

Alberta 

BUSINESS CASE ASSESSMENTS FOR ALBERTA TOURISM



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Alberta Tourism Business Case



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RV PARK

The term recreation vehicle to a vehicle that can be lived in and can be driven or towed from place to place, including: travel trailers, fifth wheel trailers, toy haulers, hybrid travel trailers, tent camping trailers, park model trailers, truck campers, class A, B and C motorhomes.

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RIVER ADVENTURES

River Adventures began as thrill-seeking activities involving risk and adrenaline rushes, but they have since grown to also include safer and more relaxing activities.

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GUIDING

Outdoor guides lead individuals or groups on recreational experiences such as boating, fishing and nature trails. Depending on the activity, these trips may last from a few hours to several days.

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GLAMPING

Technically defined as the literal joining of the words camping and glamorous, “glamping” is a style of luxury accommodations that has become popular with tourists looking for unique experiences, outdoor adventures, and luxury travel.

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ZIPLINING

The term “zip-line” refers to a freely moving pulley suspended on an inclined cable, usually made of stainless steel, designed to enable a person to travel from the top to bottom of the cable by gravity.

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BOUTIQUE HOTEL / INN

While there is no commonly agreed upon definition of a boutique hotel, several industry experts have attempted to provide greater clarity around this emerging new hotel segment.



RV PARK



BUSINESS OPPORTUNITY OVERVIEW

RV PARK DEFINITION

The term recreation vehicle, or RV, refers to a vehicle that can be lived in and can be driven or towed from place to place, including: travel trailers, fifth wheel trailers, toy haulers, hybrid travel trailers, tent camping trailers, park model trailers, truck campers, class A, B and C motorhomes. An RV is movable, transportable and recreational, as compared to modular homes or stationary park model homes. RV Parks exist for owners of recreational vehicles to park their units for a period of time, as compared to mobile home parks, where the manufactured unit is transported to the home-site, and the high cost of moving or relocating them is not feasible. The difference between RV Parks and manufactured home communities (MHC) is difficult to differentiate, as some RV Parks look, act and operate like a MHC. However, there are distinct differences:

- Rents among MHCs are typically by the month based on an initial one-year lease;
- RV Parks generally rent pads by the day, week or month;
- Because RV Park occupancy is transient, operation of the property requires more intensive management and has a higher degree of risk to the owner, including seasonal fluctuations and constant turnovers.

GENERAL BUSINESS OPPORTUNITY

Alberta has a strong camping segment, and with the highest number of days of sunshine than any other province, has a healthy RV industry. Alberta has an inventory of approximately 700 campgrounds, of which an estimated 390 are private and not-for-profit RV campgrounds and parks (56%). According to a 2015 national study undertaken by the Canadian Camping and RV Council¹, the most requested new services in Canadian campgrounds are wireless internet, pool and water play area, upgraded electrical grid and additional or renovated comfort stations.

There is an opportunity to purchase and upgrade or develop a family-oriented RV Park in Alberta. Specifically, the development would be privately owned or not-for-profit, offering non-permanent, overnight accommodations with full-services (drinkable water, 30 to 50+ AMPs, sewer, and wif-fi) that can accommodate both RVs and tent-style camping, focusing on the transient and destination tourist markets to Alberta.

¹ Economic Impact and Trend Analysis of the Canadian Camping Industry, Canadian Camping and RV Council, April 2015.



RV FACILITY TYPES

According to the Association of RV Parks and Campgrounds, there are three distinct types of RV facilities which are differentiated by the services and amenities offered. The subject tool kit looks at an investment in RV Resorts as the primary opportunity for Alberta.

Campgrounds	RV Parks	RV Resorts
<ul style="list-style-type: none"> • Smaller communities; functions as tent or cabin campgrounds which also offer RV lots • Community size is smaller and less developed • Fewer hook-ups available • Usually no amenities • Inferior roadways; usually made of gravel or paved in select areas 	<ul style="list-style-type: none"> • Primary function is RV • Community size typically larger than campgrounds with medium development costs • Increased number of hook-ups • Limited amenities with minimal recreational and social activities • Roadways and parking areas are paved 	<ul style="list-style-type: none"> • Primary function is RV • Upscale facility • Increased number of hook-ups • Elaborate amenities of shower facilities, laundry, increased recreational and social activities, and cabin rentals

Source: Association of RV Parks and Campgrounds



DIFFERENT TYPES OF RV PARKS

There are several types of RV parks and campgrounds, as well as various types of clientele. The RV Park designation is usually determined by the segment of RV owners and users from which the park draws the majority of its demand. Although there are multiple types of parks, the 6 most common ones include:

Types of RV Parks

- | | |
|-----------------------|---|
| Overnight/
Enroute | <ul style="list-style-type: none"> • Ideal for travelers who need a short stay or overnight rest stop, typical stay for 1 to 2 nights, while on their way to a destination • Situated along or just off of major highways • Minimal amenities offered as guests are not necessarily drawn to the park for its activities • More labour intensive, due to high turnover of guests |
| Destination | <ul style="list-style-type: none"> • Highly developed resort-type parks offering man-made or natural attractions (i.e lake or golf course) and/or located close to a large attraction (i.e. National or Provincial Parks) • If properly located and planned, will achieve a higher per night pad rent than other park types • May be situated further from major urban centres as part of the destination area |
| Seasonal | <ul style="list-style-type: none"> • Often located near or on lakes or rivers where occupants rent the sites for the summer season. • Rents are typically quoted by season, rather than by day, week or month. • In some cases, the units may remain on the site for the entire year, but occupied for the season, while in other situations, the units may be removed from the site. • These types of parks are often found in southern states, and primarily used by “snowbirds”. • Tend to be highly developed, and require management similar to an extended stay park. |
| Extended
Stay Park | <ul style="list-style-type: none"> • A relatively new phenomenon which has become a growing segment in the industry. • Majority of occupants use the park as their principal residence for an extended period. • Rents are typically by the month, season or year. • Operated similar to a mobile home park. • Generally built in warmer climates/in communities where there is a need for additional housing on a temporary/permanent basis. • Generally achieves a monthly rental rate of approximately 40% to 50% of the nightly rate. • Occupants expect more services and more activities. |
| Condominium
Park | <ul style="list-style-type: none"> • Usually developed by corporations or developers who specialize in this type of development, and who have their own marketing program and sales force. • Each user is a buyer and receives title or deed to a specific site or lot within the park. • Owners also typically pay a monthly fee or annual fee, for the right to use facilities of the park. • Owners can also include their units in a rental pool, when they are not occupying them. • Typically have a variety of facilities, including large clubhouses, golf courses, tennis courts, indoor shuffleboard courts, swimming pools, spas, saunas, and crafts rooms. |
| Membership
Park | <ul style="list-style-type: none"> • Operate like private clubs; buy a membership and you can use the club. • Individuals or families purchase a membership in a single park (the “home” park) or in a system that may offer multiple locations. • The membership fee typically offers the buyer the right to use the facilities for a certain number of nights per year, usually without any additional per night fee. • Most memberships also require the payment of an annual maintenance fee or dues in order to keep the membership active. • Parks typically provide a wide range of amenities, often including year-round facilities and other amenities that help attract membership buyers. • Many parks also offer rental accommodations (usually for an additional fee) in order to attract members who are not RVers and for use as incentives to introduce non-members to the park during membership promotions. |

Overnight/enroute and Destination RV Parks tend to attract Alberta’s tourist markets, although Condominium and Membership parks can also cater to tourist markets. In comparison, Seasonal and Extended Stay Parks are geared more towards Alberta’s resident market. The subject tool kit, examines an investment in Destination RV Resorts as the primary opportunity for Alberta, which will likely be owner operated or adopt a condominium or membership model as discussed below.



RV BUSINESS MODELS

There are two business models for RV parks and resorts in Alberta; either selling the pads or purely renting them.

Sell RV Pads

Some RV parks and resorts sell individual RV lots for ownership

Owners can choose to permanently keep their RV on their lot or choose to rent out the lot and/or RV during certain times—like a fractional ownership model with a rental pool.

Rent RV Pads

Campgrounds and other RV parks and resorts purely rent out RV lots and own the entire park.

These rental parks and resorts may still offer long-term rentals (up to 6-months for example) at discounted pricing but maintain ownership.

Some parks and resorts have historically fallen into disrepair under this operating model; so, certain parks and resorts do not allow campers to stay more than 14 consecutive nights to ensure each lot is cleaned and maintained.

Within each type of facility, there is also the option to:

- rent only the RV pads and have campers bring their own RV, or
- to rent out RV units on your property.

Though taking on the responsibility of both the campground and RV units' maintenance is costlier and more labor-intensive, it also provides a greater income potential.

Most of Alberta's private RV campgrounds are individually owned and operated, however there is also the option to operate multiple campgrounds and offer a membership to the network. For example, Holiday Trails RV Resorts offer 6 resorts in their network in BC, Alberta, and Washington. These campgrounds are all rental lots and are also open to non-members, but members receive special benefits such as unlimited camping.

Certain campgrounds companies offer franchising on new or existing campgrounds. Like hotel franchises, these companies do not purchase the land, finance construction, or build the campground however they will support the owner in business and site planning, and integrate the campground into their booking and marketing platform.

RV SITE AND RENTAL TYPES

In designing or upgrading/expanding an RV site, consideration should be given to providing various site types. In addition, for developers interested in providing furnished and equipped RV rentals for transient demand, consideration should be given to offering up to 3 rental layout types.

Site Types

Back In

Allow campers to back their RV into the site. Most common and most efficient use of space. Most be properly angled to allow for a RVer to maneuver a trailer or motorhome into a site.

Pull throughs

Desirable for RVers; easy in and out; requires a larger pad, which is typically longer than standard sites. Pull through sites are desirable for short term guests, and are priced at a premium

Pull Ins

Allows motorhomes to look out of the front windshield at views. Requires a different utility location than other site types, or 2 sets of utilities so it can be back in or pull in. Not ideal for towable units.

RV Rental Types

Basic

- 50 AMP electric sufficient for a small refrigerator, lighting, microwave, hair dryer, coffee maker, AC/heating
- WiFi or internet connections
- Furnished with double or queen bed and bunk bed
- Porch or deck with picnic table, fire pit and gas BBQ
- Designated parking for 1 vehicle

Efficiency

- Basic services plus
- Shower, toilet, sink and vanity

Deluxe

- Basic and efficiency services plus
- 50-100 AMP electric, full size refrigerator, electric stove
- Cable TV
- Kitchen utensils, dishes, cookware, silverware



SITE CONSIDERATIONS

In Alberta, RV Resorts are typically located in areas that offer easy access to multiple experiences such as access to provincial and national parks or attractions, fishing areas, trails, golf courses, restaurants, lakes, boat launches, or unique heritage and native sites. Alberta has a wide variety of terrain options including the Great Plains, Boreal Forest, Bad Lands, and Rocky Mountains, all of which are appealing to the RV camper market.

RV Parks are typically located up to 1 hour from a major urban centre to allow for easy access to shopping, restaurants, movie theatre, and recreation areas, such as golf courses or conversely are located within a destination area, such in close proximity to the province's major National and Provincial Parks.

In selecting a campground, the most important site considerations amongst the Alberta camper market include² :

- Beauty
- Cleanliness
- Safe environment
- Privacy
- Tree cover
- Drinkable water
- Quietness
- Campsite size

In terms of site requirements, a general rule of thumb is 10 campsites per acre, with each campsite providing room for one RV, its utility connections, and patio/green space area.

AMENITIES

RV Resorts typically have larger pads to allow for easier access, larger RVs, and for more free space on the pad. On-site amenities typically include a picnic table and a large amount of room in between neighbouring pads. RV Resorts also often offer shared amenities such as heated pools, clubhouses, retail, restaurants or snack bars, playfields and children's playgrounds, biking or nature trails, volleyball, bocce ball and other recreational amenities.

RV PARK DESIGN TRENDS

A good RV Park offers³

- Level sites of the right size and properly angled for ease of entry/exit
- Full service utilities, including water, sewer, 20/30/50/100-amp electric, cable TV and Wi Fi or internet connection
- Road widths and road quality, preferably paved
- Quality restrooms
- Accessibility Disabilities Act compliance throughout park

Each RV Site should include:

- A hard surface, packed crushed stone and gravel, paved asphalt RV pad that is a minimum of 60' X 10' and an attached 10' X 20' patio area
- Full service utilities, including water, sewer, 20/30/50/100-amp electric, cable TV and wi fi or internet connection
- Parking for one vehicle
- A picnic table
- A fire ring or propane BBQ
- Electric meter

Emerging trends in RV Campground design include⁴:

- Larger sites
- Privacy
- Water, sewer and 50+ AMP electric
- Patios
- Pull through sites
- Green space
- Pet friendly – dog parks, dog washes
- Various types of accommodation – RV sites, cabins, yurts, glamping tents, tents, tree houses, etc.
- Unisex washrooms

² Canadian Camping and RV Council, Camping Industry Portrait in Canada and Alberta.
³ Developing Campgrounds for Today's Visitors, Best Practices in RV Park and Campground Design, March 2018, Society of Outdoor Recreation Professionals, Gorin+Cohen Consulting Group
⁴ Developing Campgrounds for Today's Visitors, Best Practices in RV Park and Campground Design, March 2018, Society of Outdoor Recreation Professionals, Gorin+Cohen Consulting Group



INFRASTRUCTURE REQUIREMENTS

In terms of infrastructure, it will be imperative, that the site selected for an RV Park development, is equipped with basic services, such as potable water, electricity, plumbing and heating. If the site does not have direct access to infrastructure requirements (road access, electricity, potable water, access to sewer or septic system or a holding tank for waste water), the capital costs may become significant, depending on the distance required to bring services to the site.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of an RV Park is not only a business investment decision but a lifestyle choice. Owners must not only love the camping lifestyle, be comfortable being outdoors and be a “people” person, they need to also have at least one, if not both of the following skillsets:

- Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
- “Handyman” experience: As an owner/operator, experience in landscaping, electrical, and plumbing related work will be extremely beneficial in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to Alberta included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Person Visits
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently travel during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7 million nights).

DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016.



CANADIAN RV CONSUMER PROFILE

Study findings from a 2018 study on the Economic Impact of the Canadian Recreation Vehicle Industry⁵, found:

- About 15% of Canadian households own an RV, which represents about 2.1 million households;
- In 2017, RV owners took an estimated 8.2 million RV trips in Canada;
- Canadians who rented RVs took an estimated 612,000 trips in Canada bringing the total to 8.8 million RV trips, and spend an estimated \$3.3 billion on these trips;
- Ontario generates the highest RV retail sales revenues in Canada at 24% (\$827 M), followed closely by Alberta (23% or \$794 M in 2017);
- RV ownership is highest in Saskatchewan and Alberta (both at 19%), compared to a national average of 15% of Canadian households that own or have access to a recreation vehicle;
- RV owners took an average of 3.8 trips in Canada in 2017;
- Approximately 2.6% of adult Canadians took at least one trip in a rented RV in 2017;
- Approximately 70% of RV trip nights in 2017 were spent in a campground, of which 40% were at private campgrounds/RV parks and 30% were at provincial/national park campgrounds;
- Visiting national or provincial parks (23%) and hiking and backpacking (23%) are the most common activities undertaken by RV travelers, followed by going to the beach (18%), sightseeing (14%) and wildlife viewing or bird watching (11%);

Based on the Explorer Quotient tool, developed by Environics Research Group to link traveller social values with their associated behaviours and preferences, the primary target markets for RV Park Resort experience in Alberta include: Free Spirits, Cultural Explorers, Authentic Experiencers.

Further information on the Explorer Quotient segments may be found at destinationcanada.com/en/tools#explorerquotient.

⁵ Economic Impact of the Canadian Recreation Vehicle Industry, Recreation Vehicle Dealers Association of Canada & Canadian Recreational Vehicle Association, April 2018, prepared by the Portage Group Inc. & UrbanMetrics Inc.



COMPETITIVE ANALYSIS

COMPETITIVE SUPPLY

According to a 2015 national study completed by the Canadian Camping and RV Council, there are 699 campgrounds, representing over 47,491 campsites in Alberta. Approximately 19% of Alberta's campground supply is comprised of private operations, with a further 37% being not-for-profit operations and the balance public sector owned and operated. Over three quarters of the campsites cater to overnight demand, with 22% catering to seasonal campers. As of the 2015 study, 18% of the province's campsites were equipped with 30 AMP services, with only 3% equipped to offer 50 AMP services. Given the consumer trend toward purchasing larger RV units and/or smaller units with increased amenities, there is a need for additional campsites offering upgraded electrical grids with 50+ AMP services.

CBRE has compiled an inventory of 65 private-sector RV campgrounds across the province offering 50 Amp serviced sites. Of the sample, the majority (46) are seasonal properties generally operating from May to October, while 19 properties operate year-round. The year-round properties are generally

PROFILE OF ALBERTA CAMPGROUNDS

Campgrounds		%
Private	132	19%
Not for Profit	257	37%
Federal	28	4%
Provincial	66	9%
Municipal	215	31%
Total	698	100%
Campsites		
Overnight	36,940	78%
Seasonal	10,551	22%
Total	47,491	100%
Electricity		
15-20	8,944	19%
30	8,523	18%
50	1,375	3%
Total	18,842	40%

Source: Economic and Trend Analysis of the Canadian Camping Industry, April 2015, Canadian Camping and RV Council, SOM.ca and WSPÉ

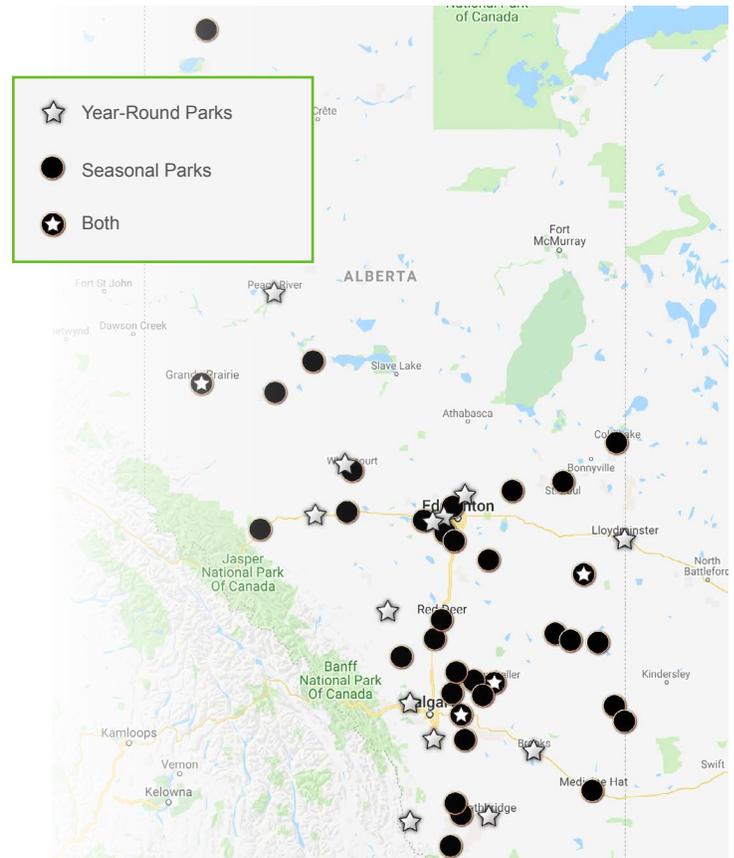
larger, with an average of 117 sites per RV Park, while seasonal properties have an average of 83 properties per campground. Of the 65 RV Parks reviewed, all offered both 30 and 50 AMP sites, with approximately 40 also offering 15 AMP sites. Based on a review of the Camping & Lodging in Alberta Guide for 2018, the average nightly rental rate for an RV pad with 3 services (water, power, and sewage) was \$41, ranging from \$20 to \$60.

ALBERTA PRIVATE RV PARKS AND CAMPGROUNDS OFFERING 50 AMPS

Sample of Alberta Private Campgrounds

Private RV Campgrounds offering 50 Amps	65
Seasonal Campgrounds	46
Year-Round Campgrounds	19
Average Number of Sites per Campground	93
Seasonal Campgrounds	83
Year-Round Campgrounds	117
Average Site Rental Price	
3 Service Rate	\$41
2 Service Rate	\$35
No Service Rate	\$25

Source: Compiled by CBRE Tourism & Leisure Group, 2018 Camping & Lodging in Alberta Guide





COMPETITIVE DEMAND

Highlights of the 2015 national survey of campgrounds by the Canadian Camping and RV Council⁶, showed that occupancy rates for 3-Service campsites at federal and provincial campgrounds averaged 67%, while 2-service campsites had occupancy rates of 73%. In comparison, seasonal occupancy rates for private and not-for-profit and municipal campgrounds were slightly lower at 65% for 3-service sites and 50% for 2-service sites. The study does not provide occupancy rates at the provincial Alberta level.

Occupancy Rates Private, not-for-profit & municipal campgrounds		%	Occupancy Rates Public campgrounds (federal, provincial)	
☀ Seasonal:	78%		☀ Seasonal:	93%
III O/N 3 services:	65%		🔑 Ready-to-camp:	89%
🏠 Cottages/cabins:	64%		I O/N 1 service:	85%
🏡 Yurts:	56%		🏠 Cottages/cabins:	83%
🔑 Ready-to-camp:	52%		🏡 Yurts:	82%
II O/N 2 services:	50%		II O/N 2 services:	73%
I O/N 1 service:	41%		III O/N 3 services:	67%
🚫 O/N unserviced:	34%		🚫 O/N unserviced:	64%

Other study findings include:

- Operating days for the 2014 camping season ranged from 184 – 199 days, significantly higher than the national average of 141 – 167 days. The typical operating season for campgrounds in Alberta is May through September.
- Of the survey respondents, 65% had 3 or more camping holidays in 2014 and the average number of trips for Albertans was 5.6 trips in the year.
- The average number of camping nights for Albertans was 14.8, second in Canada only to BC at 17.5 nights.
- Weekend getaways: 76% of campers went on weekend getaways, went an average of 3.2 weekend getaways in 2014, campers stayed an average of 5.8 nights.
- Summer Vacation: 60% of campers went during their summer vacation and spent an average of 7.2 nights.

- The average size of camping party in Alberta was 3.8, 42% had children in their group and included 1 child.
- The average Albertan has been camping for 26 years with the majority of Albertans camping for 10 or more years. A majority of survey respondents also plan to camp for a further 10 or more years.
- Alberta's camping market consists largely of local Albertans but also includes visitors from Saskatchewan, British Columbia, and nearby US States.
- Going on camping trips without a reservation is relatively common in Alberta. When planning overnight camping trips, 40% of Albertan survey respondents do not reserve campsites in advance while 20% reserved 1- 3 months in advance.

According to the Recreational Vehicle Dealers – Canada Market Research Report, the RV sector in Canada has grown an average of 3.2% per annum over the past 5 years (2014 to 2018). Factors contributing to the industry's growth in demand⁷ include:

- An increase in consumer confidence and disposable income;
- Consumer access to credit;
- Low interest rates, which has enticed consumers to make big-ticket purchases from industry operators;
- Baby boomers, one of the industry's principal market segments, have entered retirement over the past five years. Within this age group, a growing capacity for leisure and higher purchasing power make baby boomers prime candidates for recreational vehicles (RVs) and RV-related vacations; and
- The industry's Go RVing advertising campaign is encouraging consumer interest in RVs and the RVing lifestyle. The "AWAY" television and print ads are appearing on TV and in print, and Go RVing is partnering with music festivals and sports leagues to expand the campaign's reach.

⁶ Economic Impact and Trend Analysis of the Canadian Camping Industry, Canadian Camping and RV Council, April 2015.
⁷ Recreational Vehicle Dealers – Canada Research Report, August 2018, Ibis World



SUBJECT BUSINESS MARKET PROJECTIONS

BUSINESS INVESTMENT CONCEPT

According to a 2009 study undertaken by Alberta Tourism's Investment Branch,⁸ investment opportunities for Alberta's camping industry include:

- Upgrading facilities, by investing in larger sites offering more privacy, comfort stations, increased power services and water hookups; and
- Establishing resort-style campgrounds, where time share, rental or owned sites are being developed. While B.C. has seen recent developments in resort-style campground in tourist destination areas, B.C. also has a longer operating season than Alberta due to variations in climate.

Based on the various RV Park business models and our market overview, CBRE suggests the RV Park investment opportunity for Alberta be positioned as a RV Resort, featuring 120 RV pads, with an additional 5 campsites for tenting. The operation would be open 7 days per week during May to October. The RV Resort would feature a range of pads, including larger sites to accommodate larger RVs, offering 50+ AMPs, water and sewer services. As a RV Resort, the facility would also feature recreational and support amenities, including a children's playground, community shelter, pool and state-of-the art comfort/laundry stations. Consideration may be given to purchasing an existing, and upgrading/expanding the facility to a RV Resort, as building the park from the ground up may be more expensive and the permitting process may take longer. The costs and benefits of both approaches should be examined.

TARGET MARKETS FOR RV PARKS AND RESORTS

Camping remains a popular activity for North Americans, and with the rise of comfort camping and convenient alternatives, this investment opportunity will offer an appealing tourism activity within Alberta. Target markets may include: families, couples, individuals, and leisure groups including:

- Independent leisure travelers primarily from Alberta and other Canadian provinces, who enjoy camping or an RV as a mode of travel. They use parks rather than hotels and motels while in transit to a destination point;
- Traditional Albertan campers and weekenders, who usually spend most of their time at facilities within close proximity of their residences, including those interested in seasonally renting or purchasing a RV lot;
- US travelers, some of which are enroute to Alaska;
- Family reunions, religious and social groups; and
- Groups travelling via caravans, using RV companies sponsored by manufacturers such as Winnebago and Airstream, or nationwide organizations such as Good Sam and International Travel Trailer Clubs

⁸ ERecreational Vehicle Camping in Alberta: A Demand and Supply Side Perspective, The Praxis Group, prepared for Tourism Business Development, Research and Investment Branch, Alberta Tourism, Parks and Recreation, March 2009.



PRICING PROJECTIONS

For the purposes of this analysis, CBRE positioned RV Resort Development in Alberta at the following rates:

ALBERTA RV RESORT DEVELOPMENT SUBJECT RATE POSITIONING

	2019
Transient Rate	\$61
Weekly Rate	\$385
Monthly Rate	\$880
Occupancy	64%

Source: CBRE Tourism & Leisure Group estimates

PRELIMINARY MARKET DEMAND PROJECTIONS

CBRE suggests that an investment opportunity of 125 pads, operating 7 days per week from May to October, target a stabilized occupancy of 84% and an average nightly rate of \$54 by Year 3. The operation would be expected to attract 18,500 occupied nights in Year 1, increasing to a stabilized demand of 19,300 occupied nights.

RV RESORT DEVELOPMENT OPPORTUNITY

May to October Season	Year 1	Year 2	Year 3
RV Pads	125	125	125
Available Campsite Nights	23,000	23,000	23,000
Occupied Campsite Nights	18,520	18,890	19,270
Occupancy %	81%	82%	84%
Average Nightly Rate	\$52	\$53	\$54

Source: CBRE Tourism & Leisure Group



SUBJECT BUSINESS FINANCIAL PROJECTIONS

PRELIMINARY FACILITY PROGRAM AND CAPITAL COST ESTIMATES

CBRE suggests the following key elements be included in the facility program:

- 120 lots of various sizes, fully serviced with power, water and sewer, plus 5 un-serviced sites for tents
- Spacious lots, in a variety of settings – secluded areas with mature trees or wide-open lots with views
- Room to add decks and sheds on site (restrictions could apply)
- Owner’s residence, with general store, propane centre and office
- 2 fully-equipped wash houses with washrooms, showers, and laundry facilities
- Large community hall with full kitchen
- Modern playground facilities, mini-golf and basketball court
- Outdoor heated pool

Preliminary order-of-magnitude capital costs have been estimated at \$3.7 Million or \$30,000 per pad. Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

ALBERTA RV RESORT OPPORTUNITY

RV Pads	Pads	Total Cost Est
Large Full-Service RV Pads	55	\$687,500
Medium Full-Service RV Pads	45	\$562,500
Small Full-Service RV Pads	20	\$250,000
Tent Sites	5	\$10,000
Subtotal	125	\$1,510,000
BUILDINGS		
Owner's Residence/Store/Office	1	\$375,000
Storage Shed / Maintenance	1	\$188,000
Community Hall with Full Kitchen	1	\$750,000
Wash Houses (Incl. Washrooms, Showers, Laundry)	2	\$450,000
Subtotal		\$1,762,500
OTHER		
Site Landscaping/Parking/Signage Allowance		\$250,000
Pre -Opening Marketing		\$75,000
Outdoor Heated Pool		\$50,000
Playground, Mini-Golf, Basketball Court, Walking & Biking Paths		\$50,000
TOTAL	\$30,000	\$3,698,000

Source: CBRE Tourism & Leisure Group Estimates



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

A preliminary targeted 3-year high level proforma for the subject 125 pad RV Resort investment business has been prepared based on the following assumptions:

- The operating season would be 184 days, running from May to October,
- An inflationary factor of 2.0% per annum;
- A seasonal occupancy of 81% in Year 1, increasing to 84% by Year 3;
- An average nightly rate of \$52 in Year 1, increasing by inflation thereafter;
- Approximately 80% of revenues achieved through pad rentals for a total of \$1,040,000 by Year 3, with concession sales contributing an additional 12% of revenues, and other income from amenity offerings such as the laundry rooms, dump station and potentially long-term monthly RV storage contributing 7% of revenues;
- Cost of goods sold has been estimated at 22% of concession sales;
- Undistributed operating expenses which include administration, management fee, payroll, marketing, IT and telecommunications, repairs and maintenance and utility costs estimated at 43% of revenues; and
- Other fixed charges, including insurance, property taxes and a capital service, estimated at 7% of revenues.

Based on these assumptions, the 125-unit RV Park Investment operation is estimated to generate a net income of approximately \$335,000 in Year 1, increasing to \$375,000 by Year 3 – or \$3,000 per pad.

ALBERTA RV RESORT OPPORTUNITY

	Year 1	Year 2	Year 3
RV Pads	125	125	125
Operating Days	184	184	184
Available Camping Nights	23,000	23,000	23,000
Occupied Camping Nights	18,519	18,889	19,267
Occupancy	81%	82%	84%
\$ Rent/Pad	\$8,000	\$8,000	\$8,300
Avg Nightly Rate	\$52	\$53	\$54
REVENUES			
Rental Income	\$963	80% \$1,002	80% \$1,042
Concessions	\$150	12% \$156	12% \$162
Other Income	\$90	7% \$94	7% \$97
Total Revenue	\$1,203	100% \$1,252	100% \$1,302
COST OF GOODS SOLD			
Wages, Supplies, Propane, Firewood, Retail	\$265	22% \$275	22% \$286
Total	\$265	22% \$275	22% \$286
GROSS OPERATING PROFIT	\$938	78% \$976	78% \$1,016
UNDISTRIBUTED OPERATING EXPENSES			
Administration & Mgmt Fee	\$50	4% \$52	4% \$54
Payroll Costs	\$241	20% \$245	20% \$250
IT/Telecommunications	\$24	2% \$25	2% \$26
Marketing & Advertising	\$60	5% \$63	5% \$65
Repairs & Maintenance	\$60	5% \$63	5% \$65
Utilities	\$84	7% \$88	7% \$91
Total	\$519	43% \$535	43% \$552
FIXED CHARGES			
Insurance/Property Taxes	\$48	4% \$49	4% \$50
Total Fixed Charges	\$48	4% \$49	4% \$50
NET OPERATING PROFIT/LOSS	\$371	31% \$392	31% \$414
Reserve for Replacement	\$36	3% \$38	3% \$39
NET OPERATING PROFIT/LOSS	\$335	28% \$354	28% \$375
PER PAD	\$2,700	\$2,800	\$3,000

Source: CBRE Tourism & Leisure Group Projections



PRELIMINARY FINANCING CONFIGURATION

An investor would be expected to contribute a minimum of 50% of the project's capital cost in equity, with the balance financed by a lending institution in the form of debt. Assuming a 5.0% interest rate, and a 15-year amortization period, the cost of debt is estimated at \$175,000 per annum. Based on the projected operating statement, the project's net cashflow after debt service, would be in the range of \$200,000 by Year 3.

COST OF FUNDS (\$000's)

CAPITAL COST ESTIMATE	\$3,698	
EQUITY	\$1,849	40%
DEBT	\$1,849	60%
Interest Rate	5.00%	
# of Compounding Periods per year	12.00	
Frequency of annuity payments during year	12.00	
Effective Interest Rate	5.12%	
Number of periods for full amortization	180.00	15 Years
Beginning Balance	\$1,849	
Effective Interest Rate per period	0.42%	
Annual Mortgage Payment	\$175	

Source: CBRE Tourism & Leisure Group Assumptions

ROI UNDER ALTERNATIVE BUSINESS MODELS

Under the base case model, whereby an existing landowner/operator invested in a 125-site RV Park development, the investment is projected to achieve a 10% ROI by its 3rd year of operation. Under the base case model, it is assumed that the RV Park is developed on an existing plot owned by the investor.

Should the investor also need to acquire lands for the development, capital costs would be higher, with an ROI slightly lower at 9% by Year 3. Under a scenario, whereby the park is franchised, and camping reservations increased by 5% due to brand reservation system, the net operating income after franchise fees would be lower, with a corresponding lower ROI of 8%.

Depending on its location, current facilities and state-of-repair, the cost of purchasing an existing RV Park and upgrading the development may yield higher returns, than developing a new park.

BUSINESS MODEL ALTERNATIVES

RV Resort Opportunity	Base Case / Existing Landowner & Operations	Acquire Lands	Franchise Operation
CAPITAL COST	\$3,698,000	\$4,010,500	\$3,698,000
NET OPERATING INCOME (Yr 3)	\$375,000	\$375,000	\$304,000
Return on Investment	10%	9%	8%

BUSINESS MODEL ASSUMPTIONS:

Land Cost	12.5 acres at \$25,000 per acre
Franchise Operation	10% Camping Reservations

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the business. Depending on the location, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation or possible lease rights. Proponents will also need to check environmental regulations and species protection acts. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete. For more information and resources, see the References and Resources section.

Investors interested in developing a RV Park must seek local planning & zoning approvals, sewer system approval, water supply approval, area development permit, building permits, inspections, before receiving final approval and having a license issued. Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

While Alberta's Northern Region currently has limited private and not-for-profit campgrounds and attracted less than 10% of Alberta's campground nights in 2016 (0.3 million campground nights), potential site opportunities for future RV Resort developments will need to consider access to infrastructure (power, water, sewer, wifi), and the ability for a location to achieve the targeted demand and rate projections in assessing the feasibility of development.

REFERENCES & RESOURCES

ASSOCIATIONS & CLUBS

Recreational Vehicle Dealers Association of Canada (RVDA)

Canadian Recreational Vehicle Association (CRVA)

Association of RV Parks and Campgrounds

Good Sam Club

Camping Select

INDUSTRY STUDIES

Recreational Vehicle Camping in Alberta: A Demand and Supply Side Perspective, The Praxis Group, Prepared for Tourism Business Development, Research and Investment Branch, Alberta Tourism, Parks and Recreation, March 2009

Economic Impact and Trend Analysis of the Canadian Camping Industry, Canadian Camping and RV Council, April 2015.

Economic Impact of the Canadian Recreation Vehicle Industry, Recreation Vehicle Dealers Association of Canada & Canadian Recreational Vehicle Association, April 2018, prepared by the Portage Group Inc. & UrbanMetrics Inc.

Recreational Vehicle Dealers – Canada Research Report, August 2018, Ibis World

BUSINESS RESOURCES

RVBusiness.com

How to Build RV Parks, Steven Melendez, December 2018

How to Start My Own RV Camping Park, Nicole LeMarco, June 2018

Developing Campgrounds for Today's Visitors, Best Practices in RV Park and Campground Design, March 2018, Society of Outdoor Recreation Professionals, Gorin+Cohen Consulting Group

CAMPGROUND DIRECTORY

Camping-Canada.com

Access Camping

Camping & Lodging in Alberta

ADDITIONAL RESOURCES

AlbertaParks.ca

TravelAlberta.com

GoRVing.ca

Alberta Culture and Tourism Business Development and Investment Attraction Branch: tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

GLAMPING





BUSINESS OPPORTUNITY OVERVIEW

GLAMPING DEFINITION

Technically defined as the literal joining of the words camping and glamorous, “glamping” is a style of luxury accommodations that has become popular with tourists looking for unique experiences, outdoor adventures, and luxury travel. While glamping began as luxury safari-style tents, it has grown to include a plethora of unique accommodation styles including tipis, cabins, treehouses, yurts, Parks Canada’s oTENTiks, refurbished RVs, geodomes, and more.

While the style of accommodation may vary, glamping has several key characteristics:

- **Unique:** Whether guests are waking up in a treehouse suspended in a forest, camping in a mountain-top yurt, or stargazing in a geodome, glamping experiences must be unique and offer alternative style accommodations to the traditional hotels, campgrounds, bed & breakfast establishments, etc.
- **Natural Surroundings:** Despite the “glamorous” interiors, glamping guests choose this type of accommodation to experience nature and be removed from cities and suburbs. Glamping accommodations are often in remote areas but strategically located to still be accessible and close to basic amenities.
- **Adventure:** As with the natural surroundings characteristics, glamping is often paired with outdoor activities such as hiking, mountain biking, white water rafting, canoeing, animal watching, local wine, cider or brewery tasting, etc.

GENERAL BUSINESS OPPORTUNITY

Glamping is growing quickly in popularity as a low barrier entry into the camping world. Glamping allows campers to enjoy outdoor adventure experiences, with all the amenities of a home, and allows travellers who did not grow up camping or new Canadians a less expensive and more comfortable alternative than making the substantial initial investment for camping supplies and gear. Glamping also captures the newer generation who enjoy luxury experiences but want to avoid the higher financial and ecological costs associated with standard lodging.

Alberta has a strong camping segment, but many residents are travelling outside the province for glamping related experiences, particularly during the summer months. The development of glamping experiences in Alberta would significantly increase the capacity to meet increasing unmet demand for luxury camping. Visitors interested in glamping are more likely to be international tourists and visitors from other Canadian provinces who want to experience Alberta’s natural environment, but are unlikely to be travelling with camping equipment.

There is also an opportunity to build on the seasonal market to develop a glamping experience to attract both the family and millennial markets residing in Alberta, ranging from rustic to luxury experiences.



GLAMPING BUSINESS MODELS

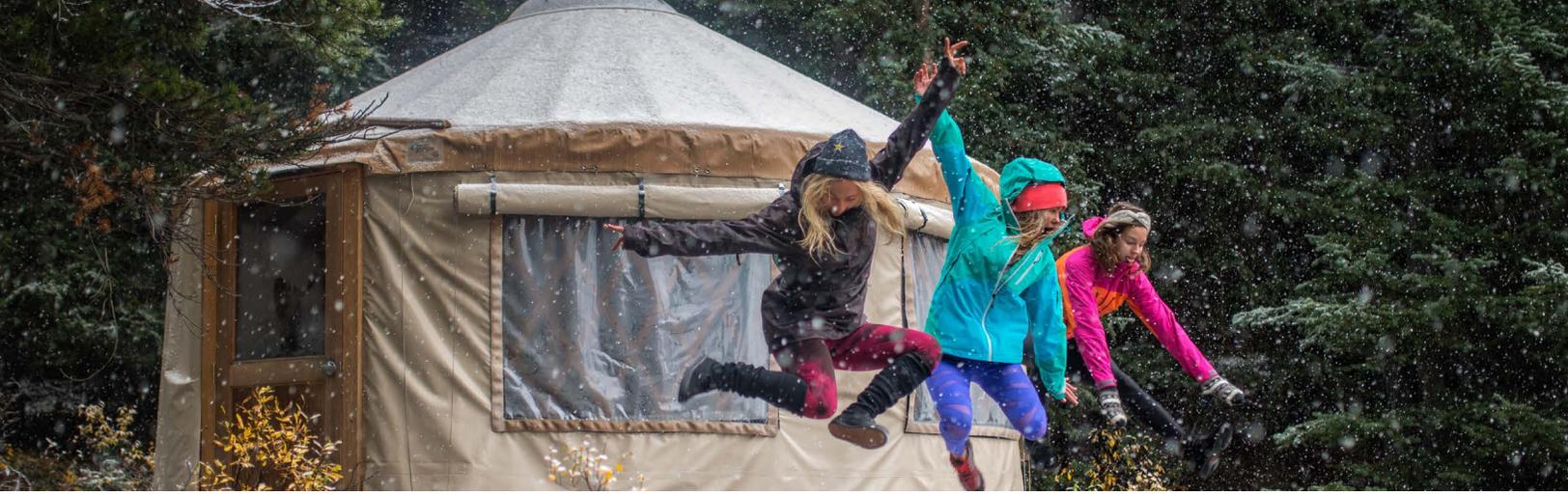
There are several business model options for a glamping investment opportunity, including but not necessarily limited to:

- Development by a landowner, interested in building glamping units on their land and operating the business as the proprietor;
- Development by an existing campground or lodge operator, as an expansion to their service offering;
- Development by an investor on leased land or purchased lands;
- In partnership with another tourism business, public park lands, existing campground or lodge on their lands, as a profit-sharing arrangement; or
- A partnership between a landowner and a 3rd party glamping organization.

Parties interested in Glamping accommodations have the option to either operate their own accommodations or to partner with existing companies. The following chart provides a range of options from owning and operating your own glamping accommodations to an almost hands-off approach of partnering with existing companies.

SELF-OPERATED ← → PARTNER WITH EXISTING

Own & Operate	Lease & Operate	Partner & Operate	Partner
Under this alternative, a potential investor would own the land, build, and operate the glamping accommodations.	A potential investor leases land from an existing campground or provincial park with infrastructure and servicing already in place and builds Glamping accommodations as alternative to campsites.	Potential investors who own the land and have servicing already in place can partner with various glamping organizations that will install and market the accommodations on their own platform, but parties will have full operating control of their accommodations.	Existing campsites or parties with correctly zoned and serviced land can partner with various glamping organizations. These organizations use existing land to operate their luxury glamping accommodations.
Pros: Develop, own and operate the business with no revenue sharing.	Pros: Required infrastructure and services and zoning already in place.	Pros: Experienced partner will set up accommodations, provide insurance, provide marketing and booking platform.	Pros: Minimal investment required if land is correctly zoned and serviced.
Cons: Owner would carry all the startup costs and land costs (if purchase and servicing required)	Cons: Lease payments and working within lease agreements.	Cons: Organization charges an initial start-up fee and a continued 10 – 20% of nightly rate.	Cons: These organizations generally have specific land and location requirements.



GLAMPING STRUCTURES

In terms of the glamping structure, while there are many options available, the most common types include:

Geodesic Dome	Yurt	Canvas Wall Tent	Eco-Pods
			
<p>Semi-permanent spherical structure, built on a wooden platform. Typically, a galvanized steel frame covered in an opaque, weather-resistant cover. The cover typically has a transparent “window” portion in the dome cover or a transparent ceiling for sky views.</p>	<p>Semi-permanent round structure built on a wooden platform. A lattice wooden frame is covered in layers of fabric with varying options for insulation and weather proofing. Yurts can be built two stories high to allow for bunk beds and can allow windows.</p>	<p>A hybrid semi-permanent structure with the wooden base and frame of a cabin with tented walls and roof. As with a cabin, these can be outfitted with heating and plumbing. Cooking facilities can be added, though typically a barbeque or fire pit keeps guests feeling closer to nature.</p>	<p>Semi-permanent, hard-walled, and pre-fabricated structures. Exterior is typically made of wood, with insulation, soft floor covering or carpet, and often a double-glazed window and lockable doors to reduce condensation and provide sound insulation.</p>
<p>Qualities: year-round operation, can be outfitted with heating, plumbing, medium capacity (2-4 adults)</p>	<p>Qualities: year-round operation, can be outfitted with heating, plumbing, higher capacity (4-8 adults)</p>	<p>Qualities: year-round or seasonal operation depending on heating, medium capacity (2-4 adults)</p>	<p>Qualities: year-round operation, typically smaller capacity (max 2 adults)</p>
<p>Additional Site Requirements: Potable water, kitchen/fire pit or food service</p>	<p>Additional Site Requirements: Potable water, kitchen/fire pit or food service</p>	<p>Additional Site Requirements: Potable water, kitchen/fire pit or food service</p>	<p>Additional Site Requirements: Washroom facilities, potable water, kitchen/fire pit or food service</p>



AMENITIES

For an upscale glamping experience, amenities should include high-quality linens and bedding, a kitchen equipped with cooking wares and utensils, potable water, a sitting area, electricity with outlets and charging stations. For convenience, especially in winter, washrooms should be located either inside the glamping structure or at least on the same site as the unit. Outdoor amenities on the site should include a barbecue and/or firepit including propane/firewood.

To elevate the glamping units and provide a luxury feel, certain accommodation units include unique accents such as chandeliers, hand crafted furniture, plush rugs, or locally significant accessories such as printed pillows or paintings.

Access to additional services or facilities including recreation areas, lakes, trails, recreation equipment (eg. bicycles, cross country skis, snowshoes and canoes) and/or guiding services will be beneficial to the operation and enhance the experience.

ADMINISTRATION AND STAFF HOUSING

Depending on the site location and business model, a central administration building may be required to accommodate a reception/check in area; housekeeping/linen supplies, equipment rentals. On-site accommodations for 1 or 2 staff could be accommodated in the administration building or as an additional glamping unit. In situations where the glamping experience is an extension of an existing campground, lodge or other tourism business, current facilities can be utilized.

FOOD AND BEVERAGE SERVICES

Depending on the experience offered, consideration will also need to be given to the provision of food & beverage, which can range from guests bringing supplies, with a BBQ, microwave and small refrigerator supplied with each unit to an all-inclusive luxury experience, with a personal chef preparing meals for guests. In situations where the glamping experience is part of or in close proximity to an existing tourism operation, guests may have access to an on-site restaurant.

SITE CONSIDERATIONS

Ideally a glamping site should be in a natural environment with assets such as a lake, river, forest, offering picturesque views, road access, and site servicing. Suitable sites should

be close to demand generators which can benefit from access to nearby unique accommodations (ie. ski areas, park lands, recreational lakes, etc.). To ensure guests enjoy a remote experience in a natural environment, a glamping site should allow for 3 to 4 units per acre. However, in cases where access to infrastructure servicing is limited and comfort stations are provided, the glamping site would be smaller with centralized units. If a site is on Crown Land, the developer would need to undertake a rezoning process, while if the site is Provincially owned, a disposition process would be required. These processes could take up to 18 months to complete.

INFRASTRUCTURE REQUIREMENTS

It will be imperative, that the site selected for the glamping operation, is equipped with basic services, such as

- potable water
- plumbing
- electricity
- heating

If the site does not have direct access to infrastructure requirements, the capital costs may become significant.

ZONING AND REGULATIONS

Developers will need to seek out local planners to provide advice in obtaining permission and permits to develop and operate a glamping business, and building inspectors to ensure building codes are met in the development of the units.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of a glamping establishment is not only a business investment decision but a lifestyle choice. Owners must not only love the camping lifestyle, be comfortable outdoors and be a “people” person, they need to also have at least one, if not both of the following skillsets:

1. Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
2. “Handyman” experience: As an owner/operator, experience in landscaping, electrical, and plumbing related work will be extremely beneficial in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to the province included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Person Visits
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently travel during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7 million nights).

DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Based on the Explorer Quotient tool, developed by Environics Research Group to link traveler social values with their associated behaviours and preferences, the primary target markets for an upscale glamping experience in Alberta include: Free Spirits, Cultural Explorers, Authentic Experiencers

Further information on the Explorer Quotient segments may be found at: destinationcanada.com/en/tools#explorerquotient.



COMPETITIVE ANALYSIS

COMPETITIVE SUPPLY

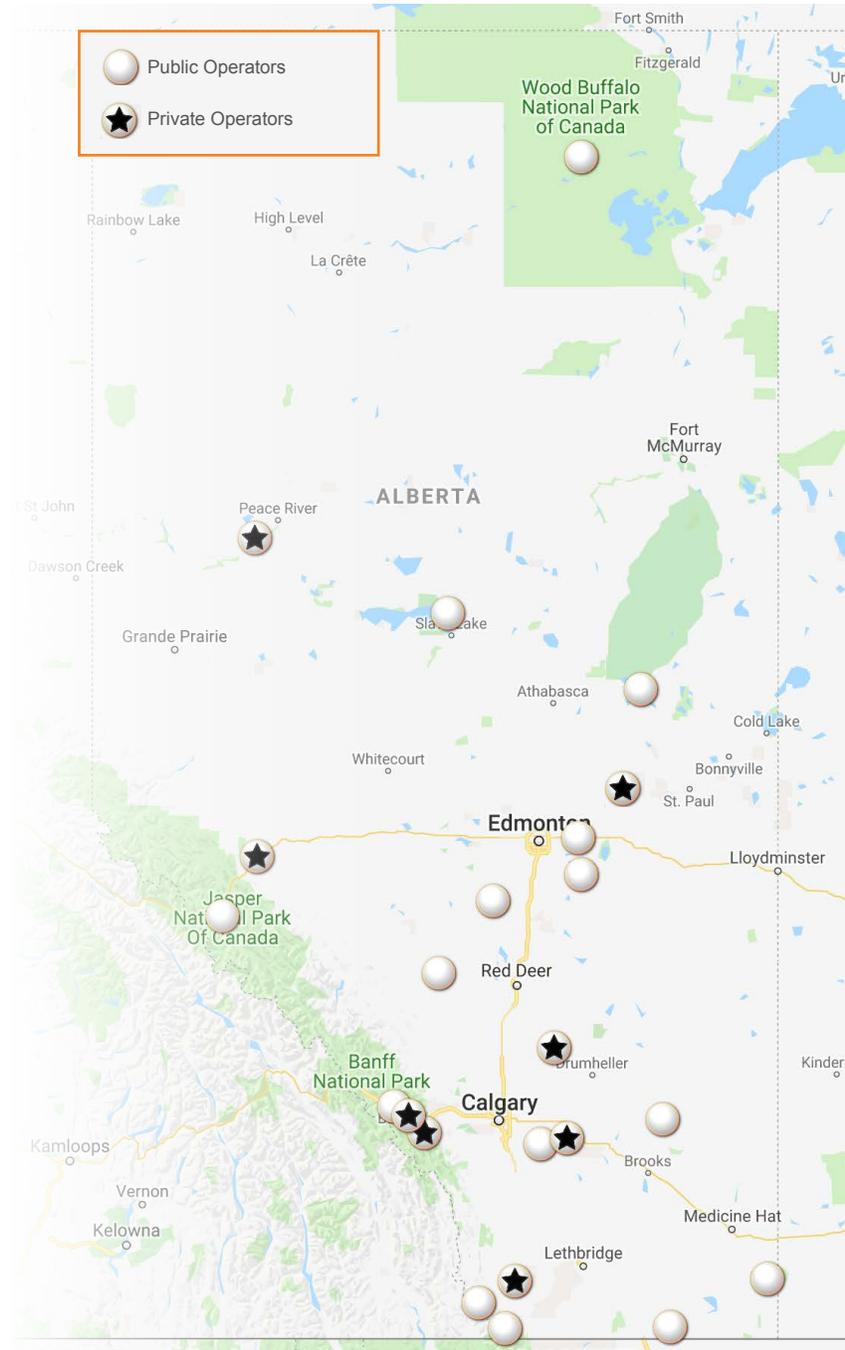
As glamping gains popularity, Alberta's supply of glamping accommodation types has grown past cabins and cottages to now include the following:

- Cabins/Cottages
- Yurts
- Canvas Wall Tents
- Tipis
- Prospector Tents
- OTENTiks
- Caravans

Approximately 2-in-every-3 glamping accommodations in Alberta are currently located in Provincial and National Parks, with 1-in-every 3 being privately owned and operated. The following map and chart identify a number of public and privately-operated accommodation types and their locations. Though extensive, these lists do not cover all the glamping accommodations in Alberta but give a general overview of the competitive market. Of the 25 competitive glamping experiences reviewed in Alberta, there are a total of 180 glamping units, for an average size of 7 units, with a guest capacity of 38 persons, at an average published rate of \$112.

Glamping has grown to include cabins, nature lodges, and other fixed roof accommodations, however true glamping consists of a-typical lodgings such as yurts, luxury tents, tipis etc. Much of Alberta's glamping accommodation supply consists of fixed roof style accommodations, and of the more traditional tents and tipis, many of them are not luxury accommodations but rather offer basic—if any—amenities.

Therefore, there is an opportunity to fill the upscale product niche by offering unique glamping experience with luxury amenities.





ALBERTA GLAMPING ACCOMMODATIONS

#	Accommodation	Public/ Private	Type of Accommodation	Location	Min. Nights.	Units	Max Guest Capacity	Starting Price
1	Banff National Park	Public	OTENTiks	Two Jack Lakeside	2	10	60	\$120
2	Buffalo Rock Tipi Camp	Private	Tipi	Brocket	-	6	24	\$75
3	Castle Provincial Park	Public	Cabins	Beaver Mines Lake Cabins	-	5	20	\$90
4	Cypress Hills Provincial Park	Public	Huts/Cabins	Cypress Hills	-	7	33	\$90
5	Dinosaur Provincial Park	Public	Canvas Wall Tents	-	-	7	28	\$105
6	Elk Island National Park	Public	OTENTiks	Astotin Lake Campground	-	5	30	\$120
7	Good Knights' Medieval Encampment	Private	Medieval Tents	Three Hills	-	8	28	\$200
8	Jasper National Park	Public	OTENTiks	Whisters Campground	-	21	126	Closed for 2019
9	Lesser Slave Lake Provincial Park, The Nest	Public	Lodge	-	-	1	10	Closed
10	Metis Crossing	Private	Trappers Tents	Smoky Lake	-	5	20	\$100
11	Miquelon Lake Provincial Park	Public	Yurts	Miqueon Lake Provincial Park	-	4	24	\$140
12	Mount Engadine Lodge	Private	Canvas Wall Tents & Yurt	Canmore	-	5	20	\$300
13	Old Entrance B'n B Cabins & Teepees	Private	Tipi	Hinton	2	4	13	\$85
14	Peace River Cabins and Outdoors	Private	Tipi & Walled Tents	Peace River	2	2	6	\$69
15	Pigeon Lake Provincial Park	Public	Yurts	Pigeon Lake	-	7	48	\$120
16	River Ranche Lodge	Private	Tipi	Siksika	-	3	24	\$125
17	Rocky Mtn House National Historic Site	Public	Tipi	Heritage Campsites	-	3	24	\$58
18	Rocky Mtn House National Historic Site	Public	Prospector Tents	Heritage Campsites	-	6	36	\$58
19	Sir Winston Churchill Park	Public	Cabins	-	-	25	200	\$100
20	Sir Winston Churchill Provincial Park	Public	Tipi	Lac La Biche	-	2	8	\$129
21	Sundance Lodges	Private	Tipi	Kananaskis	2	12	48	\$90
22	Sundance Lodges	Private	Trappers Tents	Kananaskis	2	23	92	\$65
23	Waterton Lakes National Park	Public	Tipi	Crandell Mountain Campground	-	5	10	Closed from Wildfire
24	Wood Buffalo National Park	Public	Cabins	Pine Lake	2	2	8	\$100
25	Writing on Stone Provincial Park	Public	Yurts	-	-	3	12	\$115
26	Wyndham-Carseland Provincial Park	Public	Canvas Wall Tents	-	-	4	16	\$120
Total						185	968	-
Market Average						7	37	\$112

Source: Compiled by CBRE Tourism & Leisure Group



COMPETITIVE DEMAND

The Canadian Camping and RV Council undertook a national survey of Canadian campgrounds in 2015 in order to provide a national and provincial portrait of the Canadian camping industry and its economic impact¹.

Occupancy Rates Private, not-for-profit & municipal campgrounds		%	Occupancy Rates Public campgrounds (federal, provincial)	
☀ Seasonal:	78%		☀ Seasonal:	93%
III O/N 3 services:	65%		🔑 Ready-to-camp:	89%
🏠 Cottages/cabins:	64%		I O/N 1 service:	85%
🏡 Yurts:	56%		🏠 Cottages/cabins:	83%
🔑 Ready-to-camp:	52%		🏡 Yurts:	82%
II O/N 2 services:	50%		II O/N 2 services:	73%
I O/N 1 service:	41%		III O/N 3 services:	67%
🚫 O/N unserviced:	34%		🚫 O/N unserviced:	64%

Other study findings include:

- Operating days for the 2014 camping season ranged from 184 – 199 days, significantly higher than the national average of 141 – 167 days. The typical operating season for campgrounds in Alberta is May through September.
- From 2009 to 2014, demand for lodging types such as cottages, yurts, and read-to-camp lodging increased significantly in Alberta
- Of the survey respondents, 65% had 3 or more camping holidays in 2014 and the average number of trips for Albertans was 5.6 trips in the year.
- The average number of camping nights for Albertans was 14.8, second in Canada only to BC at 17.5 nights.

- Weekend getaways: 76% of campers went on weekend getaways, for an average of 3.2 weekend getaways in 2014. Campers stayed an average of 5.8 nights.
- Summer Vacation: 60% of campers went during their summer vacation and spent an average of 7.2 nights camping.
- 22% of campers rented a cottage or cabin at a campground in Alberta.
- The average size of camping party in Alberta was 3.8, 42% had children in their group and included 1 child.
- The average Albertan has been camping for 26 years with the majority of Albertans camping for 10 or more years. A majority of survey respondents also plan to camp for a further 10 or more years.
- Albertans top 3 criteria for selecting a campground are 1) Beauty 2) Cleanliness and 3) Price.
- Alberta's camping market consists largely of local Albertans but also includes visitors from Saskatchewan, British Columbia, and nearby US States.
- Going on camping trips without a reservation is relatively common in Alberta. When planning overnight camping trips, 40% of Albertan survey respondents do not reserve campsites in advance while 20% reserved 1- 3 months in advance.

¹ Economic Impact and Trend Analysis of the Canadian Camping Industry, Canadian Camping and RV Council, April 2015.



SUBJECT BUSINESS MARKET PROJECTIONS

BUSINESS INVESTMENT CONCEPT

Based on the various glamping business models and our market overview, CBRE suggests the glamping investment opportunity for Alberta be

- positioned at the upper end of the product scale,
- featuring 15 geodesic dome-style structures,
- on a 5-acre site, which is serviced and zoned,
- currently owned by the investor.

The operation would be open 7 days a week during May to October. The bulk of current glamping supply is at the basic/rustic level, and so the opportunity is at the upscale level.

TARGET MARKETS FOR GLAMPING

Glamping is continuing to grow in popularity and when combined with the opportunity for outdoor adventure experiences, this investment opportunity will offer an appealing tourism destination within Alberta. Target markets for glamping may include: families, couples, individuals, corporate groups, and those attending special events in the area, including:

- Visitors who enjoy camping and outdoor experiences but who are unable/unwilling to bring and setup camping gear;
- First-time campers that do not want to make the large initial investment required for traditional camping gear;
- Summer season independent leisure travelers, including both domestic and international visitors, who are looking for a “close to nature” experience;
- Millennials, who have a non-materialistic mindset, but are willing to pay a little more for luxury;
- Baby boomers, who enjoyed camping when they were younger, but are no longer willing to sleep on the ground;
- Young families and families travelling with grandchildren who want the convenience of turn-key camping; and
- Small corporate and leisure groups and retreats looking for a unique outdoor adventure experience.

PRICING PROJECTIONS

Current glamping experiences offered in Alberta tend to be priced at the lower end of the scale – with the majority of product listed at under \$150 per night. For example, as an upscale product offering, the property should be positioned to achieve rates of \$250 per night during the peak months of July, August and September, and \$225 during the balance of the season, for an average nightly rate of \$240 in its first season of operation.

PRELIMINARY MARKET DEMAND PROJECTIONS

CBRE has projected that a glamping investment opportunity of 15 units, which operates 7 days per week from May to October would achieve an estimated occupancy of 64% in its first year of operation, increasing to a stabilized occupancy of 71% by Year 3. At this level, the glamping operation would be expected to attract 1,770 occupied nights in Year 1, increasing to a stabilized demand of 1,950 occupied nights. With an average party size of 3 persons, and a minimum 2-night stay, the glamping investment has been projected to attract just under 3,000 guests by Year 3.

ALBERTA GLAMPING OPPORTUNITY

	Year 1 May - Oct	Year 2 May - Oct	Year 3 May - Oct
Glamping Units	15	15	15
Available Camping Nights	2,760	2,760	2,760
Occupied Camping Nights	1,771	1,859	1,952
Occupancy	64%	67%	71%
Guests	2,660	2,790	2,930
Avg Nightly Rate	\$241	\$246	\$251

Source: CBRE Tourism & Leisure Group Projections



SUBJECT BUSINESS FINANCIAL PROJECTIONS

PRELIMINARY FACILITY PROGRAM AND CAPITAL COST ESTIMATES

CBRE suggests the following key elements be included in the facility program:

- 15 units of geodome style accommodations, each measuring approximately 300 to 400 square feet;
- Wood/vinyl flooring;
- Room furnishings comprised of one or two beds, bedside tables with lamps, headboard, floor lamp, seating, mirror, credenza and luggage racks;
- Tasteful décor, bed linens, towels and soaps;
- Propane gas fireplace;
- Microwave, mini refrigerator and coffee maker;
- High Speed Internet (cable and Wi-Fi Access);
- Extended covered area in the rear or inside the unit, housing a washroom unit;
- Outdoor wooden deck with BBQ and chairs;
- Outdoor picnic bench; and
- Connections to water and electricity and serviced by a septic tank/holding tank.

Preliminary order-of-magnitude capital costs have been estimated at \$632,500 or \$42,000 per unit for an upscale glamping experience. As a comparison, Parks Canada’s OTENTik units cost an average of \$25,000 to \$30,000 to install. Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

*Note: the interest rates, debt to equity ratios, and amortization period are variable and subject to change.

ALBERTA GLAMPING OPPORTUNITY

ACCOMMODATION	Units	Total Cost Est
Glamping/Sleeping Domes	15	\$225,000
Furnishing & Fixtures	15	\$45,000
Ensuite Enclosure - Washroom	15	\$45,000
Wooden Platform/Deck	15	\$22,500
Subtotal	15	\$337,500
BUILDINGS AND INFRASTRUCTURE		
Office/Staff Accommodation	1	\$70,000
Storage Shed / Maintenance	1	\$50,000
Subtotal	1	\$120,000
OTHER		
Site Landscaping/Parking/Signage Allowance		\$75,000
Pre -Opening Marketing		\$50,000
Rental Recreation Equipment		\$50,000
TOTAL	\$42,000	\$632,500

Source: CBRE Tourism & Leisure Group



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

A preliminary 3-year high level proforma for the subject Glamping investment business has been prepared based on the following assumptions:

- The operating season would be 184 days, running from May to October,
- An inflationary factor of 2.0% per annum;
- A seasonal occupancy of 64% in Year 1, increasing to 71% by Year 3;
- An average nightly rate of \$241 in Year 1, increasing by inflation thereafter;
- Approximately 90% of revenues achieved through unit rentals, with on-site rental equipment, such as bicycles, and other supplies at \$30 per occupied room night.
- Departmental expenses associated with cleaning the units, laundry and other guest supplies at 10% of revenues;
- A 3% management fee;
- Undistributed operating expenses which include administration, marketing, IT and telecommunications, repairs and maintenance and utility costs estimated at 35% of revenues; and
- Other fixed charges, including insurance, property taxes and a capital service, estimated at 6% of revenues.

Based on these assumptions, the 15-unit Glamping Investment operation is estimated to generate a net income of approximately \$223,000 in Year 1, increasing to \$257,000 by Year 3 – or \$17,000 per glamping unit.

ALBERTA GLAMPING OPPORTUNITY

	Year 1		Year 2		Year 3	
GLAMPING UNITS	15		15		15	
Operating Days	184		184		184	
Available Camping Nights	2,760		2,760		2,760	
Occupied Camping Nights	1,771		1,859		1,952	
Occupancy	64%		67%		71%	
Avg Nightly Rate	\$241		\$246		\$251	
REVENUES						
Unit Rentals	\$427	89%	\$457	89%	\$490	89%
Rental Equipment	\$35	7%	\$38	7%	\$41	7%
Supplies/Other	\$18	4%	\$19	4%	\$20	4%
Total Revenue	\$480	100%	\$514	100%	\$551	100%
DEPARTMENTAL EXPENSES						
Rooms Expenses	\$43	10%	\$46	10%	\$49	10%
Other Supplies	\$5	10%	\$6	10%	\$6	10%
Total Departmental Expenses	\$48	10%	\$51	10%	\$55	10%
GROSS OPERATING PROFIT						
Management Fee	\$14	3%	\$15	3%	\$17	3%
UNDISTRIBUTED OPERATING EXPENSES						
Administration & General	\$60	13%	\$64	13%	\$69	13%
IT/Telecommunications	\$10	2%	\$10	2%	\$11	2%
Marketing & Advertising	\$24	5%	\$26	5%	\$28	5%
Repairs & Maintenance	\$36	8%	\$39	8%	\$41	8%
Utilities	\$36	8%	\$39	8%	\$41	8%
Total	\$166	35%	\$177	35%	\$190	35%
FIXED CHARGES						
Insurance/Property Taxes	\$15	3%	\$15	3%	\$16	3%
Total Fixed Charges	\$15	3%	\$15	3%	\$16	3%
NET OPERATING PROFIT/LOSS						
Reserve for Replacement	\$14	3%	\$15	3%	\$17	3%
NET OPERATING PROFIT/LOSS AFTER RESERVE						
	\$223	46%	\$239	47%	\$257	47%
PER UNIT	\$15		\$16		\$17	

Source: CBRE Tourism & Leisure Group Projections



PRELIMINARY FINANCING CONFIGURATION

An investor would be expected to contribute approximately 50% of the project's capital cost in equity, with the balance financed by a lending institution in the form of debt. Assuming a 5.0% interest rate, and a 5-year amortization period, the cost of debt is estimated at \$72,000 per annum. Based on the projected operating statement, the project's net cashflow after debt service, would be in the range of \$151,000 in Year 1 to \$185,000 by Year 3.

COST OF FUNDS (\$000's)

CAPITAL COST ESTIMATE		\$633
EQUITY	\$316	50%
DEBT	\$316	50%
Interest Rate	5.00%	
# of Compounding Periods per year	12.00	
Frequency of annuity payments during year	12.00	
Effective Interest Rate	5.12%	
Number of periods for full amortization	60.00	5 Years
Beginning Balance	\$316	
Effective Interest Rate per period	0.42%	
Annual Mortgage Payment	\$72	

Source: CBRE Tourism & Leisure Group Research

ROI UNDER ALTERNATIVE BUSINESS MODELS

The project's ROI will be dependent on its location, surrounding environment, how up-market the accommodation, facilities and service offerings are and the business model in which it operates. The estimated payback period is typically between 4 to 6 years.

Under the base case model, whereby an existing landowner/operator invested in a 15-unit glamping operation, the investment is projected to achieve a 41% ROI by its 3rd year of operation. Should the investor also need to acquire lands for the development and provide site servicing infrastructure, capital costs would be higher, with an ROI slightly less at 35% by Year 3. Assuming a land lease or joint venture model, the operating costs would be higher, and ROI lower at 27% by Year 3; and in a partnership between a landowner and a 3rd party glamping organization, the landowner receives a percentage of gross revenues.

BUSINESS MODEL ALTERNATIVES

GLAMPING INVESTMENT OPPORTUNITY	Base Case / Existing Landowner & Operations	Acquire Lands & Site Servicing Infrastructure	Land Lease / Joint Venture	Partnership Between Landowner & Glamping Org.
Capital Cost	\$633,000	\$958,000	\$633,000	
Net Operating Income (Yr 3)	\$257,000	\$257,000	\$174,000	\$83,000
Return on Investment	41%	35%	27%	

BUSINESS MODEL ASSUMPTIONS:

Land Cost	5 acres at \$25,000 per acre
Site Servicing Infrastructure	\$15,000 per site
Land Lease	15% Gross Revenues
Joint Venture	15% Gross Revenues
Partnership	15% Gross Revenues

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the glamping structures, particularly in terms of whether they are rented out to an existing campground or if they are developed on new land. Depending on the location of the glamping structures, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation, possible lease rights for use of the land and electricity and water rights depending on the location's current amenities. Proponents will also need to check environmental regulations and species protection acts when determining if the site is appropriate for glamping. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete. For more information and resources, see the References and Resources section.

Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

REFERENCES & RESOURCES

USER-GENERATED LISTING WEBSITES

Glamping.com

Glampinghub.com

Tentrr.com

BUSINESS GUIDES BY SARAH RILEY

The Ultimate Glamping Business Guide

The Essential Business Planning and Financials

Inspiredcamping.com

CORPORATE LISTING AND PARTNERSHIP OPPORTUNITY WEBSITES

CollectiveRetreats.com

UnderCanvas.com

GLAMPING SUPPLIERS, CANADIAN AND GLOBAL

Luna: LunaGlamping.com

Biome: Biome-Canada.ca

Pacific Yurts: Yurts.com

Eco Structures: EcoStructures.com.au

Lushna: Glamping-Lushna.com

ADDITIONAL RESOURCES

AlbertaParks.ca

TravelAlberta.com

Alberta Tourism Market Monitor (Alberta.ca/
alberta-tourism-market-monitor)

Alberta Culture and Tourism Business
Development and Investment Attraction Branch:
tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

RIVER ADVENTURES





BUSINESS OPPORTUNITY OVERVIEW

DEFINITION OF RIVER ADVENTURES

River Adventures began as thrill-seeking activities involving risk and adrenaline rushes, but they have since grown to also include safer and more relaxing activities. Non-motorized River Adventures are seasonal activities (May to October), which range in level of challenge, as follows:

- Soft Adventure – tubing (pulled by motor boat or floating down a river), kayaking, paddle-boarding, canoeing or float trips in a raft;
- Medium Adventure – Rafting in a whitewater raft on rough water (no rapids), such as winter run-off when river levels are lower;
- Whitewater Rafting – Rafting that involves teamwork as a group of rafters navigate a large inflatable raft down a river, over rapids. The level of difficulty is weather and season dependent as water levels rise and fall, creating faster water flows and rougher rapids. In terms of whitewater river activities, the international scale that rates individual rapids from Class 1 to 6. Class 1 is gentle, moving water, while Class 6 is virtually impossible to navigate.

As Whitewater Rafting requires specific equipment and guiding skills, it is often not as accessible to the vacationer as other River Adventure activities, and therefore often facilitated by a tour company. Furthermore, there are few areas of Alberta that offer true whitewater rafting. These are typically found in the Canadian Rockies (i.e. Jasper, Banff and Canmore).

In terms of tourism businesses catering to Rafting and other River Adventure, there are three primary levels:

1. Small Family-Owned Operator

- Own 2-4 boats, with a capacity of up to 20 people
- Owners provide guiding services, with 2-3 staff maximum
- No storefront, only offer a working counter, which may or may not have changing facilities/washrooms
- Seasonal operation (4 months – June to September)
- There are currently 10-15 known operators working in this category

2. Medium-Sized River Adventure Operator

- Own 5-15 boats, and 1-3 vehicles, in order to accommodate larger groups (up to 50 people)
- Often facilitate packages with horseback riding, camping, etc.
- Many companies operate from a base camp near the river
- There are currently 12-16 known operators working in this category

3. River Adventure Resorts

- Own over 20 boats, with a capacity of 100 people or more
- Typically feature a large lodge and guest cabins, full meals, multiple employees, and run trips directly through the resort
- Popular for social groups and corporate retreats
- Very few operators in Alberta, (e.g., Hunter Valley)



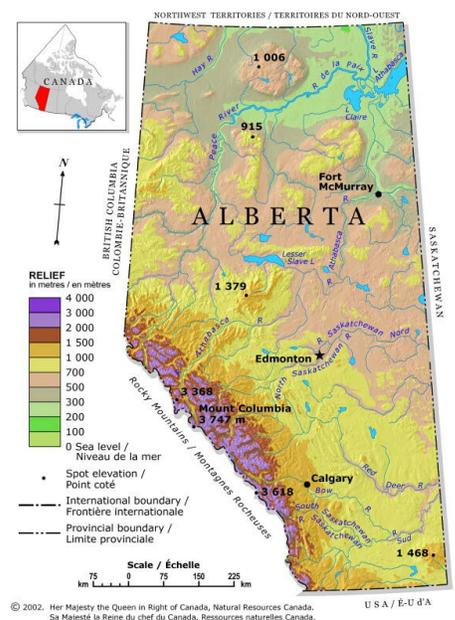
GENERAL BUSINESS OPPORTUNITY

Both residents and visitors to Alberta are keenly interested in the outdoors, with approximately 4.2 million person-visits related to participation in outdoor activities in the Province in 2016. The most popular outdoor experiences include wildlife watching, camping, hiking, boating, fishing, biking, horseback riding, golfing, skiing or snowmobiling. The locations of each activity are quite distinct across the province, depending on the climate and elevation. Fishing and boating in particular are difficult to do in the southern part of the Province where bodies of water are more limited, as compared to the Central and Canadian Rockies areas, as well as Northern Alberta.

The following relief map of Alberta shows that with the exception of the southern section, the province of Alberta has a good quantity of water, which largely comes in the format of rivers, with very few lakes. Along the rivers of Alberta, visitors can experience a range of both soft and hard adventures. However, many of the existing companies that offer whitewater rafting do not feature trips within Alberta – and instead take people to B.C. (i.e. Kicking Horse River in Golden, B.C.). These companies are not considered in the subject business case assessment for Alberta river adventure opportunities.

For a private sector investor in Alberta, there may be an opportunity to develop a Medium-Sized River Adventure business, focusing on soft and medium adventure trips. The biggest challenge will be finding a river that provides admittance for private tours and events, in an area that is easy access to major highways and thoroughfares, as many of the roads to rivers in Alberta are privately owned. With the majority of whitewater rafting activity only available in Jasper and Banff, starting a business based on “hard” adventure is not recommended as this part of the province no longer offers permits for rafting businesses.

Stakeholder input suggests that the Central Alberta region may be the most viable for new tours, including the North Saskatchewan River and tributaries of the Red Deer River. In order to reach the greatest visitation levels, it is recommended that if developed, the business is privately owned, offering a range of river challenges, but focusing primarily on float trips and soft adventure with an interpretive and educational component, within two hours of a major urban centres, in order to attract both the resident and tourist markets to Alberta.





RIVER ADVENTURE BUSINESS MODELS

There are two business models for Medium-Sized River Adventure Businesses in Alberta:

- Development by a landowner, interested in developing a base camp on their property and operating the business as the proprietor; or
- A partnership with another tourism/hospitality related business that already offers outdoor adventures.

Most of Alberta's Adventure Businesses are individually owned and operated.

SELF-OPERATED



PARTNER WITH EXISTING

Own & Operate

Under this alternative, a potential investor would own land with river access, build a base camp, and operate the tours.

Pros: Develop, own and operate the business with no revenue sharing.

Cons: Owner would carry all the startup costs and land costs (if purchase and servicing required)

Partner & Operate

Organizations who either own land with river access, or a storefront in an urban centre, but have an agreement to access a river already in place, can partner with a river tour operator that will design and market adventure tours on their own platform, or offer joint packages and participate in profit-sharing.

Pros: Experienced operator will set up the river tours, and provide insurance, marketing and booking platform.

Cons: Landowner / partner organization would likely charge an initial start-up fee and continue revenue sharing.



AMENITIES

A Medium-Sized River Adventure Business should include the following basic amenities:

- 8 traditional rafts – for a total capacity of 48 people;
- Safety equipment - lifejackets, wet suits, fleeces, nylon paddle jackets, oars, helmets, etc.; and
- Additional infrastructure for admissions, washrooms, kitchen and lunch room (60 seats).

SEASONALITY

While the summer months tend to attract higher demand levels overall for water-based activities, medium intensity river adventures and whitewater rafting tend to occur in the spring and early summer months.

SITE CONSIDERATIONS

Ideally the selected site for the River Adventures base camp has direct access to the river of choice and is in close proximity to one of Alberta's major highways. As the proposed River Adventure business will target people interested in outdoor water-based activities, it should also offer easy access to other outdoor experiences, such as access to provincial and national parks or attractions, fishing areas, trails, golf courses, or unique heritage and native sites. Suitable sites should provide good road access, and basic servicing (i.e. for washrooms), and cover at least 1 acre to accommodate the rafts and storage, a small administration building, and surface parking. River adventure outfitter businesses are typically located near or within a natural destination area, such as one of the province's major parks.

INFRASTRUCTURE REQUIREMENTS

In terms of infrastructure, the only requirement will be for a small administrative building equipped with basic services, such as potable water, electricity, plumbing and heating. If the site does not have direct access to infrastructure requirements (road access, electricity, potable water, access to sewer or septic system or a holding tank for waste water), the capital costs may become significant, depending on the distance required to bring services to the site.

ZONING AND REGULATIONS

Developers will need to seek out local planners to provide advice in obtaining permission and permits to develop and operate a River Adventure business and building inspectors to ensure all building codes are met in the development of the administration building.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of a river adventures business is not only a business investment decision but a lifestyle choice. Owners must not only love the rafting lifestyle, be comfortable being outdoors and be a "people" person, they need to also have at least, if not both of the following skillsets:

1. Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
2. Rafting and guiding experience: As an owner/operator, experience and/or certification in rafting and guiding will be essential in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to the province included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Person Visits
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently travel during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7 million nights).

DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Based on the Explorer Quotient tool, developed by Environics Research Group to link traveller social values with their associated behaviours and preferences, the primary target markets for a soft river adventure river experience in Alberta include: Free Spirits, Cultural Explorers, Authentic Experiencers, Aspiring Escapists

Further information on the Explorer Quotient segments may be found at: destinationcanada.com/en/tools#explorerquotient.

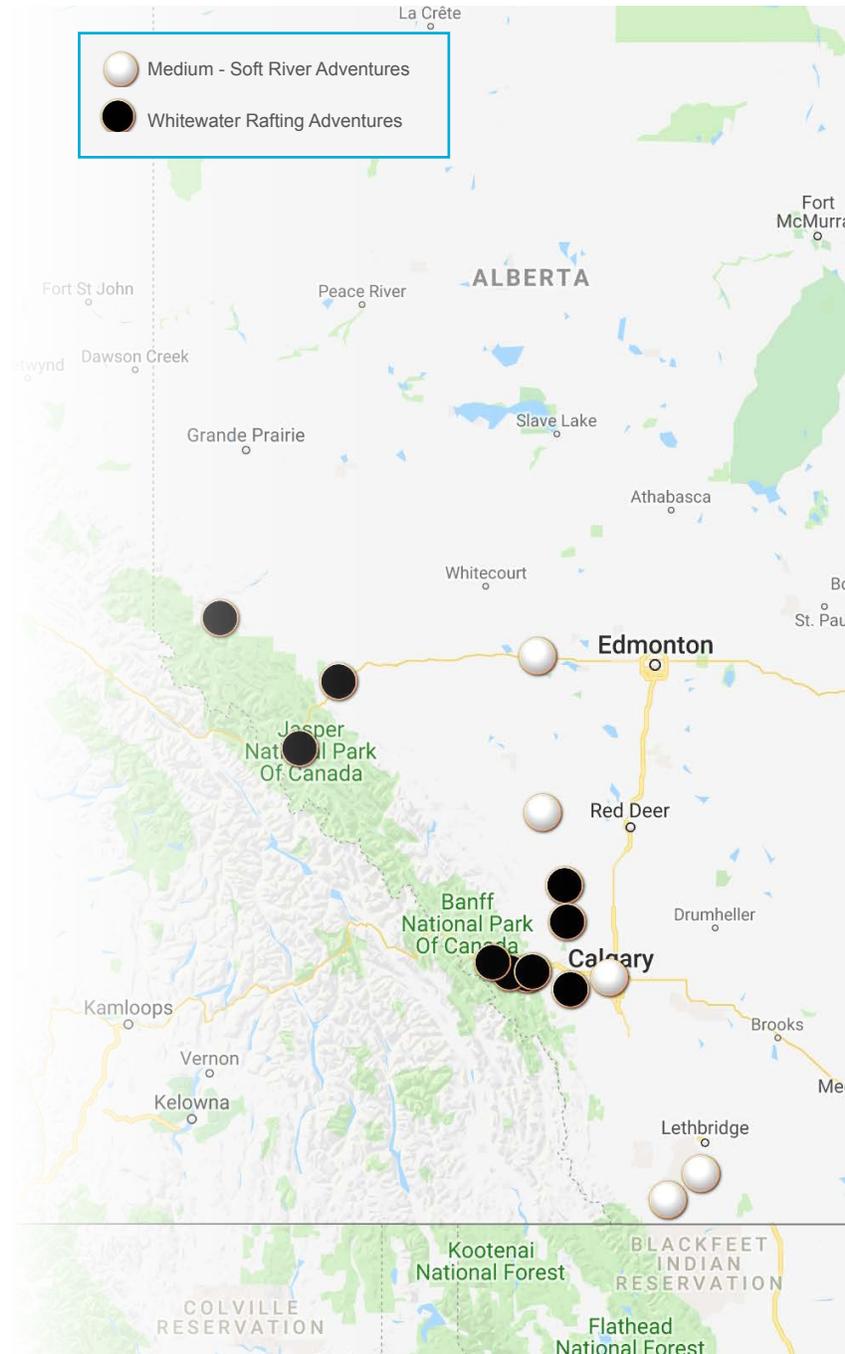


COMPETITIVE ANALYSIS

COMPETITIVE SUPPLY

Rafting and River Adventure companies are relatively diverse in Alberta, but primarily comprised of small family-owned companies and medium-sized businesses that are seasonal in nature. CBRE with assistance from Travel Alberta has compiled a sample of 18 River Adventure tour operators operating across the Province. This list is not considered complete, but does provide a broad overview of the seasonality, pricing, and services currently offered in the market. As shown, most River Adventure businesses are based in the Canadian Rockies, making this area particularly saturated, and permits are no longer available for new businesses.

It should be noted that there are several additional river adventure companies based in Alberta (particularly in Banff and Canmore), wherein the rafting adventures they offer take place on rivers located in the neighbouring Province of B.C. These companies have not been included in our analysis.



The following table provides a sample listing of existing River Adventure businesses in Alberta. As shown, the 18 companies identified typically offer a range of trips, ranging from soft or medium adventure to whitewater rafting. General admission pricing for soft adventure trips range from \$26 for a 2.5-hour float trip on the Pembina River to \$100 for an easy rafting trip on the Kananaskis River. Many companies offer interpretive guided tours or night tours, in order to differentiate soft adventure offerings. With respect to medium-level adventure and whitewater rafting, the river itself and level of intensity offered in the rafting trip provides the unique identifier (i.e. no theming is required). Adult pricing for medium-level adventure

trips ranges from \$54 to \$105, while whitewater rafting trips range from \$72 to \$175. Typically, child pricing is available for soft and medium-level adventures, while only children over 16 are able to participate in whitewater rafting.

Based on the tours reviewed, pricing in the Rockies and Northern areas tends to be higher due to the popularity and/or remote locations, while guiding in Southern Alberta tends to be priced slightly lower. Pricing also varies depending on whether transportation is included or not. In cases where rafting companies service a large area, they either provide pick up and drop off transportation or request that visitors meet at a central location near the trip's starting point (i.e. river base camp).

ALBERTA RIVER ADVENTURE TOUR COMPANIES

#	Company	Base Location	Rafting Location	Adventure	Type	Adult	Child	Adult	Seasonality	Duration (Hrs)	Group Min.
1	Chinook Rafting	Kananaskis Canmore	Kananaskis River Horseshoe Canyon *	Rafting	Soft	\$100	\$65	\$110	May 10-Sept 15	4.5	8
				Rafting	Medium	\$105	\$105	\$115	May 10-Sept 15	3.5	8
2	Mukwah Rafting Tours	Sundre	Calgary River Experience *	Float Trip	Soft	\$59	\$39		Apr 8-Oct 31	2	8
				Rafting	WWR	\$106	\$86		Apr 8-Oct 31	2.5	8
				Rafting	WWR	\$129	\$109		Apr 8-Oct 31	4.5	8
				Rafting	WWR	\$50	\$40		Apr 8-Oct 31	1.5	8
				Float Trip (Full Moon)	Soft	\$75	\$75		Apr 8-Oct 31	2	8
3	Kananaskis Whitewater Rafting	Kananaskis	Kananaskis River	Rafting	WWR	\$75	\$65		May, June, Sept	4	
				Rafting	WWR	\$85	\$75		July-August	4	
				Float Trip	Soft	\$59	\$59		May-Oct	2	
				Riverboarding	Medium	\$98	\$98		May-Oct		4
4	Canmore River Adventures	Canmore	Horseshoe Canyon *	Float Trip	Soft	\$50	\$25	Free from Canmore	Jun-Sept	2	
				Rafting	WWR	\$97	\$62	Free from Canmore & Banff	Jun-Sept	4	
5	Canmore Raft Tour	Canmore	Bow River	Float Trip	Soft	\$40	\$25		May-Sept	1	
				Float Trip	Soft	\$60	\$50		Jun-Aug	2.5	
6	Canadian Rockies Rafting	Canmore	Bow River	Float Trip	Soft	\$60	\$49	Free from Canmore & Banff	May - Sept	3	
				Rafting	WWR	\$85	\$70	\$95	May - Sept	3	
				Rafting	WWR	\$89	\$70	\$99	May - Sept	3	
				Riverboarding	Medium	\$99	-	\$109	May - Sept	3	
7	Rocky Mountain River Guides	Jasper	Sunwapta River	Rafting	WWR	\$99	\$99		Jun-Aug	3.5	
				Rafting	WWR	\$89	\$45		May - Sept	2	
				Rafting	WWR	\$69	\$35		May - Sept	3	
8	Rocky Mountain Raft Tours	Banff	Bow River	Float	Soft	\$60	\$20		May - Sept	1	
9	Maligne Adventures	Jasper	Athabasca River	Rafting	WWR	\$94	\$47	Free from Jasper	May - Sept	3.5	
10	Jasper Raft Tours	Jasper	Sunwapta River	Rafting	WWR	\$104	-	Free from Jasper	May - Sept	4	
11	Wild Blue Yonder White Water Rafting	Grand Cache	Athabasca River	Float	Soft	\$75	\$25		May - Oct	2.5	
				Rafting	WWR	\$97	\$72		May - Sept	4	
				Rafting	WWR	\$112			May - Jun	4	
12	Inside Out Experience	Seebe	Sulphur River & Sheep Creek	Rafting	WWR	\$175			May - Jun	8	
				Rafting	WWR	\$75-\$90	\$65-\$80		May - Oct	2	
				Rafting	WWR	\$79-\$94	\$70-\$85		May - Oct	2	
				Rafting	WWR	\$72	\$62		June 15 - 30	2	
				Rafting	WWR	\$144	\$133		Jun - Aug	4	
13	Hinton Rafting Adventures	Hinton	Kananaskis River	Float	Soft	\$59	\$39		May - Oct	1.5	
14	Otter Rafting Adventures (For Sale)	Sundre	Horseshoe Canyon *	Rafting	WWR	\$90			May - Sept	2	
				Rafting	WWR	\$120			May - Sept	8	
15	Pembina River Tubing	Entwistle	Pembina River	Float	Soft	\$26	\$22	\$30	June - Sept	2.5	
16	Hunter Valley Adventures	Water Valley	Red Deer River	Rafting	WWR	\$100			May - Sept	2.5	
				Rafting	WWR	\$129			May - Sept	4	
17	Incept Adventure Co.	Cardston County	St. Mary's River	Rafting	Medium	\$54			May - Sept	2.5	4
18	Rocky River Rats	Rocky Mountain House	North Saskatchewan River	Float	Soft	Varied			Jul - Aug	2.5	
Soft River Adventures						15	\$61	\$41		2	
Medium River Adventures						4	\$89	\$102		3	
Whitewater Rafting Adventures						23	\$103	\$74		4	

Source: BRE Tourism & Leisure Group



COMPETITIVE DEMAND

According to input from existing River Adventure companies, the average rafting adventure involves 4 to 8 people per boat, and an average group size of 20, with the majority of visitation deriving from within Alberta in the Central and eastern parts of the province, and more international visitors in the Canadian Rockies. As mentioned, businesses in Banff and Jasper, which are already significant tourist destinations, generate the majority of demand, servicing up to 20,000 people annually.

While a lot of demand for river adventure derives from the major urban centres, less than 15% of people interested in outdoor water-based activities are interested in intense rafting. As such, many of these existing companies offer a range of trips, ranging in intensity, and different rivers across the province. For instance, Mukwah Tours offers float trips on the Bow River in Calgary, as well as soft/medium and whitewater rafting on the Red Deer River.

The following chart provides typical demand indicators for stabilized River Adventure businesses operating in Alberta:

KEY PERFORMANCE INDICATORS FOR COMPARABLE RIVER ADVENTURE BUSINESSES

Annual Attendance	Annual Trips	Avg. Guests per Trip
1,000 – 20,000	40 – 500	4 - 50

Source: CBRE Tourism & Leisure Group Research



SUBJECT BUSINESS MARKET PROJECTIONS

BUSINESS INVESTMENT CONCEPT

Based on our market overview, CBRE suggests that the Medium-Sized River Adventure Business operation would be best positioned as follows:

- Offer trips seasonally, from mid-May to mid-October;
- Focus on both soft and medium-level adventure trips
 - Medium-level adventure trips would occur in the spring and early summer (avg. 2 hours)
 - Soft adventure trips provided throughout the season (avg. 3 hours)
- Recommendations for areas with market capacity would include the North Saskatchewan River and the Red Deer River;
- Trip durations should range from half-day trips (4 hours), to full-day (8-hours) and overnight trips (2 days, 1 night); and
- Offer foodservice – including a snack for half-day trips, lunch and a snack for full-day trips.

TARGET MARKETS FOR RIVER ADVENTURES

By including a range of tubing and rafting adventures, the Medium-Sized River Adventure business concept is expected to appeal to:

- “Thrill seekers” who enjoy outdoor adventure;
- Outdoor enthusiasts interested in a day on the river (i.e. a gentle float trip);
- Social groups (birthday parties, bachelor/bachelorette parties, etc.);
- Educational groups, as part of a school curriculum (i.e. for soft adventure trips with an interpretive component);
- International markets seeking authentic Canadian experiences and unspoiled natural environments; and
- Corporate and incentive groups looking for new activities or group excursions.

PRICING PROJECTIONS

CBRE has positioned the subject Medium-Size River Adventure Business at the following price points:

Price Per Person (Adult)	Adult
Soft Adventure / Float Trip – 2 hours	\$60
Medium Adventure / Rafting – 3 hours	\$90

Source: CBRE Tourism & Leisure Group



SUBJECT BUSINESS OPERATIONS

PRELIMINARY START UP REQUIREMENTS

CBRE suggests the following key elements be included in the facility program. The following chart details both general River Adventure Tour requirements and Rafting requirements.

GENERAL RIVER ADVENTURE TOUR REQUIREMENTS

Vehicle for guest transportation	Wetsuits
Insurance (vehicle, boat, etc.)	Helmets (for rafting)
First Aid Kit & Training	Oars
Food & Beverage	Fleece liners
Bug spray & sunscreen	Lifejackets

Start-up costs will require a significant investment due to boating and equipment purchases:

Rafting Requirement	Cost Estimate
Inflatable "Whitewater" Rafts, capacity of 6 (8 total)	Per Raft: \$9,000 – \$15,000 Total Cost: \$72,000 - \$120,000
Administration Building (tickets, washrooms, kitchen, lunch room with 60 seats)	\$75,000 - \$100,000
Boat Storage Building	\$50,000 - \$75,000
Life jackets for all persons in boat	-
Safety gear (lights, horns, ropes)	-
Vehicle and trailer for launch and transportation	-
Wilderness Guide and First Aid Training and Certification for guides	-
In northern/remote locations will need satellite hookups in case of emergency.	\$5,000

*Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

PRELIMINARY MARKET DEMAND PROJECTIONS

CBRE has projected that the opportunity for a Medium-Sized River Adventure business in Alberta operating for a 152-day operating season, would attract 1,900 guests on 68 trips at an average price of \$74 per person in Year 1, increasing to 2,600 guests and 90 trips by Year 3. Approximately 60% of demand is projected to derive from soft adventure trips, with the other 40% from medium-level adventure.

RIVER ADVENTURE BUSINESS COMPETITIVE DEMAND AND RATES

	Year 1	Year 2	Year 3
Soft Adventure Trips	41	49	54
Medium Adventure Trips	27	33	36
Total Trips	68	82	90
Total Guests	1,930	2,320	2,550
Avg Price per Person	\$74	\$74	\$74
Avg Price per Trip	\$2,044	\$2,076	\$2,117

Source: Source: CBRE Tourism & Leisure Group Projections



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

A preliminary targeted 3-year high level proforma for the subject Medium-Sized River Adventure Business investment has been prepared based on the following assumptions:

- The operating season would extend for 152 days per annum, running from May to October.
- An inflationary factor of 2.0% per annum;
- 68 trips in Year 1 increasing to 90 trips by Year 3;
- An average price per person of \$74 in Year 1, or \$2,044 per trip, increasing by demand and inflation thereafter;
- A \$3 per capita commission derived from an outside photography service;
- Departmental expenses which include equipment, food costs, and labour costs for 3 guides have been estimated at 50% of revenues;
- Undistributed operating expenses which include administration, marketing, IT and telecommunications, boat storage, repairs and maintenance, and vehicle expenses estimated at 20% of revenues;
- Insurance estimated at 3% of revenues; and
- Reserve for replacement estimated at 3% of revenues.

Based on these assumptions, the Medium-Sized River Adventure Business operation is estimated to generate a net income of approximately \$35,200 in Year 1, increasing to \$53,000 by Year 3.

ALBERTA RIVER ADVENTURE BUSINESS OPPORTUNITY

	Year 1	Year 2	Year 3
Typical Year - Operating Days	152	152	152
Trips per Season	68	82	90
Attendees per Season	1,900	2,300	2,600
Capacity per Trip	48	48	48
Utilization	26%	32%	59%
Avg Group Size	28	28	28
Avg Price per Person	\$74	\$74	\$74
Avg Price per Trip	\$2,044	\$2,076	\$2,117
REVENUES			
Trips (Day and Multi-Day)	\$140,000	96% \$170,600	96% \$191,400
Photography	\$5,700	4% \$7,000	4% \$8,100
Total Revenue	\$145,700	100% \$177,600	100% \$199,500
DEPARTMENTAL EXPENSES			
Equipment (Oars, Helmets, Wetsuits, Lifejackets, etc.)	\$14,600	10% \$17,800	10% \$20,000
Food & Beverage	\$19,300	13% \$23,500	13% \$26,400
Labour (3 Guides at \$15/hr)	\$38,600	26% \$47,200	27% \$53,000
Total Expenses	\$72,500	50% \$88,500	50% \$99,400
GROSS OPERATING PROFIT	\$73,200	50% \$89,100	50% \$100,100
UNDISTRIBUTED OPERATING EXPENSES			
Administration & General (Permits, etc.) / IT	\$8,000	5% \$8,200	5% \$8,300
Marketing & Advertising	\$7,300	5% \$8,900	5% \$10,000
Boat Storage & Maintenance	\$2,500	2% \$2,600	1% \$2,600
Vehicle Maintenance & Fuel	\$11,400	8% \$13,900	8% \$15,600
Total Operating Expenses	\$29,200	20% \$33,600	19% \$36,500
FIXED CHARGES			
Insurance	\$4,400	3% \$4,500	3% \$4,600
Total Fixed Charges	\$4,400	3% \$4,500	3% \$4,600
NET OPERATING PROFIT/LOSS			
	\$39,600	27% \$51,000	29% \$59,000
Reserve for Replacement	\$4,400	3% \$5,300	3% \$6,000
NET OPERATING PROFIT/LOSS			
	\$35,200	24% \$45,700	26% \$53,000

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the River Adventure business. Depending on the location, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation, or possible lease rights in the case of a storefront or storage location. Proponents will also need to check environmental regulations and species protection acts. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete.

Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

Furthermore, as of 2011, rafting businesses are regulated under the Small Vessels Act, which is under federal jurisdiction. Businesses also need to consider the appropriate level of general liability insurance for the class of rapids on the selected river for undertaking trips.

Other Considerations:

- Vehicle permits & insurance
- Insurance waivers
- Rescue & First Aid requirements
- AHS Food Handling Permit
- Business License
- Boating licenses
- Transport Canada License
- Helpful starting points: Alberta Regulations and MyWildAlberta.ca
- Certifications i.e. Canadian Mountain Guide, First Aid, etc.
- Park and backcountry camping permits
- National/Provincial park entry fees
- Public land rules
- Interpretive Guide Certification
- Helpful starting points: Association of Canadian Mountain Guides, Outdoor Council of Canada, and Alberta Parks

REFERENCES & RESOURCES

NATIONAL & PROVINCIAL ORGANIZATIONS OFFERING CERTIFICATIONS

Provincial River Outfitters of Alberta
Outdoor Council of Canada
Association of Canadian Mountain Guides
Interpretive Guides Association
Paddle Canada / Paddle Alberta

UNIVERSITY & COLLEGE PROGRAMS

Mount Royal University: Health and Physical Education -Ecotourism and Outdoor Leadership program
The University of Calgary: graduate program in Outdoor Education
Thompson Rivers & Algonquin College programs for Guide Certifications/Degrees

GOVERNMENT & REGULATION RESOURCES

CollectiveRetreats.com
UnderCanvas.com

GLAMPING SUPPLIERS, CANADIAN AND GLOBAL

Alberta Environment and Parks: Recreation Resources, i.e. Alberta's Provincial Parks and Recreation Areas Regulations, etc. (aep.alberta.ca)
AlbertaRegulations.ca
MyWildAlberta.ca
Rivers Alberta: check daily water levels at riversalberta.ca

ASSOCIATIONS AND CLUBS

Alberta Conservation Association
Alberta Wilderness Association
Alberta Tourism Market Monitor (www.Alberta.ca/alberta-tourism-market-monitor)
Alberta Culture and Tourism Business Development and Investment Attraction Branch: tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.



ZIPLINING



BUSINESS OPPORTUNITY OVERVIEW

ZIP-LINING AND AERIAL ADVENTURE COURSE DEVELOPMENT DEFINITION

The term “zip-line” refers to a freely moving pulley suspended on an inclined cable, usually made of stainless steel, designed to enable a person to travel from the top to bottom of the cable by gravity. Although not confined to adventure tourism, this is currently the most popular usage of a zip-line, and the business of zip-line canopy tours was built on its use by scientists to explore dense rainforests in Costa Rica without disturbing the environment. A canopy tour provides a route through a wooded and typically mountainous area making use of zip-lines and aerial bridges between platforms that have been built in trees. Canopy tours and zip line tours have become big business, generating some \$120 million in annual revenues in Costa Rica alone, according to ACCT (Association for Challenge Course Technology).

Zip line tours have since expanded to a wide variety of locations that focus on providing excitement and adventure. No longer exclusively built in the trees of the forest canopy, courses are installed on poles or towers, usually in the middle of a scenic landscape and often as a part of a recreation park or ski resort. Ski Resorts increasingly install courses to round out their recreational offerings, and the challenge aspect has extended to aerial adventure courses - which can contain a wide variety of challenge elements, such as rope climbing, obstacle courses and zip-lines. An aerial adventure course can be a pre-fabricated, professionally installed course, built of utility poles, cables, and bolts, or it can be hand-built in a wooded area, where ropes and wire are attached to different trees. As such, there are a lot of correlations with zip-line tours. These courses are frequently used for educational, developmental, and recreational goals, as opposed to just “thrill” seeking, emphasizing activities to “overcome your fears”. Programs using low ropes course elements or group initiatives are most often designed to explore group interaction, problem-solving, and leadership.

GENERAL BUSINESS OPPORTUNITY

Both residents and visitors to Alberta are keenly interested in the outdoors, with approximately 4.2 million person-visits related to participation in outdoor activities in the Province in 2016. In fact, participating in an outdoor activity was the top-ranking activity for overnight trips in Alberta that year. Despite the interest in outdoors and adventure tourism, the Province is under-supplied with respect to zip-lines and aerial adventure courses, with only seven advertised attractions. Those that do exist are either part of another attraction or resort (i.e. WinSport in Calgary and Red Lodge Ropes Course in Bowden).

As such, there is an opportunity to purchase and upgrade or develop a combined zip-line and aerial adventure course in Alberta, in a picturesque setting with easy access to corporate and educational markets, to combine recreation with education and developmental goals. Specifically, the development would be privately owned, offering a range of challenge elements and zip-line adventures on a professionally installed course (i.e. cables and utility poles, as opposed to trees), focusing on attracting both the resident and tourist markets to Alberta.



DIFFERENT TYPES OF ZIP-LINE EXPERIENCES

There are several types of zip-line, as well as various types of clientele. Although zip-lines can be used for carrying cargo and other means, the 3 most common usages for tourism include the following:

Types of Zip-Line Experiences

- | | |
|---------------------------------|--|
| Canopy Tour | <ul style="list-style-type: none">• Canopy Tours are typically fully guided tours where two guides accompany you and your group.• Guides work all the gear including clipping participants into safety lifelines and operating braking systems on the line.• Must be situated in a heavily forested area, where cables and platforms are attached to trees.• The main feature of the canopy tour is the zip-line experience itself, typically offering multiple zip-lines connected by platforms in a linear fashion.• Target markets include thrill-seekers and adventure tourists.• Tends to be labour intensive, with fewer locations available. |
| Aerial Adventure Course | <ul style="list-style-type: none">• An Adventure Course is a self-guided course where staff will teach you to use the Belay system (harness) to clip into the course and make your way through the obstacles.• This experience tends to be a higher physical challenge than a canopy tour, offering a series of platforms connected by ladders, bridges, ropes, and obstacles.• Zip-lines are either used as a means of connecting guests from one challenge to another, or as stand-alone attractions.• Target markets include corporate and educational groups and adventure tourists; these courses often offer memberships.• These courses are destinations in and of themselves, and have more options for site locations, but typically do require theming or unique attributes to distinguish them. |
| Stand-Alone Zip-Line Attraction | <ul style="list-style-type: none">• Stand-alone zip-line attractions are located either outdoors or indoors, and typically only require a take-off pad and landing area, in addition to the zip-line itself.• The zip-line can be the core activity but is more commonly one element within a range of activities offered at another attraction or resort.• These are very flexible attractions, which can be easily set up and taken-down and require minimal labour. |

Alberta currently does not offer any canopy tour experiences, but has several aerial adventure courses, which tend to cater to both the tourist and resident markets. There are also a variety of stand-alone zip-lines within ski resorts or other accommodation-based resorts.

The subject tool kit examines an investment in an Aerial Adventure Course with Zip-Lines as the primary opportunity for Alberta, which will likely be owner operated, as discussed on the following page.



ZIP-LINE BASED AERIAL ADVENTURE COURSE BUSINESS MODELS

There are three business models for Zip-Line based Aerial Adventure Courses in Alberta:

- Development by a landowner, interested in building an Aerial Adventure Course on their property and operating the business as the proprietor;
- Development by an investor on leased land or purchased lands; or
- A partnership with another tourism/hospitality related business, i.e. the Red Lodge Ropes Course, which is operated by NexLevel Challenge.

Most of Alberta's Aerial Adventure Courses are individually owned and operated.

SELF-OPERATED



PARTNER WITH EXISTING

Own & Operate	Lease & Operate	Partner & Operate
Under this alternative, a potential investor would own the land, build, and operate the attraction.	A potential investor leases land and commercial space from an existing property owner, with infrastructure and servicing already in place, and builds the attraction on site.	Potential investors who own the land and have servicing already in place can partner with a zip-line operator that will design and market the attraction on their own platform. The existing business/landowner would have the opportunity to host their own events at the attraction (i.e. corporate retreats) and participate in profit-sharing.
Pros: Develop, own and operate the business with no revenue sharing.	Pros: Required infrastructure and services and zoning already in place.	Pros: Experienced operator will set up the attraction, and provide insurance, marketing and booking platform.
Cons: Owner would carry all the startup costs and land costs (if purchase and servicing required)	Cons: Lease payments and working within lease agreements.	Cons: Landowner / partner organization would likely charge an initial start-up fee and continue revenue sharing.



AMENITIES

A Zip-Line based Aerial Adventure Course should include the following basic amenities:

- Two zip-lines at a minimum 200 feet in length, with a tower to create elevation and take-off area, and landing pad at ground level.
- A standalone “tower” structure that acts as both the launching area for the zip-lines and high ropes elements.
- A low ropes or “kids” course area for smaller children, to accommodate family groups.
- Additional infrastructure for admissions, washrooms, lockers and shoe rentals.
- Harnesses and full Belay system - continuous belay harnesses are recommended. Continuous belay systems are safer, require less labour, and increase park capacity volumes.

TARGET MARKETS AND PROGRAMMING

By including a range of offerings, the concept is expected to appeal to both “thrill seekers” who enjoy outdoor adventure, and outdoor enthusiasts interested in challenge and/or skills development. As such, programming should be offered for a range of groups (i.e. corporate retreats, school trips, birthday parties, bachelor/bachelorette parties). The developer should also consider offering seasonal/annual memberships for those that want to use the facility specifically for skills development. Additional event programming could also be provided, such as boot-camp fitness activities during weekdays, or social evenings with additional light or music entertainment.

SITE CONSIDERATIONS

Ideally the site offers picturesque views that reflect Alberta’s unique environment, which can also help to “theme” the attraction. As the proposed zip-line based aerial adventure course will target outdoor enthusiasts, it should also be in a natural environment that offers easy access to other outdoor experiences, such as access to provincial and national parks or attractions, fishing areas, trails, golf courses, lakes, boat launches, or unique heritage and native sites. Suitable sites should provide road access, and basic servicing (washroom), cover at least 1 acre to accommodate a 200 to 500-foot zip-line experience, and 30,000 square feet for the main structure and ancillary components, with an additional acre for parking.

Aerial adventure courses are typically within 1 hour from a major urban centre, often within a natural destination area, such as in close proximity to the province’s major parks. If the site is on Crown Land, it will likely require rezoning to accommodate the suggested use, while if it is Provincially owned, a disposition process may be required. Either of these processes could take up to 18 months to complete.



INFRASTRUCTURE REQUIREMENTS

In terms of infrastructure, it will be imperative that the site selected for a Zip-Line based Aerial Adventure Course development, is equipped with basic services, such as potable water, electricity, plumbing and heating. If the site does not have direct access to infrastructure requirements (road access, electricity, potable water, access to sewer or septic system or a holding tank for waste water), the capital costs may become significant, depending on the distance required to bring services to the site.

ZONING AND REGULATIONS

Developers will need to seek out local planners to provide advice in obtaining permission and permits to develop and operate a Zip-Line based Aerial Adventure Course and building inspectors to ensure all building codes are met in the development of the attraction.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of a Zip-Line based Aerial Adventure Course is not only a business investment decision but a lifestyle choice. Owners must not only love the adventurous lifestyle, be comfortable being outdoors and be a “people” person, they need to also have at least one, if not both of the following skillsets:

- Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
- Zip-Line based Aerial Adventure Course experience: As an owner/operator, hands-on experience and/or certification in climbing, ropes and rappelling courses, and zip-lining will be beneficial in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to the province included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Trips
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently travel during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7 million nights).

DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Based on the Explorer Quotient tool, developed by Environics Research Group to link traveller social values with their associated behaviours and preferences, the primary target markets for an aerial adventure and zip-line experience in Alberta include: Free spirits and No-hassle travelers.

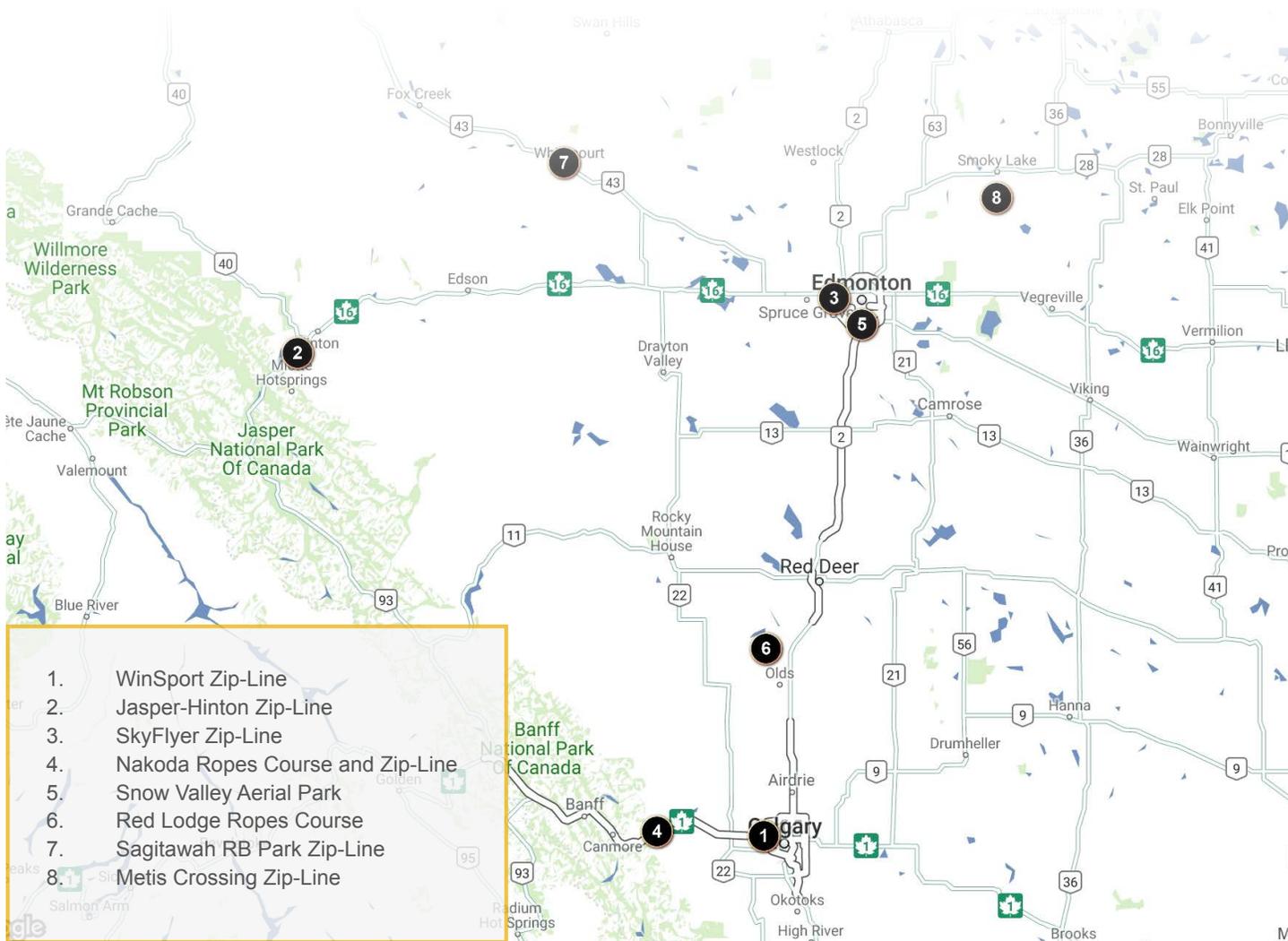
Further information on the Explorer Quotient segments may be found at destinationcanada.com/en/tools#explorerquotient.



COMPETITIVE ANALYSIS

COMPETITIVE SUPPLY

According to Travel Alberta and CBRE research, there are 8 attractions that incorporate zip-lines and aerial adventure elements in Alberta. Five of Alberta's zip-line based attractions are private operations, 2 are partnership-based operations, and 1 is a not-for-profit operation. The market average for zip-lines on site is 2.6, with the average zip-line extending over 500 feet in length. All but two attractions operate seasonally, from May to October, and all but one are outdoor zip-lines. The average adult admission fee for the zip-line/adventure course is \$65 (CAD); with pricing ranging from \$40 to \$95.





ALBERTA ZIP-LINE AND AERIAL ADVENTURE COURSE ATTRACTIONS

#	Zipline	Parent Company	Total Ziplines	Length (ft)	Indoor/Outdoor	Seasonal	Ownership	Location	Other Activities on site	Adult Pricing
1	World's Fastest Zip-Line	WinSport (Winter Sport Institute)	3	1,640	Outdoor	May - October	Not-for-profit	Calgary	Summer bobsleigh, low ropes course, bungee jump	\$65
2	Jasper-Hinton Zip-Line	Alternative Adventures	1 (Tandem flight available)	1,200	Outdoor	May - October	Private Owner/Operator	Hinton	Camping	\$69
3	SkyFlyer Zip-Line	World Waterpark - West Edmonton Mall	4	470	Indoor	Year-round	Private Owner/Operator	Edmonton	Wave pool, waterslides, cabana rental, tube rentals, etc.	\$58
4	Nakoda Ropes Course & Zip-Line	Yamnuska Mountain Adventures	1	230	Outdoor	Year-round	Partnership (Yamnuska & Nakoda Lodge)	Kananaskis	Ropes course, Nakoda Lodge & Conference Centre	\$95
5	Snow Valley Aerial Park	Snow Valley Edmondton	1	50	Outdoor	May - October	Private Owner/Operator	Edmonton	Ski resort and ropes courses	\$49
6	Red Lodge Ropes Course	NexLevel Challenge	1	50	Outdoor	May - October	Partnership (NexLevel Challenge & Red Lodge)	Bowden	Lodge and challenge course	\$80
7	Sagitawah Zip-Line	Sagitawah RV Park & Campground	1	50	Outdoor	May - October	Private Owner/Operator	Whitcourt	RV Park, camping, children's playground	\$40
8	Metis Crossing Zip-line	Metis Crossing	7	N/A	Outdoor	May - October	Private Owner/Operator	Smoky Lake	Metis Cultural Centre, glamping	N/A
Total			18	3,690						-
Market Average			2.6	527	88% Outdoor	75% Seasonal	63% Private Owner			\$65

Sources: Compiled by CBRE Tourism & Leisure Group



COMPETITIVE DEMAND

The following section provides an overview of existing zip-line and aerial adventure attractions in Alberta.

WinSport, Calgary, AB



- North America's Fastest Zipline ride consists of three Ziplines (Trainer/Monster/Plaza), located on the WinSport grounds at Calgary's Olympic Park.
- The experience begins on the Trainer line, followed by a trip to the tallest on-site ski jump (Calgary's highest vantage point), from which guests experience Monster – North America's fastest zipline, and ends with a ride on the eight-storey Plaza Zipline, which proceeds through a treed area back down to the base.
- This adventure takes about one hour to complete and is 1,640 feet in length.
- The attraction mainly serves recreational groups but is also used for training and team-building groups.

Jasper-Hinton Zip-Line, Hinton, AB



- The Jasper-Hinton Zip-Line is located between Hinton and the eastern boundary of Jasper National Park and is rigged such that riders "fly" in a head-first, prone position. Guests are attached at the back and hang directly below the cable and have the ability to control the speed of their descent.
- Instead of a tower, visitors jump from the roof of the Alternative Adventures Zip Line and Eco Campground building.
- Adventure packages range from a simple introductory flight, to tandem flights, flight packages and half- to full-day activities.

SkyFlyer Zip-Line, Edmonton, AB



- The SkyFlyer Zipline is the world's longest indoor zipline, at 470 feet, and crosses over the entire wave pool at World Waterpark within the West Edmonton Mall.
- Up to 4 guests can share the experience by riding side-by-side on the parallel lines.
- The majority of guests come from within the Waterpark, which has increased ridership by taking over operation from a third-party company.

Nakoda Ropes Course, Canmore, AB



- Located on the Nakoda Lodge grounds, this standalone structure is built on poles and trees in an open valley. The course is built 30 feet off the ground with participants starting at multiple entry points to avoid bottlenecks and finishes with a 230-foot zipline.
- The attraction mainly serves groups and focuses on team-building events. Programs can be run year-round and in most temperatures.

COMPETITIVE DEMAND

The following section provides an overview of existing zip-line and aerial adventure attractions in Alberta.

Snow Valley Aerial Park, Edmonton, AB	Red Lodge Ropes Course, Bowden, AB	Sagitawah Zip-Line, Whitecourt, AB	Metis Crossing Zip-Line, Smoky Lake, AB
			
<ul style="list-style-type: none"> • Snow Valley Aerial Park is located on the Snow Valley Resort grounds, just before the family campground entrance and close to the learning ski-hill. • The standalone structure is themed to match the park with a trailer, snowboard planks, and ski elements built in – as well as a zip-line connection. The average climbing experience is 2 to 3 hours and riders can choose their own path along the course to avoid bottlenecks. The ground level is a dedicated children’s course with levels 1 to 3 varying in difficulty. • The park also hosts yoga events on the structure’s observation deck or evenings for adults only with a DJ followed by a beer garden on the observation deck. 	<ul style="list-style-type: none"> • Located in a large open field, the standalone structure is mainly built on poles. The experience takes approximately 3 hours and has a large focus on belaying and partner work. • This attraction mainly focuses on team-building experiences but is open to the public as well. For team building activities, there is an additional section of ground-level activities. • The course is located on The Red Lodge Guest Ranch, a historic family-owned and operated cattle and horse ranch. 	<ul style="list-style-type: none"> • The zip-line at the Sagitawah RV Park & Campground is located near the outdoor children’s playground on site. • The attraction is included within the price of renting a campsite or RV site. 	<ul style="list-style-type: none"> • Metis Crossing is a Metis cultural interpretive centre in Alberta, featuring a museum, historical village, trapper’s tents for glamping, and a new cultural centre on a 512 acre site. • Located next to the North Saskatchewan River, the attraction at Metis Crossing incorporates 7 zip-lines. • The course can accommodate six people, and the entire experience lasts about 1 hour. • This experience also involves an interpretive component, with 3 Métis guides accompanying guests along the route.

The majority of zip-line based attractions in Alberta are themed, either reflecting the local culture or attributes of the nearby resort. Those that are not themed, focus primarily on teambuilding and corporate event business. Most courses in Alberta are standalone structures and are non-linear, allowing riders to choose their own path. Though the nature of each course is unique, in general standalone free structures have higher capacities, less staffing requirements, and higher annual ridership numbers. Staffing for the larger or linear courses are often more intensive as the courses covers a greater area or has dedicated tour guides/team activity leaders. The exception being a few resorts who could keep staff on year-round and tradeoff between winter and summer activities. The demographics vary based on location - and the target demographic is often split between individual resident or tourist families, teenagers and young adults looking for an adventure activity, and corporate/teambuilding events or school groups to fill in the off-peak times.

KEY PERFORMANCE INDICATORS FOR COMPARABLE ZIP-LINE/AERIAL ADVENTURE

Annual Attendance

15,000 – 35,000

Peak Day Attendance

200 – 1,000

Source: CBRE Tourism & Leisure Group Research



SUBJECT BUSINESS MARKET PROJECTIONS

BUSINESS INVESTMENT CONCEPT

Based on the various business models and our market overview, CBRE suggests the zip-line based aerial adventure course investment opportunity be positioned as follows:

- A high-quality adventure course with a combination of skills-based challenges and recreational elements.
- The course should include a standalone “tower” structure with high ropes and challenge elements, and two zip-line experiences, each 200 feet in length.
- The high ropes course should accommodate at least 3 levels of difficulty ranging from beginner to expert.
- A low ropes course and climbing wall are also recommended, to accommodate a wider range of visitors (including children aged 5-8, and adults afraid of heights).
- Open 7 days per week during the May to October period.
- Additional infrastructure would be required for admissions, washrooms, lockers and shoe rentals.
- A third-party operator will provide photography services on a commission basis, at an estimated \$10 per capita.
- A 2-acre site, which is both serviced and commercially zoned – ideally located within one-hour of a urban centre.

TARGET MARKETS

- Independent leisure travelers primarily from Alberta and other Canadian provinces, who are physically active, and enjoy fitness and adventure;
- Local school groups;
- Small corporate groups from nearby urban markets looking for team-building experiences;
- “Thrill-seeking” teenagers and young adults; and
- Small leisure groups and families looking for unique outdoor experiences.

PRICING PROJECTIONS

For the purposes of this analysis, CBRE has positioned Zip-Line based Aerial Adventure Course at the following rates: CBRE’s analysis for the subject attraction includes a pricing and discounting approach by market segment and period, reflecting an average admission price of \$42. In line with other comparable attractions, the average price reflects a yield of 65% of the Adult admission.

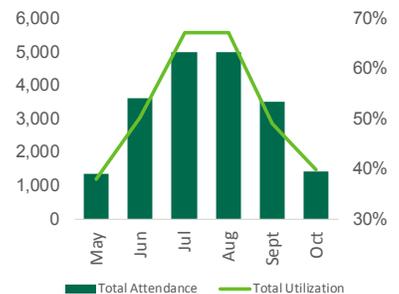
SUBJECT RATE POSITIONING – YEAR 1

Day Admission	
Child (3-15 years)	\$43
Adult	\$65
Senior	\$61
Group Rate	
School Groups	\$26
Corporate/Social Events	\$52
Membership	
Child	\$76
Adult	\$184
Student/Senior	\$163

Source: CBRE Tourism & Leisure Group Projections

PRELIMINARY MARKET DEMAND PROJECTIONS

CBRE suggests that a 30,000 sq. ft. Aerial Adventure Course with two 200-foot zip-lines that operates 7 days per week from May to October, would be able attract 20,000 visitors and an average admission rate of \$42 by Year 3. CBRE’s experience with the attraction industry and engagement with comparable attractions confirms that the subject attraction is expected to achieve its highest levels of attendance in Year 1 and decline annually until Year 3, when attraction attendance is expected to stabilize at 20,000 visits. The following chart demonstrates the range of attendance and utilization levels over a typical operating season once stabilized.



Source: CBRE Tourism & Leisure Group



SUBJECT BUSINESS FINANCIAL PROJECTIONS

PRELIMINARY FACILITY PROGRAM AND CAPITAL COST ESTIMATES

CBRE suggests the following key elements be included in the facility program:

- High Ropes Course Structure with 3 levels (including stairs and 50-60 climbing elements)
- 2 Zip-Lines – at 200 feet each
- 1 Event platform – for yoga classes or social events
- 1 Landing pad – at base of zip-lines
- 1 Climbing wall
- 1 Low Ropes course
- 1 Administration Building – inclusive of ticket booth, washrooms, lockers and shoe rental area.
- 50 sets of safety equipment, including helmets, harnesses and carabiners (continuous belay system)
- Guide equipment and rescue devices

Preliminary order-of-magnitude capital costs have been estimated at \$2.0 Million. Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

ALBERTA ZIP-LINE & AERIAL ADVENTURE COURSE OPPORTUNITY

MAIN STRUCTURE	Units	Total Cost Est
High Ropes Course Structure with 3 levels (including stairs and 50-60 climbing elements)	1	\$600,000
Ziplines - 200 ft each	2	\$300,000
Event & Landing Platform	2	\$200,000
Climbing Wall	1	\$40,000
Low Ropes Course	1	\$100,000
Subtotal	6	\$1,240,000
BUILDINGS AND INFRASTRUCTURE		
Admissions Building (Tickets/Lockers/Shoe Rental/Washrooms)	1	\$75,000
Subtotal	1	\$75,000
OTHER		
Harnesses / Equipment / Safety System		\$400,000
Contingency		\$257,000
TOTAL		\$1,972,000

Source: CBRE Tourism & Leisure Group



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

A preliminary targeted 3-year high level proforma for the subject Zip-Line based Aerial Adventure Course business has been prepared based on the following assumptions:

- The operating season would be 154 days, running from mid-May to mid-October;
- An inflationary factor of 2% per annum;
- The attraction will be operated professionally, and appropriate levels of ongoing marketing would occur;
- The attraction will host 21,600 visitors in Year 1 and achieve a stabilized level of approximately 20,000 visitors annually by its third year of operation;
- Gate Admissions revenue has been projected to reach \$878,000 or 91% of revenues in Year 3, based on an average admission rate of \$44 (65% yield), while other revenue derived from shoe rentals plus \$3 in net income on photography are projected to contribute another 13% of revenues;
- Operational staffing, exclusive of management positions, include the following areas:
 - Gate Admissions Staff (2.0 staff per shift in peak period, 1.0 staff per shift in off-peak)
 - Patrol Staff / Group Leads (3.0 staff per shift in peak period, 2.0 staff per shift in off-peak)
 - Orientation / Harnessing / Rental Staff (2.0 staff per shift in peak period, 1.0 staff per shift in off-peak);
- In addition to Operational Staff, Salaried Management positions include the following:
 - General Manager (full-time), Marketing Manager (part-time position from May to October), and Attraction Group Supervisor (hourly wage from May to October).
- Total Departmental Expenses for the facility have been projected at \$190,000 by Year 3, including Attraction Payroll and Expenses (includes cost of helmet and harness replacement), and Rental Costs of Goods Sold;
- Undistributed operating expenses which include administration, management fee, payroll, marketing, IT and telecommunications, repairs and maintenance and utility costs estimated at 31% of revenues;
- Other fixed charges, including insurance and property taxes, have been estimated at 5% of revenues;
- A Management Fee has been included at 3% of gross revenue; and
- A Reserve for Asset Replacement Reserve has been included at 3% of gross revenue to cover full harness replacement, platform refurbishment, major repairs and upgrades at the subject attraction.

Based on these assumptions, the Zip-Line based Aerial Adventure Course Investment operation is estimated to generate a net income of approximately \$380,000 by Year 3.

ALBERTA ZIP-LINE & AERIAL ADVENTURE COURSE OPPORTUNITY

	Year 1		Year 2		Year 3	
ATTENDANCE						
Annual Operating Days	21,600		20,800		20,000	
Maximum Capacity (Daily)	154		154		154	
General Admission Rate (excl HST)	240		240		240	
Average Admission Rate	\$65		\$66		\$68	
Admission Yield	65%		65%		65%	
REVENUES						
Gate Admissions	\$913	91%	\$895	91%	\$878	91%
Rentals and Photography	\$86	9%	\$85	9%	\$83	9%
Total Revenue	\$999	100%	\$980	100%	\$961	100%
DEPARTMENTAL EXPENSES						
Attraction Payroll & Expenses	\$186	20%	\$183	20%	\$179	20%
Rental COGS & Expenses	\$11	13%	\$11	13%	\$10	13%
Total Departmental Expenses	\$197	20%	\$193	20%	\$190	20%
GROSS OPERATING PROFIT						
Management Fee	\$30	3%	\$29	3%	\$29	3%
UNDISTRIBUTED OPERATING EXPENSES						
Administration & General	\$118	12%	\$116	12%	\$114	12%
IT/Telecommunications	\$20	2%	\$20	2%	\$19	2%
Marketing & Advertising	\$70	7%	\$69	7%	\$67	7%
Repairs & Maintenance	\$50	5%	\$49	5%	\$48	5%
Utilities	\$35	4%	\$34	4%	\$34	4%
Total	\$293	29%	\$287	29%	\$282	29%
FIXED CHARGES						
Insurance/Property Taxes	\$50	5%	\$51	5%	\$52	5%
Total Fixed Charges	\$50	5%	\$51	5%	\$52	5%
NET OPERATING PROFIT/LOSS						
Reserve for Replacement	\$429	43%	\$419	43%	\$409	43%
	\$30	3%	\$29	3%	\$29	3%
NET OPERATING PROFIT/LOSS	\$399	40%	\$390	40%	\$380	40%

Source: CBRE Tourism & Leisure Group Projections





PRELIMINARY FINANCING CONFIGURATION

An investor would be expected to contribute a minimum of 50% of the project's capital cost in equity, with the balance financed by a lending institution in the form of debt. Assuming a 5.0% interest rate, and a 7-year amortization period, the cost of debt is estimated at \$167,000 per annum. Based on the projected operating statement, the project's net cashflow after debt service, would be in the range of \$213,000 by Year 3.

COST OF FUNDS (\$000's)

CAPITAL COST ESTIMATE		\$1,972
EQUITY	\$986	50%
DEBT	\$986	50%
Interest Rate	5.00%	
# of Compounding Periods per year	12.00	
Frequency of annuity payments during year	12.00	
Effective Interest Rate	5.12%	
Number of periods for full amortization	84.00	7 Years
Beginning Balance	\$986	
Effective Interest Rate per period	0.42%	
Annual Mortgage Payment	\$167	

Note: Interest rates, debt to equity ratios, and amortization period are variable and subject to change.

Source: CBRE Tourism & Leisure Group Assumptions

ROI UNDER ALTERNATIVE BUSINESS MODELS

Under the base case model, whereby an existing landowner/operator invested in a Zip-Line based Aerial Adventure Course development, the investment is projected to achieve a 19% ROI by its 3rd year of operation. Under the base case model, it is assumed that the Adventure Course is developed on an existing 2-acre plot owned by the investor.

Should the investor also need to acquire lands for the development, capital costs would be slightly higher, but ROI would remain at 19% by Year 3. Assuming a land lease or joint venture model, the operating costs would be higher, and ROI lower at 12% by Year 3; and in a partnership between a landowner and a third-party zip-line / adventure course operator, the landowner would receive a percental of gross revenues (i.e. 15%).

BUSINESS MODEL ALTERNATIVES

ZIP-LINE BASED AERIAL ADVENTURE COURSE OPPORTUNITY	Base Case / Existing Landowner & Operations	Acquire Lands	Land Lease / Joint Venture	Partnership Between Landowner & Zip-line Co.
	Capital Cost	\$1,972,000	\$2,022,000	\$1,972,000
Net Operating Income (Yr 3)	\$380,000	\$380,000	\$236,000	\$144,000
Return on Investment	19%	19%	12%	

BUSINESS MODEL ASSUMPTIONS:

Land Cost	2 acres at \$25,000 per acre
Land Lease	15% Gross Revenues
Joint Venture	15% Gross Revenues
Partnership	15% Gross Revenues

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the proposed adventure course, particularly in terms of whether they will be developed on a new site or incorporated into an existing attraction or resort. Depending on the location, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation or possible lease rights. Proponents will also need to check environmental regulations and species protection acts.

If looking for a new site, investors interested in developing a Zip-Line based Adventure Course must seek local planning & zoning approvals, sewer system approval, water supply approval, area development permit, building permits, inspections, before receiving final approval and having a license issued. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete. Proponents will also need to gain permits for the operation, check environmental regulations, and possible lease rights for use of the land. For more information and resources, see the References and Resources section.

Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

REFERENCES & RESOURCES

ASSOCIATIONS & CLUBS

International Association of Amusement Parks and Attractions (IAAPA)

Adventure Park Insider (API)

Association for Challenge Course Technology (ACCT)

Adventure Travel Trade Association (ATTA)

BUSINESS RESOURCES

State of the Industry Report 2018, Adventure Park Insider, Spring/Summer 2018

Find the Right Builder, Paul Cummings, November 2016 (Adventure Park Insider)

Zip Line Design: Components for a Complete System, Jenna Stadvold, March 2017 (Head Rush Technologies)

How to Attract More Customers to Your New Adventure Element, Jenna Stadvold, July 2017 (Head Rush Technologies)

ADDITIONAL RESOURCES

AlbertaParks.ca

TravelAlberta.com

Alberta Tourism Market Monitor (Alberta.ca/alberta-tourism-market-monitor)

Alberta Culture and Tourism Business Development and Investment Attraction Branch: tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.



GUIDING



BUSINESS OPPORTUNITY OVERVIEW

DEFINITION OF GUIDING

Outdoor guides lead individuals or groups on recreational experiences such as boating, fishing and nature trails. Depending on the activity, these trips may last from a few hours to several days. Outdoor guides are knowledgeable about the local animal and fish habitats, vegetation, weather, seasonal conditions, licensing, and routes and are responsible for the safety of their group. The term “guide” means different things to different people and so often, guides will use more specific terms to describe their niche. For example, a tour guide may take guests along the same trail or river route, but will focus on the heritage and cultural elements, while a nature guide will focus on the environmental and vegetation characteristics, and a hunting guide will focus on animal habitats and movements. Guides, regardless of niche, must enjoy working with a variety of people, have a flexible schedule, and love the outdoors.

GENERAL BUSINESS OPPORTUNITY

In Alberta’s current landscape, CBRE suggests pursuing opportunities in either Hiking & Nature or Fishing guiding. For the purposes of this analysis, we have outlined a business case for a 10-month Hiking & Nature Guiding operation offering hikes and nature walks in the summer months and snowshoeing and ice-adventures in the winter months and for a seasonal Fishing Guide operation focusing primarily on river fishing with supplementary lake fishing.

¹ Economic Impact and Trend Analysis of the Canadian Camping Industry, Canadian Camping and RV Council, April 2015.



AMENITIES & SERVICES

Most Fishing Guides cater to both novice and experienced visitors, offering as much or little assistance and advice as necessary. Guides provide clients with all the necessary gear, equipment, and transportation, apart from experienced clientele who prefer to bring their own gear.

Food and beverage offerings range from lunch provided on the boat while lake fishing to a full shoreside meal on full-day or multi-day trips, and snacks and hot beverages for ice fishing trips.

Hiking and Nature guides tend to be less structured in what they provide. Pre-planned group trips require customers to have their own gear, bring their own food and beverage, and meet the guide at a designated starting point. Whereas on structured tours and overnight trips, guides tend to provide all necessary equipment/camping gear and food and beverage and offer pick up and drop off transportation. Themed hikes such as Full Circle Adventures' edible plant walks or Dark Sky Guide's stargazing elevate their trips by offering edible plants or hot chocolate.

SEASONALITY

While the summer months tend to attract higher demand levels, certain locations are more well-known for their winter activities such as ice water falls, ice bubbles, and ice fishing.

Demographics may also change seasonally. For example, several guides cited that they cater to more Albertan customers during the summer months, while demand during the winter months tends to derive from international tourists who are interested in experiencing Canadian winter activities.

Fishing regulations and seasons dictate operating seasons for fishing guides, while trail and national park seasons dictate hiking and nature guide operations. Weather also plays a significant role in operating seasons especially with snow melt, the timing of which can impact trail conditions and water levels and capacity.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of a guiding operation is not only a business investment decision but a lifestyle choice. Owners must not only love the nature/fishing lifestyle, be comfortable being outdoors and be a "people" person, they need to also have at least, if not both of the following skillsets:

- Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
- Nature/fishing guiding experience: As an owner/operator, experience and/or certification in fishing/hiking and guiding will be essential in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to Alberta included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Person Visits
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016.

million nights).

Fishing lodges or trail-side campsites used in overnight guiding

DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016.

trips are captured in the "Other Roofed" accommodation segment. These types of trips are often seasonal and chartered and therefore not offered every night—unlike hotel rooms which are available every night of the year.

Based on the Explorer Quotient tool, developed by Environics Research Group to link traveller social values with their associated behaviours and preferences, the primary target markets for a guiding experience in Alberta include: Free Spirits, Cultural Explorers, No-hassle traveler, Authentic Experiencers.

Further information on the Explorer Quotient segments may be found at destinationcanada.com/en/tools#explorerquotient.



COMPETITIVE ANALYSIS

COMPETITIVE SUPPLY

The supply of hiking, nature, and fishing guides is as wide and diverse as the province's terrain. CBRE has compiled a sample of guides and guiding tour companies with the assistance of Travel Alberta in Fishing and Hiking & Nature segments operating across Alberta's 6 regions. These lists are by no means exhaustive but provide a broad overview of the seasonality, pricing, and services currently offered in the market.



HIKING & NATURE GUIDE COMPETITIVE SUPPLY

The following table provides a description of 10 Hiking and Nature Guided Tours currently offered in Alberta. The most common tours are focused on guided hikes and trail walks, with the majority of guiding companies also offering custom adventures. Alberta's variety of terrain offers multiple experiences from easy entry-level trail walks, to themed cultural tours of Calgary, to week-long survival training trips. Seven of the ten Hiking & Nature guide operations operate year-round, with the remaining three operating seasonally during the warmer months (Jun-Sept). Guiding companies such as Get Outside Adventures and Full Circle Adventures operate year-round, offering summer hikes and winter snowshoeing tours.

Few guides in the sample have storefront locations, and while some guides only service the local area such as one city or one national park, others service much wider regions. In cases where guides service a large area, they provide pick up and

drop off transportation or request to meet at a central location.

In order to differentiate services, some guiding companies focus on niche markets. For example, Dark Sky Guides offer stargazing in the Waterton Lakes National Park, which is a unique way for visitors to experience the national park.

Pricing ranges by location and trip duration. Based on the tours reviewed, pricing in the Rockies and Northern areas tends to be higher due to the popularity and/or remote locations, while guiding in Southern Alberta tends to be priced slightly lower. For a half-day tour, prices range from \$35 to \$250, with the most common pricing around \$80. Full-day tours range from \$60 to \$325, for an average of \$120 per trip. Multi-day trip pricing varies based on trip inclusions. For example, Nature Alive, which provides survival skills training, a bush craft river course, and outdoor education workshops is priced at \$1,050 per person for a 6-day trip; while Jasper Photo Guide is priced at \$1,400 for a 5-day winter photo tour. Joining a pre-planned 2 to 7 day group backpacking trip with Get Outside Adventures starts at a lower price point of \$395.

ALBERTA HIKING & NATURE GUIDED TOURS

Guide	Base Location	Region	Servicing Region	Product Offering	Starting Price Per Person	Seasonality	Hiking	Trail	Survival	Cultural	Snow-shoe	Custom Trips	
Get Outside Adventures	Canmore	Rockies	Canmore, Banff, Rockies, & West Coast Trails	- Day Trips hiking and snowshoeing - 2 - 7 day backpacking trips - Wellness & Fitness Series - Full & Half Day Guided Hikes	Full Day Hike: \$95, Half Day Hike: \$75, Child 1/2 Day: \$55 Backpacking: \$395	Year-Round	x	x	x		x	x	
Pursuit Adventures	Red Deer	Central	Red Deer & Central Alberta	- Ski Bus (transport & lift ticket incl) - Outdoor Gear Rentals - River Raft & Market/Beer tours"	Full Day Hike 2 Adults:- \$260 pp/ Group Rate: \$110, Half Day Hike 2 Adults - \$160 pp/Group Rate: \$65	Year-round Hikes change from summer to winter	x	x				x	
Jasper Photo Guide	Jasper	Rockies	Jasper & Surrounding Areas	- Photo tours around Jasper National Park and other locations	Half Day: \$175, Full Day: \$595 (incl editing photos), 5 Day Tour: \$1,395	Year-Round Tours change seasonally	x	x				x	
Dark Sky Guides Ltd.	Waterton Lakes	Rockies	Waterton Lakes National Park	- Guided night-time interpretive tours to stargazing locations, includes telescope and binoculars. Tours in front and back country "- Guided interpretive tours of Battle River Valley including historic sites and archeological finds. 3 - 8 hour tour options"	2-3 People: \$79pp, 4-5 People: \$65pp, 6-12 People: \$49pp	Seasonal May - October	x	x		x		x	
La Prairieaire EcoTourism	Donalda	Central, Canada Badlands	Battle River Valley	- Guided tours of downtown Calgary - Tour options include the Historic Stephen Avenue, Glenbow Museum, & the Contemporary Art Galleries	"\$250 - \$400 per tour (up to 4 people per tour)	Seasonal	x	x		x		x	
Calgary Walking Tours	Calgary	Calgary	Downtown Calgary	- Custom guided tours (the local flora and fauna, history and colour, sustainable agriculture on the ranch. Watercolour painting & dinner	First 2 hours: \$250, Additional hours: \$100 (up to 4 people per tour)	Year-Round				x		x	
Audubon Outdoors	Twin Butte	South	Waterton Lakes and Castle Wildlands Provincial Parks.	- Guided edible plant walks, hikes - Public Lands Forages (May - July) - Snowshoeing and cross-country ski	Custom Tour Prices Variable, Painting & Dinner: \$120	Seasonal	x	x		x		x	
Full Circle Adventures	Turner Valley	South	Calgary, Rockies, and Southern Alberta	- Survival Courses, Bushcraft Courses, and Outdoor Education workshops - Guided Canoe Trips, Winter Camping Trips - Recreational Drum Circle Facilitation and Djembe Instruction - Snowshoe rentals and guided tour through River Valley, Segway tours of Edmonton - Group (20+) River Rafting Adventure"	Summer: 2-hr Walks: \$35, 6-hr Hikes: \$85, Workshops: \$120 Winter: \$90 - \$169	Edible plant walks: June to August Winter Wild: January to March	x	x	x		x	x	
Nature Alive	Barrhead	North	NW of Edmonton: Fort Assiniboine, Freeman River watershed, Blue Ridge, Athabasca River	- Survival Courses, Bushcraft Courses, and Outdoor Education workshops - Guided Canoe Trips, Winter Camping Trips - Recreational Drum Circle Facilitation and Djembe Instruction - Snowshoe rentals and guided tour through River Valley, Segway tours of Edmonton - Group (20+) River Rafting Adventure"	2-day Survival Skills Intro: \$195 (min 4 people), 3-Day Winter & Snowshoe Trip: \$500, 6-Day Fall Bushcraft River Course (Hunting, fishing, paddling): \$1,050	Year-round Courses and trips vary by season	x	x	x	x	x	x	
River Valley Adventure Company	Edmonton		Edmonton River Valley	- Snowshoe rentals and guided tour through River Valley, Segway tours of Edmonton - Group (20+) River Rafting Adventure"	Snowshoe tour: \$17 (min 4 people) Segway tour: \$60+	Year-round Offerings vary by season		x		x	x	x	
							70% Year Round	8	9	3	6	4	10

Source: Statistics Canada, Alberta Culture & Tourism 2016.



FISHING GUIDE COMPETITIVE SUPPLY

The following table provides a description of 9 Guided Fishing Tours currently offered in Alberta. Fishing guides tend to promote their services based on the type of fish (i.e. sturgeon) or by the type of fishing (ice fishing, walk and wade, river, or lake). Five of the tours featured, include a summer and a winter season. For example, Banff Fishing Guides offers lake and river fishing from May to October and ice fishing from December to March.

Fishing guides typically service one region depending on the offerings, i.e. the Bow River for the Calgary Region or Wabamun Lake or North Saskatchewan River for the Edmonton Region. Some guides, especially those offering multi-day tours, will service larger areas. Reel Angling Adventures, for example, offers tours in the Edmonton Area, Athabasca Region,

and Northern Alberta. Fishing guides can also differentiate themselves within a populated region by focusing on a niche market. For example, Forbidden Waters Fly Fishing offers river, walk and wade, night, and fly fishing but markets themselves differently by offering remote or off-the-beaten-track locations that “only locals” know about.

Pricing ranges based on location and trip duration. For a half-day fishing trip, prices range from \$375 to \$555, with the most typical price being \$400. A full-day trip ranges from \$400 to \$825, with the most common price being \$550 per person. Multi-day trip pricing typically begins at \$800 and are dependent on the type of accommodations chosen. In addition to trip duration, pricing also differs based on the type of fishing; lake and river fishing trips are often discounted based on boat capacity with a higher price for 1 person and a discounted price for 2 people.

ALBERTA FISHING GUIDES & TOURS

Guide	Base		Servicing Region	Product Offering	Cost	Seasonality	Fly	Ice	Walk &				
	Location	Region					Fishing	Fishing	Lake	River	Wade	Night	
Get Hooked Fishing	Edmonton		Wabamun Lake or North Saskatchewan River	- Guided half or full day fishing trips, Walk & Wade Sturgeon package, Overnight 2-Day River trip (2 people), Ice fishing	Half Day: \$300-\$500, Full Day: \$500-\$800 River: \$500-\$700, Overnight (2 people): \$1,500, (depending on # of people)	Year-Round Fish availability seasonal		x	x	x	x		
Oldman Outfitters Outdoor Adventures	Lundbreck	South	Oldman, Crownsnest, Castle, St. Marys, and Waterton rivers	- Guided single or multi-day walk and wade or floating fly fishing trips	Walk & Wade: \$425-\$500, Float Fishing: \$470-\$550, Multi-Day Package: \$460-\$525 (depending on # of people)	Seasonal	x			x	x		
Forbidden Waters Fly Fishing	Calgary	Calgary	Bow River	- Guided and semi-guided fishing packages - Bow River Floats, Walk & Wade, summer night fishing, seasonal still water fishing, casting lessons, and 12-14 hr day/night fishing.	"Float Full Day: \$475-\$350, Float Half Day: \$350-\$425, Walk & Wade Full Day: \$475-\$550, Night Moves: \$275, 14-hour Day/Night: \$625, Still Water Full Day: \$500"	"Year-Round Fish availability seasonal"	x			x	x	x	
Alberta Sturgeon Fishing/ Riverrun Adventures	Medicine Hat	South, Canada Badlands	Medicine Hat	- Guided full-day or multi-day overnight sturgeon fishing	1 - 2 People: \$300 - \$500, 3 - 5 People: \$650 - \$900, 2-day trip: custom pricing	May - October				x			
Reel Angling Adventures	Edmonton	Central	Edmonton Area, Athabasca Region, & Northern Alberta	- Guided day and overnight lake, river, and ice fishing trips	Athabasca & Edmonton Lake & River Fishing: \$460+, Overnight Peerless/Graham & Wabasca Lake Fishing: \$760+, Ice Fishing: \$440+	Lake & River: May to October Ice Fishing: December - March		x		x	x		
North Saskatchewan River Guide	Iron River	Central	North Saskatchewan River	- Guided fishing trips, Guided jet boat safaris	4-Hours (3ppl): \$555, 8-Hours (3ppl): \$825	April - Nov				x			
The Crownsnest Angler Fly Shop & Bellevue Guide Service		Rockies	Crownsnest Pass, SW Alberta, SE British Columbia	- Guided float, walk & wade, lake, and river fishing trips	Float Day Trip: \$490+, Walk & Wade Day Trip: \$440+	Mainly July - October Year-round on some rivers	x			x	x	x	
Banff Fishing Guides	Banff	Rockies	Rockies	- Guided full and half day fly, ice, spin, river, and lake fishing trips	Full Day: \$450+ Half Day: \$375+	Lake & River: May to Oct Ice Fishing: Dec - Mar	x	x		x	x		
Upstream Drift Co	Whitecourt	North	Jasper, Whitecourt, Edson and Edmonton	- Guided single, multi-day, and custom drift boat fly fishing trips	Full Day: \$600+, 1 Day Overnight: \$850+, 2 Day Overnight: \$1600+ (prices are per couple)"	Seasonal	x						
							56% Year Round	5	3	4	8	4	1

Source: Statistics Canada, Alberta Culture & Tourism 2016.

GUIDING COMPETITIVE DEMAND

The majority of Alberta's domestic visitors do not stay overnight in their destinations (63%) and instead choose to make day trips. Popular destinations such as Calgary and the Rockies have higher numbers of overnight domestic visitors (40-45%) and approximately 45% of overnight demand to Northern Alberta is generated by domestic visitors. Therefore, customizing guiding offerings to the Alberta visitor is an important part of a guide's product mix.

OVERNIGHT VS TOTAL DOMESTIC VISITORS

(Millions)	Overnight	Total	% Overnight
Edmonton	2.6	7.2	36%
Calgary	2.9	6.5	45%
North	0.8	1.9	45%
Rockies	1.7	4.3	40%
Central	2.9	8.9	32%
South	1.5	4.3	35%
Total Alberta	12.1	32.8	37%

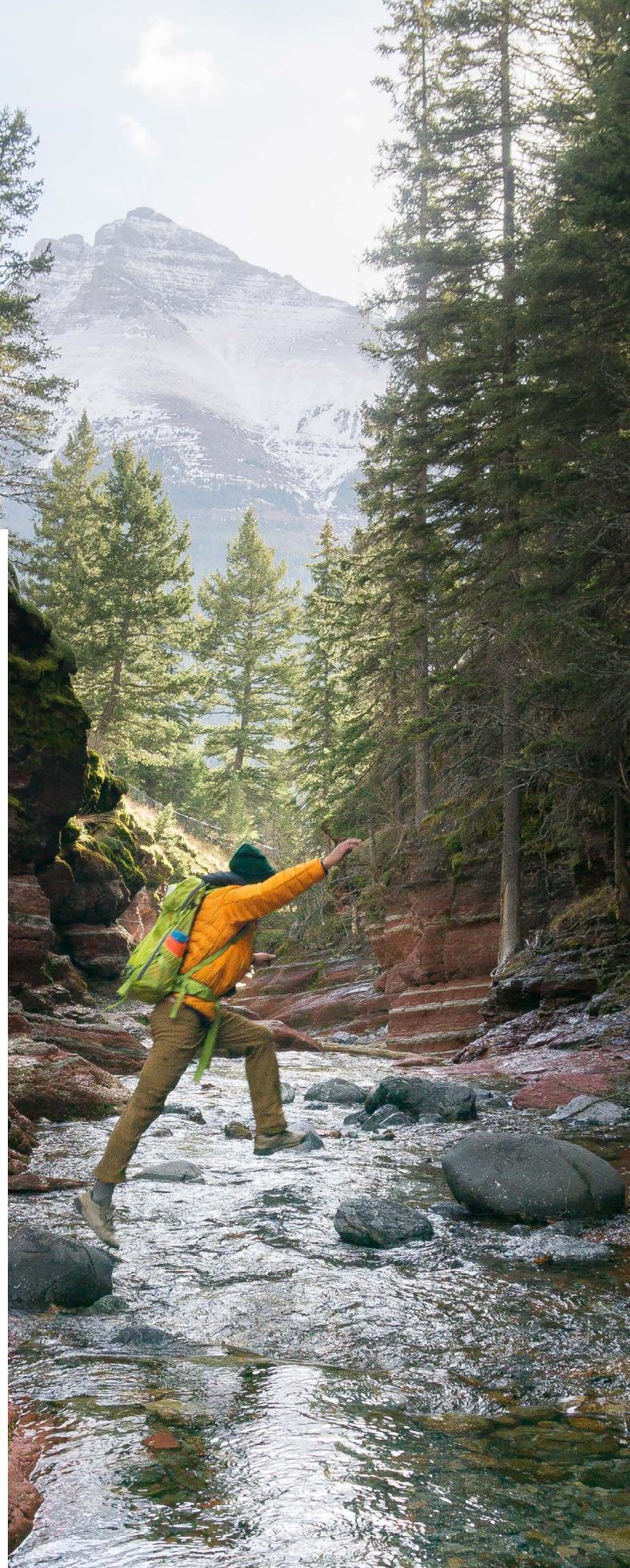
Source: Statistics Canada, 2016.

The following chart provides typical demand indicators for stabilized year-round guiding businesses by type of operation:

2016 ALBERTA VISITORS BY ORIGIN

Guiding Type	Trips/Year	Avg Guest/ Trip	Total Guests
Hiking & Nature Guide, Week-Long Trips	21	6	126
Hiking & Nature Guide, Day Trips	290	6	1,740
Fishing Guide (River and Lake Trips)	80	3	200

Source: CBRE Tourism & Leisure Group Research





SUBJECT BUSINESS MARKET PROJECTIONS

BUSINESS INVESTMENT CONCEPT

Based on our market overview, CBRE suggests a potential Hiking & Nature guide operation investment for Alberta be best positioned as a 10-month operation featuring nature hikes and trail walks during the May to October period, and shifting to snowshoeing and ice-adventures in the December to March period (i.e. ice waterfalls, glaciers, or ice bubbles in frozen rivers). Trip durations would range from half-day trips (4 hours), to full-day trips (8-hours) and multi-day backpacking excursions (3 days, 2 nights).

A Fishing guide opportunity investment would be best positioned to operate from mid-May to mid-October, and depending on its location, the operation would focus on river fishing, and offer lake fishing during times of the season when rivers are not clear or too shallow. Recommendations for areas with market capacity include the North Saskatchewan River and the Bow River and nearby lakes. Trip durations would range from half-day trips (4 hours), to full-day (8-hours) and overnight trips (2 days, 1 night).

For both Hiking & Nature and Fishing guiding operations, guest transportation would be included from accommodation properties or a central location. In addition, both operations would offer food service with a minimum of a snack for half-day trips, lunch and a snack for full-day trips, and regular meals for overnight/multi-day trips.

TARGET MARKETS FOR GUIDING

Target markets for guiding excursions include:

- Visitors who book in advance for a special outdoor excursion, such as a multi-day fly fishing trip or a half-day hike to see the Abraham Lake’s ice bubbles;
- Last minute excursions by leisure travelers;
- Touring and explorer leisure groups seeking sightseeing and soft-adventure experiences;
- Sport fish enthusiasts;
- International markets seeking authentic cultural experiences, unspoiled natural environments and Canadian winter excursions; and
- Corporate and incentive groups looking for new activities or group excursions.

PRICING PROJECTIONS

CBRE has positioned the subject Hiking & Nature and Fishing guided trips at the following price points:

Price Per Person	Hiking & Nature	Fishing
Half Day Trip (4 hrs)	\$130	\$425
Full Day Trip (8 hrs)	\$165	\$545
Multi-Day Trip (3 days, 2 nights)	\$525	-
Overnight Trip (2 days, 1 night)	-	\$700

Source: CBRE Tourism & Leisure Group



SUBJECT BUSINESS FINANCIAL PROJECTIONS

PRELIMINARY START UP REQUIREMENTS

CBRE suggests the following key elements be included in the facility program. The following chart details both general guiding requirements and hiking and nature guiding requirements

General Guiding	Hiking & Nature
Vehicle for guest transportation	Snowshoes (1 pair per customer)
Insurance (vehicle, boat, etc.)	Camping Gear (for overnight trips)
First Aid Kit & Training	Hiking poles (optional, advised for longer trips)
Bug spray & sunscreen	
Waterproof jackets	

Source: CBRE Tourism & Leisure Group

Start-up costs for Fishing Guides will require a higher level of investment due to boating and equipment purchases:

Fishing Guide Requirements	Cost Estimate
Lake Boat 21 to 24 foot (4 to 5-person) with roof	New: \$80,000 – \$100,000 Used: \$20,000 - \$40,000
River Boat (2 to 3-person capacity)	New: \$20,000 Used \$10,000
Rigging (pole, net, spinners), 2 per person for backup (\$300 each)	\$600 per person
Life jackets for all persons in boat	-
Safety gear (anchors, lights, horns, ropes)	-
Vehicle and trailer for launch and transportation	-
Satellite in case of emergency (particularly in remote regions)	\$5,000

*Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

Source: CBRE Tourism & Leisure Group

PRELIMINARY MARKET DEMAND PROJECTIONS

CBRE has projected that the opportunity for a Hiking and Nature Guide business in Alberta with a 10-month operating season would attract 1,100 guests for 195 trips at an average price of \$177 per person in Year 1, increasing to 1,275 guests for 225 trips by Year 3.

For a Fishing Guide business operating over a 150-day season, CBRE projects the investment opportunity to attract 340 guests in Year 1, for 105 fishing trips at an average price of \$532 per person. By Year 3, the business is projected to generate 120 trips for 390 persons, at an average price of \$550 per person.

GUIDING COMPETITIVE DEMAND & RATES

Guiding Type	Year 1	Year 2	Year 3
Nature			
Half & Full Day Trips	173	190	200
Overnight Trips	22	25	25
Total Trips	195	215	225
Total Guests	1,100	1,220	1,275
Avg Price Per Person	\$177	\$179	\$183
Fishing			
Half & Full Day Trips	88	96	100
Overnight Trips	17	19	20
Total Trips	105	115	120
Total Guests	340	370	390
Avg Price Per Person	\$532	\$545	\$550

Source: CBRE Tourism & Leisure Group Research



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

Hiking & Nature Guide Business Opportunity: A preliminary targeted 3-year high level proforma for the subject Hiking & Nature Guide investment business has been prepared based on the following assumptions:

- The operating season would be 300 days, running from December to March and May to October;
- An inflationary factor of 2.0% per annum;
- 195 trips in Year 1 increasing to 225 trips by Year 3;
- An average price per person of \$177 in Year 1, increasing by inflation thereafter;
- Departmental expenses which include equipment, food costs, and labour costs for 2 guides have been estimated at 44% of revenues;
- Undistributed operating expenses which include administration, marketing, IT and telecommunications and vehicle expenses estimated at 34% of revenues; and
- Insurance estimated at \$2,000 per annum.

Based on these assumptions, the Hiking & Nature Guide operation is estimated to generate a net income of approximately \$40,300 in Year 1, increasing to \$51,500 by Year 3.

ALBERTA NATURE GUIDE OPPORTUNITY

	Year 1		Year 2		Year 3	
Typical Year - Operating Days	300		300		300	
TRIPS PER SEASON	195		214		225	
Half & Full Day Trips	173		190		200	
Multi-Day Trips (avg 3 days)	22		24		25	
Total Annual Guests	1,100		1,220		1,275	
Avg Price per Person Per Trip	\$177		\$179		\$183	
REVENUES						
Trips (Day and Multi-Day)	\$194,600	100%	\$218,700	100%	\$233,900	100%
Total Revenue	\$194,600	100%	\$218,700	100%	\$233,900	100%
DEPARTMENTAL EXPENSES						
Equipment (Boots, Snow-shoes, Poles, etc.)	\$19,500	10%	\$21,900	10%	\$23,400	10%
Food Costs	\$14,100	7%	\$16,000	7%	\$17,100	7%
Labour (2 Guides at \$15/hr)	\$52,000	27%	\$58,400	27%	\$62,500	27%
Total Expenses	\$85,600	44%	\$96,300	44%	\$103,000	44%
GROSS OPERATING PROFIT						
	\$109,000	56%	\$122,400	56%	\$130,900	56%
UNDISTRIBUTED OPERATING EXPENSES						
Administration & General / IT	\$6,800	3%	\$6,900	3%	\$7,000	3%
Marketing & Advertising	\$9,700	5%	\$9,900	5%	\$10,100	4%
Vehicle Maintenance & Fuel	\$50,200	26%	\$56,300	26%	\$60,300	26%
Total Expenses	\$66,700	34%	\$73,100	33%	\$77,400	33%
FIXED CHARGES						
Insurance	\$2,000	1%	\$2,000	1%	\$2,000	1%
Total Fixed Charges	\$2,000	1%	\$2,000	1%	\$2,000	1%
NET OPERATING PROFIT/LOSS						
	\$40,300	21%	\$47,300	22%	\$51,500	22%

Source: CBRE Tourism & Leisure Group Projections



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

Fishing Guide Business Opportunity: A preliminary targeted 3-year high level proforma for the subject Fishing Guide investment business has been prepared based on the following assumptions:

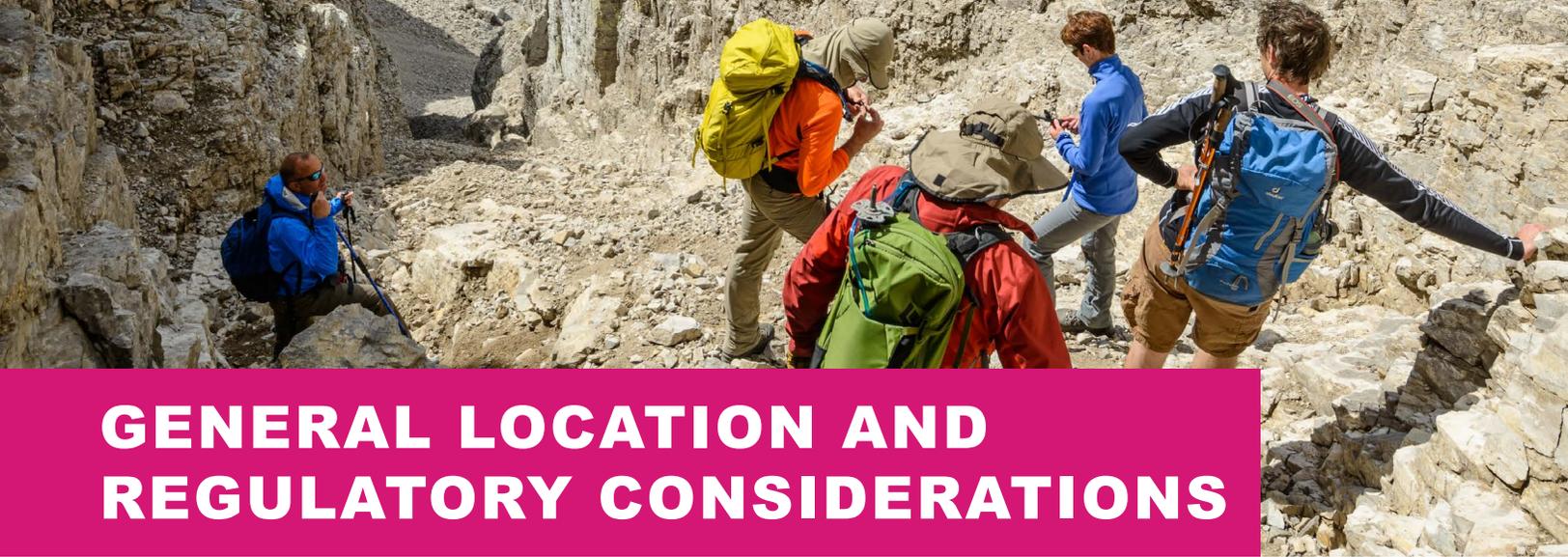
- The operating season would be 150 days, running from May to October;
- An inflationary factor of 2.0% per annum;
- 105 trips in Year 1 increasing to 120 trips by Year 3;
- An average price per person of \$532 in Year 1, increasing by inflation thereafter;
- Departmental expenses which include equipment, food costs, and labour costs for 2 guides have been estimated at 39% of revenues;
- Undistributed operating expenses which include administration, marketing, IT and telecommunications, boat storage, repairs and maintenance, and vehicle expenses estimated at 22% of revenues;
- Insurance estimated at 3% of revenues; and
- Reserve for replacement estimated at 3% of revenues.

Based on these assumptions, the Fishing Guide operation is estimated to generate a net income of approximately \$60,500 in Year 1, increasing to \$75,000 by Year 3.

ALBERTA FISHING GUIDE OPPORTUNITY

	Year 1	Year 2	Year 3			
Typical Year - Operating Days	150	150	150			
TRIPS PER SEASON	105	115	120			
Half & Full Day Trips	88	96	100			
Overnight Trips	17	19	20			
Total Annual Guests	340	370	390			
Avg Price per Person	\$532	\$545	\$550			
REVENUES						
Trips (Day and Multi-Day)	\$180,800	100%	\$201,600	100%	\$214,500	100%
Total Revenue	\$180,800	100%	\$201,600	100%	\$214,500	100%
DEPARTMENTAL EXPENSES						
Equipment (Bait, Rods, Hooks, Jackets, etc.)	\$27,100	15%	\$30,200	15%	\$32,200	15%
Food & Beverage	\$6,600	4%	\$7,400	4%	\$7,800	4%
Labour (2-3 Guides at \$15/hr)	\$36,200	20%	\$40,300	20%	\$42,900	20%
Total Expenses	\$69,900	39%	\$77,900	39%	\$82,900	39%
GROSS OPERATING PROFIT						
	\$110,900	61%	\$123,700	61%	\$131,600	61%
UNDISTRIBUTED OPERATING EXPENSES						
Administration & General (Permits, etc.) / IT	\$8,000	4%	\$8,200	4%	\$8,400	4%
Marketing & Advertising	\$7,200	4%	\$7,300	4%	\$7,400	3%
Boat Storage & Maintenance	\$2,500	1%	\$2,600	1%	\$2,700	1%
Vehicle Maintenance & Fuel	\$22,800	13%	\$25,400	13%	\$27,000	13%
Total	\$40,500	22%	\$43,500	22%	\$45,500	21%
FIXED CHARGES						
Insurance	\$4,500	2%	\$4,600	2%	\$4,700	2%
Total Fixed Charges	\$4,500	2%	\$4,600	2%	\$4,700	2%
NET OPERATING PROFIT/LOSS						
	\$65,900	36%	\$75,600	37%	\$81,400	38%
Reserve for Replacement	\$5,400	3%	\$6,000	3%	\$6,400	3%
NET OPERATING PROFIT/LOSS	\$60,500	33%	\$69,600	35%	\$75,000	35%

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the guiding business. Depending on the location, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation, or possible lease rights in the case of a storefront or storage location. Proponents will also need to check environmental regulations and species protection acts. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete.

Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

CBRE has provided the following lists of considerations as starting points for a new guiding business. For more information and resources, see the References and Resources section.

General Guiding Considerations:

- Vehicle permits & insurance
- Insurance waivers
- Rescue & First Aid requirements
- AHS Food Handling Permit
- Business License

Fishing-specific considerations:

- Sport fishing seasons
- Fishing & boating licenses
- Catch limits
- Catch and release regulations
- Transport Canada License
- Alberta Regulations and MyWildAlberta.ca

Hiking & Nature- specific considerations:

- Partnership with local Discovery Centre
- Certifications i.e. Canadian Mountain Guide, First Aid, etc.
- Park and backcountry camping permits
- National/Provincial park entry fees
- Public land rules
- Interpretive Guide Certification
- Association of Canadian Mountain Guides, Outdoor Council of Canada, and Alberta Parks

REFERENCES & RESOURCES

NATIONAL & PROVINCIAL ORGANIZATIONS OFFERING CERTIFICATIONS

Outdoor Council of Canada
Association of Canadian Mountain Guides
Interpretive Guides Association
Paddle Canada / Paddle Alberta

UNIVERSITY & COLLEGE PROGRAMS

Mount Royal University: Health and Physical Education -Ecotourism and Outdoor Leadership program
The University of Calgary: graduate program in Outdoor Education
Thompson Rivers & Algonquin College programs for Guide Certifications/Degrees

GOVERNMENT & REGULATION RESOURCES

Alberta Environment and Parks: Recreation Resources i.e. Aquatic Invasive Species for Boaters, Fish Identification Guide, Alberta's Provincial Parks and Recreation Areas Regulations, etc. (aep.alberta.ca)
AlbertaRegulations.ca
MyWildAlberta.ca

ASSOCIATIONS AND CLUBS

Alberta Conservation Association
Alberta Fish and Game Association
Calgary Hook and Hackle Club
Northern Lights Fly Fishers

MOBILE APPS

iFish Alberta – paid fishing app for iPhone and Android

ADDITIONAL RESOURCES

AlbertaParks.ca
TravelAlberta.com
Alberta Tourism Market Monitor (www.Alberta.ca/alberta-tourism-market-monitor)
Alberta Culture and Tourism Business Development and Investment Attraction Branch: tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.

BOUTIQUE HOTEL





BUSINESS OPPORTUNITY OVERVIEW

DEFINITION OF A BOUTIQUE HOTEL/INN

While there is no commonly agreed upon definition of a boutique hotel, several industry experts have attempted to provide greater clarity around this emerging new hotel segment. Boutique hotels are typically small hotels that offer high levels of service. They are described as “personalized, customized, unique and individual”, and often offer the following characteristics:

- Cultural/Historic/Authentic
- Individual Hotel/Not a Chain
- Interesting, Unique Services
- Many, high quality in-room features
- Social spaces such as living rooms, libraries with social events

Building on the success of individual boutique hotels, hotel chains have responded by developing Lifestyle Hotels and Soft Brand Collections which provide unique experiences to targeted groups of hotel guests. Several hotel chains have developed brands that incorporate key aspects of the boutique hotel experience by offering an innovative and more personal experience than a standardized “branded hotel” product. Lifestyle and soft brands give hotel owners and operators the opportunity to affiliate with a major hotel distribution chain while retaining the unique properties of an independent hotel. The aesthetics of both lifestyle hotels and soft brand collections tend to be more contemporary, with unusual design and architecture and a high level of technology, as compared to a small, historic hotel.

For the purposes of this Business Case assessment, a Boutique Hotel/Inn is defined as:

- Independent, upscale, fixed roof accommodation, typically offering between 10 and 100 rooms and a unique and stylish ambiance offering high levels of services to guests.

This type of hotel/inn is focused on attracting the leisure market and small meeting groups and is predominantly located in or near urban locations.

The following chart provides a summary of the characteristics of the 3 hotel segments of Independent Boutique hotels, Lifestyle Hotels and Soft Brand Collections, with associated brands identified by grouping. Most of the hotels in the boutique segment tend to be independent, while the lifestyle and soft brand collections include all hotels within the specified brands.

Independent Boutique	Lifestyle Hotels	Soft Brand Collections
Independent of part of small brands	Nationally franchised	Affiliated with a major hotel national franchise distribution system
40 to 300 guest rooms	Prescriptive	Signature hotels, individually named and branded
Design centric	Design centric	
Less than 10,000 square feet of meeting space	Planned for travelers who are interested in boutique lodging	Unique in design
Restaurant and lounge on site or a collection of proximate interesting local dining and entertainment alternatives.	With a lounge and, at least, light food on site	Generally with restaurant and lounge
Generally upscale to luxury	Generally upper midscale to luxury	Generally upscale to luxury
Brands	Brands	Brands
Some Relais et Chateaux	AC by Marriott	Ascend by Choice
Some Small Luxury Hotels	Aloft by Marriott	Autograph by Marriott
Some Preferred Hotel Group	ALT Hotels by Le Germain	Curio by Hilton
The Graduate Hotels	ALT+ Hotels by Le Germain	Luxury by Marriott
Dream Hotels	Andaz by Hyatt	Registry Collection by Wyndham
Many unique and independent small hotels	Cambria by Choice	Tapestry by Hilton
	Canopy by Hilton	Tribute Portfolio by Marriott
	Centric by Hyatt	Trademark by Wyndham
	Edition by Marriott	Unbound by Hyatt
	Even by IHG	
	GLo by Best Western	
	Indigo by IHG	
	Kimpton by IHG	
	Le Germain Hotels	
	Le Meridien by Marriott	
	Moxy by Marriott	
	Red by Radisson	
	Tru by Hilton	
	Tryp by Wyndham	
	Vib by Best Western	
	W by Marriott	

Source: Lifestyle Hotels, Soft Brand Collections, Boutique Hotels, The Highlands Group Hotel Investment Advisors, Inc.



GENERAL BUSINESS OPPORTUNITY

Boutique hotels, which are unique in style, small and independent, are gaining popularity, particularly in primary urban and resort markets. There is increased interest in boutique and lifestyle hotels and soft brands as developers create and respond to market opportunities identified through changing consumer tastes. On a national scale, it is expected that all three of these product types will expand over the next several years, however, until Alberta's accommodation sector fully recovers, opportunities for new built boutique hotels will be limited. At the same time, there may be opportunities to invest in the sector through the purchase of existing boutique and/or lifestyle and soft brand hotel product.

OWNERSHIP/MANAGEMENT EXPERIENCE

Ownership and/or management of a boutique hotel is not only a business investment decision but a lifestyle choice. Owners must not only love being a host and proprietor, be comfortable acting as a local concierge for guests, and be a "people" person, they need to also have at least, if not both of the following skillsets:

1. Financial expertise: Previous experience running a business will be vital not only in the financial aspects of balancing the revenues and expense, but also in managing a staff; and
2. Hotel and food and beverage experience: As an owner/operator, experience operating a hotel and a food and beverage establishment will be essential in the day-to-day operations.

If an owner or operator has only one of these skill sets, it is recommended that they hire expertise to fulfill both skillsets.



ALBERTA VISITOR PROFILES & ACTIVITY TRENDS

In 2016, approximately 34.8 million trips were made to or within Alberta, generating \$8.5 billion in tourism expenditures. The majority of visitors are from Alberta (84% or 29 million) followed by elsewhere in Canada (11%) and 6% from international origins. Approximately 40% of all visits to the province included at least one overnight stay, accounting for 14 million visits in 2016.

2016 ALBERTA VISITORS BY ORIGIN

Person Visits (000's)	Alberta	%	Overnight Person Visits	% of All Person Visits
Alberta	29,128	83.8%	9,035	31%
Other Canada	3,696	10.6%	3,054	83%
US	905	2.6%	905	100%
Overseas	1,043	3.0%	1,043	100%
Total	34,772	100.0%	14,037	40.4%

Source: Statistics Canada, Alberta Culture and Tourism, 2016.

Domestic Visitors to Alberta travel frequently travel during the summer months of July-September (33%), followed by Q4 at 24% (Oct-Dec), Q2 at 24% (Apr-Jun), and Q1 at 19% (Jan-Mar).

Alberta is divided into six tourism regions: Edmonton and the surrounding areas, Calgary and the surrounding areas, Northern Alberta, the Alberta Rockies, Central Alberta, and Southern Alberta. According to Stats Canada data, 27% of all domestic visitors in the province travelled to Central Alberta, followed by the major cities of Edmonton (22%) and Calgary (20%). Edmonton and Calgary have the highest domestic visitor spending at 29% and 26% respectively.

Across Alberta's regions, Visiting Friends & Relatives remains the main purpose of domestic travellers closely followed by Pleasure, with the exception of the Rockies, where almost 70% of visitors travelled for Pleasure purposes.

Other than VFR, domestic visitors to Alberta most often participate in outdoor related activities such as visiting a park, camping, hiking or backpacking, or other outdoor activities. The following table lists the Top 5 activities of overnight visitors to each of the six Alberta regions.

While the Central region has the most domestic visitors, only 32% of visitors stay overnight. While in Calgary, and Northern Alberta 45% of visitors stay overnight, and 40% in the Rockies.

TOP 5 ACTIVITIES OF OVERNIGHT DOMESTIC VISITORS BY REGION

Rank	Edmonton	Calgary	North	Rockies	Central	South
Visit Friends or Family	2	1	3	-	2	3
Entertainment/Cultural Activity	3	2	5	4	-	4
Outdoor Activity	5	4	1	1	1	1
National, Provincial or Nature Park	-	5	-	2	-	-
Hiking or Backpacking	-	-	-	3	5	5
Wildlife Viewing	-	-	-	5	-	-
Shopping	4	-	-	-	-	-
Camping	-	-	4	-	4	-
No activities	1	3	2	-	3	2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Other than VFR, hotels are the most popular type of accommodation followed by Campgrounds or RV Parks. The Central Region has the highest number of nights at Campgrounds or RV Parks with 1.9 million nights, followed by The Rockies (0.9 million nights) and The Southern Region (0.7 million nights).

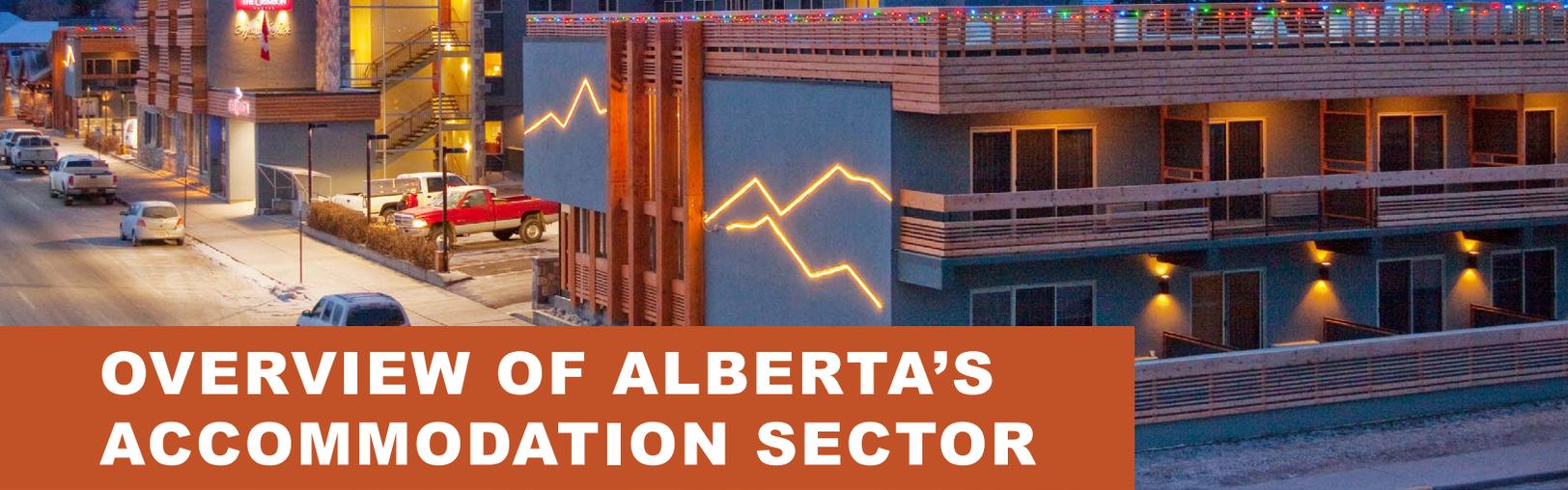
DOMESTIC ACCOMMODATIONS USED (MILLION PERSON NIGHTS)

(Millions)	VFR	Hotel	Motel	Campground / RV Park	Other Roofed	Total Nights	Avg LOS
Edmonton	6.3	2.1	0.1	0.1	1.6	10.2	3.9
Calgary	5.9	1.8	0.1	0.1	0.6	8.5	2.9
North	2.0	0.4	0.1	0.3	0.1	2.8	3.4
Rockies	1.2	2.1	0.3	0.9	0.6	5.1	3.0
Central	4.5	0.6	0.2	1.9	0.3	7.5	2.6
South	2.3	0.5	0.1	0.7	0.1	3.7	2.5
Total Alberta	22.2	7.5	0.9	4.0	3.3	38.5	3.2

Source: Statistics Canada, Alberta Culture & Tourism 2016

Boutique hotels have caught the interest of affluent and trend-setting travelers. Based on the Explorer Quotient tool, developed by Environics Research Group to link traveller social values with their associated behaviours and preferences, the primary target markets for a boutique hotel experience in Alberta include: Free Spirits, Gentle Explorers, Rejuvenators.

Further information on the Explorer Quotient segments may be found at destinationcanada.com/en/tools#explorerquotient.



OVERVIEW OF ALBERTA'S ACCOMMODATION SECTOR

ACCOMMODATION SUPPLY

As of 2018, Alberta's accommodation sector was comprised of approximately 1,200 properties, representing 77,660 rooms.

Between 2010 and 2018, Alberta has added 11,000 hotel rooms, at a compound annual growth rate of 1.9%.

Alberta's primary urban centres of Calgary and Edmonton, account for approximately 41% of the province's total room supply.

Room supply in Calgary and Edmonton has grown by over 6,100 rooms between 2010 and 2018, at a compound annual growth rate of 2.7%.

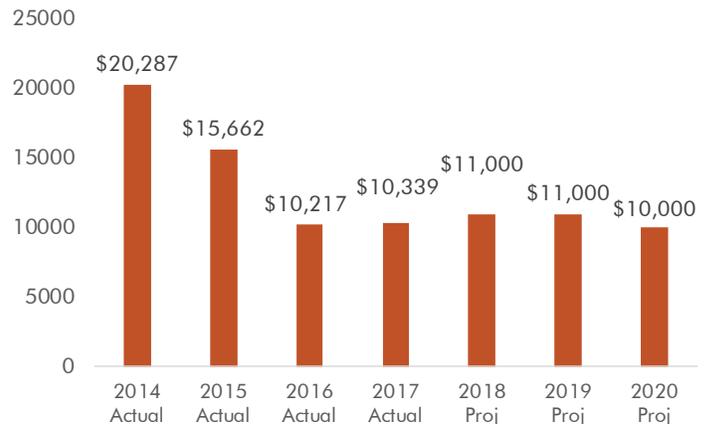
Over the next 2 years, Alberta's accommodation sector is projected to open a further 3,600 rooms, with most of the new rooms entering the Calgary and Edmonton markets (68%).



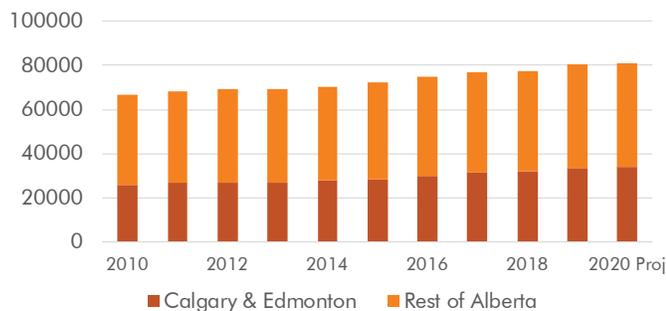
INDUSTRY PROFITABILITY

- Over the past 4 years, bottom lines in Alberta's hotel sector have fallen by \$10,000 per available room, from the industry's peak in 2014 at \$20,300 per available room to \$10,300 in 2017.
- With supply expected to outpace demand levels over the next 2 to 3 years, profitability levels are projected to remain at approximately \$10,000 to \$11,000 per available room to 2020.

ALBERTA HOTELS FINANCIAL OPERATING RESULTS - 2014 TO 2017 ACTUAL AND 2018 TO 2020 PROJECTIONS



ALBERTA HOTEL ROOMS SUPPLY, 2010-2018 & 2019-2020 PROJECTION





ACCOMMODATION DEMAND AND RATE PERFORMANCE

- Alberta's accommodation results were negatively impacted by the global downturn that began in late 2008.
- Over 2010 to 2014, the Alberta accommodation market experienced solid gains in top line performance because of the recovery in the economy generally, but more specifically, because of the healthy energy sector over this period. RevPAR reached an all-time high of \$96.94 in 2014.
- In 2015, the Alberta economy felt the impact of the downturn in oil prices with a 11% decline in room demand. Provincial RevPAR declined by 14.7% in 2015.
- In 2016, there was a continued erosion in both occupancy and ADR in the province. RevPAR performance was down 17.1% relative to 2015.
- Longer term recovery and growth is expected for Alberta, with growth in hotel performance closely linked with improved pricing in the energy sector. It is expected that as the energy sector recovers, hotel demand volumes will be quick to follow.
- 2017 results showed that occupancy improved by about 1.5 points relative to 2016, while average daily rates declined by about 1.0%.

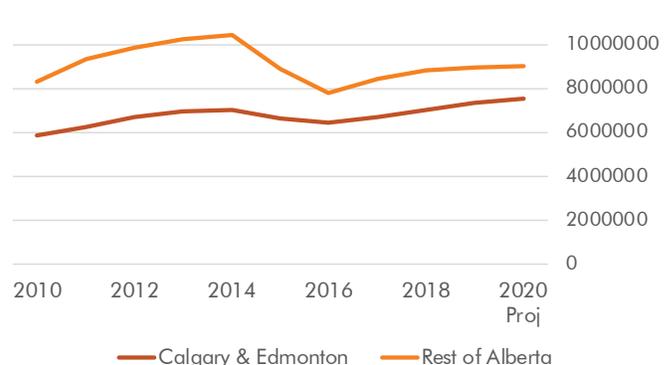
- Year end 2018 results showed about a 3.7 point improvement in occupancy over 2016 results and a slight increase in average daily rate.
- This suggests that the Alberta accommodation sector may have finally bottomed out, although the recovery could be long and slow. The sector is still behind about 1.6 million occupied room nights from its peak in 2014 – which is equivalent to 4,300 fewer rooms sold per day in 2018, compared to 2014.
- Although Calgary and Edmonton have almost recovered demand levels lost since the 2014 peak, these major urban markets are projected to remain at occupancy levels in the low 60% range, as hotel supply is projected to increase by a further 8% over the next 2 years.
- In the balance of the province, Alberta's room supply is projected to increase by approximately 3% over the next 2 years, which will add further strain on market occupancy and ADR. Occupancy levels in the rest of the province, have declined 14 percentage points from a peak of 67% in 2014 to 53% in 2018, with little to no improvement expected over the next 3 to 4 years.
- Until demand levels improve, opportunities for further new built hotel product in Alberta will be limited over the next few years.

ALBERTA ACCOMMODATION MARKET RESULTS, 2010-2018 & 2019/2020 PROJECTIONS

Year	Occupancy	ADR	ADR % Growth	RevPAR	RevPAR % Growth
2010	58.3%	\$125.30	0.0%	\$73.05	0.0%
2011	62.3%	\$125.84	0.4%	\$78.40	7.3%
2012	65.8%	\$132.38	5.2%	\$87.11	11.1%
2013	68.1%	\$138.10	4.3%	\$94.05	8.0%
2014	67.8%	\$142.98	3.5%	\$96.94	3.1%
2015	58.7%	\$140.80	-1.5%	\$82.65	-14.7%
2016	52.2%	\$131.18	-6.8%	\$68.48	-17.1%
2017	53.7%	\$130.03	-0.9%	\$69.83	2.0%
2018	55.9%	\$130.91	0.7%	\$73.20	4.8%
2019 Proj	56%	\$133	1%	\$74	1%
2020 Proj	56%	\$135	2%	\$75	2%

Source: CBRE Hotels

ALBERTA OCCUPIED ROOM NIGHT DEMAND 2010-2018 & 2019 TO 2020 FORECAST





HOTEL TRANSACTION VOLUMES

- The following chart summarizes Alberta’s hotel transaction activity over the past 5 years – 2014 to 2018.
- The number of trades has decreased from 27 in 2014 to 8 in 2018, with the average price per room falling from \$126,000 in 2015 to \$80,000 in 2018.
- Pricing will likely remain low, as hotels continue performing well below normalized levels.
- In reviewing Alberta’s full-service hotel trades only over the last 5 years, the average price per room fell from \$132,000 in 2015 to \$81,500 in 2018.
- At \$81,500 to \$132,000 per room, the ability to acquire full service hotel assets in Alberta are well below replacement costs which would likely be in the range of \$250,000 per room for a new built product

ALBERTA HOTEL TRANSACTION VOLUMES 2014-2018

Year	# of Properties	# of rooms	Transaction Volume	Price per Room	Avg Property Size
2014	27	2,983	\$273,009,000	\$91,522	110
2015	16	2,198	\$277,089,000	\$126,064	137
2016	14	1,197	\$110,404,200	\$92,234	86
2017	15	1,792	\$188,103,550	\$104,968	119
2018	8	1,100	\$87,905,000	\$79,914	138

Source: CBRE Hotels

ALBERTA FULL SERVICE HOTEL TRANSACTION VOLUMES 2014-2018

Year	# of Properties	# of rooms	Transaction Volume	Price per Room	Avg Property Size
2014	10	1,303	\$170,975,000	\$131,216	130
2015	11	1,853	\$244,849,000	\$132,137	168
2016	7	838	\$86,852,500	\$103,643	120
2017	11	1,451	\$170,810,000	\$117,719	132
2018	6	1,022	\$83,325,000	\$81,531	170

Source: CBRE Hotels



ALBERTA'S BOUTIQUE HOTELS

SUPPLY

- The following table provides a sample of 13 boutique hotels in Alberta, representing 987 rooms.
- Approximately 75% of Alberta's boutique hotel supply are in the major urban markets of Calgary and Edmonton, with the balance in the resort communities of Canmore, Banff, Lake Louise and Jasper.
- Alberta's boutique hotels average 75 rooms in size, ranging from 10 to 185 rooms.
- On average, Alberta's boutique hotels offer 3,400 square feet of meeting space and include a restaurant/lounge or breakfast room and a fitness centre.

SELECTION OF ALBERTA'S BOUTIQUE HOTELS

No.	Name	Address	Rooms	Type	Total Meeting Space (sf)	Meeting Space per Room (sf)	Restaurant/ Lounge	Breakfast Room	Fitness Pool	Business Centre
1	Hotel Arts	119 12th Avenue SW, Calgary	185	Boutique	12,120	65.5	x		x	x
2	Hotel Le Germain Calgary	899 Centre Street SW, Calgary	143	Boutique	6,500	45.5	x			x
3	Hotel Arts Kensington	1126 Memorial Drive SW, Calgary	19	Boutique	150	7.9	x			
4	The Varscona, Edmonton	8208 106 St NW, Edmonton	89	Boutique	3,685	41.4		x	x	x
5	The Metterra Hotel on Whyte	10454 82nd Avenue, Edmonton	98	Boutique	1,250	12.8		x	x	x
6	The Matrix	10640 100 Avenue NWA, Edmonton	184	Boutique	8,247	44.8	x		x	
7	Union Bank Inn	10053 Jasper Avenue, Edmonton	40	Boutique	1,110	27.8	x		x	x
8	The Malcolm Hotel	321 Spring Creek Drive, Canmore	124	Boutique	6,400	51.6	x		x	x
9	The Juniper Hotel	1 Timberline Way, Banff	52	Boutique	2,407	46.3	x			
10	Banff Boutique Inn	121 Cave Avenue, Banff	10	Boutique	-	-		x		
11	Park Place Inn	623 Patricia Street, Jasper	14	Boutique	-	-				
12	Azuridge Lodge	178057 272 St. W, Priddis	13	Boutique	1,000	76.9	x		x	x
13	Num-Ti-Jah Lodge	Hwy 93 North, Icefields Pkwy, Lake Louise	16	Boutique	1,500	93.8	x			
			987		44,369	45				

Source: Compiled by CBRE Hotels



DEMAND AND RATE PERFORMANCE

- Over the past 5 years, (2014 to 2018), the sample of Alberta’s boutique hotels performed at occupancy levels ranging from 66% in 2016 to 72% in 2018, or approximately 4 to 11 percentage points above the overall Calgary and Edmonton hotel markets.
- The sample of Alberta’s boutique hotels achieved ADR’s of approximately \$200 in 2014 and 2015, declining to \$168 in 2017, before recovering to \$190 by 2018. At an ADR of \$190 in 2018, Alberta’s boutique hotels achieved a \$50 rate premium over Calgary and Edmonton’s hotel sector.
- In 2018, Alberta’s boutique hotels RevPAR performance improved to \$136, which is almost back to levels achieved during the peak of 2014.
- With a further 3,600 rooms expected to come on stream in Calgary, Edmonton and the balance of the province over the next 2 years, it is projected that occupancy and rate performance of the boutique sector will be negatively impacted.
- Given the current and projected supply and demand dynamics within the boutique segment and the province’s overall accommodation sector, opportunities for further new built boutique hotel product in Alberta will be limited over the next few years.

ALBERTA’S BOUTIQUE HOTEL MARKET COMPARED TO CALGARY & EDMONTON HOTEL MARKETS

	2014	2015	2016	2017	2018
OCCUPANCY					
Alberta’s Boutique Hotels	71%	68%	66%	67%	72%
Calgary & Edmonton	70%	64%	59%	58%	61%
ADR					
Alberta’s Boutique Hotels	\$197	\$201	\$190	\$168	\$190
Calgary & Edmonton	\$149	\$147	\$137	\$137	\$137
RevPAR					
Alberta’s Boutique Hotels	\$140	\$136	\$124	\$113	\$136
Calgary & Edmonton	\$104	\$93	\$81	\$79	\$83

Source: CBRE Hotels



TARGET MARKETS

Lodging demand is typically generated from four different segments: Corporate, Leisure travelers, Group/Meeting, and Other which includes government, contract, and/or crew business. Boutique hotels tend to cater to the high-end Corporate, Leisure and small Meetings/Conference segments.

CORPORATE SEGMENT

Corporate travelers are defined as business people attracted by businesses in the area. Corporate transient demand includes individuals visiting the companies in the immediate area or passing through town. Corporate volume demand is generated by local firms and includes employees of the company or others doing business with the firm. Most demand from the corporate segment is generated between Sunday and Thursday nights. The typical duration of occupancy is one to three days and is characterized by single occupancy. Historically, this demand segment has been somewhat less price sensitive than other segments. Rates are often pre-negotiated with the hotel and are sometimes discounted in return for a high number of occupied rooms. Often, these types of travelers are influenced by quality of the hotel, brand loyalty, and location. Overall, the corporate segment is highly desirable as it provides a solid base of demand and tends to pay higher room rates than other segments.

LEISURE SEGMENT

Leisure travelers generally include vacationers or travelers passing through the area. This category effectively includes all non-commercial related travellers and includes sports teams and tour groups. This segment is typically attracted by a hotel's location relative to area attractions (including friends/relatives). Demand from leisure travelers is typically generated throughout the week during peak periods, with more weekend demand in shoulder seasons. Leisure travelers tend to have a high level of double occupancy. Leisure demand also often includes occupied rooms generated online through third party providers such as Hotwire, Expedia, Priceline, etc.

MEETING/CONFERENCE

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

GOVERNMENT/OTHER

Government/Other demand includes government travel from all levels (municipal, provincial and federal) and may include any airline contracts or construction and maintenance crew business. This is a highly rate sensitive segment of demand and often includes demand generated through flash sales and online promotions the hotel may have. It also includes industry travel demand and includes comp room nights.

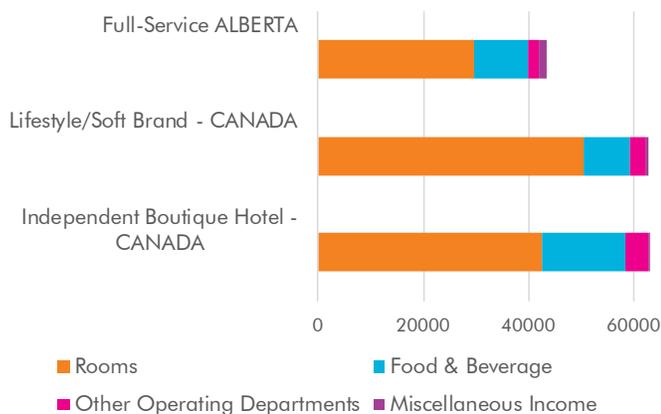


COMPARISON OF OPERATING FINANCIAL PERFORMANCE

CBRE Hotels compared aggregate 2017 operating performance data for a sample of 9 independent boutique hotels operating in Canada and 13 lifestyle and soft branded hotels in Canada with 34 full service hotels with less than 200 rooms operating in Alberta, that voluntarily participated in the CBRE Annual Trends in the Hotel Industry survey. The data presented in the analysis is in accordance with the 11th edition of the Uniform System of Accounts for the Lodging Industry.

- The sample of Lifestyle/soft brand hotels in Canada achieved a 71% occupancy at an ADR of \$196, compared to National Independent Boutique hotels at 69% occupancy and \$168 ADR. In comparison, Alberta's Full-Service Hotels of less than 200 rooms performed at occupancy rates 15 percentage points below the National Lifestyle/Soft Brand grouping, and \$52 less in ADR.
- Both Independent Boutique Hotels and Lifestyle/Soft Brand Hotels in Canada perform favorably in terms of revenue per available room.
- In 2017, National Boutique and Lifestyle/Soft Brand Hotels averaged revenues 45% higher than Full-Service Hotels of less than 200 rooms operating in Alberta.
- Departmental expenses for National Independent Boutique Hotels and Full-Service Alberta Hotels of less than 200 rooms were comparable at approximately 43% to 45% of revenues, while Lifestyle/Soft Brand Hotels achieved better ratios of 36% of revenues, with efficiencies in rooms and food and beverage departments.
- At \$19,450 per room, National Lifestyle/Soft Branded hotels averaged 27% higher net operating income than National Independent Boutique hotels in 2017, and 122% higher than Alberta Full-Service Hotels of less than 200 rooms.
- Like Select Service Hotels, Lifestyle/Soft Branded Hotels tend to be designed to be room revenue-focused and efficient, with more food and beverage and meeting space revenue than typically found at Select Service properties.

2017 REVENUE PER AVAILABLE ROOM



2017 NET OPERATING INCOME PER AVAILABLE ROOM





INDEPENDENT BOUTIQUE HOTELS AND LIFESTYLE/SOFT BRANDS IN CANADA

	Independent Boutique Canada			Lifestyle/Soft Brand Canada			AB Full Service Under 200 Rooms		
Period	2017			2017			2017		
Average No. of Rooms	109			142			143		
Occupancy	69%			71%			56%		
Average Daily Rate	\$168			\$196			\$144		
RevPAR	\$116			\$139			\$81		
OPERATING REVENUE	\$PAR	\$ORN	%	\$PAR	\$ORN	%	\$PAR	\$ORN	%
Rooms	\$42,499	\$168	67%	\$50,568	\$196	81%	\$29,744	\$144	68%
Food & Beverage	\$15,774	\$62	25%	\$8,749	\$34	14%	\$10,200	\$49	23%
Other Operating Departments	\$4,491	\$18	7%	\$2,743	\$11	4%	\$2,079	\$10	5%
Miscellaneous Income	\$412	\$2	1%	\$595	\$2	1%	\$1,418	\$7	3%
Total Operating Revenue	\$63,175	\$249	100%	\$62,654	\$243	100%	\$43,442	\$211	100%
DEPARTMENTAL EXPENSES									
Rooms	\$14,135	\$56	33%	\$14,354	\$56	28%	\$9,572	\$46	32%
Food & Beverage	\$12,497	\$49	79%	\$6,323	\$25	72%	\$8,184	\$40	80%
Other Operating Departments	\$1,915	\$8	43%	\$1,729	\$7	63%	\$1,085	\$5	52%
Total Departmental Expenses	\$28,546	\$113	45%	\$22,405	\$87	36%	\$18,841	\$91	43%
TOTAL DEPARTMENTAL PROFIT	\$34,628	\$137	55%	\$40,249	\$156	64%	\$24,601	\$119	57%
UNDISTRIBUTED EXPENSES									
Administration and General	\$5,201	\$21	8%	\$4,875	\$19	8%	\$3,773	\$18	9%
Information and Telecommunications Systems	\$528	\$2	1%	\$1,534	\$6	2%	\$462	\$2	1%
Sales and Marketing	\$2,626	\$10	4%	\$2,994	\$12	5%	\$1,910	\$9	4%
Franchise Fees	\$203	\$1	0%	\$313	\$1	0%	\$1,151	\$6	3%
Property Operations and Maintenance	\$2,357	\$9	4%	\$2,789	\$11	4%	\$2,011	\$10	5%
Utilities	\$1,847	\$7	3%	\$1,603	\$6	3%	\$1,904	\$9	4%
Total Undistributed Expenses	\$12,762	\$50	20%	\$14,108	\$55	23%	\$11,211	\$54	26%
GROSS OPERATING PROFIT	\$21,866	\$86	35%	\$26,141	\$101	42%	\$13,390	\$65	31%
Management Fees	\$1,895	\$7	3%	\$2,066	\$8	3%	\$1,339	\$6	3%
INCOME BEFORE NON-OPERATING INCOME & EXPENSE	\$19,971	\$79	32%	\$24,075	\$93	38%	\$12,050	\$58	28%
NON-OPERATING INCOME AND EXPENSES									
Property and Other Taxes	\$2,521	\$10	4%	\$2,502	\$10	4%	\$1,719	\$8	4%
Insurance	\$289	\$1	0%	\$243	\$1	0%	\$263	\$1	1%
Total Non-Operating Income and Expenses	\$2,810	\$11	4%	\$2,745	\$11	4%	\$1,982	\$10	5%
EBITDA	\$17,161	\$68	27%	\$21,330	\$83	34%	\$10,068	\$49	23%
Replacement Reserve	\$1,895	\$7	3%	\$1,880	\$7	3%	\$1,303	\$6	3%
EBITDA after Replacement Reserve	\$15,266	\$60	24%	\$19,450	\$75	31%	\$8,765	\$43	20%

Source: CBRE Tourism & Leisure Group Projections

While the better Boutique Hotels have been able to outperform the Calgary, Edmonton and overall Alberta markets, opportunities for new build Boutique Hotel development in Alberta in the short to mid-term may be limited until there is a stronger supply/demand balance represented by improved occupancies and average daily rates.



SUBJECT MARKET & FINANCIAL PERFORMANCE METRICS

PRELIMINARY FACILITY PROGRAM AND CAPITAL COST ESTIMATES

The suggested facility program for a hypothetical 50-room Boutique Hotel development in Alberta, includes:

- 50 guest rooms, at 350 square feet each;
- 75-seat restaurant;
- 1,500 square feet of meeting space; and
- A fitness room/pool

Preliminary order-of-magnitude capital costs have been estimated at \$12.5 million or \$250,000 per room. Please note this excludes any additional infrastructure related costs (i.e. waste water system) as these costs will vary depending on the site selected.

HYPOTHETICAL ALBERTA BOUTIQUE HOTEL OPPORTUNITY

Guestrooms	Keys	Sq. Ft./Rm	Total GFA
Rooms	50	350	17,500
Food & Beverage	Seats	Sq. Ft./Seat	Total GFA
Restaurant / Bar	75	15	1,125
Meeting/Conference Facilities	Capacity	Sq. Ft./PP	Total GFA
Meeting Rooms	100	15	1,500
Other Facilities		Sq. Ft./Rm	Total GFA
Fitness Room / Pool		10	500
Lobby / Public Spaces		17	850
BOH / Circulation		330	16,500
Total Hotel GFA		760	37,975

Source: CBRE Tourism & Leisure Group

PRELIMINARY CAPITAL COST ESTIMATES - HYPOTHETICAL 50-ROOM

	\$	\$ Per Room	% Total
Land	\$1,000,000	\$20,000	8%
Soft Costs	\$1,500,000	\$30,000	12%
Hard Costs	\$8,000,000	\$160,000	64%
Furniture, Fixtures & Equipment	\$2,000,000	\$40,000	16%
Total	\$12,500,000	\$250,000	100%

Source: CBRE Tourism & Leisure Group



PRELIMINARY HIGH LEVEL PROFORMA / INCOME STATEMENT

For the purposes of this analysis, CBRE has prepared 2 scenarios to demonstrate the required performance metrics for a hypothetical 50-room boutique hotel development in Alberta.

Scenario 1 – Assumes a 50-room boutique hotel development in Alberta achieves a 60% occupancy by its stabilized year of operation, at an Average Daily Rate of \$300. While a 60% occupancy is only 4 percentage points above the 2017 performance of Alberta’s full-service hotels, an ADR of \$300 is \$155 above Alberta’s full-service sector and \$100 to \$125 above rates achieved by independent boutique and lifestyle hotels nationally.

Scenario 2 – Assumes a 50-room boutique hotel development in Alberta achieves a higher stabilized occupancy of 73% at a lower Average Daily Rate of \$250. A 73% occupancy is in line with occupancies achieved by independent boutique and lifestyle hotels nationally, however an ADR of \$250 is still \$50 to \$80 above rates achieved by independent boutique and lifestyle hotels nationally.

Under both scenarios, the ability to achieve these performance metrics will be totally contingent on:

- The skill set of the entrepreneur and his/her management team;
- Securing the right site and location for the development in either an urban area, or rural resort destination;
- Identifying a unique concept and a luxury boutique product; and
- Delivering the expected service levels.

The development will require a high level of due diligence to ensure that the combination of these factors can attract the required levels of demand and achieve the above-average daily rates.

Under both scenarios, the hypothetical boutique hotel opportunity would be required to achieve a net operating income, after a 4% replacement reserve in the order of \$1.25 Million or \$25,000 per available room, which equates to a 10% Return on Investment for the developer.

BOUTIQUE HOTEL OPPORTUNITY

	Scenario 1		Scenario 2			
No. of Rooms	50		50			
Occupancy	60%		73%			
Average Daily Rate	\$300		\$255			
RevPAR	\$180		\$186			
Available Rooms	18,250		18,250			
Occupied Rooms	10,925		13,344			
OPERATING REVENUE	(\$000's)	% of Sales	\$POR (\$000's)	% of Sales	\$POR	
Rooms	\$3,281	65%	\$300	\$3,399	61%	\$255
Food and Beverage	\$1,420	28%	\$130	\$1,758	32%	\$132
Other Operated Departments	\$306	6%	\$28	\$379	7%	\$28
Miscellaneous Income	\$22	0%	\$2	\$27	0%	\$2
Total Operating Revenue	\$5,029	100%	\$460	\$5,563	100%	\$417
DEPARTMENTAL EXPENSES						
Rooms	\$947	29%	\$87	\$1,055	31%	\$79
Food and Beverage	\$1,288	91%	\$118	\$1,595	91%	\$119
Other Operated Departments	\$131	43%	\$12	\$162	43%	\$12
Total	\$2,366	47%	\$217	\$2,812	51%	\$211
TOTAL DEPARTMENTAL	\$2,663	53%	\$244	\$2,751	49%	\$206
UNDISTRIBUTED EXPENSES			\$PAR	\$PAR		
Administration and General	\$441	9%	\$8,829	\$465	8%	\$9,310
Information and Telecommunications Systems	\$49	1%	\$984	\$49	1%	\$982
Sales and Marketing	\$150	3%	\$3,000	\$157	3%	\$3,145
Property Operations and Maintenance	\$152	3%	\$3,040	\$159	3%	\$3,187
Utilities	\$90	2%	\$1,800	\$94	2%	\$1,887
Total	\$883	18%	\$17,653	\$925	17%	\$18,510
GROSS OPERATING PROFIT						
	\$1,780	35%	\$35,610	\$1,825	33%	\$36,505
Management Fees	\$151	3%	\$3,017	\$167	3%	\$3,122
INCOME BEFORE NON-OPERATING INCOME AND EXPENSE	\$1,630	32%	\$32,592	\$1,658	30%	\$33,383
NON-OPERATING INCOME AND EXPENSES						
Property and Other Taxes	\$160	3%	\$3,200	\$166	3%	\$3,329
Insurance	\$18	0%	\$350	\$18	0%	\$364
Total Non-Operating Income and Expenses	\$178	4%	\$3,550	\$185	4%	\$3,693
NET OPERATING INCOME	\$1,452	29%	\$29,042	\$1,474	26%	\$29,474
Replacement Reserve	\$201	4%	\$4,023	\$223	4%	\$4,450
NOI after Replacement Reserve	\$1,251	25%	\$25,019	\$1,251	22%	\$25,023
Estimated Capital Cost (\$M)	\$12.5			\$12.5		
ROI	10%			10%		

Source: CBRE Tourism & Leisure Group Projections



GENERAL LOCATION AND REGULATORY CONSIDERATIONS

Most Boutique Hotels tend to be small upscale properties located in historic buildings or re-purposed buildings in urban or resort settings. However, new Boutique Hotels can also be found in modern buildings, characterized by modern or avant-garde furnishings and fashionable lounges. Both Boutique and Lifestyle/Soft Brand hotels tend to be located in premium markets, however they are also starting to attract developer interest in Canada's secondary markets.

The land base of Alberta is a mix of private and public land, controlled by municipalities, municipal districts, Parks Canada and the province of Alberta. Land tenure and regulatory issues will depend on the location of the business. Depending on the location, it is likely that proponents will need to work with the appropriate authorities to gain permits for their operation or possible lease rights. Proponents will also need to check environmental regulations and species protection acts. If the site is on Crown Land or Provincially owned land, a disposition process may be required, which could take up to 18 months to complete. For more information and resources, see the References and Resources section.

Interested parties should also speak to various provincial and local departments regarding site specific regulations. For example, if a development is within 800-metres of a highway, a traffic study may be required, or if the development is part of a Crown Land lease or water bed and shore, Ministry of Environment and Parks may need to be contacted.

REFERENCES & RESOURCES

BOUTIQUE HOTEL RESOURCES

Boutique and Lifestyle Leaders Association (BLLA): www.blla.org

Alberta Hotel and Lodging Association (AHLA): www.ahla.ca

CBRE Hotels, Trends in the Hotel Industry, Financial Operations Report, Canada

CBRE Hotels, Trends in the Hotel Industry, National Market Report, Canada

Defining Boutique and Lifestyle Hotels: Emerging Definitions, Prepared by Dr. Jonathon Day, Purdue University; Donna Quadri, New York University; Dr. David Jones, Hong Kong Polytechnic University; Boutique & Lifestyle Lodging Association.

Lifestyle Hotels, Soft Brand Collections & Boutique Hotels, The Highland Group Hotel Investment Advisors, Inc.

The Boutique Hotel Report, 2017, The Highland Group Hotel and Investment Advisors, Inc.

Trends and Expectations for Boutique and

ADDITIONAL RESOURCES

TravelAlberta.com

Alberta Tourism Market Monitor (www.Alberta.ca/alberta-tourism-market-monitor)

Alberta Culture and Tourism Business Development and Investment Attraction Branch: tourism.entrepreneurship@gov.ab.ca



The entire study, including all findings and conclusions, pertains only to the Province of Alberta, and is based on our knowledge and information with respect to current and projected economic data, sources of existing demand and supply, and the status of the competitive market as at the completion of CBRE's field work in February 2019. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions. As in all studies of this type, the projected operating results are based on competent and efficient management and presume no significant change in the competitive position of the tourism related business in the Province, except as set forth in this report. The estimates are subject to uncertainty and variation and we do not represent them as results that will be achieved. They have, however, been conscientiously prepared on the basis of available information and our experience in the industry. It should be noted that any developers/investors interested in pursuing the subject opportunities would be expected to undertake their own due diligence for internal business decision making. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, press release, offering, or representation in connection with the sales of securities or participation interests to the public, without our prior written consent. It is a requirement of professional practice that we review the final draft of any prospectus or offering memorandum containing references to this study. In connection with the permitted uses and as an advice to third parties, this report may not be disassembled or rearranged in any manner that would allow for presentation of only a portion of the report.



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