



## The Willows Hotel/Spa & Retail Market Study

PREPARED FOR:

Dream Development

PREPARED BY:

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# 1. Introduction

Urbanics Consultants Ltd. has been retained by Dream Development to undertake a market demand assessment for a boutique hotel and Nordic spa as well as a small retail component of some 10,000-15,000 sq. ft. as part of the Willows master-planned community. Located in the south end of Saskatoon, the 500 acre Willows community currently includes the 27-hole Willows Golf Course and approximately 900 residents. In addition to the hotel/spa and other proposed commercial components, development plans call for a reconfiguration of the golf course and further residential development. At build-out it is anticipated there will be some 2,600 residents.

Scandvik Hotels is proposing the development of a 120-room boutique wellness hotel and accompanying Nordic spa, 100 seat restaurant, and 4,500 sq. ft. of meeting room space on the 4.05 acre property, located just north of the existing Willows Clubhouse. The proposed uses are intended to complement and serve existing golf patrons as well as residents and contribute to the health and wellness aspects of The Willows. Preliminary plans have detailed a low-rise hotel of 120 rooms and a Nordic spa totalling approximately 60,000 sq. ft. of building area. In addition some 1.5-2 acres of outdoor space will provide further spa amenities.

The purpose of this study is to explore the Saskatoon hotel and tourism markets and undertake forecasts of anticipated demand. The demand for complementary specialty retail uses will also be explored.

Background data for this study was obtained from a variety of public (provincial, regional, and municipal) and private sector sources in February 2021.

Similar to other studies of this nature, a number of forecasts and assumptions regarding the state of the economy, the state of future competitive influences, and population projections have had to be made. These assumptions are made with great care and are based on the most recent and reliable information available. Should any assumptions noted in this study be undermined by the course of future events, we recommend that the study's findings be re-examined.

## The Willows – Hotel/Spa & Retail Market Study

While specific assumptions may be noted throughout the report, the following general assumptions also apply:

- Real GDP growth and other provincial and local economic indicators for the area will not significantly differ from the projections indicated in the study over the course of the study period.
- No unforeseen economic or political events will occur within the study period on a national, provincial, or local level, which would significantly alter the outcomes of the study's analyses. Short-term fluctuations are likely to occur, but long-term gradual growth rates should prevail.
- Actual population growth rates will be relatively consistent with the historical growth rates in the region.
- The demand and market analyses are based on estimates, assumptions and other information developed from the Consultants experience, research of the various markets and background knowledge.
- The impacts of COVID19 presents one of the greatest uncertainties in terms of market study forecasting. With numerous assumptions reflected, the client should be cognizant that a review or a re-commission of this report may be warranted in light of a dramatically altered economic, demographic or political landscape. For the purposes of this report, the Consultant has presumed that population growth, immigration, employment and economic growth rates will improve in 2022 and beyond. The hospitality and tourism markets however will likely not see a complete rebound until at least 2023 or 2024.

## 2. Economic Context<sup>1</sup>

### Saskatchewan

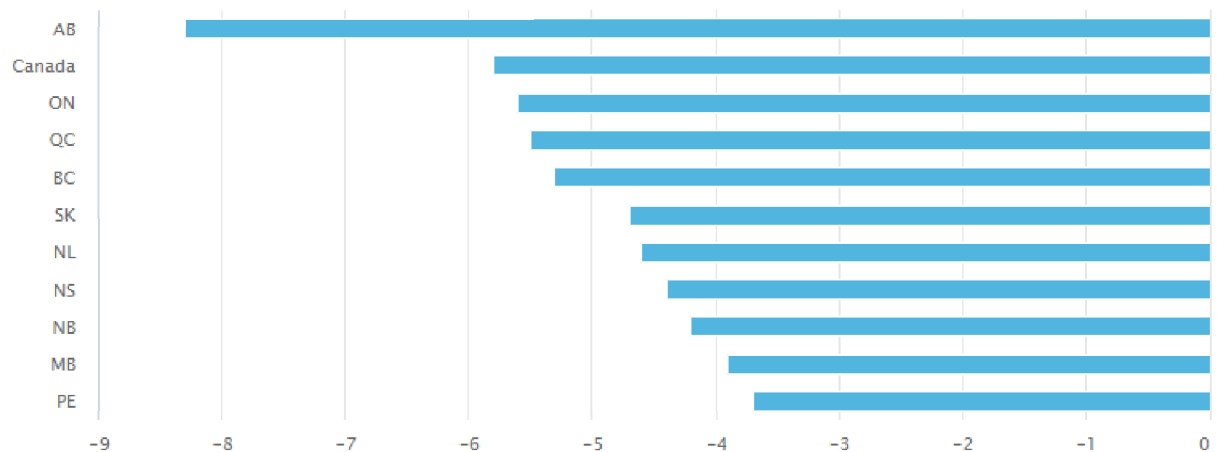
Saskatchewan's economy, while buffeted by the pandemic, saw more modest declines in output than Canada as a whole in 2020, with

- -4.7 percent decline in real gross domestic product, compared to:
  - -5.8 percent for Canada, and
  - -8.3 percent in neighbouring Alberta and
  - -3.9 percent in Manitoba, as detailed in Figure 1.

**Figure 1: Provincial Real GDP - 2020**

#### Real GDP Growth - 2020

% change



Source: Statistics Canada, RBC Economics

<sup>1</sup> Statistics Canada; RBC Economics (December 2020) ; Conference Board of Canada, Provincial Economic Outlook

## The Willows – Hotel/Spa & Retail Market Study

Projecting forward, Saskatchewan is believed by the Royal Bank to be in line for 4.7 percent real GDP growth in 2021, and 4.2 percent real GDP growth in 2022, as demonstrated in Figure 2.

RBC's Projections foresee employment rebounding by 3.7 percent in 2021, after 2020's -4.8 percent decline, and unemployment rates falling below 2018 levels by 2022 (5.9 percent). Retail sales are expected to return to growth in 2021, with faster growth in 2021 and 2022 (5.3 and 3.3 percent, respectively) than in 2018 and 2019 (-0.5 and 0.3 percent, respectively). Housing starts did not fall in Saskatchewan over 2020, seeing more starts than in 2019 (2400 in 2019 vs 3000 forecasted 2020 starts) and are projected to stand above 3,000 over the projection period.

In particular, Royal Bank forecasts several strong points in the Saskatchewan Economy—agricultural exports, a traditional staple of the province's economy, have trended higher in 2020, with major food exports increasing by 42 percent across 2020. The Saskatchewan Housing market has seen a substantial upswing since April 2020, rising above pre-pandemic levels and leading to record-high home resales. The province is also expected to see substantial boosts in government capital investment. Together, these tailwinds constitute a strong countervailing force to a depressed oil and gas sector and has helped Saskatchewan outperform their Albertan neighbours.

**Table 1: RBC Provincial Economic Forecast**

### Saskatchewan forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	1.2	-0.7	-4.7	4.7	4.2
Nominal GDP	3.2	0.1	-9.0	8.4	6.8
Employment	0.4	1.8	-4.8	3.7	1.8
Unemployment Rate (%)	6.1	5.4	8.2	6.6	5.9
Retail Sales	-0.5	0.3	-1.1	5.3	3.3
Housing Starts (Thousands of Units)	3.6	2.4	3.0	3.1	3.4
Consumer Price Index	2.3	1.7	0.6	1.6	2.0

Source: RBC Provincial Economic Forecasts: December 2020

## Saskatoon

The Saskatoon Census Metropolitan Area (CMA) has seen substantial growth in recent years, growing by 9% between 2016 and 2020 versus 6 percent Nation-wide according to Statistics Canada population estimates, and retaining its position as Saskatchewan's largest Census Metropolitan Area. With this has come some economic growth.

As of December 2020, Statistics Canada reported Saskatoon had an 8.1 percent unemployment rate, behind the 7.0 percent Saskatchewan Rate, but modestly better than the 8.7 percent national unemployment rate. This is in the context of a 67.6 percent labour force participation rate, similar to the national average of 65.0.

Across the span of the pandemic, a number of economic indicators have performed in various ways in Saskatoon. Based upon Statistics Canada data, between January 2020 and December 2020:

- 79 percent increase in the total value of building permits
  - 378 percent increase in residential permit value
  - 739 percent increase in multiple dwelling total permit value
  - 93 percent decrease in value of industrial building permits
  - 50 percent decrease in value of commercial building permits
- 685 percent increase in number of dwellings created
- 1967 percent increase in multiple dwelling building units
- 1 percent increase in new housing prices

To January 2021

- 4 percent decrease in total employment
- 50 percent decrease in agricultural employment
- 67 percent increase in utility employment
- 8 percent decrease in construction employment



## The Willows – Hotel/Spa & Retail Market Study

- 5 percent increase in manufacturing employment
- 14 percent increase in wholesale and resale employment
- 2 percent decrease in educational employment
- 11 percent decrease in health and social assistance employment
- 30 percent increase in public administration employment

The Saskatoon region is considered to have one of the most diversified economies in Western Canada. There are six dominant industries in the region including mining and energy, manufacturing, transportation, life sciences, construction and agriculture. Saskatchewan's resources include oil, gas, and diamonds.

Saskatoon is home to a number of prominent corporations. These include:

- Nutrien, (Fertilizer, successor to Potash Corp)
- Orano Canada (Uranium mining and processing)
- Cameco (Uranium mining)
- First Nations Bank of Canada
- International Road Dynamics (traffic management)
- Federated Co-operatives (petroleum, retail, lumber)

While COVID-19 has severely impacted the Saskatoon economy, it is projected that when restrictions begin to lift, economic recovery will be swift. Stimulus funding from the Province to move infrastructure projects along have also offset some of the effects of the pandemic.

### Population Growth

Statistics Canada has estimated that the population of Saskatoon Census Subdivision (CSD) was 280,174 as of July 1, 2020. This equates to a growth rate of 1.8% over 2019 figures, which is a slightly lower growth rate than what has been observed in recent years. The impacts of the pandemic on migration rates are likely to have contributed to the lower rate of population growth.

## The Willows – Hotel/Spa & Retail Market Study

In terms of population forecasts, the consultant has assumed that 2021 will see similar rates of growth to 2020 (with a 1.8% growth rate). Between 2022 and 2031, the consultant has assumed growth rates of 2.0%, in keeping with historical averages. As a result, forecasts depict an increase of nearly 62,500 people in the City of Saskatoon between 2021 and 2031.

**Table 2: Saskatoon CSD Historical and Forecasted Population**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Saskatoon CSD	256,731	263,042	268,948	275,153	280,174	285,217	290,921	296,740	302,675	308,728	314,903	347,678
Growth Rate %		2.5%	2.2%	2.3%	1.8%	1.8%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

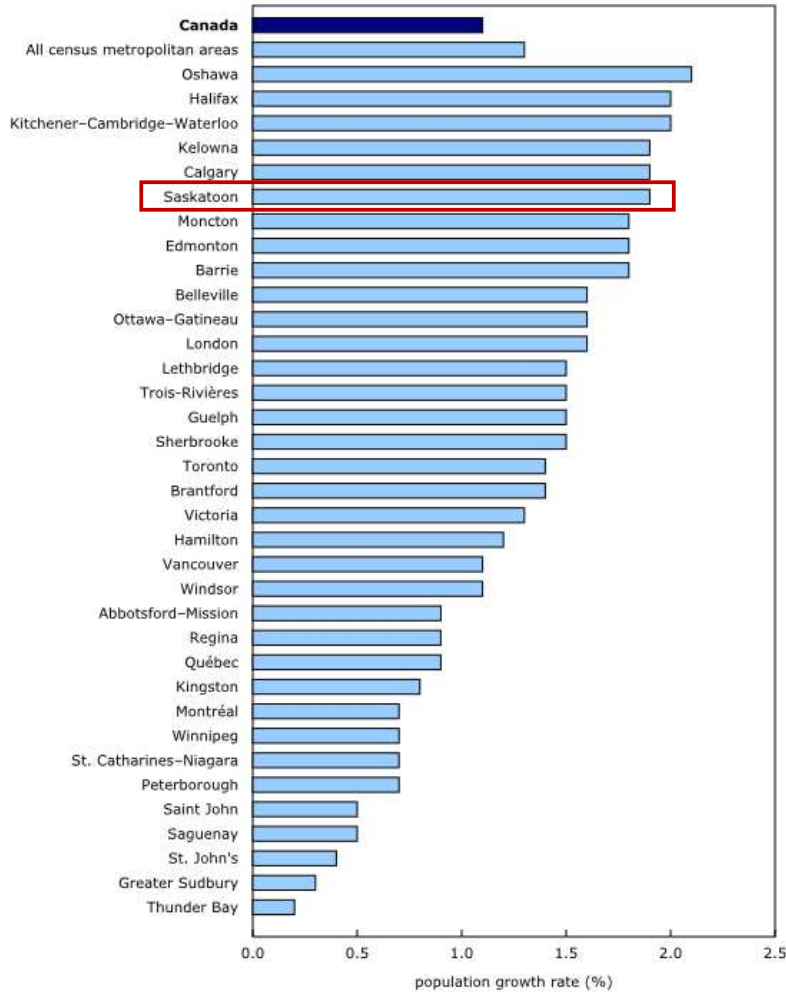
Population estimates, July 1

Statistics Canada, Table 17-10-0142-01; Urbanics Consultants Ltd.

Indeed, the Saskatoon CMA is one of the fastest growing regions in the country with a growth rate of 1.9% between July 2019 and July 2020. Only Oshawa CMA (growth rate of 2.1%), Halifax CMA (growth rate of 2.0%), and Kitchener-Cambridge-Waterloo (growth rate of 2.0%) had higher growth rates. Kelowna CMA, Calgary CMA and Saskatoon CMA each increased their population by 1.9% year-over-year.



**Figure 2: Canada's CMA Population Growth (2019-2020)**



Source: Statistics Canada, Table 17-10-0135-01

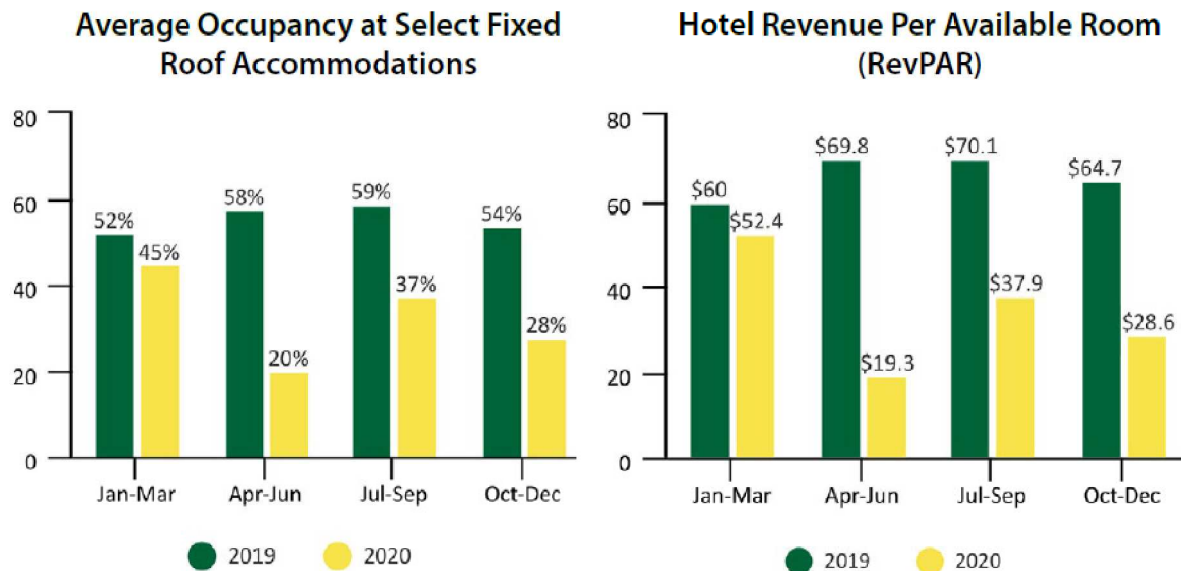
These population growth rates and forecasts will be used to help assess the future demand for hotel rooms in Saskatoon in subsequent sections of the report. It is noted that should COVID-19 travel restrictions continue to stall net in-migration, the population forecasts may need to be revised accordingly.

### 3. Hotel Market Trends

The hospitality and tourism industry has been hard hit from the impacts of COVID-19. The 2020 Saskatchewan Tourism Trends Report reveals that as a result of COVID-19, domestic overnight tourism in Saskatchewan decreased by 43% and international visitation declined by over 85% as compared to 2019.

Average occupancy and revenue per available room (RevPAR) in select Saskatchewan hotels saw significant declines year-over-year with lows of 20% occupancy between April and June 2020 and ending the year with occupancy rates of 28% between October and December 2020. RevPAR between October and December stood at \$28.60, a substantial decline over the same period in 2019 which saw a RevPAR of \$64.70.

**Figure 3: Saskatchewan Tourism Trends**



Source: Tourism Saskatchewan, *Saskatchewan Tourism Trends Report January to December 2020*

## The Willows – Hotel/Spa & Retail Market Study

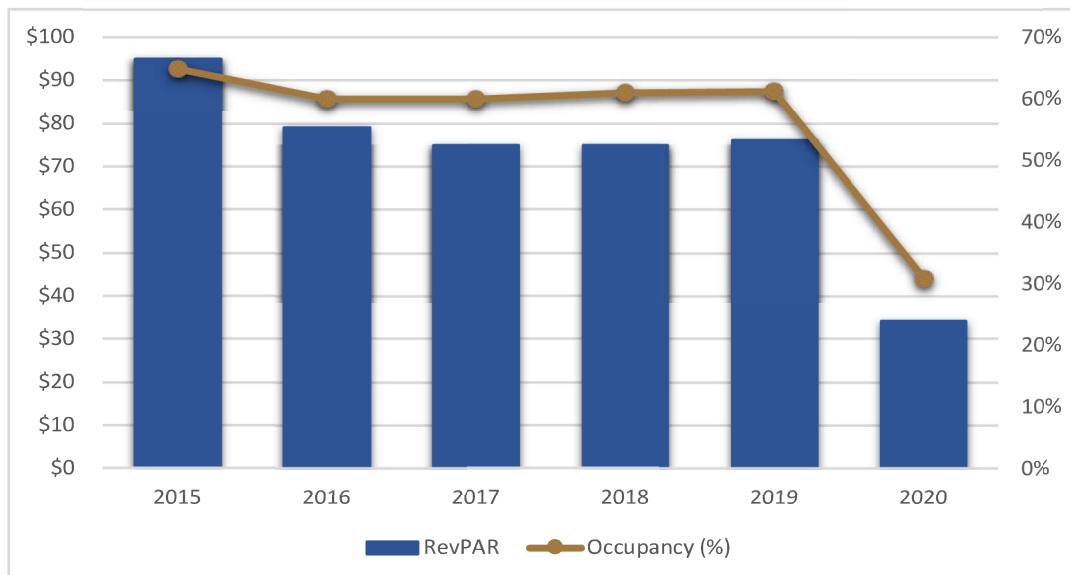
Figure 3 depicts the hotel performance data in the Saskatoon market from 2015 to 2020. As can be observed, 2020 saw drastic declines due to the global pandemic with annual occupancy rates at just 31% with RevPAR plummeting by 55%.

Prior to the pandemic occupancy rates in the Saskatoon market were hovering around 61% with RevPAR in the \$75 range. Average daily rates were seen to be slowly declining over the 2016 to 2019 period as well. Quite steep declines can be observed between 2015 and 2016 including occupancy rates declining from 65% in 2015 to 60% in 2016. This is largely attributed to the new influx of supply to hit the market with 6 hotels opening in Saskatoon in 2015/2016.

Between 2015 and 2020, 11 hotels have been added to the Saskatoon market corresponding to 1,425 rooms or 29% of the entire hotel room stock of 4,898 rooms. Demand growth has been generally lower than supply growth in recent years (especially true in 2016) leading to the declining performance metrics.

**Figure 4: Saskatoon Hotel Data (2015-2020)**

Saskatoon Hotel Data	2015	2016	2017	2018	2019	2020
Occupancy Rates	65%	60%	60%	61%	61%	31%
Avg Daily Rate	\$146	\$133	\$125	\$124	\$123	\$106
RevPAR	\$95	\$79	\$75	\$75	\$76	\$34



Tourism Saskatchewan; CBRE, 2019 Hotels Market Forecast (September 2019)

However, 2019 saw RevPAR increasing slightly and occupancy rates holding steady. In 2019 and early 2020 trends were revealing a more positive outlook for the hotel sector with limited increases in supply and an upward movement in demand. The onslaught of COVID-19 has since halted any signs of improvement in the market.

The longer-term effects of the global pandemic on the hotel industry is unknown. As the tourism and hospitality markets have been the hardest hit from COVID-19, experts forecast that complete rebound of the hospitality market is not anticipated until 2023 or 2024. Indeed, it is estimated that of the 3,000 people employed in Saskatoon's hotel sector as of July, 2020, approximately 2,200 were either temporarily or permanently laid off. However, as vaccines are distributed, restrictions lifted, and consumer confidence builds, this should help bolster the tourism and accommodation markets.

## 4. Visitor Profiles<sup>2</sup>

It is important to understand the general statistics and demographic profiles of visitors to Saskatoon. The latest Tourism Saskatchewan Saskatoon Regional Visitor Insights report from 2018 found that:

- Saskatoon captured 21% of Saskatchewan's visitors (over 2.7 million visits to and through the City).
- There were some 1,085,000 overnight visitors, 33% of which stayed in commercial roofed accommodations.
- Visitors to Saskatoon are an average age of 46 years old and 45% have incomes in excess of \$100,000.

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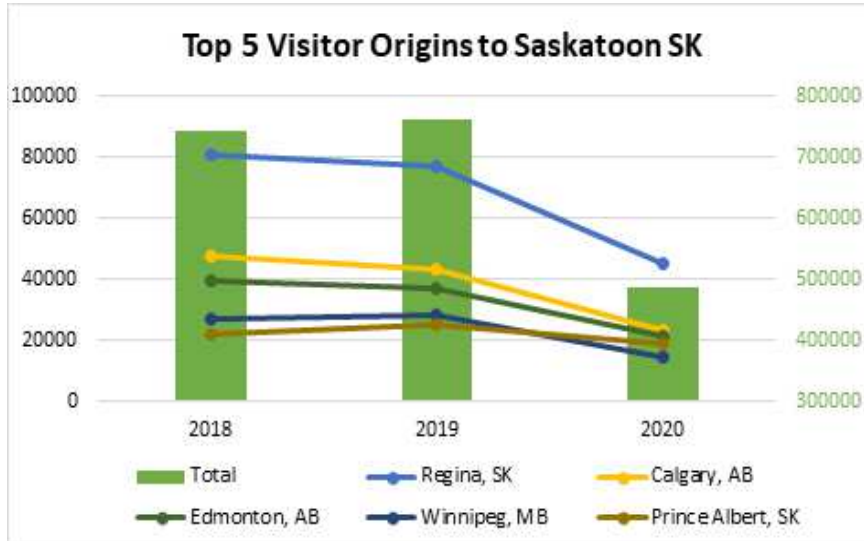
<sup>2</sup> Tourism Saskatchewan; Tourism Saskatoon; Forbes, *The Surprising Reason Staycations are the New Vacations* (September 2020)

## The Willows – Hotel/Spa & Retail Market Study

- Visiting friends and relatives is the primary reason for travel to Saskatoon and 63% of travellers stay with friends and family.
- 30% of travellers stay in hotels in Saskatoon. Visitors to Saskatoon stay for an average of 2.6 nights.
- Canadian travellers spent over \$425 million in Saskatoon with an average overnight spend of \$243 and an average same-day spend of \$99.

The latest estimation of overnight visitors to Saskatoon for 2018, 2019 and 2020 can be found in Figure 5. Data from Tourism Saskatchewan reveals total overnight visits of 760,703 in 2019 (an increase of 24% over 2018). As can be expected, visitation has dropped drastically in 2020, down an estimated 36% to 485,852 overnight visitors. Visitors from Regina, Calgary and Edmonton comprised the top three visitor origins.

**Figure 5: Top 5 Visitor Origins to Saskatoon**



Destination	Visitor Origin	2018	2019	2020
Saskatoon	Total Overnight Visits	742,865	760,703	485,852
Saskatoon	Regina, SK	80,787	76,806	45,084
Saskatoon	Calgary, AB	47,494	43,466	23,033
Saskatoon	Edmonton, AB	39,587	36,676	21,442
Saskatoon	Winnipeg, MB	26,709	28,069	14,131
Saskatoon	Prince Albert, SK	21,623	25,188	18,452

Source: Tourism Saskatchewan

Staycations are growing in popularity since the beginning of COVID-19 and the travel restrictions in place. Travelers looking for a safe and comfortable escape from the day-to-day routine are seeking time away within their home city or regions. Indeed, a recent study found that 75% of leisure trips have been by car since COVID-19 hit, which is more than double the historical average.

Local and domestic travel may see increasing demand for some time. A TravelWeek Survey found that 42.7% of respondents would travel within Canada first if global travel resumed tomorrow. Thus, there may be a prolonged shift for



local travel for several years to come. Considering this, promoting the subject hotel to Saskatchewan residents and neighbouring provinces will be prudent.

## 5. Wellness and Spa Industry Profiles<sup>3</sup>

Wellness tourism is the fastest growing tourism market segment. The Global Wellness Institute (GWI) defines wellness as the “active pursuit of activities, choices and lifestyles that lead to a state of holistic health”. Wellness tourism is “travel associated with maintaining or enhancing one’s personal wellbeing”.

Wellness in the hospitality market has expanded from not only traditional spa facilities, but incorporates other wellness elements including sustainability and environmental elements as well as a host of wellness activities and programmes,

The growing demand for health and wellness tends to drive the global spa market. In terms of the growth in demand, the global spa market is projected to grow at a rate of 5.7% during 2018 to 2023.

The aging population is also a factor in the increasing demand for spas. The senior population generally has more leisure time and more spending power contributing to the demand for spa visits. Millennials are another major demographic group using spas. In the US, millennials have become the first cohort where more of their number use spas than do not. Gen X and Y are noted as the largest consumer groups for luxury purchases.

While women make up the majority of spa users, men are increasingly becoming a core target market. The following provides a quote from Becky Woodhouse, CEO of Pure Spa. “The wellness movement has driven demand in the market and is

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<sup>3</sup> Avison Young, *The Future of Wellness in Hospitality* (2019); CBRE Hotels

## The Willows – Hotel/Spa & Retail Market Study

moving the spa experience from an occasional treat to a regular part of on-going wellness. Particularly in urban spas, there has been an uptake in the number of regular clients for weekly massages, and men, who are identified in many trend reports as being a core target market moving forward, are key spa users in urban business hotel spas.”

Looking at future trends, it is said that meetings and events will increasingly become rooted in wellness and offer focus-boosting menus and social activities to promote team building and productivity. A continued focus will be on the environment and sustainability, providing environmentally conscious products and a reduction of waste with the use of natural light and calming design elements.

The proposed spa for the Willows site is a Nordic spa and accompanying boutique wellness hotel. According to Leading Spas of Canada, Nordic spa is defined as follows:

“An outdoor spa offering hydrotherapy services which consist of alternating hot, cold and relaxation periods combined with hydration. The hydrotherapy experience eliminates toxins, relaxes muscles, contributes to better blood flow in the circulatory system, eliminates stress, stimulates the immune system, and contributes to overall good health and well-being, physically and spiritually. Massage and body treatments services are offered, and aesthetic treatments may be provided.”

At present the majority of Canada’s Nordic/thermal water spas are located in Quebec. According to CBRE Hotels there are:

- 47 recognized Nordic style spas in Quebec.
- All facilities feature hot and cold outdoor baths as the main attraction, along with saunas, steam baths and relaxation areas, with an average capacity of 140 people.
- Of the 45 listed spas in Quebec, 13 are branded properties (29%).

- An estimated 13 properties in Quebec offer accommodations on-site
- The typical Nordic spa with accommodations contains 81 guest rooms and offers 16 treatment rooms for massage.

The Supply Analysis section will provide additional details on competitive spa supply in Saskatchewan and neighbouring provinces of Manitoba and Alberta.

## 6. SITE ASSESSMENT

Located in the south end of Saskatoon, the 500 acre Willows community currently includes the 27-hole Willows Golf Course and approximately 900 residents. The unique master-planned golf course community currently is comprised of low-density, low-rise apartment condominiums and large-lot single family formats.

In addition to the hotel, spa and other proposed neighbourhood commercial components, the Concept Plan Amendment proposes a reconfiguration of the golf course from 27-holes to 18-holes and further residential development. The proposed population for the Amendment Area is 1,713. At build-out it is anticipated there will be some 2,600 residents in the Willows community.

Figure 6: The Willows Concept Plan Amendment Area



Dream Development, Concept Plan Amendment Area

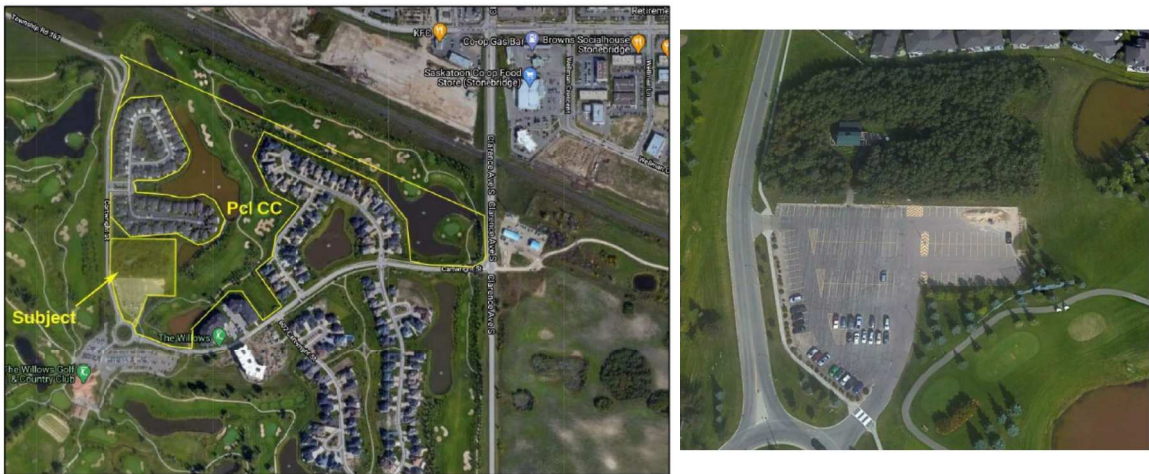
The subject 4.05 acre site is located on the east side of Cartwright Street, north of the traffic circle in front of the Willows Clubhouse.

## The Willows – Hotel/Spa & Retail Market Study

In terms of existing surrounding land uses, there is a low-density condominium development to the north of the subject property; green space, water features, a golf hole, and two medium-density condominium developments to the east; The clubhouse and parking lot are situated across the traffic circle to the south; and there are golf holes across Cartwright Street to the west.

The site currently contains the red barn and patio area, which is used seasonally for events. The northern part of the site is well treed with the south part of the site containing a parking lot.

**Figure 7: Subject Site**



Approximately a 10 minute drive from downtown Saskatoon, the subject site is well suited to capture demand from surrounding residents, as well as same-day and overnight leisure-based markets in the region. While the site does not have prime exposure on major traffic routes, being a specialized boutique wellness hotel lends itself to be tucked away off the major thoroughfares. That being said, it will be important to provide adequate signage from major roadways and entry/exit points into the community.

## The Willows – Hotel/Spa & Retail Market Study

In terms of traffic considerations, to address the proposed increase in traffic as a result of additional development, new traffic signals are said to be added at the intersections of Clarence/Cartwright and Lorne/Cartwright.

The Willows concept plan amendment highlights the importance of healthy lifestyle and wellness. The aim is to create a year-round wellness destination. Amenities are to include an 18-hole Doug Carrick designed golf course, walking trails around the community, skating, cross country skiing and other outdoor activities around the clubhouse, as well as the 120-room boutique hotel and Nordic Spa. The proposed uses celebrate the Winter City concept and encourages year-round activity.

### Proposed Hotel and Spa:

The proposed Skandvik hotel and spa is unique to the Saskatchewan market. Preliminary concept plans detail a building area of some 60,000 sq. ft. along with 1.5-2 acres of outdoor space. Proposed features include:

- Modern Scandinavian design
- 120 boutique guestrooms over four floors
- Walk out spa with 30,000 sq. ft. outdoor spa and relaxation space
- 3 outdoor pools, 2 steam rooms, 2 saunas, 1 cold plunge pool
- Outdoor fire pits and waterfalls
- 100 seat lounge and restaurant
- 4,500 sq. ft. meeting room space
- Yoga/fitness classes and retreats
- Technology driven throughout
- Open 365-days a year, embracing all seasons and enhancing the Winter City concept

The subsequent sections serve to assess the demand and market performance of the proposed hotel.



## 7. Competitive Hotel Supply

In terms of existing hotel supply, a total of 18 hotels have been identified in southern Saskatoon, including those within the downtown core. The competitive supply amounts to 2,719 hotel rooms with an average of 151 rooms per property.

Of particular note are the five hotel properties south of Highway 11, including the Sandman Signature Hotel which opened in September 2020. The Sandman Signature Hotel offers 230 guest rooms and suites with amenities including an indoor pool, fitness centre, whirlpool, as well as a Denny's and Chop Steakhouse & Bar on-site. The other hotels in the Stonebridge area were each built after 2010, including TownPlace Suites which opened in 2016, and Home Inn & Suites and Hampton Inn which both opened in 2015.

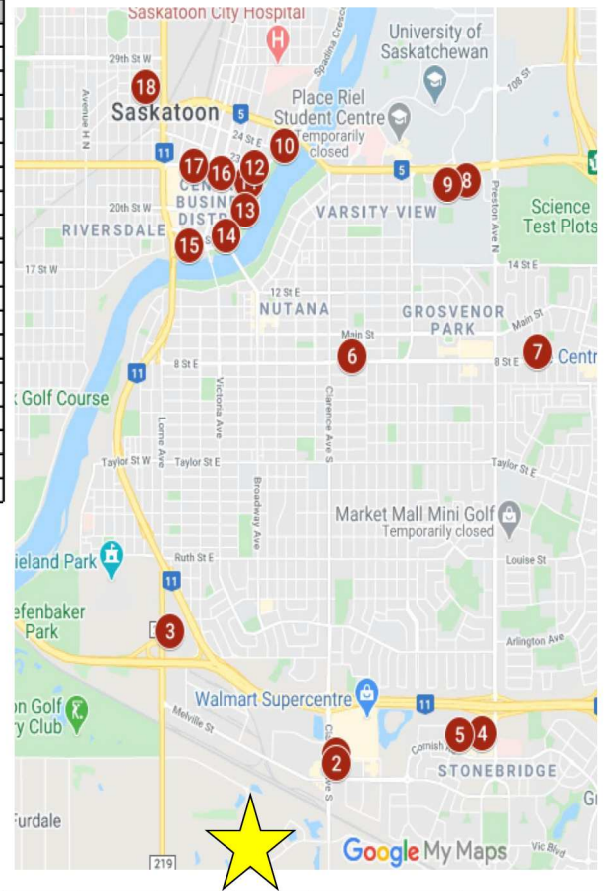
In terms of competitive hotel supply with spa amenities, the consultant has noted that the Damara Day Spa has two locations within the Home Inn & Suites in southern Saskatoon as well as the Delta Bessborough in downtown Saskatoon. There are currently no hotel properties with outdoor Nordic/thermal treatments in Saskatoon.

Also worth noting is the newly opened 155-room Dakota Dunes Resort which opened in October 2020. Located 20 minutes south of Saskatoon, on-site amenities include a casino, the Dakota Dunes Golf Links, a rooftop pool and hot tub, fitness centre, restaurant, lobby market, and 10,000 sq. ft. of meeting space. There is also discussions of a full-service spa to be developed as a future phase.

## The Willows – Hotel/Spa & Retail Market Study

**Table 3: Hotel Competitive Supply**

#	Hotel	# of Rooms	Class
1	Four Points	119	Upscale Class
2	Hampton Inn	100	Upper Midscale
3	Sandman Signature Saskatoon South	230	Upscale Class
4	Home Inn & Suites	102	Upper Midscale
5	TownPlace Suites	125	Upper Midscale
6	Colonial Square Inn & Suites	104	Midscale Class
7	Best Western Plus East Side	120	Upper Midclass
8	Staybridge Suites	97	Upscale Class
9	Holiday Inn Express & Suites East	123	Upper Midscale
10	Park Town Hotel	172	Upscale Class
11	Sheraton Cavalier	237	Upper Upscale
12	The James Hotel	59	Upper Midscale
13	Delta Bessborough	225	Upscale Class
14	Delta Hotel by Marriott Downtown	290	Upscale Class
15	ALT Hotel	155	Upscale Class
16	Hilton Garden Inn Hotel	180	Upscale Class
17	Holiday Inn Downtown	159	Upper Midscale
18	Holiday Inn Express	122	Upper Midscale
	<b>Total</b>	<b>2719</b>	
	<b>Average</b>	<b>151</b>	



CBRE; STR; Urbanics Consultants Ltd.

## 8. Competitive Spa Supply

The supply of existing competitive spas in Saskatchewan and neighbouring provinces of Manitoba and Alberta is shown in Table XX. These destination spas consist of an average of 12 treatment rooms with a 60 minute massage price of \$146. On average, competitive destination spas affiliated with hotels or resorts contain 328 guest rooms. The Fairmont properties in Banff and Jasper serve to drive up the room count average.

**Table 4: Competitive Spa Supply**

Spa Name	Location	Treatment Rooms	Standard Massage Price (60 min)	Avg Bath & Standard Massage Price	Avg. Bath Access Price - Day-Use Guests	Avg. Bath Access Price - Hotel Guests	Guest Rooms
Damara Day Spa at Delta ( <i>Traditional</i> )	Saskatoon, SK	15	\$80	N/A	N/A	N/A	214
Sun Tree Spa at Temple Gardens Hotel & Spa ( <i>Thermal</i> )	Moose Jaw, SK	10	\$99	N/A	\$10-\$17	Free for hotel guests	181
Thermea Nordik Spa-Nature ( <i>Nordic</i> )	Winnipeg, MB	12	\$125	\$180	\$49-\$58	N/A	N/A
Kananaskis Nordic Spa ( <i>Nordic</i> )	Kananaskis, AB	10	\$169	N/A	\$70	Free for 2 Pomeroy Kananaskis Mountain Lodge Guests	412
One Wellness Spa at Solara Resort & Spa ( <i>Traditional</i> )	Canmore, AB	8	\$145	N/A	N/A	N/A	192
Willowstream Spa at Fairmont Banff ( <i>Thermal</i> )	Banff, AB	23	\$209	Baths free with purchase	\$49/\$79	\$49/\$69	764
Spa at Fairmont Jasper Park Lodge ( <i>Traditional</i> )	Jasper, AB	11	\$189	N/A	N/A	N/A	441
Temple Mountain Spa at Post Hotel & Spa ( <i>Traditional</i> )	Lake Louise, AB	8	\$155	N/A	N/A	N/A	92
<b>AVERAGE</b>		<b>12</b>	<b>\$146</b>		<b>\$50</b>		<b>328</b>

In summary, there are few spas in Saskatchewan considered competitive to the proposed Nordic spa – The existing Sun Tree Spa at Temple Gardens Hotel & Spa in Moose Jaw is considered the most comparable to the proposed Nordic spa. In Canada there are only a few Nordic spas outside of Quebec. This includes the Kananaskis Nordic Spa in Alberta which opened in 2018 and the Thermea Nordik Spa-Nature in Manitoba which opened in 2015.

## 9. Hotel Market Demand

### Competitive Hotel Market Demand

The following provides demand projections for the identified competitive hotel market in Saskatoon to year 2028. They have been based on projections of the economic and tourism market performance as well as anticipated changes in demand patterns by market segment demand groups.

While there has been a considerable increase in hotel room supply to the Saskatoon market in recent years the consultant has assumed minimal addition to the market over the projection period. The proposed 120-room subject hotel has been added to the total room count forecasts reaching a total hotel room stock of 2,839 rooms at an assumed opening year of 2024. With the recent impacts of COVID-19 on the economy and hospitality markets and projections citing that the hospitality market will not see a full recovery until 2023/2024, the consultant has assumed an opening year of 2024. It is noted that while there are no new hotels proposed at present that the consultant is aware of (besides the subject hotel), with Saskatoon projected to experience additional growth in the forecast period, there may be additional proposed hotel projects forthcoming.

Considering the significant disruption to the hotel markets as a result of the pandemic, it is a noted challenge to predict how the hotel industry will fare over the next several years. It is known that Saskatoon hotel occupancy rates fell to 31% in 2020, down from 61% in 2019. The consultant has assumed a gradual increase in hotel demand in 2021 and beyond under the assumption that the COVID-19 vaccine will begin mass rollouts. By 2024 occupancy rates will reach an estimated nearly 58% and will continue to see occupancy rates increase over the projection period to reach an estimated 63% occupancy rate in 2028.

These occupancy rates assume that each of the core market segments sees a growth in demand over the projection period. The individual demand submarkets are each described below:

## The Willows – Hotel/Spa & Retail Market Study

**Corporate/Commercial Demand Submarket** – This submarket consists of hotel room night demand that is generated as a result of business and corporate activities. This group does not include meetings or conferences generated through corporate activity.

**Meetings/Conference Demand Submarket** – This submarket consists of demand generated as a result of attending meetings/seminars/conferences etc.

**Leisure/Tourism Demand Submarket** – This submarket consists of demand generated as a result of leisure/tourist/recreation purposes. It includes those visiting as tourists and the visiting friends and relatives groups, as well as international and domestic group tours.

**Government/Other Demand Submarket** – This submarket consists of demand generated by government, First Nations, and other discounted sources.

The following provides a breakdown of historical room night demand in the competitive Saskatoon market by demand submarket. Corporate/Commercial and Leisure demand comprises the majority of room night demand, at a combined 73.8%. Subsequent sections of the report will serve to estimate the growth in each of these demand submarkets.

**Table 5: Demand Submarkets**

<b>Demand Submarkets</b>	<b>% of Room Night Demand</b>
Corporate/Commercial	38.00%
Meetings/Conference	14.50%
Leisure	35.80%
Government/Other	11.70%

Source: CBRE Hotels

Given that the supply of additional hotel properties added to the Saskatoon market is anticipated to level off, in combination with improving market conditions, the

## The Willows – Hotel/Spa & Retail Market Study

consultant has forecasted that occupied room night demand in the competitive market will increase by an average of 2.3% over the forecast period of 2024 to 2028. The projections are based on the assumption that the current economic situation will improve by 2024, the anticipated first year of operation of the subject hotel with quite high rates of growth that will start to level off towards the end of the forecast period.

The breakdown of growth in room night demand by demand submarket is estimated as follows:

**Table 6: Forecasted Growth by Market Demand Segment**

Forecasted Growth By Market Segment	2024	2025	2026	2027	2028
Corporate	6.0%	5.0%	2.0%	1.0%	0.5%
Meeting/Conference	5.0%	3.0%	2.0%	1.0%	0.5%
Leisure	6.0%	6.0%	3.0%	1.5%	1.0%
Government/Other	5.0%	4.0%	3.0%	1.0%	0.5%

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Given the assumptions as noted above, the following provides an account of anticipated performance of the competitive hotel market. As can be observed, occupancy rates are projected to increase from nearly 58% to 63% over the 2024-2028 period. The lack of anticipated supply added to the market (save the subject 120-room hotel) in combination with improved market conditions have led to the increase in demand.



The Willows – Hotel/Spa & Retail Market Study

**Table 7: Competitive Market Accommodation Demand**

<b>Competitive Market Accommodation Demand</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
Hotel Room Supply	2,839	2,839	2,839	2,839	2,839
Annual Occupancy	57.7%	60.6%	62.1%	62.8%	63.2%
Available Room Nights	1,036,235	1,036,235	1,036,235	1,036,235	1,036,235
Occupied Room Nights	598,147	627,784	643,338	650,943	655,387
Change in Demand %	5.7%	5.0%	2.5%	1.2%	0.7%
Occupied Room Nights by Submarket					
Corporate	227,859	239,252	244,037	246,477	247,710
Meeting/Conference	86,126	88,710	90,484	91,389	91,846
Leisure	214,667	227,547	234,374	237,889	240,268
Government/Other	69,495	72,275	74,443	75,187	75,563

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## Projected Demand – Subject Hotel

Based on the proposed facilities and amenities of the subject hotel and Nordic spa, the consultant has provided a forecast for the subject development from 2024 to 2028. Projections by segment of demand for the proposed hotel are displayed in Table 8.

Given the proposed type of hotel, on-site amenities including a Nordic spa, restaurant, and property amenities including the Willows Golf Course and Clubhouse, the leisure demand submarket is projected to generate the greatest demand for room nights. Indeed, the leisure segment is projected to capture some 65-67% of total room night demand. This assumes it will capture more than the subject hotel's fair share in this category reaching 125% market capture rate, and will furthermore see an estimated induced demand of approximately 5,000 room nights. The leisure category is considered the only category to see an induced demand in the form of penetrating demand from the wider Saskatchewan competitive resort market and by attracting new sources of demand. Leisure travel rates will be especially strong on weekends with those who are looking for a relaxing short-term escape.

The other demand submarkets are forecasted to receive less than fair market share, particularly the corporate demand considering the distance of the subject hotel from downtown and the airport where the majority of corporate hotel room stays are generated. The meetings/conference segment is anticipated to reach 95% of fair market share given the proposed 4,500 sq. ft. of meeting room space on-site, as well as the Willows Clubhouse which has rooms to cater to groups of up to 200 people. Given the unique setting of the Scandvik Hotel and Spa and surrounding Willows Golf and Country Club, there is an opportunity to grow the meetings/conferences segment, particularly for those looking for not only meeting room space, but for an experience with a variety of on-site amenities and activities to pursue.

As a result of the above-noted assumptions, the subject 120-room hotel is projected to reach occupancy of 63.3% with some 27,742 occupied room nights by 2028.

The Willows – Hotel/Spa & Retail Market Study

**Table 8: Subject Hotel Demand**

<b>Subject Hotel Demand</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
<b>Corporate</b>					
Fair Market Share - Room Nights	9,631	10,113	10,315	10,418	10,470
Projected Market Share	30%	31%	32%	34%	34%
Captured Demand - Room Nights	2,889	3,135	3,301	3,542	3,560
Room Demand Growth		8.5%	5.3%	7.3%	0.5%
<b>Meeting/Conference</b>					
Fair Market Share - Room Nights	3,640	3,750	3,825	3,863	3,882
Projected Market Share	82.0%	82.0%	85.0%	92.0%	95.0%
Captured Demand - Room Nights	2,985	3,075	3,251	3,554	3,688
Room Demand Growth		3.0%	5.7%	9.3%	3.8%
<b>Leisure</b>					
Fair Market Share - Room Nights	9,074	9,618	9,907	10,055	10,156
Projected Market Share	115.0%	120.0%	120.0%	125.0%	125.0%
Captured Demand - Room Nights	10,435	11,542	11,888	12,569	12,695
Induced Leisure Demand - Room Nights	5,000	5,000	5,000	5,000	5,500
Total Subject Leisure Demand	15,435	16,542	16,888	17,569	18,195
Room Demand Growth		7.2%	2.1%	4.0%	3.6%
<b>Government/Other</b>					
Fair Market Share - Room Nights	2,937	3,055	3,147	3,178	3,194
Projected Market Share	60.0%	65.0%	70.0%	72.0%	72.0%
Captured Demand - Room Nights	1,762	1,986	2,203	2,288	2,300
Room Demand Growth		12.7%	10.9%	3.9%	0.5%
<b>Summary</b>					
Corporate	2,889	3,135	3,301	3,542	3,560
<i>% of Subject Demand</i>	12.5%	12.7%	12.9%	13.1%	12.8%
Meetings/Conference	2,985	3,075	3,251	3,554	3,688
<i>% of Subject Demand</i>	12.9%	12.4%	12.7%	13.2%	13.3%
Leisure	15,435	16,542	16,888	17,569	18,195
<i>% of Subject Demand</i>	66.9%	66.9%	65.9%	65.2%	65.6%
Government/Other	1,762	1,986	2,203	2,288	2,300
<i>% of Subject Demand</i>	7.6%	8.0%	8.6%	8.5%	8.3%
<b>Total Subject Demand</b>	<b>23,072</b>	<b>24,737</b>	<b>25,642</b>	<b>26,953</b>	<b>27,742</b>
<b>Subject Occupancy</b>	<b>52.7%</b>	<b>56.5%</b>	<b>58.5%</b>	<b>61.5%</b>	<b>63.3%</b>

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In summary, the impacts of the Coronavirus on the longer-term hotel market is largely unknown. The longer restrictions are enforced, the greater the impacts will

be on hotel room demand. As such, it will be important to closely monitor the economic and tourism markets moving forward.

Apart from overall economic health, the extent of hotel demand is tied to how successful the project is in terms of creating a regional destination with a modern and first-class hotel focused on wellness and healing, a Nordic spa, restaurant and meeting space. If successfully marketed and managed, there are opportunities to penetrate the market at an even higher level than forecasted – particularly the leisure and meeting/conference demand submarkets.

## 10. Spa Demand

This section will review the projected demand for a Nordic spa in Saskatoon. In March 2019, CBRE conducted a market assessment, which forecasted the demand for visitation and resident market penetration of adults over 19 years of age. CBRE projected that a new Nordic spa would reach 47,000 visitors by its third year of operation, representing 1.3% of the total available market. This is in line with industry norms for Nordic Spas located in comparable Canadian destinations.

The consultant has assumed that the vast majority of proposed on-site hotel guests will utilize the spa, at a rate of 95%. Projections are based on guests staying an average of 2 nights and an average party size of 2 guests per hotel room. By 2026 – or the third year of operation - this would represent a spa visitation level of approximately 24,360 generated strictly by hotel guests.

Additional demand is anticipated from the resident market – those over the age of 19 that live within 60 km's of the proposed Nordic spa, as well as the tourist market (those who are not staying at the on-site hotel).

CBRE calculated the total available market to be over 3.6 million in 2023. A 0.63% market capture rate of the available market would result in an additional approximately 22,740 visitors to the spa (in addition to the 24,360 hotel guest

## The Willows – Hotel/Spa & Retail Market Study

visitors utilizing the spa), reflecting the total demand of some 47,000 visitors as calculated by CBRE.

This level of visitation will be reliant upon an effectively marketed and managed, first class wellness hotel and Nordic spa with outdoor thermal/cold plunge pools, saunas, stream rooms, massage and treatment rooms, fitness classes, and other outdoor amenities and activities.