 401 and Seventh Line and west of Bloomfield road, and currently houses offices for two companies: Veolia Environmental and Gibson Transport. Blenheim Industrial Park is located at the corner of Allison Line and

Communication Road in the town of Blenheim. Ridgetown Industrial Park is located in the town of Ridgetown, at the corner of Mitton Line and Mitton Industrial Drive.

The Municipality of Chatham-Kent's tourism industry relies heavily on day-trippers from the surrounding area, as shown in the tables below. Table 2-8 summarizes the tourism visitations to the Municipality of Chatham-Kent, according to the most recent reports from Statistics Canada TSRC and ITS surveys in 2006. Table 2-9 breaks down the overnight visitation by purpose of trip, based on the most recent statistics provided by the Ontario Ministry of Tourism and Statistics Canada.

TABLE 2-8 2006 VISITATION (THOUSANDS) CD 36: MUNICIPALITY OF CHATHAM-KENT				
Origin	Person-Visits	% of Total	Overnight	% of Total
Canada	605	80.0%	249	77.1%
United States	162	20.9%	66	20.4%
Overseas	9	0.1%	8	2.5%
Total	776	100.0%	322	100.0%

Source: Statistics Canada, Travel Survey of Residents of Canada (TSRC) and International Travel Survey (ITS), 2006

TABLE 2-9 2006 OVERNIGHT VISITATION BY PURPOSE OF TRIP (THOUSANDS) CD 36: MUNICIPALITY OF CHATHAM-KENT								
Purpose of Overnight Trip	Overnight Person-Visits Canada		Overnight Person-Visits US		Overnight Person-Visits Overseas		TOTAL Overnight Person-Visits	
Pleasure	67	26.9%	32	48.5%	1	14.3%	99	30.7%
VFR	141	56.6%	14	21.2%	6	85.7%	162	50.3%
Business	21	8.4%	8	12.1%	0	0.0%	30	9.3%
Personal/Other	20	8.0%	12	18.2%	0	0.0%	31	9.6%
Total Overnight	249	100.0%	66	100.0%	7	100.0%	322	100.0%

Source: Statistics Canada, Travel Survey of Residents of Canada (TSRC) and International Travel Survey (ITS), 2006

According to the Travel Survey of Residents of Canada (TSRC) and International Travel Survey (ITS) compiled by Statistics Canada, there were an estimated 776,000 person-visits to the Municipality of Chatham-Kent in 2006, of which 322,000 stayed overnight. Person-visits are calculated as the number of individual trips taken of at least 80 kilometres from a person's residence, while overnight person-visits are the number of visitors who stayed at least one night in the municipality, at the homes of friends and relatives or in commercial establishments such as hotels and motels. Unfortunately, due to the change in the way statistics are now compiled for these surveys, the 2006 statistics cannot be compared to visitation data from previous years.

According to the 2006 data, Canadian travellers generated over 600,000 person trips in Chatham-Kent (78% of the person-visits), with a further 162,000 generated by Americans and 9,000 generated from overseas markets. Of the total overnight trips generated in the Municipality of Chatham-Kent, just over one-half of the visitors come to the county to visit friends and relatives, with 31% travelling for pleasure purposes, 9% for business reasons and the remaining 9% for personal or other reasons.

2.6 Ward of South Kent

The Ward of South Kent is located south of Highway 401 within the Municipality of Chatham-Kent and is home to several communities including Blenheim, Erieau, Shrewsbury, and North Buxton, as well as various tourism attractions.

Blenheim is located only seven minutes south of Highway 401 at interchange 90 and is a short drive to both the shores of Lake Erie and Rondeau Provincial Park. Blenheim is the largest community in South Kent with a population of 4,649 (2006 data) and is also the retail hub of South Kent, drawing from a radius of 15,000 people. Blenheim's industrial base is focused in the north end of the town and in and around the Blenheim Industrial Park. Larger industry employers in the town include: Mallory Industries, Metal Powder Products Canada, Konal Engineering & Equipments Inc. and the Woodbridge Group. RM Classic Cars, which specializes in auto restoration and auctions, is also a major employer located just outside of the Town of Blenheim. The agricultural industry within Blenheim includes Rol-land Farms, Platinum Produce and Thompsons Limited. Table 2-10 outlines major employers (those with more than 20 employees) within Blenheim.

TABLE 2-10 MAJOR EMPLOYERS COMMUNITY OF BLENHEIM 2007		
Business Name	# of Employees	Industry Description
W.G. Thompson & Sons Ltd	300	Exporter - grain and field beans; farm supplies
Rol-land Farms	245	Food production- mushrooms, vegetable transplants, tomatoes, etc.
Mallory Industries	123	Light manufacturer of cleaning tools for home, auto & industry
Metal Power Products Canada	90	Powder metal part manufacturer
RM Classic Cars Inc	90	Classic car sales -auto restoration-classic car auctions
Erie Architectural Products Inc.	66	Fabricated aluminum curtainwall storefront entrance products
Woodbridge Foam	56	Manufacturer of small interior parts for auto industry
Konal Engineering & Equipment	45	Design, manufacturer and installer of rim metering systems; production lines for auto industry
Carey Leasing	40	Trucking and transportation
Resistance Welding Products	22	Specialized machining CNC turning, copper product for welding industry
Source: 2008 Chatham Kent Business Directory		

Erieau is a community of approximately 500 residents that swells to about 2,000 during the summer months with cottagers and tourists, attracted to the beach, boating and fishing. Erieau is located along Lake Erie, in the south-east quadrant of South Kent. The community is known as a waterfront destination and has several accommodation properties, and small businesses.

Shrewsbury is a small community (under 100 people) near Rondeau Provincial Park that was a secondary settlement for slaves escaping to Canada from the U.S. through the Underground Railroad. The community is popular for both boating and fishing, and with cottagers during the summer months.

The community of North Buxton, which is popular with bus tours focusing on black history, is home to the Buxton National Historic Site and Museum, and close to the Chatham-Kent Municipal Airport.

South Kent offers a number of attractions, the majority of which are located in the town of Blenheim. The tourism demand generators in the Ward of South Kent and surrounding areas that induce overnight visitation are as follows:

TABLE 2-11 TOURISM ATTRACTIONS WARD OF SOUTH KENT	
Attraction	Location
Rondeau Provincial Park	Rondeau
Buxton National Historic Site and Museum	North Buxton
Blenheim Community Golf Course	Blenheim
Deer Run Golf Course	Blenheim
Delhaven Orchards	Blenheim
Rondeau Joe's (Formerly Dove's Bayside Bistro)	Rondeau
Eau La La Spa	Erieau
Erieau Marina	Erieau
RM Classic Car Exhibit	Blenheim
Smith & Wilson Estate Wines	Blenheim

- **Rondeau Provincial Park** - Ontario's second oldest Provincial Park, is located on a peninsula in the south east area of South Kent, on Lake Erie. The peninsula is 3,245 hectares, extending almost 8 km out into Lake Erie forming a protected bay. The park is a destination for bird watchers and campers alike. Rondeau Provincial Park offers 262 campsites, all a short distance from sandy beaches, hiking trails, a protected bay for canoeing and boating, and fishing opportunities. Directly adjacent to Rondeau Park is a residential community - Bates Subdivision - which predominantly includes second homes for American residents;
- **Buxton National Historic Site and Museum** - officially opened in 1967, the site was the last stop for many on the Underground Railroad and is now one of the few remaining Black Canadian settlements still in existence since the pre-Civil War era;

- **Blenheim Community Golf Course** - opened in 1967, it is an 18 hole course, par 72 with creeks and ponds running through the 128 acres of golf terrain. The Blenheim Community Golf Club offers new club house facilities, food and beverage services and professional staff on hand;
- **Deer Run Golf Course** - offers 27 holes spread over 300 acres located at Bloomfield Road and 17th Line. The public course and clubhouse, opened in 1993, offers food and beverage services as well as catering services for special events and weddings;
- **Delhaven Orchards** - is a family owned and operated farm, offering a variety of crops and cider grown and produced on 400 acres of land;
- **Dove's Bayside Bistro** - is located just outside the gates of Rondeau Provincial Park and is known as a "destination" dining experience, offering excellent sunset views. Currently this attraction is closed;
- **Eau La La Spa** - located between Lake Erie and Rondeau Bay, the spa offers a variety of treatments and spa packages;
- **Erieau Marina** - located between the shores of Lake Erie and Rondeau Bay and is a popular attraction for boating and fishing;
- **RM Classic Car Exhibit** - showcasing the work of one of North America's leading automobile restoration facilities, guests can view rare and valuable classic and antique vehicles from an ever-changing collection;
- **Smith & Wilson Estate Wines** - has been producing and supplying grapes to other wineries for over 25 years and opened as a family-owned winery in 2005. The winery offers private guided tours including wine tastings, and has a retail shop open seasonally; and
- Although not an attraction, **Ontario's Fun Connection** is a group tour operator based out of Blenheim that specializes in tours throughout Southwestern Ontario, including the Chatham-Kent area.

2.7 Conclusions & Implications for New Accommodations in South Kent

The implications for accommodation development in South Kent are highly dependent on the economic realities of the City of Windsor, the City of London, and the Province of Ontario. Challenges in both the auto sector and the decline in US visitation may have severe consequences on the Municipality overall. Not only are auto exporters facing the difficulties of much weaker U.S. demand, but high resource-sector prices are forecast to quickly evaporate in 2009. Furthermore, U.S. travel to Ontario is slated for another year of decline in 2009 and province's dependence on the auto market will prove to be doubly challenging, as it is affected by both the exchange rate and new WHTI requirements in 2009.

According to the Canadian and International Travel Surveys undertaken by Statistics Canada, there were an estimated 776,000 person-visits to the Municipality of Chatham-Kent in 2006, of which 322,000 (41.5%) stayed overnight. About 78% of person-visit were from other parts of Canada, and about 21% were US visitors. Furthermore, just over one-half of the visitors coming to the Municipality to visit friends

and relatives, and 31% travelling for pleasure purposes. Given with the continued decrease in US auto border crossings, which is currently a significant source of tourism for South Kent attractions, and the Provincial economic and tourism statistics for the next 2 years, any new accommodation development would do best to focus its attention on targeting the domestic pleasure and VFR markets.

The Municipality of Chatham-Kent, and specifically the Ward of South Kent, is home to a number of small communities and an excellent water based asset that caters to leisure travelers that is in close proximity to the GTA. South Kent offers various attractions, including Rondeau Provincial Park, which serves as a seasonal demand generator for the leisure and outdoors/nature tourism segments, and birders in particular. South Kent is an attractive destination for day-trippers, and currently satisfies short stays at the variety of Bed & Breakfast establishments throughout the Ward, due to the inventory of unique attractions and activities. However, due to accommodation supply restrictions there is a significant amount of un-accommodated demand that is being satisfied in the Town of Chatham.

Tourism traffic flows are concentrated in the summer, late spring and early fall on weekends, with little demand during the week. The absence of corporate business in the South Kent market is apparent due to the lack of a large corporate community and the type of industries that are presently in the largest community of Blenheim.

With respect to future increases in tourism demand, the Municipality in partnership with Ontario Parks recently commissioned a Feasibility Study for a new Visitor Centre in Rondeau Provincial Park. The study, conducted by Milestone Strategy Management Consultant on behalf of Chatham-Kent Economic Development Services and Ontario Parks, concluded that part of the reason that visitation to Rondeau Park has been on a decline since 1999 is the lack of new attractions and facilities at the Park. A new Visitor Centre would create incremental demand for Park visitation and perception of value, and with the inclusion of a Tourism Information Centre within the facility, a Visitor Centre would also increase Park visitation by approximately 20,000 to 25,000 visits from a total of 150,000 to about 175,000.

Although there may be significant opportunities for a new Rondeau Park Visitor Centre to increase programming and tourism exposure for Chatham-Kent, PKF's research and discussions with stakeholders indicates that such a facility would not have any significant effect on overnight demand for Transient Hotel, Resort and/or Bed & Breakfast accommodations in South Kent, specifically in the off-peak seasons.

In conclusion, the Ward of South Kent has a good attractions inventory to lure visitors to the area, but lacks a strong corporate base generating year-round mid-week hotel demand.

3.0 DEMAND STAKEHOLDERS

3.1 Introduction

In order to quantify the demand potential for accommodation development, PKF Consulting interviewed a number of stakeholder groups within the Ward of South Kent, Chatham, Wallaceburg, and other surrounding communities within the Municipality of Chatham-Kent. Four main stakeholder groups were identified:

- Accommodation Operators (Hotels, Motels, and B&B's);
- Corporate Organizations;
- Government/Public Sector; and
- Leisure Attractions, Tour Operators & Other Tourism Generators.

A separate questionnaire was developed for each type of stakeholder group, which consisted of both specific information about the individual establishments, and solicited input on the accommodation needs for South Kent by relevant type of demand. A total of 64 complete interviews were conducted either in person or by telephone during the period of December 1 to 24, 2008.

3.2 Accommodation Operators

As part of this study, PKF Consulting conducted interviews with 13 Bed & Breakfast establishment owners, the General Managers from 7 Transient Hotels, and 9 Motel property operators located in both South Kent and surrounding Wards of Chatham-Kent. The full list of properties and stakeholders who participated in the survey process has been provided in Table 3-1. Those highlighted are located within South Kent.

**TABLE 3-1
ACCOMMODATION OPERATORS - MUNICIPALITY OF CHATHAM-KENT
PARTICIPANTS IN STAKEHOLDER INTERVIEW**

#	NAME	TOWN	Acc Type	CONTACT
1	Maison Bleu Bed & Breakfast	Blenheim	B&B	Darla Delaurier
2	Walnut Grove Inn and Farms	Blenheim	B&B	David Aikens
3	Loghome Bed & Breakfast	Bothwell	B&B	Eunice Ryk
4	Jordan House Bed and Breakfast	Chatham	B&B	John Jordan
5	Oliphant's Bed and Breakfast	Chatham	B&B	Dan Oliphant
6	The Duchess of Wellington B&B	Chatham	B&B	Rick Bodnaruk
7	Theresa's Wood Shed Antiques & B&B	Chatham	B&B	Theresa Myers
8	Dempster House Bed and Breakfast	Ridgetown	B&B	Archie Dempster
9	Crossroads Bed and Breakfast	Thamesville	B&B	Claudia Haslam
10	Harbour Manor B&B	Tilbury	B&B	Doug O'Neil
11	Katharine's Bed and Breakfast	Tilbury	B&B	Kathy Smyth
12	B and B's Bed and Breakfast	Wheatley	B&B	Bea Patterson
1	Bayview Bliss Cabins	Erieau	Cabins	Marg Bliss
1	Comfort Inn	Chatham	Hotel	Sheila Bateman (GM)
2	Retro Suites Hotel	Chatham	Hotel	Nancy Labadie
3	Super 8 Chatham	Chatham	Hotel	Mike Patel
4	Travelodge	Chatham	Hotel	Stacey Jacklin
5	Wheels Inn	Chatham	Hotel	Cliff Quinlan
7	Days Inn	Wallaceburg	Hotel	Anita Walia
8	Oaks Inn	Wallaceburg	Hotel	Karen Verstappen
1	Queen's Motel	Blenheim	Motel	Bob Lad
2	Silver Motel	Blenheim	Motel	Heinz Neukamm
3	Johnston's Marina and Motel	Erieau	Motel	Herman Melvin
4	Molly and OJ's Restaurant & Motel	Erieau	Motel	Tom Vidler
5	Chatham Motel	Chatham	Motel	Tarun Patel
6	Colonial Motel	Chatham	Motel	Rose Mehan
7	Flamingo Motel	Chatham	Motel	Yin Keui-Ma (Clara)
8	Kent Motel	Chatham	Motel	Shawn Agrawal
9	Rainbow Motel	Chatham	Motel	Tariq Mahood

Source: PKF Consulting

The questionnaire for the accommodation operators was divided into 3 sections: general data about the individual property, market demand information, and input into the need for future accommodation development in the Ward of South Kent.

For the purposes of this study, data relating to the hotel-specific questions on the Accommodation Survey have been used in order to complete the analysis for Section 4.0 of this report. Individual performance data is confidential and has only been presented in composite. The responses received relative to

general property characteristics, market conditions, and future accommodation development in South Kent, are summarized below.

- Average length of stay for all sources of demand ranges from 1-2 nights;
- Origin of demand for South Kent is primarily other parts of Southern Ontario, with some U.S. demand coming to Rondeau Park and Erieau in the summer for boating/fishing;
- The majority of demand for accommodation in South Kent is from the leisure segment, with some corporate clientele staying in local motels on contract business (i.e. hydro), and corporate clients primarily being displaced to Chatham;
- Demand has been dropping in both the leisure and corporate markets over the past two years, and most accommodation properties forecast further decreases in 2009;
- There is a general recognition that the current supply of motel accommodation is not attractive to most market segments;
- The B&B accommodation sector is a niche guest market that does not require further expansion;
- Any transient hotel development would be a welcome addition to the competitive market and would be best situated in Blenheim to accommodate the local corporate market;
- New resort accommodation would need to appeal to the adult leisure market, incorporating golf, lake activities, wellness and wine tourism.

3.3 Corporate Demand Stakeholders

As part of this study, PKF Consulting conducted 18 interviews with representatives from a variety of private sector companies that are currently or might potential generate corporate demand for South Kent and the surrounding area. Focus was placed primarily businesses located within South Kent, as well as larger companies with 100 or more employees located in the greater Municipality of Chatham-Kent, which have been listed in Table 3-2. Those highlighted are located within South Kent.

TABLE 3-2
CORPORATE DEMAND GENERATORS - MUNICIPALITY OF CHATHAM-KENT
PARTICIPANTS IN STAKEHOLDER INTERVIEWS

#	COMPANY NAME	TOWN	CONTACT	TOTAL EMPLOYEES	DESCRIPTION
1	Rol-land Farms Ltd.	Blenheim	Alison	245	Food production - vegetables
2	W.G. Thompson & Sons Ltd	Blenheim	Wes Thompson	125	Sales and service to food producers and processors
3	Erie Architectural Products Inc	Blenheim	Tammi Trozi	98	Fabricated aluminum curtainwall storefront products
4	RM Classic Cars Inc	Blenheim	Veronica	90	Classic car sales -auto restoration-classic car auctions
5	Konal Engineering & Equipment	Blenheim	Renee Wilson	45	Design, manufacturer of rim metering systems; production lines for auto industry
6	Carey Leasing	Blenheim	Ted Ellis	40	Trucking and transportation
7	BDM Millwrights	Blenheim	Jennifer	18	Millwright services, agriculture repairs, engineering design
8	Blenheim Publishers Ltd	Blenheim	Peter Laurie	6	Providers of commercial printing; newspaper publisher
9	Union Gas Limited	Chatham	John Ludwig	706	Sale, transport, storage, distribution of natural gas
10	NuComm International (TransCom North America)	Chatham	Michelle Milan	350	Call Centre services and solutions
11	Meritor Suspension Systems Co.	Chatham	Debbie Mifflin	270	Torsion bars and stabilizers (Auto)
12	Minacs Worldwide Inc.	Chatham	Brandon Emms	220	Business process outsourcing
13	CanGro Foods Inc.	Dresden	Don Roberts	168	Food processing facility
14	KSR International Co.	Ridgetown	Pat Cole	250	Auto pedal box manufacturing
15	Martinrea Fabco Mettalic Canada Corp	Ridgetown	Diane	200	Manufacturer of automotive stampings & welding
16	Autoliv Canada	Tilbury	Ellen	259	Manufacturer of airbags
17	Woodbridge Foam Corporation	Tilbury	Zoya Davidson	120	Auto polyurethane foam seat cushions
18	Omstead Foods Limited	Wheatley	Carol Ann Holland	350	Frozen Foods - fish, vegetables, apps, etc.

Source: PKF Consulting, The Industrial & Agricultural Business Directory - Chatham-Kent (October 2007)

The survey was divided into three sections in order to determine the following: demand for accommodation, overnight meeting demand, and specific requirements for potential accommodation development in South Kent. For the purposes of this study, data relating to the total number of room nights generated by inbound corporate business has been used in order to complete the analysis for Section 4.0 of this report. Please note that our results do not include those bookings made by suppliers

or other corporate travelers who make their own travel and/or accommodation arrangements. Also, those companies that indicated a lack of inbound corporate business were not included in our analysis.

The responses received relative to current inbound corporate demand for South Kent and the potential for future accommodation development are summarized below.

- Companies interviewed from the Town of Blenheim identified an average of 52 room nights booked annually for inbound corporate business, with room nights ranging from 0 to 200 per year - many reported hosting less than 5 room nights per month;
- Very little fluctuation in seasonality;
- The majority of inbound corporate business coming to South Kent from other parts of Ontario is currently being booked in Chatham - based on rate and location;
- U.S. and International clients are currently staying in Windsor or Detroit;
- Most companies are hosting internal meetings on-site - if they are being hosted off-site, companies are using hotels in Chatham, golf courses in Blenheim and Ridgeway, and other community facilities; and
- For the most part, stakeholders indicated that Chatham facilities were sufficient for their corporate demand needs; however, if deemed necessary, corporate demand would be best accommodated in South Kent at a small, limited service facility located in Blenheim.

3.4 Government/Public Sector Stakeholders

In order to gain a better understanding of new economic developments in South Kent, the role of tourism in the market and the most appropriate type of potential accommodation development, PKF Consulting conducted interviews with 5 representatives from the Municipality and the Blenheim BIA, as listed in Table 3-3 below.

TABLE 3-3 GOVERNMENT/PUBLIC SECTOR - MUNICIPALITY OF CHATHAM-KENT PARTICIPANTS IN STAKEHOLDER INTERVIEWS			
#	DEPARTMENT	CONTACT	TITLE
1	Economic Development Services	Geoff Wright	Service/Commercial Coordinator
2	Community Services - Culture & Special Events	David Benson	Heritage Coordinator
3	Community Services - Municipal Properties	Scott Mailing	Acting Manager - Recreation Facilities
4	Community Services - Municipal Properties	Shawn Allen	Booking - Recreation Facilities
5	Blenheim BIA	Pete Laurie	Chairman

Source: PKF Consulting

The responses received from public sector stakeholders relative to economic development and tourism demand for South Kent, and the potential for future accommodation development, are summarized below.

- Sport Tourism = 6-7 hockey tournaments, and 2-3 baseball tournaments annually being hosted in Blenheim - these bring in teams from Windsor/Sarnia regions and families either stay in Chatham or go home;
- Heritage Tourism = the Municipality is currently working with the Province to develop attractions for the 1812 celebrations, which would include developments to the Tecumseh Parkway and could combine the Talbot Trail - which would be an ideal location for a resort destination;
- Festivals & Events = Homecoming event (Labour Day) brings in an estimated 10,000 people to the Black History sites in Chatham-Kent, but most of these visitors return home, stay with family/friends, or set up camp sites; Cherry Festival brings 1,000 people from outside the region to Blenheim, but there are currently few overnight stays;
- New accommodation development would be most appropriately targeted to the leisure market;
- Best location for transient hotel would be Blenheim - this community already has a good retail base, but requires better restaurants, and related tourism infrastructure;
- Blenheim is the only community in South Kent with a BIA, however, this BIA is uncertain as to whether sufficient demand exists for accommodation development in the area.

3.5 Leisure Attractions, Tour Operators & Other Tourism Generators

There are a variety of attractions and other tourism demand generators in South Kent, which were previously described in Section 2.0. The Ward also includes several community recreational clubs for both children and adults, i.e. hockey and curling. Table 3-4 provides a list of the stakeholders who agreed to participate in our study. Those highlighted are located within South Kent.

TABLE 3-4 LEISURE ATTRACTIONS/TOURISM GENERATORS - MUNICIPALITY OF CHATHAM-KENT PARTICIPANTS IN STAKEHOLDER INTERVIEWS			
#	NAME	TOWN	CONTACT
1	Blenheim Curling Club	Blenheim	Eloise Willis-Croft
2	Deer Run Golf Course	Blenheim	Pam LeGros
3	Ontario's Fun Connection (Tour Bus Operator)	Blenheim	Doug Jackson
4	RM Classic Car Exhibit	Blenheim	Mike Fairbairn
5	Smith & Wilson Winery	Blenheim	Mary Jane Smith
6	Eau La La Spa	Erieau	Christine Summers
7	Erieau Marina - Dave Barnier	Erieau	Dave Barnier
8	Buxton National Historic Site and Museum	North Buxton	Shannon Prince
9	Ridgetown Golf Course	Ridgetown	Scott Hughston
10	Rondeau Provincial Park	Rondeau	Brian Locke
11	Delhaven Orchards	Tilbury	Marilyn Delonge
12	Wheatley Provincial Park	Wheatley	Ross Hart

Source: PKF Consulting

The survey for the Leisure Attraction Operators/Tourism Generators was divided into two sections, in order to learn more about the individual facilities, and gain input into the potential for increased accommodation in South Kent.

The responses received from leisure attraction operators and other tourism demand generators, including general descriptions of the facilities, market demand in South Kent, and the potential for future accommodation development, are summarized below.

- Many of the attractions have indicated an interest in forming package opportunities for tourists, i.e. Buxton Museum, Deer Run Golf Course and Smith & Wilson Winery;
- Although there are a number of sports and local social events that take place in the Ward of South Kent and the neighboring Wards, most survey participants in this sample found it difficult to quantify the exact number of out-of-town visitors that might require accommodation;
- General consensus was that any new development would need to appeal to the leisure market, as corporate and sport group demand is minimal in South Kent;
- While there is significant sports activity and organized summer events in Blenheim, the general consensus was that for the most part these events (festivals/fairs and sports tourism) are largely locally attended and are most appealing to the resident market;
- General opinion was that a hotel could induce sports tourism demand to the area, but would have to include amenities such as an indoor pool/whirlpool and large common areas for sports teams, and that there is generally a lack of related infrastructure, i.e. restaurants and meeting space for team events;

- General opinion that in these economic times, a transient hotel property should be limited to under 60 rooms, with minimal services; and
- There may be potential for a resort development to benefit SW Ontario with tourist trends showing an increase in domestic tourism, however, most stakeholders find the SW Regional Centre to be too institutional.

3.6 Implications for South Kent

There are a number of implications for the Ward of South Kent based on the preceding data:

- A new transient hotel development would be a welcome addition to the competitive market, but would only be suitable in Blenheim;
- Current accommodation inventory in South Kent is outdated and not suitable for the leisure, corporate and meeting/conference segments;
- There is demand generated from the leisure, sport tourism, and corporate segments that is currently being satisfied in Chatham and/or the Windsor area; and
- Recognition that the current weekday demand for accommodation may not be sufficient during the off season/ shoulder season to support a hotel property.

4.0 ACCOMMODATION INDUSTRY OVERVIEW

4.1 Introduction

In general, there are three common types of accommodation properties available in Canada: Transient Hotels, Resorts and Bed and Breakfast establishments. These are distinct products, each with a wide range of sub segments, each offering the guest a different type of experience.

4.2 Transient Hotel Sector Overview and Development Opportunities

Following is a discussion on development in the accommodation industry as well as the targeted segmentation of hotel demand that successful projects have. A discussion on the Chatham-Kent market is presented with conclusions and implications for the Ward of South Kent.

Over the past few years (pre the global market crash in Fall 2008), there had been strong interest from the investment community in hotel development primarily due to the rate of return (15-20% return on equity) when compared to other types of commercial/retail/office investment. In particular, the majority of investment in Canada has been in the mid-price, select service hotels such as: Hampton Inn, Fairfield Inn, Super 8, Hilton Garden Inn, Marriott Courtyard, Residence Inn by Marriott, etc. Developments of these properties are located in high traffic volume areas (Highway 401 and other arterial roads) and in close proximity to corporate and tourism demand generators. For investors, a successful project must attain at least 70% occupancy by its third year of operation (referred to as the stabilized year) with 40-50% of demand from the Corporate/Commercial market, 40-50% from the Leisure segment and 10-20% from other sources such as Meeting/Conference activity or Government demand. To illustrate, we have looked at the Chatham-Kent accommodation market that has been successful in attracting this nature of hotel development, as well as the local transient accommodation market, which is generally underdeveloped. For benchmarking purposes, we have also examined the overall performance of the accommodation industry at a provincial level, as well as the performance of Chatham-Kent's neighbouring markets of Windsor and London, Ontario.

4.2.1 Provincial Transient Hotel Sector Overview

According to PKF's annual publication *Canada's Lodging Industry 2007*, there are approximately 2,179 accommodation properties in Ontario accounting for 127,151 rooms, generating over \$4.5 billion in revenues. Table 4-1 provides a summary of the historical market performance of Ontario's accommodation sector for the period 2002 to 2007, and forecasted year-end 2008.

During the 2002 to 2003 period, provincial accommodation demand declined by over 4 percentage points, while Average Daily Rate increased by over 2.5%. The drop in occupancy for 2003 can be explained by a

number of factors including: the onset of the Iraq War and the SARS outbreak, which negatively impacted the industry both in terms of demand and revenue. Since then, the Provincial occupancy gradually increased from 2004 to 2007, to reach 63% occupancy. However, based on year-to-date results for 2008, the occupancy is forecast to see a marginal decline to 62% in 2008. Average daily rates experienced strong increases during the 2003, 2004 and 2006, before declining to more modest increases in 2007 and 2008. By year-end 2008, Ontario's accommodation sector is forecast to achieve an average daily rate of \$127.20.

TABLE 4-1 HISTORIC MARKET PERFORMANCE – ONTARIO 2002-2008 F							
Ontario	2002	2003	2004	2005	2006	2007	2008 F
Occupancy	61.7%	57.5%	60.7%	62.2%	62.8%	62.8%	62.0%
ADR	\$111.26	\$114.29	\$120.91	\$121.21	\$124.46	\$126.20	\$127.20

Note: 2008 F – Forecast based on year-to-date October results

Source: PKF Consulting, Trends in the Hotel Industry, National Market Report

4.2.2 Southwest Ontario Transient Hotel Sector Overview

London Accommodation Market

Geographically, London, Ontario is approximately 115km west of Chatham (approximately 1.5hr driving time). The London hotel market can be divided into two sub-areas, – Downtown London and the London South area, which includes properties located along Wellington Road South of the downtown core to Highway 401. The entire London accommodation market is comprised of 20 hotel properties, offering 2,602 rooms, as listed in Table 4-2.

TABLE 4-2 LONDON ACCOMMODATION SUPPLY	
Property	Number of Rooms
Holiday Inn London	120
Airport Inn & Suites	103
Best Western Stoneridge	71
Comfort Inn London South	80
Days Inn London	143
Delta London Armouries	245
Four Points London	181
Hilton London	323
Howard Johnson London South	85
Best Western Lamplighter	172
Holiday Inn Express Downtown	109
Quality Suites London	119
Radisson Hotel & Suites	144
Ramada Inn London	124
Residence Inn by Marriott	116
Station Park Suites	126
Travelodge London South	125
Motel 6 London	99
Country Inn and Suites	50
Country Hearth Inn	67
TOTAL	2,602

Source: PKF Consulting

With the exception of the Airport Inn & Suites and Station Park Suites, all hotels included in London's accommodation supply are branded and chain affiliated.

Table 4-3 summarizes historic supply/demand, and occupancy levels for the overall London accommodation market from 2003 to 2008.

TABLE 4-3 HISTORIC OPERATING PERFORMANCE LONDON ACCOMMODATION MARKET – 2003 TO 2008 F						
	2003	2004	2005	2006	2007	2008 F
Rooms	2,280	2,369	2,400	2,563	2,534	2,602
Available Room Nights	832,200	864,685	876,000	935,495	924,825	949,645
% Change	---	3.9%	1.3%	6.8%	-1.1%	2.7%
Occupied Room Nights	518,461	557,722	565,020	598,816	581,753	541,030
% Change	---	7.6%	1.3%	5.8%	-2.7%	-7.0%
Occupancy	62.3%	64.5%	64.5%	63.9%	62.9%	57.0%
ADR	\$94.57	\$97.56	\$99.73	\$101.17	\$101.14	\$101.44
% Change	---	3.2%	2.2%	1.4%	0.0%	0.3%

NOTE: 2008 F – Forecast based on year-to-date October results

Source: PKF Consulting

As shown, demand levels within the competitive market increased between 2003 and 2006. The demand increase in 2004 (7.6%) was predominantly due to a large amount of commercial development within the city generating strong crew demand as well as London hosting large sporting events such as the World Inline Hockey Championships, 2004 Ontario Summer Games, and Can Am Police Games. Demand growth was more stable in 2005, with occupied room nights increasing by 1.3%. Demand growth of 5.8% in 2006 was a factor of both supply induced demand and continued growth in the corporate and leisure markets. However, demand declined by 2.7% in 2007, with 2008 demand estimated to be down by a further 7.0%. The decline in demand since 2007 reflects a variety of factors including the decrease in U.S. visitations currently being felt as a result of the Western Hemisphere Travel Initiative (W.H.T.I.) and the strong Canadian dollar during the first half of 2008, and a decline in the manufacturing sector, particularly amongst the auto industry.

Over the historic period, market occupancy has been relatively stable in the low to mid 60% range, however in 2008, the London market is estimated to be 5.9 points below 2007 levels, to reach a low of 57% occupancy.

As the table shows, average daily rates for the competitive market have increased each year over the 2003 to 2006 period, with no rate growth exhibited in the market since 2007.

Demand within the London accommodation market consists of four broad demand segments. These include the corporate/commercial segment, the meeting/conference segment, the tourist/leisure segment, and government/other discounted segment. On the basis of the research, estimated market segmentation for the competitive market in 2007 is presented in Table 4-4.

TABLE 4-4		
LONDON MARKET SEGMENTATION - COMPETITIVE MARKET 2007		
Segment	Occupied Room Nights	Percentage of Demand
Corporate/Commercial	292,040	50.2%
Meeting/Conference	62,248	10.7%
Tourist/Leisure	166,381	28.6%
Government/Other Discount	61,084	10.5%
TOTAL	581,753	100.0%

Source: PKF Consulting Research

Windsor Accommodation Market

The Windsor accommodation market is similar in size to the London market, with 20 hotel properties totaling 2,987 guest rooms. These properties are found in three distinct areas: Windsor Downtown with 7 properties offering 1,748 rooms; Windsor South – West (located primarily on Huron Church, Dougall Avenue and Howard Avenue) and Windsor Airport with 9 properties totaling 915 rooms; and a further 4

properties with 324 rooms elsewhere throughout the city. The performance of these three areas in terms of occupancy and average rate varies significantly. Typically the downtown market has a significantly higher average daily rate than the other markets and the Southwest market is the leader in terms of occupancy percentage. The Windsor hotels are listed below in Table 4-5.

TABLE 4-5 WINDSOR ACCOMMODATION SUPPLY	
Property	Number of Rooms
Downtown Hotels	
Quality Suites	128
Radisson Riverfront	207
Travelodge Downtown	160
Ramada Plaza	145
Comfort Suites	45
Hilton	305
Caesar's Windsor Hotel	758
Subtotal	1,748
Suburban Properties	
Comfort Inn Dougall	80
Comfort Inn Huron Church	100
Econolodge	33
Holiday Inn Select	214
Travelodge Ambassador Bridge	136
Days Inn	117
Ramada Airport	40
Howard Johnson Airport	48
Hampton Inn & Suites	147
Subtotal	915
Other	
Super 8	57
Best Western	71
Royal Marquis	99
Marquis Plaza	97
Subtotal	324
TOTAL	2,987

Source: PKF Consulting

The historic market performance for the overall Windsor accommodation market is summarized in Table 4-6 for the years 2003 to 2008.

**TABLE 4-6
HISTORIC OPERATING PERFORMANCE
WINDSOR ACCOMMODATION MARKET – 2003 TO 2008 F**

	2003	2004	2005	2006	2007	2008 F
Rooms	2,573	2,573	2,573	2,573	2,579	2,798
Available Room Nights	939,145	939,145	939,145	939,145	941,335	1,021,270
% Change	---	0.0%	0.0%	0.0%	0.2%	8.5%
Occupied Room Nights	586,966	559,730	545,643	526,499	507,685	490,213
% Change	---	-4.6%	-2.5%	-3.7%	-3.4%	-3.4%
Occupancy	62.5%	59.6%	58.1%	56.0%	53.9%	48.0%
ADR	\$111.60	\$111.60	\$112.55	\$108.44	\$105.88	\$106.40
% Change	---	0.0%	0.9%	-3.7%	-2.4%	0.5%

NOTE: F – Forecast based on ytd October results

Source: PKF Consulting

In 2003, the Windsor market performed in the low 60's in terms of occupancies, but over the last 5 years has steadily dropped by 8.6 percentage points to 53.9% in 2007. The forecasted 2008 results indicate that demand is expected to continue to decline by another 3.4%. The market has been impacted by the development of casinos and casino hotels in Detroit to the detriment of the Windsor Casino. In addition, the auto sector has experienced a decline in accommodation demand and this will be worse in the near future as more plants are closed. The new Caesar's Windsor Hotel opened on June 18, 2008, with a new 408-room hotel at the Casino, bringing the total Casino hotel room supply to 758 rooms. The aforementioned negative factors, combined with decreasing U.S. visitations, have had significant negative impacts on the Windsor market.

In terms of Average Daily Rates (ADR), the Windsor market has seen a steady decline in its rate performance over the past 5 years, from \$111.60 in 2003 to \$105.88 in 2007. The forecasted 2008 results indicate a marginal 0.5% increase in rates compared to 2007.

In 2007, approximately 45% of overnight demand in the Windsor market was comprised of corporate/commercial travellers; with the leisure segment comprising a further 32%; meeting/conference delegates contributing 17%, with the balance being government and other discounted demand.

**TABLE 4-7
WINDSOR MARKET SEGMENTATION - COMPETITIVE MARKET 2007**

Segment	Occupied Room Nights	Percentage of Demand
Corporate/Commercial	230,540	45.4%
Meeting/Conference	87,779	17.3%
Tourist/Leisure	159,921	31.5%
Government/Other Discount	29,446	5.8%
TOTAL	507,685	100.0%

Source: PKF Consulting Research

The segmentation of both the London and Windsor markets is consistent with what developer's term as ideal markets, with Corporate Demand accounting for 45 to 50%; of the market; Leisure at 28% to 32%; Meeting/Conference at 10% to 20%; and Government/Other Discount at 5% to 10%. However, at market occupancies in the mid 50's to 60% range, it would be difficult to support any additional hotel development in either Windsor or London in the near term, as current supply levels exceed current demand.

Sarnia Accommodation Market

The Sarnia accommodation market has less of an impact on the Municipality of Chatham-Kent than the Windsor market, yet it has been included in this analysis due to the similarity in size to the Chatham-Kent market, with 16 properties totaling 970 guest rooms. These properties are listed below in Table 4-8.

TABLE 4-8 SARNIA ACCOMMODATION SUPPLY	
Property Name	Number of Rooms
Holiday Inn - Sarnia	217
Harbourfront Inn Ltd.	102
Comfort Inn - Sarnia	100
Drawbridge Inn & Suites	98
Best Western Guildwood Inn	95
The Lambton Inn (Residence open May-Aug)*	50
Village Inn	48
Airport Motor Inn	47
Super 8 Motel - Sarnia	40
The Gables Inn	28
Bluewater Motel	26
Willie's Inn Motel	26
Fauld's Motel	24
The Palace Inn	24
Eastcourt Motel	23
Chipican Motel	22
TOTAL	970

**NOTE: The Lambton Inn has 150 rooms available 4 months/year for summer accommodation; PKF has annualized room supply to reflect 50 rooms available on an annual basis*

Source: PKF Consulting

The historic market performance for the overall Sarnia accommodation market is summarized in Table 4-9 for the years 2003 to 2008.

TABLE 4-8 HISTORIC OPERATING PERFORMANCE SARNIA ACCOMMODATION MARKET - 2003 TO 2008 F						
	2003	2004	2005	2006	2007	2008 F
Rooms	900	900	904	949	970	970
Available Room Nights	328,651	328,500	329,960	346,385	354,050	354,050
% Change	---	0.0%	0.4%	5.0%	2.2%	0.0%
Occupied Room Nights	161,839	157,293	155,893	159,921	164,694	166,321
% Change	---	-2.8%	-0.9%	2.6%	3.0%	1.0%
Occupancy	49.2%	47.9%	47.2%	46.2%	46.5%	47.0%
ADR	\$84.18	\$87.26	\$89.79	\$92.05	\$95.67	\$96.92
% Change	---	3.7%	2.9%	2.5%	3.9%	1.3%

NOTE: F – Forecast based on ytd October results

Source: PKF Consulting

Over the last 5 years, the Sarnia accommodation market has performed below 50% occupancy. The forecasted 2008 results indicate that demand increased slightly over 2007 to 47.0%. According to Sarnia's Mayor Mike Bradley, Sarnia has a good year in 2008 with the 75,000 square foot expansion at the University of Western Ontario's Research Park, and plans for increased transportation improvements. Nevertheless, the market will continue to reflect impacts from both resort and casino development in Detroit, continued decreases in U.S. visitation, and the decline of the Windsor auto sector.

In terms of Average Daily Rates (ADR), the Sarnia market has seen a steady increase in its rate performance over the past 5 years, from \$84.18 in 2003 to \$95.67 in 2007. The forecasted 2008 results indicate a 1.3% increase in rates compared to 2007.

In 2007, approximately 49% of overnight demand in the Sarnia market was comprised of corporate/commercial travellers; with the leisure segment comprising a further 38%; meeting/conference delegates contributing 4%, with the balance being government and other discounted demand.

TABLE 4-10 SARNIA MARKET SEGMENTATION - COMPETITIVE MARKET 2007		
Segment	Occupied Room Nights	Percentage of Demand
Corporate/Commercial	79,994	48.6%
Meeting/Conference	6,916	4.2%
Tourist/Leisure	62,554	38.0%
Government/Other Discount	15,231	9.2%
TOTAL	507,685	100.0%

Source: PKF Consulting Research

At market occupancies below the 50% range, it would be difficult to support any additional hotel development in Sarnia in the near term, as with the Windsor and London markets, current supply levels exceed current demand.

5.0 CHATHAM-KENT ACCOMMODATION MARKET

5.1 Introduction

The following section provides an analysis of the historic and projected transient hotel market in Chatham-Kent, with consideration given to opportunities for hotel accommodation within South Kent.

5.2 Current Supply

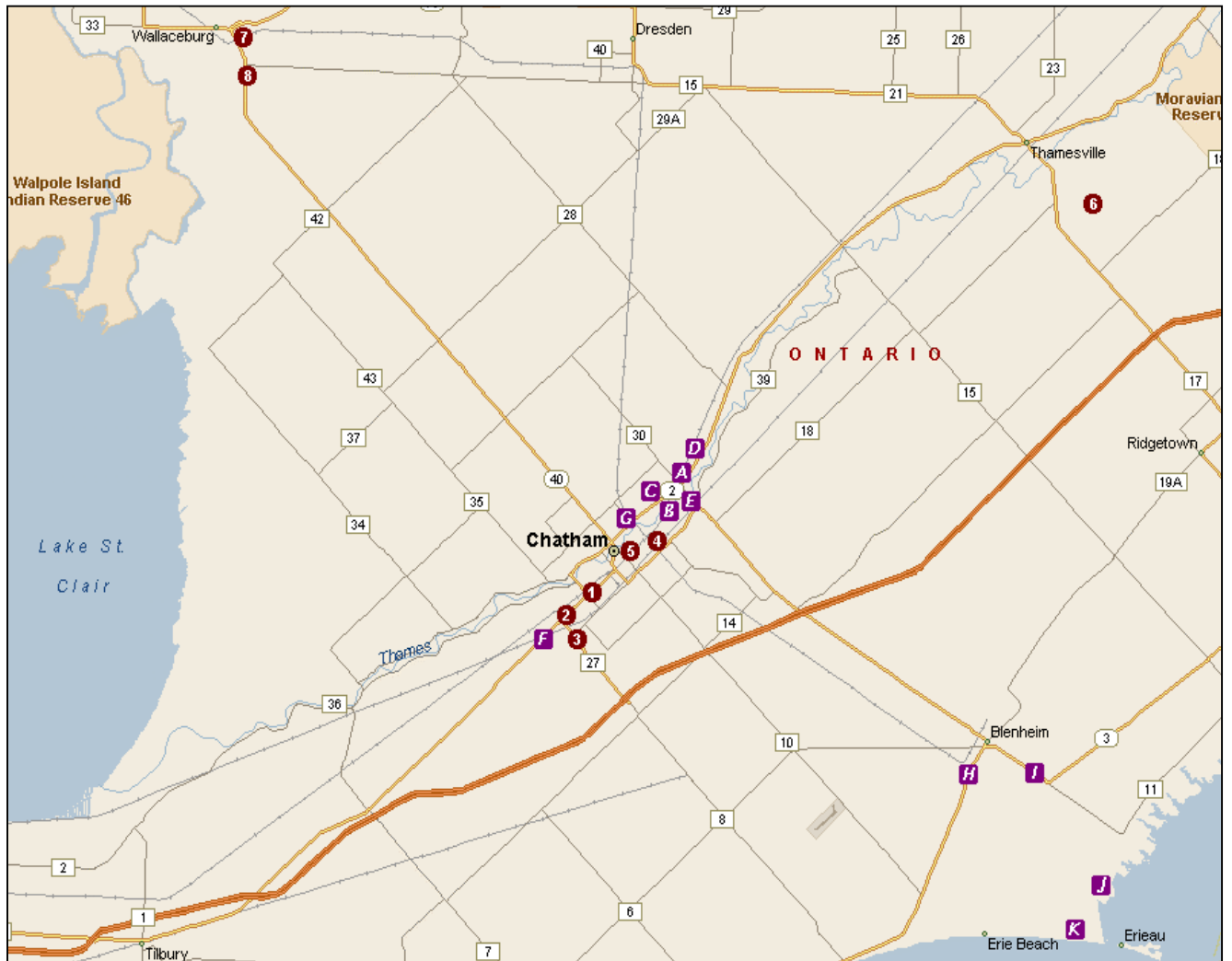
The development of a traditional accommodation property within South Kent would compete to some degree with existing properties within the overall Chatham-Kent accommodation market. The entire Chatham-Kent market consists of approximately 19 hotels and motels offering a total of 938 rooms. For comparison purposes, the Chatham-Kent accommodation market is approximately one-third of the size of either the Windsor or London accommodation markets. Table 5-1 lists the transient motels and hotels by market area, while Exhibit 5-1 illustrates the location of each property.

TABLE 5-1 CHATHAM-KENT ACCOMMODATION MARKET	
Property	Total Rooms
Chatham	
Wheels Inn	350
Comfort Inn Chatham	80
Travelodge Chatham	103
Super 8 Chatham (former Luxury Inn)	40
Retro Suites Hotel Chatham	25
Chatham Motel	23
Colonial Motel	16
Flamingo Motel	12
Rainbow Motel	12
Saxony Motel	31
Traveller's Inn	12
Kent Motel	23
Subtotal	727
Effective Supply¹	655
Ridgetown and Wallaceburg	
Howard Johnson Ridgetown (former Econolodge)	40
Days Inn Wallaceburg (former Super 8)	47
Oaks Inn Wallaceburg	77
Subtotal	164
Ward of South Kent	
Queen's Motel, Blenheim	15
Silver Motel, Blenheim	12
Johnston's Motel & Marina, Eriau	10
Molly & OJ's Motel, Eriau	10
Subtotal	47
TOTAL ROOMS	938
Effective Available Room Supply	866

Source: PKF Consulting, Municipality of Chatham-Kent

¹ Effective Room Supply includes rooms available for transient demand only, and excludes room inventory utilized for local long-term demand

**EXHIBIT 5-1
CHATHAM-KENT ACCOMMODATION MARKET
HOTELS AND MOTELS**



Hotels

1. Wheels Inn
2. Comfort Inn Chatham
4. Super 8 Chatham
5. Retro Suites Hotel
6. Howard Johnson
Ridgeway
7. Days Inn Wallaceburg
8. Oaks Inn Wallaceburg

Motels

- A. Chatham Motel
- B. Colonial Motel
- C. Flamingo Motel
- D. Rainbow Motel
- E. Saxony Motel
- F. Traveller's Inn
- G. Kent Motel
- H. Queen's Motel
- I. Silver Motel
- J. Johnston's Motel
- K. Molly & OJ's Motel

With a total of 12 properties and 727 guest rooms, the **Chatham accommodation market contains close to 80% of the room inventory in Chatham-Kent**. Three of Chatham's accommodation properties are branded and chain affiliated, with the balance being independent. Five of Chatham's properties are classified as hotels offering 598 rooms, while 7 are smaller independent motels offering 129 rooms. Based on interviews with motel operators in the Chatham market, it is our understanding that slightly over one-half of the motel room inventory is utilized to cater to local demand on a monthly basis (social assistance, long term stays, etc). Therefore for the purposes of this analysis, we have only included approximately 45% of the motel room inventory (57 rooms) that is utilized for transient accommodation, for an effective supply of 655 rooms in the Chatham market.

The communities of Ridgetown and Wallaceburg offer 3 hotels with 164 rooms or 17.5% of the room inventory in Chatham-Kent. Two of the properties are branded and chain-affiliated, while the Oaks Inn is an independent resort hotel.

The **Ward of South Kent** contains 4 small motels, of which 2 are in Blenheim offering 27 rooms and 2 are in Erieau, each of which has 10 rooms. At a total room inventory of 47 rooms, South Kent has 5% of the municipality's available transient hotel room inventory.

The Queen's Motel is located on Highway 3 West in Blenheim. The single-story property includes 17 rooms, with no plans for renovation or expansion. The property enjoys excellent visibility for east and westbound vehicular traffic along Highway 3. Upon discussions with management and other stakeholders from the area, it is evident that this property is not currently meeting the needs of the accommodation market in Blenheim, and is most often used by crew on a contract basis.

The Silver Motel is located on Chatham St. in downtown Blenheim. The property is 45 years old, and currently has an inventory of 13 rooms. According to management, the property benefits in summer from its proximity to Rondeau Park, but receives very little commercial demand. There are no plans for expansion at this time, and rooms are in decent condition.

Johnston's Motel and Marina is located in Erieau on Ross Lane, on the Bay side of the community. The property includes 7 rooms within the motel, which are available year-round, and 3 cottages that are only available in summer. There are no other facilities available on the premises. Johnston's Motel benefits from good visibility for travellers to Erieau, but is usually filled by commercial fishermen coming from Michigan. Management does little in the way of advertisement, and is currently looking to sell the property.

Molly & OJ's Restaurant and Motel, located on Mariners Road in Eriean, is primarily known for its 200-seat restaurant; however, it also includes 11 guest rooms as of 2009. The property enjoys excellent visibility from traffic entering and exiting the community. The location within Eriean is on the shores of Lake Erie, and each room is outfitted with a propane BBQ and tv. Management is currently looking to promote the motel accommodations and has put significant capital expenditure into the room product over the past two years.

Although it has not been officially licensed with the Municipality of Chatham-Kent, the **Eriean Breeze Inn** has 5 suites located next to Molly & OJ's Restaurant and Motel in Eriean.

5.3 Proposed Supply Additions

According to the Municipality of Chatham-Kent Economic Development Department, there is one transient hotel accommodation on the horizon for Chatham-Kent. As of December 2008, Council has given approval to a developer to build a 60-unit Best Western hotel on St. Clair St., in the northern part of Chatham. Most recently, the 1.77-acre lot served as a gas station, and the tanks are still in the ground. Consequently, there is speculation that the site will require environmental assessment, which could take at least two or three months, and depending upon what, if any, contamination is found at the site, clean-up could take up to a year.

No hotel or motel accommodations have been proposed for any communities within South Kent.

5.4 Historic Market Demand

PKF Consulting interviewed the majority of the accommodation operators in Chatham-Kent, in order to understand local trends and opinion of the state of the accommodation industry. Almost all of those surveyed indicated that there has been a noticeable decline in overnight accommodation from the leisure and corporate/commercial segments in the last two years. Current estimated market performance of the transient properties in Chatham-Kent is summarized in Exhibit 5-2 and the following Table 5-2.

EXHIBIT 5-2
MUNICIPALITY OF CHATHAM-KENT - HOTELS and MOTELS
HISTORIC MARKET PERFORMANCE

Total Competitive Market						
	2003	2004	2005	2006	2007	2008 F
Rooms	840	851	857	866	866	866
Annual Occupancy	45.0%	46.7%	45.4%	45.2%	40.9%	40.5%
Average Daily Rate	\$79.33	\$80.04	\$80.37	\$82.49	\$84.98	\$83.28
RevPar	\$35.70	\$37.37	\$36.53	\$37.29	\$34.80	\$33.76
Available Room Nights	306,600	310,615	312,805	316,090	316,090	316,090
Occupied Room Nights	137,966	145,020	142,163	142,870	129,436	128,141
Rooms Revenue	\$10,944,862	\$11,607,360	\$11,426,308	\$11,785,523	\$10,999,620	\$10,671,832
Market Growth						
	2003	2004	2005	2006	2007	2008 F
Available Rooms	na	1.3%	0.7%	1.1%	0.0%	0.0%
Occupied Room Nights	na	5.1%	-2.0%	0.5%	-9.4%	-1.0%
Average Daily Rate	na	0.9%	0.4%	2.6%	3.0%	-2.0%
			Market Segmentation			
			2007	%		
			Corporate	57,332	44.3%	
			Mtg/Conv	12,578	9.7%	
			Independent Leisure	34,565	26.7%	
			Leisure Groups	21,638	16.7%	
			Gov't/Other	3,324	2.6%	
			Total Market	129,436	100.0%	
					Seasonality	
					2007	%
			Spring (A,M)		19,932	15.4%
			Summer (J,J,A)		39,287	30.4%
			Fall (S,O)		22,293	17.2%
			Winter (N,D,J,F,M)		47,923	37.0%
			Total Market		129,436	100.0%

Source: PKF Consulting

TABLE 5-2
HISTORIC OPERATING PERFORMANCE
CHATHAM-KENT TRANSIENT ACCOMMODATION MARKET – 2003 TO 2008 F

	2003	2004	2005	2006	2007	2008 F
Rooms	840	851	857	866	866	866
Available Room Nights	306,600	310,615	312,805	316,090	316,090	316,090
% Change	---	1.3%	0.7%	1.1%	0.0%	0.0%
Occupied Room Nights	137,966	145,020	142,163	142,870	129,436	128,141
% Change	---	5.1%	-2.0%	0.5%	-9.4%	-1.0%
Occupancy	45.0%	46.7%	45.4%	45.2%	40.9%	40.5%
ADR	\$79.33	\$80.04	\$80.37	\$82.49	\$84.98	\$83.28
% Change	---	0.9%	0.4%	2.6%	3.0%	--2.0%

NOTE: F – 2008 Forecast based on YTD October results

Source: PKF Consulting

The supply of rooms in **Chatham-Kent** has been fairly consistent over the last 5 years, with the only addition being the 16-room Retro Suites Hotel in Chatham, which entered the market in Fall of 2003, and expanded to 25 rooms in 2006. Between 2003 and 2006, the Chatham-Kent market performed at approximately 45% occupancy, with demand levels declining by over 9% in 2007 to reach a low of 40.9%. Based on the year-to-date performance, demand levels are estimated to decline by a further 1.0%, with resulting in an occupancy performance at 40.5% in 2008. Over the past five years, average daily rates have improved by 7% to \$84.98 in 2007, however the year-to-date results indicate an erosion of 2.0% in rates, resulting in an estimated \$83.28 ADR in 2008.

The five branded hotels in Chatham-Kent, which comprise close to 70% of the overall inventory (598 rooms), achieved a market occupancy of close to 42% in 2007, at an average daily rate of \$82.00. In 2008, branded hotels in Chatham-Kent are expected to close the year at 41% occupancy and an ADR of \$80.00.

Table 5-3 and Exhibit 5-3 provide a 5-year summary of the estimated performance of the **South Kent transient accommodation market**. The 47 transient motel rooms and 2 bed and breakfast rooms in the South Kent market have performed at occupancy levels in the low 30's from 2003 to 2007, which is 8 to 13 percentage points below the overall Chatham-Kent accommodation market. The South Kent motels achieved an average daily rate of \$60.25 in 2007, which is approximately \$15 below the overall Chatham-Kent accommodation market. With the addition of 2 B&B rooms in 2008, the South Kent accommodation properties are estimated to achieve a modest increase of 0.4% in demand, with rates increasing by 1.5% to \$61.15.

EXHIBIT 5-3
SOUTH KENT WARD, Municipality of Chatham-Kent
HISTORIC MARKET PERFORMANCE

Total Competitive Market		2003	2004	2005	2006	2007	2008 Est
	Rooms	49	49	49	49	49	51
	Annual Occupancy	31.0%	31.6%	31.6%	31.6%	31.6%	30.5%
	Average Daily Rate	\$57.25	\$57.55	\$57.81	\$59.42	\$60.25	\$61.15
	RevPar	\$17.72	\$18.17	\$18.25	\$18.75	\$19.02	\$18.62
	Available Room Nights	17,885	17,885	17,885	17,885	17,885	18,615
	Occupied Room Nights	5,536	5,645	5,645	5,645	5,645	5,670
	Rooms Revenue	\$316,903	\$324,897	\$326,357	\$335,420	\$340,092	\$346,694
Market Growth		2003	2004	2005	2006	2007	2008 Est
	Available Rooms	na	0.0%	0.0%	0.0%	0.0%	4.1%
	Occupied Room Nights	na	2.0%	0.0%	0.0%	0.0%	0.4%
	Average Daily Rate	na	0.5%	0.4%	2.8%	1.4%	1.5%
	Market Segmentation						
		2007	%		Seasonality		
					2007	%	
	Corporate	942	16.7%		Spring (A,M)	808	14.3%
	Mtg/Conv	0	0.0%		Summer (J,J,A)	2,534	44.9%
	Independent Leisure	3,305	58.6%		Fall (S,O)	1,055	18.7%
	Leisure Groups	1,398	24.8%		Winter (N,D,J,F,M)	1,249	22.1%
	Gov't/Other	0	0.0%		Total Market	5,645	100.0%
	Total Market	5,645	100.0%				

Source: PKF Consulting

**TABLE 5-3
HISTORIC OPERATING PERFORMANCE
SOUTH KENT TRANSIENT ACCOMMODATION MARKET – 2003 TO 2008 F**

	2003	2004	2005	2006	2007	2008 F
Rooms	49	49	49	49	49	51
Available Room Nights	17,885	17,885	17,885	17,885	17,885	18,615
% Supply Change	---	0.0%	0.0%	0.0%	0.0%	4.1%
Occupied Room Nights	5,536	5,645	5,645	5,645	5,645	5,670
% Demand Change	---	2.0%	0.0%	0.0%	0.0%	0.4%
Occupancy	31.0%	31.6%	31.6%	31.6%	31.6%	30.5%
ADR	\$57.25	\$57.55	\$57.81	\$59.42	\$60.25	\$61.15
% ADR Change	---	0.5%	0.4%	2.8%	1.4%	1.5%

Source: PKF Consulting

5.5 Market Segmentation

Of the 129,436 rooms sold in Chatham-Kent 2007, approximately 44% was generated by the Corporate/Commercial segment (57,332 occupied rooms); 43% by the Leisure segment (34,565 occupied rooms for Independent Leisure and 21,638 occupied rooms for Group Leisure), with a further 10% by Meeting and Convention delegates (12,578 room nights) and the balance being Government and Other Discounted segments (Exhibit 5-2). In comparison, the South Kent accommodation market is heavily dependent on the leisure segment, with over 83% of demand derived by independent and group leisure travelers, with less than 17% of demand generated by the corporate/commercial segment (Exhibit 5-3). Table 5-4 below, provides a comparison of the market segmentation in each market.

**TABLE 5-4
CHATHAM-KENT and SOUTH KENT MARKET SEGMENTATION - COMPETITIVE MARKET 2007**

Segment	Chatham-Kent		South Kent	
	Occupied Room Nights	Percentage of Demand	Occupied Room Nights	Percentage of Demand
Corporate/Commercial	57,332	44.3%	942	16.7%
Meeting/Conference	12,578	9.7%	0	0.0%
Independent Leisure	34,565	26.7%	3,305	58.6%
Leisure Groups	21,638	16.7%	1,398	25.1%
Government/Other Discount	3,324	2.6%	0	0.0%
TOTAL	129,436	100.0%	5,645	100.0%

Source: PKF Consulting

The Corporate/Commercial Government segment market consists of demand, which is generated by and specifically related to, business and corporate activity. Within this market, both individual corporate (or preferred) corporate accounts are included. It does not however include group-based activity that is generated for the purposes of conducting meetings and/or conferences.

Leisure travelers are those traveling for the purpose of participating in festivals/events; are outdoor enthusiasts, visiting attractions and including those who are just traveling for leisure purposes. Also included in this segment are groups traveling for sports related activities (teams traveling to participate in tournaments and events) and other organized groups such as school groups, service/social clubs and special interest organizations.

The meeting and conference segment includes all guests who visit for the purpose of using meeting or function space. These travelers include those traveling for corporate or commercial meetings; social functions; or associations, club or other group gatherings.

5.6 Seasonality of Demand

As shown in Table 5-5, it is estimated that nearly 37% of all demand in the Chatham-Kent accommodation market is generated during the 5-month Winter season, followed by the 3 month Summer period at 30%; Fall at 17% and Spring at 15%. In comparison, the 3-month Summer period generates close to 45% of the total demand in the South Kent accommodation market, followed by the Winter period at 22%, Fall at 19% and Spring at 14%.

TABLE 5-5 CHATHAM-KENT and SOUTH KENT SEASONALITY - COMPETITIVE MARKET 2007				
	Chatham-Kent		South Kent	
Segment	Occupied Room Nights	Percentage of Demand	Occupied Room Nights	Percentage of Demand
Spring (A,M)	19,932	15.4%	808	14.3%
Summer (J,J,A)	39,287	30.4%	2,534	44.9%
Fall (S,O)	22,293	17.2%	1,055	18.7%
Winter (N,D,J,F,M)	47,923	37.0%	1,249	22.1%
TOTAL	129,436	100.0%	5,645	100.0%

Source: PKF Consulting Research

At a base level, a new accommodation property in the Ward of South Kent would experience similar seasonal fluctuations. The addition of integrated conference, overnight accommodation and limited food and beverage facilities would improve the potential to attract business in all seasons, particularly during the week. It does have the potential – to attract business from existing operators including the B&B segment. This is not a significant issue during weekends in the summer when there is demonstrated unsatisfied demand, but may be detrimental during the mid-week and shoulder and off-peak seasons. (Note that the term "shoulder season" refers to the time interval that falls between the peak and off-peak seasons of a business' seasonal sales cycle. In the Ontario market, the shoulder seasons are the spring and fall, and generally the off-peak season is winter.)

5.7 Implications for the Ward of South Kent

Based on our analysis, there are two implications for accommodation development in the Ward of South Kent:

- There is a stronger hotel industry in Windsor, London and Chatham, which has diverse segmentation base that includes: Corporate/Leisure/Meeting, and Government and Other demand. These properties are located in close proximity to corporate demand generators and major thoroughfares.
- The Ward of South Kent has a limited supply of rooms; low levels of occupancy; limited demand from the corporate/commercial and meeting/conference segments; with seasonality swings in leisure demand which all translate into a challenge for attracting hotel development.

5.8 Locational /Product Positioning Considerations

In an effort to best define the product required to maximize the potential for new accommodation development in South Kent, we have identified a number of factors, which will influence the nature of the facilities and services required for a transient hotel property. The primary objective of this product positioning is to ensure that the any new built lodging operation is broadly positioned to serve all sources of demand generated throughout the overall region, not just demand generators within its local community, and not just the existing sources of demand coming to the area. From a product positioning perspective the following factors have been considered:

- The seasonality of travel is summer focused, presenting off season and shoulder season challenges. However, the nature of winter and shoulder activities could be further expanded and will have the potential to expand further with the addition of a new accommodation property;
- The seasonality of sports, recreation and social demand is year round, but is weekend focused, also presenting challenges;
- There is currently minimal corporate/commercial generated demand for existing accommodation, with some of the demand staying in the Chatham market, and there is currently no meeting/conference activity. Therefore, any increase in mid-week Corporate/Commercial and Meeting/Conference demand will be key to the project's success.

Therefore, the project will have to put reliance on off-site facilities and amenities in the area in order to generate critical mass required for year round demand; regional linkages will have to be pursued, examining ways to enhance the visitors experience and the overall attractiveness of the hotel. Determination of the property's site location within South Kent will also be key to achieving its full market potential. The final location must not only maximize the opportunity for regionally generated leisure

demand, but also existing and new corporate/commercial generated demand as well as existing and new meeting/conference demand.

We believe that a new accommodation property would be best positioned as a small-scale focused service hotel focusing on the leisure market, the sports group market and the corporate market.

As the strongest commercial and tourism demand generators in the Ward are situated in the Village of Blenheim, any hotel development contemplated for the area, should be located in this community.

The location a hotel would be best suited to a location that is on a major thoroughfare; and would enjoy excellent visibility from vehicular traffic traveling in both directions. Any hotel development would require a minimum lot size of 2.5 to 3 acres. The footprint of the building would be slightly more than half of the lot but it should be noted that a significant amount of space for parking must be allocated (minimum 50 parking spots). The site should be developed with ease of access and egress at top of mind. Two ideal locations for a small-scale focused service hotel would be:

1) Highway 3 and Highway 11

Highway 3, the Talbot Trail, which also serves as a secondary route from Windsor to Niagara Falls, south of Highways 401 and 403, and a major thoroughfare for vehicles traveling east and west within the southern 3 wards of Chatham-Kent. Highway 11 serves as a major north south route to from Blenheim to Highway 401, where it merges with Highway 40 into Chatham and north to Wallaceburg.

2) Highway 11/40 and Highway 401

This area is a major thoroughfare for vehicles traveling north south from Chatham and Blenheim, and travelling east west on Highway 401. The best location would be on the southwest corner, adjacent to the RM Classic Car establishment. A small-scale hotel development would have good visibility from traffic travelling eastbound along Highway 401 towards London, and the leisure market would benefit from its proximity to the classic car exhibit on the adjacent corner.

5.9 Preliminary Transient Hotel Development Program

Exhibit 5-4 provides a preliminary development program for the hotel, which is summarized in Table 5-6 below.

EXHIBIT 5-4
PROPOSED FOCUSED SERVICE HOTEL - 50 UNITS
RECOMMENDED FACILITY PROGRAM - PKF ESTIMATES

Guestrooms	Rooms	Sq.Ft./Room	Sq.Ft.
Standard Rooms	35	275	9,625
Double/Double	15	310	4,650
Total Guestrooms	50	286	14,275
Food and Beverage	Unit	Seats	Sq.Ft.
Breakfast Room	1	40	800
Conference/Banquet Space	1	100	1,000
Total	2	140	1,800
Recreation/Commercial		Sq.Ft./Room	Sq.Ft.
Indoor Pool/Fitness Area	1	0	1,400
Total	1	28	1,400
Sub-Total Hotel Construction	Rooms	Sq.Ft./Room	Sq.Ft.
Guestrooms	50	286	14,275
Food and Beverage	--	140	1,800
Recreation/Commercial	--	28	1,400
Public Areas/Back of House	--	172	8,600
Total	50	522	26,075

Source: PKF Consulting

TABLE 5-6 PRELIMINARY DEVELOPMENT PROGRAM – SOUTH KENT 50 ROOM HOTEL		
Facilities	Units	Square Feet
Guest Rooms	50 rooms	14,275
Breakfast Room	40 seats	800
Conference/Banquet Space	100 seats	1,000
Recreational Facilities		1,400
Other Hotel/Building Operations		8,600
TOTAL		26,075

Source: PKF Consulting

As a 50-unit development, the project would be the largest accommodation facility in South Kent, but would be smaller than typical projects in Chatham and other Southwestern Ontario communities. The main challenge will be to balance the number of rooms required to attract demand with the actual number of rooms that can be supported on a year round basis. A development of less than 50 units will have difficulty in effectively attracting all sources of demand, while a development of larger than 50 units would be impacted by even lower off-season occupancies.

The overall focus of the development should be a mid-level product positioned to satisfy the mid level corporate market, the family leisure market (as opposed to the upscale adult only market), the sports tourism market and the needs of the meeting/conference market.

The standard guestrooms are proposed at minimum of 275 square feet and would meet the requirements of hotel chains such as Hampton Inn & Suites, Fairfield Inns and Super 8, although at 50 units it might be more appealing to brands such as Motel 6 or Microtel or even as an independent operation. In addition, 2 or 3 suites rooms could be also be added into the mix (450 square feet) with fireplaces, Jacuzzi tubs and with a higher quality of guest furnishings.

The food and beverage facilities would include a breakfast room that would offer a buffet breakfast with two or three hot items. Contingent on locational and market factors, a stand-alone independent or branded restaurant might be considered as part of the overall development.

Approximately 1,000 square feet of meeting space is proposed, with the largest room being 110 seats, which could be divisible by 2. This level of meeting space is normally not found in a 50 unit property, but is being proposed to take advantage of both the meeting/conference and the social banqueting/wedding market.

In terms of recreational facilities, we would envision some base fitness facilities (1,400 square feet) that would include an indoor pool and an exercise room.

5.10 Preliminary South Kent Transient Hotel Utilization Projections

As noted the market potential of the subject development has been predicated on the basis of a 50-unit hotel with food and beverage facilities offering 40 seats and a 1,000 square foot meeting facility with 110 seats. For the purposes of this analysis, we have assumed the property would be operational in 2011.

In this section, reference is made to the concept of a stabilized occupancy or stabilized year of operation. When projecting a property's future overnight room nights captured and occupancy rates, the assumptions of continued growth and no new additions to the competitive accommodation supply will produce unreasonably high capture and occupancy levels. A new build hotel requires time to build-up occupancy, which in a five-year projection takes approximately 3 years, as initial years tend to generate operating losses. The use of a single stabilized occupancy rate attempts to smooth out the occupancy curve, as a property will experience upward/downward occupancy cycles during a calendar year.

As identified in Section 5.4, the existing 49 transient hotel and bed and breakfast units in the South Kent market currently generated about 5,645 occupied room nights in 2007, and 5,670 occupied room nights in 2008. This equates to an annualized occupancy in the low 30% range. Of the total demand about 83% is leisure focused and 17% generated by corporate/commercial demand.

Exhibit 5-5 and Table 5-7 summarize the projected demand for transient hotel accommodation in South Kent, which could be generated as a result of the development of a 50 unit focused service hotel. Growth projections for each source of demand by season, as well as weekday and weekend demand projections are based on our research and analysis, as well as our general knowledge base of the accommodation industry in Canada. On a regional scale, Exhibit 5-6 provides a summary of the market projections for the overall Chatham-Kent transient hotel market by segment, with consideration given to any new demand generated by the subject proposed 50-room hotel in South Kent.

As shown, with the introduction of the new hotel property, corporate demand is projected to grow by an estimated 55%, from 942 to 1,456 occupied room nights in 2011, representing over 545 new occupied room nights annually. This represents an average of 3 new corporate travelers per day staying in the area, over the 200 day business week periods (Monday through Thursday evening). It has been assumed that the corporate demand generated by local businesses including Thompson Seeds, Konal Engineering, Rol-land Farms Ltd. BDM Millwrights, and Erie Architectural Products will stay at the subject hotel in South Kent rather than staying in Chatham or the Windsor markets.

In addition, the facility is projected to attract new meeting/conference demand to the market, about 430 occupied room nights annually. This equates to 5 groups at an average size of 15 people, staying 2

EXHIBIT 5-5
SOUTH KENT WARD, Municipality of Chatham-Kent
ACCOMMODATION MARKET PROJECTIONS

Demand Projections	2007	2008	2009	2010	2011	2012	2013	2014
Corporate								
occupied room nights	942	946	946	956	1,456	1,476	1,500	1,515
demand growth		0.5%	0.0%	1.0%	52.3%	1.4%	1.6%	1.0%
Mtg/Conv								
occupied room nights	0	0	0	0	350	400	431	435
demand growth		0.0%	0.0%	0.0%	--	14.3%	7.8%	1.0%
Independent Leisure								
occupied room nights	3,305	3,325	3,325	3,358	6,858	7,358	7,746	7,823
demand growth		0.6%	0.0%	1.0%	104.2%	7.3%	5.3%	1.0%
Leisure Groups								
occupied room nights	1,398	1,398	1,398	1,412	2,612	2,726	2,844	2,872
demand growth		0.0%	0.0%	1.0%	85.0%	4.4%	4.3%	1.0%
Gov't/Other								
occupied room nights	0	0	0	0	0	0	0	0
demand growth		0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Market Projections	2007	2008	2009	2010	2011	2012	2013	2014
Total Demand								
occupied room nights	5,645	5,670	5,670	5,726	11,276	11,960	12,521	12,646
demand growth		0.4%	0.0%	1.0%	96.9%	6.1%	4.7%	1.0%
Total Supply								
available room nights	17,885	18,615	18,615	18,615	36,865	36,865	36,865	36,865
supply growth		4.1%	0.0%	0.0%	98.0%	0.0%	0.0%	0.0%
Market Occupancy	31.6%	30.5%	30.5%	30.8%	30.6%	32.4%	34.0%	34.3%

Source: PKF Consulting

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EXHIBIT 5-6
MUNICIPALITY OF CHATHAM-KENT - HOTELS and MOTELS
ACCOMMODATION MARKET PROJECTIONS

Demand Projections	2007	2008	2009	2010	2011	2012	2013	2014
Corporate								
occupied room nights	57,332	56,758	57,042	57,327	57,614	57,902	58,191	58,482
demand growth		-1.0%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Mtg/Conv								
occupied room nights	12,578	12,452	12,514	12,639	12,955	13,214	13,412	13,614
demand growth		-1.0%	0.5%	1.0%	2.5%	2.0%	1.5%	1.5%
Independent Leisure								
occupied room nights	34,565	34,219	34,219	34,561	37,499	38,624	39,396	40,184
demand growth		-1.0%	0.0%	1.0%	8.5%	3.0%	2.0%	2.0%
Leisure Groups								
occupied room nights	21,638	21,421	21,528	21,744	23,483	23,953	24,312	24,555
demand growth		-1.0%	0.5%	1.0%	8.0%	2.0%	1.5%	1.0%
Gov't/Other								
occupied room nights	3,324	3,291	3,308	3,341	3,374	3,408	3,442	3,476
demand growth		-1.0%	0.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Market Projections	2007	2008	2009	2010	2011	2012	2013	2014
Total Demand								
occupied room nights	129,436	128,141	128,611	129,612	134,925	137,100	138,754	140,312
demand growth		-1.0%	0.4%	0.8%	4.1%	1.6%	1.2%	1.1%
Total Supply								
available room nights	316,090	316,090	316,090	316,090	334,340	334,340	334,340	334,340
supply growth		0.0%	0.0%	0.0%	5.8%	0.0%	0.0%	0.0%
Market Occupancy	40.9%	40.5%	40.7%	41.0%	40.4%	41.0%	41.5%	42.0%

Source: PKF Consulting

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nights, approximately 3 times per year. As an example, DPM Insurance in Blenheim hosts groups from their London office several times per year.

Independent leisure demand is projected to more than double from 3,305 to 7,746 occupied room nights, over 4,400 new occupied room nights annually by the subject hotel's 3rd year of operation. This represents an average of 24 new leisure travelers per day staying in the area, over the entire year (at 2 persons per room generating 12 occupied room nights daily). However, during peak summer weekend periods, this represents an average of 48 leisure guests generating 24 occupied room nights daily. During shoulder and winter period weekend days this represents about 32 leisure guests or 16 occupied room nights daily. While summer weekday demand will also be strong, shoulder and off-season weekday leisure demand will remain relatively weak.

Group leisure demand is also projected to more than double from 1,398 to 2,872 occupied room nights over the projection period, over 1,475 new occupied room nights annually. This projected increase in demand is based on the induced and unsatisfied demand associated with a new hotel, as well as the opening of new event venue at the Smith & Wilson Winery in 2009, and the new potential for sport groups (i.e. baseball, hockey and curling) that are currently not using accommodations to stay overnight in South Kent. Total group leisure projections include: approximately 350 room nights from bus tours; 490 from sports groups; and 565 from weddings and other social events, with the majority of demand occurring over the weekend periods throughout the year.

Despite the more than doubling in demand in South Kent from 5,645 to 12,521 occupied room nights by 2013, over 6,870 new occupied room nights annually, the market occupancy will still remain well below 40%, while the overall Chatham-Kent occupancy will remain in the low 40% range.

**TABLE 5-7
ACCOMMODATION MARKET PROJECTIONS 2007-2013
SOUTH KENT and CHATHAM-KENT OVERALL MARKET**

South Kent Market	2007	2008	2009	2010	2011	2012	2013
Corporate/Commercial ORN	942	946	946	956	1,456	1,476	1,500
Meeting/Convention ORN	0	0	0	0	350	400	431
Independent Leisure ORN	3,305	3,325	3,325	3,358	6,858	7,358	7,746
Group Leisure ORN	1,398	1,398	1,398	1,412	2,612	2,726	2,844
Total Occupied Room Nights	5,645	5,670	5,670	5,726	11,276	11,960	12,521
Occupancy	31.6%	30.5%	30.5%	30.8%	30.6%	32.4%	34.3%
CHATHAM-KENT MARKET	2007	2008	2009	2010	2011	2012	2013
Corporate/Commercial ORN	57,332	56,758	57,042	57,327	57,614	57,902	58,191
Meeting/Convention ORN	12,578	12,452	12,514	12,639	12,955	13,214	13,412
Independent Leisure ORN	34,565	34,219	34,219	34,561	37,499	38,624	39,396
Group Leisure ORN	21,638	21,421	21,528	21,744	23,483	23,953	24,312
Gov't/Other ORN	3,324	3,291	3,308	3,341	3,374	3,408	3,442
Total Occupied Room Nights	129,436	128,141	128,611	129,612	134,925	127,100	138,754
Occupancy	40.9%	40.5%	40.7%	41.0%	40.4%	41.0%	41.5%

ORN – Occupied Room Nights

Source: PKF Consulting

Exhibits 5-7 to 5-8 and Table 5-8 below summarize the demand, which the proposed hotel will capture by market segment over its first five years of operation.

**TABLE 5-8
SUBJECT SOUTH KENT HOTEL DEVELOPMENT
PROJECTED DEMAND**

	2011	2012	2013	2014	2015
Annual Demand Captured	6,064	6,915	7,573	7,573	7,573
Annual Occupancy	33.2%	37.9%	41.5%	41.5%	41.5%

Source: PKF Consulting

5.10.1 Corporate/Commercial

As shown in Exhibits 5-7 and 5-8, the 50-unit hotel is projected to capture about 60% of all corporate demand coming into the South Kent market in its third or stabilized year. This represents 827 occupied room nights or 4 guests per business day, with the balance (673 occupied room nights or 3 guests per business day) being lower rated business still utilizing the current existing inventory of 49 rooms. With respect to penetration levels, this equates to 111.4% of fair share within the South Kent market by Year 3, and 26.0% of fair share within the overall Chatham-Kent transient hotel market (Table 5-9).

EXHIBIT 5-7 SOUTH KENT ACCOMMODATION - Transient Hotel SOUTH KENT WARD, Municipality of Chatham-Kent PROJECT PROJECTIONS				
Supply				
	2011	2012	2013	2014
SOUTH KENT ACCOMMODATION - Transient Hotel	50	50	50	50
Total Supply	101	101	101	101
Fair Share of Supply	49.5%	49.5%	49.5%	49.5%
Demand Projections				
	2011	2012	2013	2014
Corporate				
occupied room nights	1,456	1,476	1,500	1,515
fair share of demand	721	731	743	750
penetration rate	100.0%	105.0%	111.4%	111.4%
total demand captured	721	767	827	835
ratio to total demand	12.5%	11.2%	10.9%	10.9%
Mtg/Conv				
occupied room nights	350	400	431	435
fair share of demand	173	198	213	216
penetration rate	200.0%	200.0%	200.0%	200.0%
total demand captured	347	396	427	431
ratio to total demand	6.0%	5.8%	5.6%	5.6%
Independent Leisure				
occupied room nights	6,858	7,358	7,746	7,823
fair share of demand	3,395	3,643	3,835	3,873
penetration rate	100.0%	115.0%	122.5%	122.5%
total demand captured	3,395	4,189	4,697	4,744
ratio to total demand	59.0%	61.3%	62.0%	62.0%
Leisure Groups				
occupied room nights	2,612	2,726	2,844	2,872
fair share of demand	1,293	1,350	1,408	1,422
penetration rate	100.0%	110.0%	115.2%	115.2%
total demand captured	1,293	1,484	1,622	1,638
ratio to total demand	22.5%	21.7%	21.4%	21.4%
Total Demand				
occupied room nights	11,276	11,960	12,521	12,646
total demand captured	5,755	6,837	7,573	7,649
market occupancy	30.6%	32.4%	34.0%	34.3%
market penetration	103.1%	115.5%	122.2%	122.2%
Project Occupancy	31.5%	37.5%	41.5%	41.9%

Source: PKF Consulting

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EXHIBIT 5-8 South Kent Transient Hotel MUNICIPALITY OF CHATHAM-KENT - HOTELS and MOTELS PROJECT PROJECTIONS				
Supply	2011	2012	2013	2014
South Kent Transient Hotel	50	50	50	50
Total Supply	916	916	916	916
Fair Share of Supply	5.5%	5.5%	5.5%	5.5%
Demand Projections	2011	2012	2013	2014
Corporate				
occupied room nights	57,614	57,902	58,191	58,482
fair share of demand	3,145	3,161	3,176	3,192
penetration rate	22.9%	24.3%	26.0%	26.2%
total demand captured	721	767	827	835
ratio to total demand	12.5%	11.2%	10.9%	10.9%
Mtg/Conv				
occupied room nights	12,955	13,214	13,412	13,614
fair share of demand	707	721	732	743
penetration rate	49.1%	54.9%	58.3%	58.0%
total demand captured	347	396	427	431
ratio to total demand	6.0%	5.8%	5.6%	5.6%
Independent Leisure				
occupied room nights	37,499	38,624	39,396	40,184
fair share of demand	2,047	2,108	2,150	2,193
penetration rate	165.9%	198.7%	218.4%	216.3%
total demand captured	3,395	4,189	4,697	4,744
ratio to total demand	59.0%	61.3%	62.0%	62.0%
Leisure Groups				
occupied room nights	23,483	23,953	24,312	24,555
fair share of demand	1,282	1,307	1,327	1,340
penetration rate	100.9%	113.5%	122.2%	122.2%
total demand captured	1,293	1,484	1,622	1,638
ratio to total demand	22.5%	21.7%	21.4%	21.4%
Total Demand				
occupied room nights	134,925	137,100	138,754	140,312
total demand captured	5,756	6,836	7,573	7,648
market occupancy	40.4%	41.0%	41.5%	42.0%
market penetration	78.2%	91.3%	100.0%	99.9%
Project Occupancy	31.5%	37.5%	41.5%	41.9%

Source: PKF Consulting

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**TABLE 5-9
CORPORATE/COMMERCIAL MARKET PENETRATION
SUBJECT SOUTH KENT HOTEL DEVELOPMENT**

Penetration Analysis – South Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	100.0%	105.0%	111.4%	111.4%	111.4%
Occupied Room Nights	721	767	827	835	835
Ratio to Total Demand	12.5%	11.2%	10.9%	10.9%	10.9%
Penetration Analysis – Overall Chatham-Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	22.9%	24.3%	26.0%	26.2%	26.2%
Occupied Room Nights	721	767	827	835	835
Ratio to Total Demand	12.5%	11.2%	10.9%	10.9%	10.9%

Source: PKF Consulting

5.10.2 Meeting/Conference

As shown the 50-unit subject hotel is projected to capture 100% of all meeting/conference demand coming into the market. This represents an estimated 430 occupied room nights by the hotel's 3rd year of operation. The subject South Kent hotel is projected to penetrate the meeting/conference segment at the levels shown in Table 5-10.

**TABLE 5-10
MEETING/CONFERENCE MARKET PENETRATION
SUBJECT SOUTH KENT HOTEL DEVELOPMENT**

Penetration Analysis – South Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	200.0%	200.0%	200.0%	200.0%	200.0%
Occupied Room Nights	347	396	427	431	431
Ratio to Total Demand	6.0%	5.8%	5.8%	5.6%	5.6%
Penetration Analysis – Overall Chatham-Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	49.1%	54.9%	58.3%	58.0%	58.0%
Occupied Room Nights	347	396	427	431	431
Ratio to Total Demand	6.0%	5.8%	5.8%	5.6%	5.6%

Source: PKF Consulting

5.10.3 Independent Leisure

The 50-unit hotel is projected to capture approximately 60% of all independent leisure demand coming into the market. This represents 4,697 occupied room nights by the stabilized year, with the balance (3,049 occupied room nights) having to utilize the current existing inventory of 49 rooms during some peak weekend periods, as it will not be able to be accommodated in the proposed property due to capacity constraints. The subject hotel is projected to penetrate the independent leisure segment at the levels indicated in Table 5-11 – 122.5% of fair share within the South Kent market and 218.4% within the overall Chatham-Kent market by its 3rd year of operation.

**TABLE 5-11
INDEPENDENT LEISURE MARKET PENETRATION
SUBJECT SOUTH KENT HOTEL DEVELOPMENT**

Penetration Analysis – South Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	100.0%	115.0%	122.5%	122.5%	122.5%
Occupied Room Nights	3,395	4,189	4,697	4,744	4,744
Ratio to Total Demand	59.0%	61.3%	62.0%	62.0%	62.0%
Penetration Analysis – Overall Chatham-Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	165.9%	198.7%	218.4%	216.3%	216.3%
Occupied Room Nights	3,395	4,189	4,697	4,744	4,744
Ratio to Total Demand	59.0%	61.3%	62.0%	62.0%	62.0%

Source: PKF Consulting

5.10.4 Group Leisure

The Group Leisure segment consists of the following: Sports Groups, Bus and/or Educational Tours, and Social Events/Weddings. In terms of Group Leisure demand, the proposed 50-unit hotel is projected to capture 57% of all groups, equating to 1,622 occupied room nights by Year 3, with the balance 1,222 room nights staying in the current existing inventory of 49 rooms.

Table 5-12 provides the market penetration analysis within the group leisure segment. By Year 3, the subject hotel is projected to penetrate this market at 115.2% of fair share within the South Kent market, which translates to 122.2% within the overall Chatham-Kent market.

**TABLE 5-12
GROUP LEISURE MARKET PENETRATION
SUBJECT SOUTH KENT HOTEL DEVELOPMENT**

Penetration Analysis – South Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	100.0%	110.0%	115.2%	115.2%	115.2%
Occupied Room Nights	1,293	1,484	1,622	1,638	1,638
Ratio to Total Demand	22.5%	21.7%	21.4%	21.4%	21.4%
Penetration Analysis – Overall Chatham-Kent Accommodation Market					
	2011	2012	2013	2014	2015
Market Penetration	100.9%	113.5%	122.2%	122.2%	122.2%
Occupied Room Nights	1,293	1,484	1,622	1,638	1,638
Ratio to Total Demand	22.5%	21.7%	21.4%	21.4%	21.4%

Source: PKF Consulting

5.10.5 Overall Occupancy Projections – Subject Hotel

Overall, as detailed in Exhibit 5-7, the subject development is projected to capture 7,573 occupied room nights annually, generating a 42% annual occupancy by its stabilized year of operation.

Table 5-13 summarizes the demand by market segment for the property for its third (stabilized year of operation – 2013)

TABLE 5-13 SUBJECT SOUTH KENT HOTEL DEVELOPMENT STABILIZED DEMAND BY SEGMENT		
Stabilized Demand	Occupied Room Nights	Percentage of Demand
Corporate/Commercial	827	10.9%
Meeting/Conference	427	5.6%
Independent Leisure	4,697	62.0%
Group Leisure	1,622	21.4%
Total Demand	7,573	100.0%

Source: PKF Consulting

Table 5-14 summarizes the property's projected seasonal occupancy for its third (stabilized year) of operation.

TABLE 5-14 SUBJECT SOUTH KENT HOTEL DEVELOPMENT STABILIZED DEMAND BY SEASON		
Period Occupancy	Weekday	Weekend
Winter	13.2%	35.6%
Spring	37.1%	56.7%
Summer	61.7%	91.5%
Fall	41.2%	73.9%

Source: PKF Consulting

In order to be economically viable, the property needs to achieve 65% to 70% occupancy on an annual basis. On an annual basis, 65% to 70% occupancy translates into 11,860 to 12,775 occupied room nights. This represents more than 2.3 times the amount of existing accommodation demand that is currently coming into the region and 100% of the total accommodation demand projected to come into the region. At 7,573 occupied room nights, the hotel is projected to reach less than 60% of its required demand levels.

Developing a smaller property, will result in a decrease in the level of induced demand projected to come into the market, and would result in only a modest improvement in occupancy. Even at 40 units, the potential development interest from the investment community for a project this size would be limited.

5.11 Implications for Transient Hotel Development in South Kent

The foregoing research and analysis confirms that there is a “need” for additional Transient Accommodation facilities in the Ward of South Kent. The current accommodation product is inadequate from a quality perspective, and with a limited number of units available, there are many peak periods where potential demand cannot be accommodated. This is particularly true for leisure demand during the summer months, during festivals and events year round, and for sports tourism year round.

However, the research and analysis also confirms that despite this strong “need” during these key periods, there is insufficient corporate and commercial “demand” year round to support the mid-week off-season and shoulder season occupancies required to meet the levels required to make a traditional transient hotel viable.

While we have identified a preliminary development program and presented utilization projections for a 50 unit transient hotel, these demand are not strong enough at a projected 42% occupancy, to warrant development, with occupancy levels of 65% to 70% generally required.

As such, we would recommend that South Kent not expend undue effort in attempting to attract transient hotel development to the community.

6.0 RESORT AND INN SECTOR OVERVIEW AND DEVELOPMENT OPPORTUNITIES

6.1 Ontario Resort Sector Overview

The following section provides an overview of Ontario's Resort and Inn sector, including a summary of the recent trends in the industry, a review of competitive Resorts and Inns in the Ontario market, as well a review of their historic and projected performance. The primary competitive Ontario Resort and Inn market is comprised of 15 resort properties and 19 inns, accounting for 3,929 guest rooms as at year-end 2007. We believe the competitive set competes for the same sources of accommodation demand as a proposed resort development in South Kent would, particularly from the leisure and meeting/conference segments.

The Ontario Resort Industry represents less than 10% of the Ontario accommodation industry as a whole. At present time building a traditional stand-alone hotel resort development in Ontario is not viewed as economically viable by investors and hotel developers due to the high capital costs, low returns, and risks involved. Over the past 15 years, the industry has moved to a mixed product resort development with residential, vacation ownership, and fractional ownership sales supporting traditional resort hotel development on the property. There is the expectation that resort hotel development will provide added value to investors and purchasers.

6.2 Preliminary Resort Market Industry Performance - Ontario's Resort and Inn Supply

As noted, the primary competitive Ontario Resort and Inn market is comprised of 15 resort properties and 19 inns, accounting for 3,929 guest rooms as at year-end 2007.

Table 6-1 lists these 34 competitive resort and inn properties with a summary of their accommodation and meeting facilities. While not shown or detailed in Table 6-1, the majority of the resorts included in the competitive set offer additional destination type amenities such as, spas, ski hills, casinos and golf courses.

**TABLE 6-1
COMPETITIVE ONTARIO RESORTS
FACILITY SUMMARY**

Property	Guest Rooms	Meeting Rooms	Total Sq.Ft.	Largest Meeting Room (sq.ft.)	Largest Meeting Room (Capacity)
Ontario's Major Resort Properties					
Deerhurst Resort	403	32	40,000	11,000	1,220
Delta Grandview Resort	129	15	17,600	7,200	800
Taboo Resort	44	16	16,000	3,600	350
Nottawasaga Inn Resort	269	36	60,000	21,600	1,000
Hockley Valley Resort	104	14	11,500	5,550	200
The Briars Resort	86	13	7,400	1,900	160
Horseshoe Valley Resort	102	9	11,500	4,050	240
Blue Mountain Resort	742	33	67,000	29,250	1,625
Westin Trillium House, Blue Mountain	222	5	10,000	6,340	430
Mountain Springs Lodge	117	4	6,000	1,280	120
Talisman Resort	95	11	14,000	7,600	n/a
Delta Sherwood Resort	49	5	3,800	1,740	125
Delta Rocky Crest	30	6	7,150	1,600	125
Delta Pinestone	103	13	15,000	3,120	280
Brookstreet Resort	276	8	22,000	5,200	500
RESORT AVERAGE	231	15	20,597	7,402	478
Prince of Wales	114	4	3,200	1,500	90
Queen's Landing	144	19	15,900	4,750	420
Eaton Hall	44	8	2,800	930	60
Elora Mill Inn	32	4	3,100	1,900	120
Glenerin Inn	39	5	4,500	2,200	175
Langdon Hall	53	6	3,720	1,300	50
Millcroft Inn	52	6	4,700	1,700	80
The Oban Inn	26	2	1,100	650	32
Pillar and Post	123	11	11,500	2,900	250
White Oaks	220	21	60,000	6,040	825
Inn on the Twenty	29	4	4,010	2,400	120
Sir Sam's Inn	27	4	2,260	840	35
Benmiller Inn	60	4	2,320	840	60
Idlewyld Inn	23	2	1,325	720	100
St. Anne's Country Inn & Spa	35	2	1,050	640	12
Inn at Christie's Mill	37	2	2,250	1,500	100
Eganridge Inn	26	3	3,280	2,230	80
Inn at Manitou	14	2	1,800	1,020	70
Old Mill Inn	60	13	22,700	8,300	800
INN AVERAGE	231	6	7,974	2,229	183
TOTAL RESORT & INN	3,929				

NOTE: Largest capacity based on theatre style setup

Source: PKF Consulting

6.3 Historic Market Demand

Exhibit 6-1 and Table 6-2 shows the historic occupancy and average daily rates achieved by the sample of 34 Major Ontario Resorts and Inns from 2003-2008 F.

TABLE 6-2 HISTORIC MARKET PERFORMANCE MAJOR ONTARIO RESORTS and INNS 2003-2008 F						
	2003	2004	2005	2006	2007	2008 F
Rooms	3,635	3,735	3,650	3,849	3,929	4,046
Available Room Nights	1,326,710	1,363,440	1,332,327	1,404,885	1,434,085	1,476,790
% Supply Change		2.8%	-2.3%	5.4%	2.1%	3.0%
Occupied Room Nights	647,371	668,692	682,699	737,925	739,755	759,776
% Demand Change		3.3%	2.1%	8.1%	0.2%	-0.3%
Occupancy	48.8%	49.0%	51.2%	52.5%	51.6%	51.4%
ADR	\$174.56	\$175.41	\$175.04	\$177.16	\$182.58	\$184.41
% ADR Change		0.5%	-0.2%	1.2%	3.1%	0.7%

Source: PKF Consulting

The competitive Resort and Inn market has realized fluctuating levels of supply over the past five years, as new properties opened and others underwent renovations or changed to seasonal operations. Overall supply has increased by about 11.3% since 2003. Market occupancy performance in the Ontario Resort and Inn Accommodation Market has typically hovered around the low 50% range over the past five years. The low occupancy rates realized in Ontario Resorts and Inns stems primarily from the seasonal nature of room night demand in this sector. However in recent years other factors including climate change, the strengthening Canadian dollar, changing travel patterns and the decline in US leisure travel have all weighed heavily on the resort sector.

Summer represents the peak demand season for the competitive set, with occupancy levels reaching the upper 50% to low 60%. This is not surprising given the more favourable weather conditions, and the fact that more families have time available for travel with children out of school etc. The spring and winter seasons are the most challenging for Ontario Resort and Inn properties with occupancy rates falling to the upper 30% to low 40% range during these periods. Fall tends to be a stronger demand period for this market, which is supported, at least in part, by the high level of meeting/conference business demand during this season.

**EXHIBIT 6-1
OVERALL ONTARIO RESORT & INN MARKET
HISTORIC MARKET PERFORMANCE**

Total Competitive Market		2003	2004	2005	2006	2007	2008 Est
	Rooms	3,635	3,735	3,650	3,849	3,929	4,046
	Annual Occupancy	48.8%	49.0%	51.2%	52.5%	51.6%	51.4%
	Average Daily Rate	\$174.56	\$175.41	\$175.04	\$177.16	\$182.58	\$184.41
	RevPar	\$85.18	\$86.03	\$89.69	\$93.05	\$94.18	\$94.87
	Available Room Nights	1,326,710	1,363,440	1,332,327	1,404,885	1,434,085	1,476,790
	Occupied Room Nights	647,371	668,692	682,699	737,925	739,755	759,776
	Rooms Revenue	\$113,004,984	\$117,292,432	\$119,500,059	\$130,727,680	\$135,064,375	\$140,106,993
Market Growth		2003	2004	2005	2006	2007	2008 Est
	Available Rooms	na	2.8%	-2.3%	5.4%	2.1%	3.0%
	Occupied Room Nights	na	3.3%	2.1%	8.1%	0.2%	-0.3%
	Average Daily Rate	na	0.5%	-0.2%	1.2%	3.1%	0.7%
	Market Segmentation						
		2007	%				
	Corporate	28,326	3.8%				
	Mtg/Conv	344,156	46.5%				
	Leisure	367,273	49.6%				
	Total Market	739,755	100.0%				

Source: PKF Consulting

Prince of Wales
Eaton Hall
Elora Mill Inn
Glenerin Inn
Langdon Hall
Millcroft Inn
Old Mill Inn
The Oban Inn
Pillar and Post
White Oaks
Inn on the Twenty
Sir Sam's Inn

Benmiller Inn
Idelwyld Inn
Ste. Anne's Country Inn and Spa
Inn at Christies Mill
Eganridge Inn, Country Club & Spa
Inn at Manitou
Queen's Landing
Deerhurst
Westin Trillium
Brookstreet Resort
Taboo

Mountain Springs Lodge
Blue Mountain
Horseshoe Valley Resort
The Briars
Talisman
Delta Grandview
Delta Sherwood
Delta Rocky Crest
Delta Pinestone
Nottawasaga
Hockley Valley

6.4 Market Segmentation

Demand for the Major Ontario resort properties is driven by two primary segments, and one secondary segment. These segments include tourist/leisure, the meeting/conference and corporate/government/other. Table 6-3 summarizes the market segmentation of the Major Ontario Resorts and Inns.

TABLE 6-3 MARKET SEGMENTATION – MAJOR ONTARIO RESORTS & INNS, 2007		
Segment	Occupied Room Nights	Percentage of Demand
Tourist/Leisure	367,273	49.6%
Meeting/Conference	344,156	46.5%
Corporate/Gov't/Other	28,326	3.8%
TOTAL	739,755	100.0%

Approximately 50% of the demand for Ontario's Resorts and Inns is leisure-based, with 47% being meetings and conventions related, and less than 4% derived from other sources.

6.5 Implications for the Ward of South Kent

There are a number of implications for the Ward of South Kent in regard to resort development:

- The resort industry in Ontario experienced and will continue to experience supply growth over the next three years. PKF has identified significant increases in supply in the short-term - 314 rooms;
- The Ward has one significant attribute that could attract development of a resort – the shores of Lake Erie. With the proximity to Rondeau Provincial Park, the beaches, a variety of golf courses and growing wineries in the area, a potential location could be within the community of Erieau; and
- Any resort hotel development would have to be a mixed-use development model with a residential, vacation ownership, fractional ownership component, in order to attract the investment and development community.

6.6 Locational/Product Positioning Considerations

A resort development should take advantage of the local area's natural beauty, ambiance and character. The beautiful vistas that are found from various vantage points on Lake Erie, the ease of access to water, the existing marine infrastructure at Erieau, and local recreation activities, including: golf, birding, trails, wine tourism, museums, spas, etc., together provide a good mix of desirable qualities that resort properties should have.

Typically resort hotels, take advantage of the natural resource attributes of the natural resource setting such as a lake, river or ski hill in combination with man made demand generators/attractors such as

meeting/conference space, golf courses and spas among others, in order to attract their various sources of demand. Lake access would be critical to the success of a resort in South Kent.

The proximity of the South Kent to Windsor, Detroit, London, and the GTA, in conjunction with the strong natural resource setting of Lake Erie, would provide strong advantages for an appropriately configured resort property to effectively compete for the 367,000 leisure room nights and the 344,000 meeting/conference room nights currently patronizing the primary Ontario resorts, located elsewhere in Southern Ontario.

However, as previously identified in this section, standalone resort developments are not economically viable, and are generally part of a mixed-use development, incorporating resort residential under various forms such as freehold ownership, fractional ownership and timeshare. The attributes that make this area a strong resort destination would also apply to the resort residential component as well.

The location of a resort property in general should take advantage of the natural environment in which it is located. The natural environment Mountains/Oceans/Lakes act not only as a lure for demand, but as a basis on which to build facility programming (activities) for the property. A lake resort is dependent on its location in proximity to and environmental state of the water source. In addition, developers should be cognizant of permissible recreational activities on the lake.

As the Ward has a strong, water-oriented natural resource base to build on (Lake Erie), the resort would be best located along the shoreline of the Lake. The Southwest Regional Centre has been identified as a potential location; however, many stakeholders identified that this facility is quite far from any other tourism infrastructure, and is very institutional in nature. Thus, it may be quite a costly conversion that would not make use of the best attributes on the Lake itself. Consequently, a location closer to the community of Erieau may be more appropriate for this type of establishment.

6.7 Preliminary Resort Development Program

Exhibit 6-2 provides a preliminary development program for a resort hotel, which is also summarized in the following table.

EXHIBIT 6-2
PROPOSED RESORT MIXED USE FACILITY- 120 UNITS
RECOMMENDED FACILITY PROGRAM - PKF ESTIMATES

Guestrooms	Rooms	Sq.Ft./Room	Sq.Ft.
Standard Rooms	90	400	36,000
One Bedroom Suites	25	600	15,000
Two Bedroom Suites	5	800	4,000
Total Guestrooms	120	458	55,000
Food and Beverage	Unit	Seats	Sq.Ft.
Dining	1	90	1800
Lounge	1	50	600
Conference/Banquet Space	1	1,000	10,000
Total	3	1,140	12,400
Recreation/Commercial		Sq.Ft./Room	Sq.Ft.
Indoor Pool/Fitness Area	1	17	2,040
Spa/Health Centre	1	21	2,520
Total	2	38	4,560
Sub-Total Hotel Construction	Rooms	Sq.Ft./Room	Sq.Ft.
Guestrooms	120	458	55,000
Food and Beverage	--	103	12,400
Recreation/Commercial	--	38	4,560
Public Areas/Back of House	--	300	36,000
Total	120	900	107,960

Source: PKF Consulting

TABLE 6-4
PRELIMINARY DEVELOPMENT PROGRAM
120-UNIT SOUTH KENT RESORT HOTEL

Facilities	Units	Square Feet
Guest Rooms	120	55,000
Dining/Lounge	140	2,400
Conference/Banquet Space	1,000	10,000
Recreational Facilities	---	4,560
Other Resort/Building Operations	---	36,000
TOTAL		107,960

Source: PKF Consulting

The proposed development would consist of a total of 120 guest units that would include 90 Standard Rooms at 400 square feet; 25 One Bedroom Suites at 600 square feet and 10 Two Bedroom Suites at 800 square feet; a Dining Room and separate Lounge area; a 10,000 square foot meeting facility that would hold approximately 1,000 persons and be divisible into smaller rooms; a 2,000 square foot Indoor Pool and Fitness area; and a 2,500 Spa and Health Centre.

6.8 Preliminary South Kent Resort Utilization Projections

As noted the market potential of the subject development has been predicated on the basis of a 120-unit full service rural waterfront resort hotel with spa and meeting facilities. For the purposes of this analysis, we have assumed the property would be operational in 2011.

As identified in Section 4.3.2, the 34 primary resort hotels and inns in Ontario currently generate about 740,000 occupied room nights annually. This equates to an annualized occupancy of 52%. Of this demand about 50% are leisure focused, 47% meeting conference and 4% generated by corporate/commercial and other demand.

Market supply and demand projections for the Overall Ontario Resort and Inn Market are provided in Exhibit 6-3. The Ontario Resort and Inn Accommodation Market is expected to realize additional rooms supply over the next five years. Based on our knowledge of the industry and the market, and on discussions with economic development and planning officials, we have identified a total of 434 new guestrooms are projected to enter the competitive market over the 2008 to 2012 period (including the subject South Kent resort property), equating to an 11% increase in rooms supply.

With the influx of new rooms supply, and continued demand patterns, the competitive Resort and Inn market is not projected to realize significant improvements in occupancy performance over the next five years. By 2011, the number of available rooms will have increased to 4,363. In addition to new guestroom supply, many of the projects expected to enter the market will also bring new meeting/conference space into the market, which will increase the competitive playing field in within this demand segment.

**EXHIBIT 6-3
OVERALL ONTARIO RESORT & INN MARKET
ACCOMMODATION MARKET PROJECTIONS**

Demand Projections	2007	2008	2009	2010	2011	2012	2013	2014	2015
Corporate									
occupied room nights	28,326	28,609	28,895	29,184	29,476	29,771	30,068	30,369	30,673
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Mtg/Conv									
occupied room nights	344,156	351,040	354,550	359,868	370,664	378,078	381,858	385,677	389,534
demand growth		2.0%	1.0%	1.5%	3.0%	2.0%	1.0%	1.0%	1.0%
Leisure									
occupied room nights	367,273	380,127	387,730	395,485	407,349	419,570	427,961	432,241	436,563
demand growth		3.5%	2.0%	2.0%	3.0%	3.0%	2.0%	1.0%	1.0%
Market Projections	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Demand									
occupied room nights	739,755	759,776	771,175	784,537	807,489	827,418	839,888	848,286	856,769
demand growth		2.7%	1.5%	1.7%	2.9%	2.5%	1.5%	1.0%	1.0%
Total Supply									
available room nights	1,434,085	1,476,790	1,523,875	1,548,695	1,592,495	1,592,495	1,592,495	1,592,495	1,592,495
supply growth		3.0%	3.2%	1.6%	2.8%	0.0%	0.0%	0.0%	0.0%
Market Occupancy	51.6%	51.4%	50.6%	50.7%	50.7%	52.0%	52.7%	53.3%	53.8%
Market Average Daily Rate	\$182.58	\$184.41	\$188.09	\$191.86	\$195.69	\$199.61	\$203.60	\$207.67	\$211.82
Market RevPar	\$94.18	\$94.87	\$95.19	\$97.19	\$99.23	\$103.71	\$107.38	\$110.62	\$113.96
rate growth		1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Source: PKF Consulting

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It should be noted that while overall occupied room nights are projected to grow in this market, the higher number of available rooms, and increased competition, will most likely have a negatively impact on a “per property” basis, with market penetration rates and overall occupied room nights at competitive properties eroding marginally over the next three years.

Over the projection period, average daily rates within the market are projected to realize steady growth of 2.0% per annum. Occupancy and average daily rate projections for the Ontario Resort and Inn Market are summarized in Table 6-5.

TABLE 6-5 ONTARIO RESORT AND INN ACCOMMODATION MARKET DEMAND PROJECTIONS						
	2008	2009	2010	2011	2012	2013
Rooms	4,046	4,175	4,243	4,363	4,363	4,363
Occupancy	51.4%	50.6%	50.7%	50.7%	52.0%	52.7%
Average Rate	\$184.41	\$188.09	\$191.86	\$195.69	\$199.61	\$203.60

Source: PKF Consulting

Exhibit 6-4 and Table 6-6 summarize the demand, which the proposed resort hotel will capture by market segment over its first five years of operation.

In preparing these projections, we have utilized the concept of market penetration and fair market share. A property with above average attributes will achieve a market penetration above 100% of fair market share. A property with below average attributes will achieve a market penetration below 100% of fair market share.

As shown, the proposed 120-unit resort hotel is expected to capture less than its fair share of demand, based largely on its distance from the Toronto and Detroit markets, which have significant resort opportunities in closer proximity to these markets. By its third year of operation, it is projected to penetrate the three primary market segments as follows:

- Leisure demand at 85% of fair market share;
- Meeting/Convention demand at 85% of fair market share;
- Corporate/other demand at 50% of fair market share.

This would result in an overall market penetration of 84% of fair market share. Overall, as detailed in Exhibit 6-4, the subject development is projected to capture 19,346 occupied room nights annually, generating a 44% annual occupancy, in comparison to a projected 53% occupancy for the market.

EXHIBIT 6-4
SOUTH KENT RESORT DEVELOPMENT
OVERALL ONTARIO RESORT & INN MARKET
PROJECT PROJECTIONS

Supply					
	2011	2012	2013	2014	2015
SOUTH KENT RESORT DEVELOPMENT	120	120	120	120	120
Total Supply	4,363	4,363	4,363	4,363	4,363
Fair Share of Supply	2.8%	2.8%	2.8%	2.8%	2.8%
Demand Projections					
	2011	2012	2013	2014	2015
Corporate					
occupied room nights	29,476	29,771	30,068	30,369	30,673
fair share of demand	811	819	827	835	844
penetration rate	50.0%	50.0%	50.0%	49.5%	49.0%
total demand captured	405	409	413	413	413
ratio to total demand	2.5%	2.3%	2.1%	2.1%	2.1%
Mtg/Conv					
occupied room nights	370,664	378,078	381,858	385,677	389,534
fair share of demand	10,195	10,399	10,503	10,608	10,714
penetration rate	75.0%	80.0%	85.0%	84.2%	83.3%
total demand captured	7,646	8,319	8,927	8,927	8,927
ratio to total demand	46.5%	46.3%	46.1%	46.1%	46.1%
Leisure					
occupied room nights	407,349	419,570	427,961	432,241	436,563
fair share of demand	11,204	11,540	11,771	11,888	12,007
penetration rate	75.0%	80.0%	85.0%	84.2%	83.3%
total demand captured	8,403	9,232	10,005	10,005	10,005
ratio to total demand	51.1%	51.4%	51.7%	51.7%	51.7%
Total Demand					
occupied room nights	807,489	827,418	839,888	848,286	856,769
total demand captured	16,454	17,960	19,346	19,346	19,346
market occupancy	50.7%	52.0%	52.7%	53.3%	53.8%
market penetration	74.1%	78.9%	83.7%	82.9%	82.1%
Project Occupancy	37.6%	41.0%	44.2%	44.2%	44.2%
Source: PKF Consulting					
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TABLE 6-6 SUBJECT SOUTH KENT RESORT DEVELOPMENT PROJECTED DEMAND					
	2011	2012	2013	2014	2015
Annual Demand	16,454	17,960	19,346	19,346	19,346
Annual Occupancy	37.6%	41.0%	44.2%	44.2%	44.2%

Source: PKF Consulting

Table 6-7 summarizes the demand by market segment for the property for its third (stabilized year of operation).

TABLE 6-7 SUBJECT SOUTH KENT RESORT DEVELOPMENT STABILIZED DEMAND BY SEGMENT		
Stabilized Demand	Occupied Room Nights	Percentage of Demand
Leisure	10,005	51.7%
Meeting/Conference	8,927	46.1%
Corporate/Commercial	413	2.1%
Total Demand	19,346	100.0%

Source: PKF Consulting

6.9 Implications for Resort Hotel Development in the Ward of South Kent

Opportunities would also appear to exist for Resort Hotel development in the Ward of South Kent. In our analysis, we examined the project positioning, the market potential and prepared a preliminary development program for a 120-room unit resort.

While this product would be successful in attracting new resort leisure travelers and new resort meeting/conference guests to the region, it would not be effective in satisfying the more localized leisure needs identified during our research.

The proximity of the Ward to the GTA and Detroit, as well as Windsor and London, in conjunction with the strong natural resource setting of Lake Erie, the variety of golf courses, museums and wineries, would provide strong advantages for an appropriately configured resort property to effectively compete for both leisure demand and meeting/conference demand currently patronizing the primary Ontario resorts, located elsewhere in Southern Ontario. However, the Toronto and Detroit markets have significant resort opportunities in closer proximity than South Kent.

While the Municipality may wish to support the furtherance of the resort development concept suggested for the Southwest Regional Centre, general resort development economics, and the existing facility program suggest, that conversion of this facility may not be economically feasible at this time. At the

same time, we believe that the Municipality should react positively and provide support to any other projects that may be brought forward in the future, particularly those in close proximity to Erieau.

As identified previously in our report, stand-alone resort developments are not economically viable, and are generally part of a mixed-use development, incorporating resort residential under various forms such as freehold ownership, fractional ownership and timeshare. The attributes, which make this area a strong resort destination, would also apply to the resort residential component as well. Furthermore, the complexities associated with identifying an appropriate site and addressing the detailed planning, market and financial requirements of a mixed-use resort residential, would make it difficult for the Ward of South Kent to be proactive in attracting further development of this nature to the area.

Another issue to consider is the fact that new resort product being constructed and/or considered in Ontario today is driven primarily off of a residential component. The revenue generated via the sale of residential units, is what provides the equity required to support the overall resort development cost and in some cases operation. Purchasers of this type of residential product are motivated first and foremost by their “right to use”. The units are typically located in desirable destination communities with immediate access to amenities such as downhill skiing (Blue Mountain, Tremblant) or lakefront/golf communities (Muskoka). In almost all situations, the annual cash on cash return to investors is negligible (if not negative), especially when debt service requirements are factored in. So most purchasers are satisfied with their right to use being off-set with a tax deductible “business loss” resulting in an “acceptable” annual carrying cost for use and ownership. While purchasers may see a long-term opportunity for upside, contingent on the appreciation of the value of the asset, this should not be the primary basis for the purchase.

There is a substantial difference between the development of a traditional transient urban hotel and a destination resort property. Transient hotels in urban centres are developed with the expectation of financial returns. With annual occupancies targeted at 65% to 70%, based largely on mid week corporate business travel (as opposed to corporate meeting travel), overall return on investment is in the range of 10%, and cash on cash returns, under 60/40 debt equity investment in the range of 15%. Whether one looks at the resort projects in Ontario, resort projects elsewhere in Canada or the US, or even the Caribbean, there are few if any new build resorts that can be considered economically viable based on cashflow, and which must rely on residential sales, or independent ownership to sustain the projects. This again stems from the seasonal demand nature typical of the resort market.

To this point, a number of commercial resorts in Ontario have sold over the last few years at values well below replacement costs. Resorts such as the Elora Mill Inn, which sold in 2002, for \$3.0 million or \$98,000 per room, the Talisman Mountain Resort which sold in 2006, inclusive of downhill ski operations

for \$8.3 million or \$89,000 per room, the Delta Pinestone which sold in 2007, for \$5.2 million or \$51,000 per room, the Hidden Valley Resort which sold in 2008 for \$5.0 million or \$53,000 per room, and the Bayview Wildwood Resort which also sold in 2008 for \$4.0 million or \$56,000 per room. Replacement costs on any of these assets would be in the range of \$175,000 to \$200,000 per room.

It is also important to note that if the property was expected to be branded, the cost of developing the resort and other project components will lie solely on the shoulders of the developer. Franchise companies, like Marriott, Starwood and Hilton have no interest in the ownership of hotel assets, and have in fact made great efforts in recent years to sell off company owned stores in order to step into a more dedicated and focused franchise/management role.

7.0 BED & BREAKFAST SECTOR OVERVIEW AND DEVELOPMENT OPPORTUNITIES

7.1 B&B Industry Overview

Although not a primary focus of this study, we have undertaken a preliminary overview of the opportunities for the Bed and Breakfast sector in the Ward of South Kent.

The origins of Bed and Breakfasts can be traced back in time to beginning of mankind. While they were not branded as “B&B’s” over the millennia, history shows that they have existed in one form or another. For example, it has been well documented that the monks in the eleventh century used B&B’s on their travels to visit with the Pope in Rome. In Europe, B&B accommodation has been available to the traveling public for centuries. In North America, the literature indicates that during the Depression many opened their homes to travelers to generate a source of revenue – these lodging establishments were commonly referred to as a “boardinghouse” or “guest house”. After the Depression, the popularity of these types of lodging facilities tended to decline. Over the past half century, there has been a proliferation of B&B’s in North America estimated at more than 20,000 in the United States and thousands more in Canada.

Attitudes toward B&B’s have also changed over time - no longer viewed as cheap lodging facilities, they are viewed by many as an alternative to commercial branded lodging operations in particular, chain hotels/motels. Generally, the B&B is not the reason why the tourist is visiting the area, but it is viewed as an alternative to the typical lodge, motel or hotel facility available. The recreational cultural or historical attractions are usually what draw tourists with a different experience or alternative lodging facility. B&B’s are unique accommodation offerings that are distinct – no two B&B’s are the same. Generally, B&B operators have an extra room in their house that they are willing to rent, as a source of income not for income to provide for their livelihood.

The B&B segment caters to a niche market – experiential travelers looking for more than just a room; they are looking for a sense of community; place; to experience a “real” home; to find out more about particular communities; and to meet other interesting people who happen to be visiting. The common thread in all these discourses is that they are seeking an authentic, unique experience. Every B&B operator’s home is one of a kind. All hosts bring their own viewpoint and overview of their community. Almost always, guests get to talk with the actual proprietor and other fellow travelers.

B&B’s represent a significant segment of the accommodation industry, yet the literature reviews on the subject show that very little is known about industry trends, issues effecting supply and demand and barriers to entry in Canada. What is known is that B&B’s in Canada have been able to take advantage of changing demographics and time constraints have changed the way people take and/or book vacations.

Traditional two-three week vacations are now being replaced by three and four day vacations – commonly referred to as the “Get-Away-Weekend”.

It should be noted that support of the B&B sector varies from municipality to municipality across Canada. However, there is opinion among the B&B segment in general, that a significant portion of national, regional and local tourism initiatives are focused on larger businesses, that overlook their sector and specific needs.

Most B&B operators in Canada are operating a low turnover business within their home employing few, if any staff and are generally heavily dependant on the local Visitor Information Center and word of mouth for marketing. This makes them very different from hotels and other forms of accommodation. The content, timing, pricing and marketing of campaigns (of local tourism authorities) sometimes fail to take into consideration size, shape an organizational structure and profitability issues of B&B's.

Generally there are five common issues effecting supply and demand dynamics of the B&B industry:

- A high attrition rate due to operational risks within the accommodation sector;
- Persistent shortages/oversupply of B&B accommodation in some areas;
- Differing degrees of support for the local B&B sector at a local level;
- Missed opportunities to take advantage of un-accommodated demand; and
- Licensing requirements, dependent on Municipalities, often cause challenges to building requirements, etc.

7.2 Chatham-Kent B&B Sector

A list of 15 licensed Bed and Breakfast operations in the Municipality of Chatham-Kent was compiled, for a total of 59 rooms available per night. Table 7-1 summarizes the key facility information for each of these establishments.

TABLE 7-1 BED AND BREAKFAST INVENTORY MUNICIPALITY OF CHATHAM-KENT			
Name	Location	Rooms	Average Advertised Rates
Maison Bleu Bed & Breakfast	Blenheim	2	\$85.00
Walnut Grove Inn and Farms	Blenheim	2	\$75.00
Loghome Bed & Breakfast	Bothwell	3	\$80.00
Jordan House Bed and Breakfast	Chatham	4	\$103.00
Oliphant's Bed and Breakfast	Chatham	2	\$90.00
The Duchess of Wellington B&B	Chatham	3	\$130.00
Theresa's Wood Shed Antiques & Bed and Breakfast	Chatham	3	\$85.00
Parkside Restaurant & Cabins	Mitchell's Bay	12	\$99.00
Dempster House Bed and Breakfast	Ridgetown	3	\$85.00
Crossroads Bed and Breakfast	Thamesville	3	\$60.00
Harbour Manor B&B	Tilbury	9	\$125.00
Katharine's Bed and Breakfast	Tilbury	3	\$93.00
B and B's Bed and Breakfast	Wheatley	4	\$105.00
Wild Rose Guest House	Wheatley	3	\$100.00
By the Bay Bed and Breakfast	Wheatley	3	\$92.50
Total Rooms		59	

Source: PKF Consulting

Of the 15 Bed and Breakfasts on the list, 2 are located within the Ward of South Kent, both in Blenheim. Although, our resources indicate that there are several others in the Ward that have not been identified, as they have not been licensed.

As of December 2002, Municipal Council of the Corporation of the Municipality of Chatham-Kent approved a by-law for licensing, regulating and governing Bed and Breakfast establishment. By-Law number 342-2002 respecting business licenses for Bed and Breakfast establishments indicates that no person can own, operate or maintain the business of a B&B within the Municipality without first obtaining a license from the Issuer of Licenses. Schedule "1" of the document provides a listing of all procedures and general provisions relating to this By-Law. For instance, applicants for the B&B license must provide and annual certification of health inspection compliance and Ontario Fire Code compliance, and keep registers of all patrons showing name, address and vehicle, which must be open to inspection at all times during business hours. Furthermore, depending on number of rooms, applicants must pay a new license fee of between \$100-\$120, a one-time Zoning fee, and Renewal License fee.

South Kent's licensed B&B establishments account for 7% of the total B&B room supply for the Municipality of Chatham-Kent. Blenheim B&B's have an average rate of \$80.00, while the average advertised rate for the rest of the Municipality is higher at \$96.15. The overall average rate, as shown in

Table 7-2, is \$94.00. South Kent Bed & Breakfast occupancy levels also tend to be lower than the average occupancy levels in the rest of the Municipality, as determined through interviews with B&B operators. However, the entire Chatham-Kent B&B market achieved about 29% occupancy rate for the year-ended 2008. About 77% of demand could be considered Leisure visitors, while 23% were corporate clients. The majority of B&B operators surveyed stated that the summer was their busiest time, as well as the month of May as it is a popular month with bird-watchers.

TABLE 7-2 2008 PERFORMANCE INDICATORS - BED & BREAKFAST MARKET MUNICIPALITY OF CHATHAM-KENT					
Range	# of Rooms	Advertised Rates	Occupancy	Market Mix	
				Leisure	Corporate
Low	2	\$60.00	10%	15%	0%
High	12	\$130.00	70%	100%	85%
Average	7	\$94.00	29%	77%	23%

Through interviews with existing B&B's and other accommodation facility operators in the Municipality the following was identified:

- Helping to facilitate and develop the B&B sector requires a thorough understanding of the real and perceived operating issues and barriers to development;
- There is a lack of steady demand, which is a significant barrier to entry;
- Lack of demand is possibly due to the few activities/festivals/events in the low/shoulder season; and
- Licensing requirements established specifically by the Municipality of Chatham-Kent have led to reduced supply and further expansion - since upgrades required by operators to meet the By-Law requirements are often quite costly.

In the Municipality of Chatham-Kent there is the absence of a formal B&B Accommodation Association. At this time it is determined that the visibility of B&B's within the municipality is limited and they must rely heavily on local promotion to become successful. The following are observations of how B&B's in the municipality could be able to raise its profile and that of their members by relying on local promotion:

- Organized networks of B&B operators (local associations) are becoming increasingly important and popular mechanisms for support and development activities once established;
- The majority of B&B's rely heavily on Visitor Information Centers, local tourism guides, and word of mouth to promote their business;

- The internet is becoming an increasingly important mechanism for promotion and booking with many B&B's listing on web portals or creating their own websites in the absence of effective industry standard solutions; and
- Regional/local promotions, websites and brochures have a significant impact on B&B business.

7.3 Implications for the Ward of South Kent

There are 15 licensed B&B's in the Municipality of Chatham-Kent, accounting for approximately 59 rooms, varying in the type of settings, and amenities offered. All are listed on the Municipality of Chatham-Kent's official website. Also, according to the data provided by the Economic Development Services department, there is also a new B&B under development in Erieau, however, details could not be obtained on the status of this project.

As for the existing inventory, there is a general opinion that the range B&B's in the area are of similar quality, and are unique properties. There do not seem to be supply issues in the market, and as mentioned, at least one B&B is currently under development. Demand however is an issue. B&B's in general only cater to a small segment of the leisure market, those who prefer to stay at B&B's and not the major demand generators of the leisure market due to capacity issues. Almost all operators interviewed stated that with the exception of weekends in the summer, there is a serious lack of demand year round.

There are also some concerns about the licensing process, and thus there may be an issue as to whether all accommodations are properly being accounted for in the Ward.

7.4 Locational/Product Positioning Considerations

The B&B room inventory is generally available in both urban and rural areas throughout the Municipality, providing a broad distribution of product. However, unlike traditional transient hotels and motels, this inventory is not necessarily available 365 days a year.

While this product effectively caters to an adult getaway leisure market, it does not appeal to traditional corporate travelers, and is not an effective product offering for sports tourism. However, as a complement to other accommodation product in the Ward of South Kent, it is key component of the tourism infrastructure. Due to the unknown number of establishments that have not chosen to adhere to the licensing requirements set out by the Municipality, the Ward may not be obtaining the full extent of tourism marketing benefits from exposure of these facilities through the Blenheim BIA and Chamber of Commerce.

7.5 Implications for B&B Development in the Ward of South Kent

In general terms, we are encouraged by the number and quality of Bed & Breakfast operations, located throughout the Ward, and while these facilities effectively cater to an adult getaway leisure market, they do not appeal to traditional corporate travelers, and are not an effective product offering for sports tourism. However, as a complement to other accommodation product in the Municipality, it offers a key component of the tourism infrastructure.

In identifying possible enhancement and positioning strategies for the sector, there are two general frameworks, the Municipality might consider in order of priority:

- 1) Enhanced Marketing of the Existing B&B Product
- 2) Strategies to Encourage Additional B&B Product

In order to effectively encourage additional B&B product, the necessary marketing and promotional channels must be in place.

Furthermore, although the licensing procedures and regulations may be needed from a quality control standpoint, it is evident that they have caused challenges in terms of new supply and expansion within the B&B market. An in-depth assessment of current Licensing procedures and regulations may be required, including a best practice assessment from other Municipalities throughout Ontario.

8.0 IMPLICATIONS FOR ACCOMMODATION DEVELOPMENT IN SOUTH KENT

8.1 Accommodation Development in the Ward of South Kent

The foregoing research and analysis has examined the market and development potential for accommodation development in the Ward of South Kent. The analysis has considered the opportunities for Transient Hotel development, Resort Hotel development and Bed and Breakfast establishments.

Our analysis confirms that while there is a “need” for additional accommodation facilities in the Ward of South Kent, sufficient demand does not exist to support development of a traditional Transient Hotel.

While opportunities may appear to exist for Resort Hotel development in the Ward, such as the conversion of the Southwest Regional Centre into a resort establishment, due to the complexities associated with these types of projects, it would be difficult for the Ward to be proactive in attracting further development of this nature to the area. Nevertheless, South Kent should continue to support the furtherance of the existing and future resort development proposals in the area.

Opportunities do exist and should be pursued in enhancing the existing the Bed & Breakfast product, however this will not satisfy the corporate and sports tourism accommodation needs identified.

8.2 Overall Implications of the Subject Accommodation Needs Requirement Study

The City of Chatham contains the largest population in the Municipality, the strongest corporate demand base, and represents 80% of the room inventory in Chatham-Kent. Within Chatham's hotel market, which consists of 5 primary properties, despite a 3.5% increase in supply over the past 5 years, demand has continued to drop significantly in this market (12.4%). In 2007 alone, demand in the Chatham market dropped 13.6%, and was expected to decline a further 1.5% by year-end 2008, resulting in an occupancy performance of about 42%.

The implication of this analysis is that unless there is a stronger corporate base than is seen in the Ward of South Kent, then the conclusions that we have drawn on the Accommodation Needs Requirements for this Ward would be the same for all other Wards. On a general level, it should be understood that hotels do not bring demand to a destination, the demand generators must already be in place. The same conclusions can be made with respect to the opportunities for Resort Hotel development throughout the Municipality of Chatham-Kent.

As such, we would recommend that the study not proceed to the second phase, which was to include a financial analysis for the proposed project in conjunction with the preparation of an implementation plan intended to assist in attracting potential hotel developers to the project.

Furthermore, with respect to Corporate Strategy Goal #1, within the *Economic Development Services and Tourism Strategy Update* for Chatham-Kent, we would recommend that the Municipality revisits the intention to retain professional consultants for any further accommodation needs assessments. This statement is based on the fact that we have already reviewed all of the accommodations and major corporate demand generators throughout Chatham-Kent, and we believe that the implications of any other needs assessments in the Municipality would be same as those stated for the Ward of South Kent.