

In the heart of
Ontario's
Lake  **Country**
ORILLIA • ORO-MEDONTE • RAMA • RAMARA • SEVERN



**FAMILY ENTERTAINMENT CENTRE TOURISM
OPPORTUNITY**



INTRODUCTION

CBRE's Tourism & Leisure Group, has prepared the following stand-alone tourism investment information packages for potential development of one of three tourism business opportunities in Ontario's Lake Country.



Source: OLC Visitors Guide, 2018

CBRE was retained by Orillia Area Community Development Corp., in partnership with Ontario's Lake Country, the Regional Tourism Organization 7, Tourism Simcoe County, and the townships of Oro-Medonte, Severn, Ramara, the City of Orillia and Rama First Nation, to assist in developing a strong business case for tourism investment in Ontario's Lake Country.

In consideration of the current tourism product inventory, demographic and visitation analysis, and using data collected during the stakeholder interviews, CBRE identified an initial long-list of tourism investment opportunities for Ontario's Lake Country. The long list of outdoor recreation tourism experience concepts was evaluated through an Opportunity Matrix, focusing on those private sector opportunities that provided the most appropriate attraction and capital investment alternatives for Ontario's Lake Country.

Based on the preliminary macro analysis, and the results of the Evaluation Matrix, CBRE recommended the following top 3 tourism concepts for feasibility assessment:



1. Family Entertainment Centre

This concept involves the development of an indoor Family Entertainment Centre offering at least 3 activities such as arcade and virtual reality games, high ropes course, ninja course, etc. with the possibility for additional seasonal outdoor activities. This concept is positioned to attract families with children and young adults looking for social activities to enjoy together. This attraction would be well suited to capture demand from both Ontario Lake Country's residents as well as same day and overnight leisure-based visitors.

2. Waterfront Restaurant

This concept involves the development of a year-round, full-service restaurant development on one of the lakes or rivers in the region. In consideration of the natural surroundings and available sites in Ontario's Lake Country, this concept is positioned to attract diners who enjoy scenic environments, as well as local influences and flavors. This establishment would be well suited to capture demand from Ontario Lake Country's residents, as well as same day and overnight leisure-based visitors.

3. Glamping & Outdoor Adventures

This concept involves the development of an outdoor adventure experience offering unique overnight accommodations in a natural environment, incorporating one or more outdoor adventure activities, such as mountain biking, aerial ropes course, trail adventures, kayaking, snowshoeing, cross country skiing, or paddling. In consideration of the terrain and available sites in Ontario's Lake Country, this concept is positioned to attract youth, young adults and "boomers" who want to enjoy the outdoors and gain adventure but are also environmentally-conscious. The Outdoor Adventure Experience has been positioned as a seasonal operation, open from May to October, and open over weekends throughout the balance of the year based on demand. It would be well suited to capture demand from overnight leisure-based markets to Ontario's Lake Country.

Each of the top 3 tourism product concepts for potential investment yielded positive results from a preliminary feasibility and market assessment perspective, representing a range of market interests for visitors to and residents of Ontario's Lake Country, and varying levels of economic benefits to the Region.

The following document includes a summary of CBRE's analysis regarding the Family Entertainment Centre opportunity, which has been created to introduce the development opportunity to potential investors and strategic partners. Further detail on the analysis completed for the Family Entertainment Centre and other two investment opportunities is provided in CBRE's **Regional Tourism Opportunities Project for Ontario's Lake Country – Final Report**. Interested parties should contact:

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FAMILY ENTERTAINMENT CENTRE – TOURISM INVESTMENT OPPORTUNITY

What is a Family Entertainment Centre (FEC)?

According to the International Association of Amusement Parks Association (IAAPA), a Family Entertainment Centre (FEC) primarily offers some combination of at least three participatory attractions (including but not limited to go-karts, batting cages, miniature golf, arcades, video games, trampolines, climbing walls, laser tag, birthday parties, kiddie rides, inflatables, and bowling alleys) as well as some type of food concession or service.

An FEC is often located within a commercial, tourist, or entertainment complex, in order to create a cluster of activities, and may target either one specific age group/market (children's entertainment center, adult entertainment center) or appeal to the entire family. Furthermore, FECs can be indoor, outdoor, or a combination of both and are commonly located within a commercial, tourist or entertainment complex. These facilities typically do not charge admission fees and do not have one central gate or entrance, but rather the games and attractions are based on a “pay-as-you-go” system. Depending on their location, FECs may target certain demographics such as children, adult entertainment, or entire families.

The most recent **2018 IAAPA FEC Benchmark** Report yielded some interesting statistics about the global FEC market:

- Most FEC range between 20,000 and 40,000 square feet in terms of total GFA, although facilities can range from less than 5,000 square feet to over 30 acres;
- FECs in North America are much larger than other global locations;
- Currently, in line with the Virtual Reality and gaming trends, the most common attractions FECs offer are arcade/video games, followed by laser tag, physical play attractions or rope climbs, and toddler areas;
- FECs operated an average of 301 days in 2018, up from 294 days the year prior;
- More than half FECs reported revenues exceeding \$1 Million (USD); and
- The average guest age was 19 years.

The average price for individual activities ranged between \$6 USD for a bumper car ride to \$9 USD for an hour-long ropes course adventure. The two most common activities were mini-golf and laser tag, for a combined price of \$15 USD. In general, redemption and video games are considered the most lucrative, and that both virtual reality and augmented reality will continue to be top of mind for operators (i.e. Augmented Reality (AR)-enhanced rock-climbing wall). For those facilities that tend to emphasize children's entertainment, the current trend is to create a dedicated “parent zone” for adults to enjoy a quiet area with high-speed Wi-Fi access. For those offering a one-day general admission the average price in 2018 was \$21 USD. Only 2% of respondents in the IAAPA 2018 survey offered season passes, but this is up from 0% the year prior. Labour remains the highest costs for FECs, so introducing a point-of-sale system and kiosk-operations may help to both augment the potential for season passes in future and reduce costs.



In terms of locations, operators used to seek out light industrial retail spaces in urban settings, but parking was often a challenge. As such, expanding operations are now moving towards big box malls in suburban and rural areas. Not only are people used to driving more in these locations, but statistics show that guests travelled up to 35 km and spent 2.6 hours at an FEC per visit.

FECs can create a memorable and exciting environment for visitors, add identity and character for a developer, and increase exposure for owners and tenants (if the facility is located in a retail mall environment) by building visitor traffic and promoting longer stays in a destination; although the largest target market is typically the resident or secondary home owner market.

FEC Business Models

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

- Development by a landowner, interested in building an FEC on their property and operating the business as the proprietor; or
- Fit up of an existing building or new building by an investor, under a building lease arrangement i.e. in an existing retail mall or warehouse space.

The following chart provides a summary of the 2 business models for owning and operating an FEC in Ontario's Lake Country.

FEC BUSINESS MODELS

Own & Operate	Lease & Operate
Under this alternative, a potential investor would own the land, build, and operate the FEC.	A potential investor leases land and commercial space from an existing developer (i.e. big box retail), with infrastructure and servicing already in place, and outfits the FEC on site.
Pros: Develop, own and operate the business with no revenue sharing.	Pros: Required infrastructure and services and zoning already in place.
Cons: Owner would carry all the startup costs and land costs (if purchase and servicing required)	Cons: Lease payments and working within lease agreements.

Amenities

Given the seasonality of Ontario's Lake Country, it is suggested that the facility focus on indoor activities for families in a year-round operation. Ideally, the FEC in Ontario's Lake Country offers three activity area components that can accommodate both children and adults, along with a 150-seat restaurant, and 3 party rooms. In line with industry norms, birthday parties and other group events are expected to contribute to a high percentage of business at the subject facility (35%-40%).

In order to entertain visitors from a variety of age groups, a range of activities will be required. CBRE is recommending three activity areas that reflect both local environment and incorporate the most lucrative features



for FECs. Activities that merge technology with live participation and provide balance between novelty and tried-and-true favourites is typically recommended and does require flexibility in design.

Although the subject FEC will provide options to the summer cottage market during bad weather days, there may be an opportunity to capture more visitors on good weather days in peak season, by adding an outdoor climbing wall and inviting food trucks to visit the site. As such, ample parking will be required (estimated at 1 acre).

SITE AND LOCATIONAL CONSIDERATIONS

Site Considerations

To attract both the resident and tourist market, the location must be easily accessible from one of the major highways traversing the region, ideally in close proximity to other retail establishments. For instance, such a site would be best located to near a retail plazas, including but not limited to: SmartCentres Orillia, west of Highway 11 and north of Coldwater Road, or Timber Creek Plaza, on the east side of Highway 11 near Cumberland Beach. It should be noted that if the chosen location is within the SmartCentres Orillia location, the lease costs per square foot might be higher than average.

The site should also be fully serviced, so as not to add costs for the prospective developer.

Zoning and Regulations

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

MARKET OVERVIEW

The following section provides a summary of regional demographics and visitor volumes, as well as tourism market trends, particularly as they relate to the potential for tourism investment within Ontario's Lake Country.

Ontario's Lake Country & Simcoe County Resident Market

Ontario's Lake Country (OLC) is comprised of five distinctive districts—Orillia, Oro-Medonte, Rama, Ramara, and Severn—within Simcoe County (CD 43). OLC is approximately 60 to 90 minutes to the Greater Toronto Area (GTA) via Highways 400 and 11.

According to Sitewise Environics, the population of OLC was approximately 82,000 in 2018 and is expected to grow 10% over the next 10 years to 90,500 by 2028. Similarly, Simcoe County is projected to grow 11% from 509 thousand in 2018 to 565 thousand in 2028. Certain age segments in OLC are expected to grow

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significantly over the next 10 years, namely young children aged 0 to 4 (13%), adults aged 25 to 39 (15%), and seniors aged 65 and over (40%) with a similar trend in Simcoe County.

Population by Age Range in OLC & Simcoe County

Age (Years)	Ontario's Lake Country			Simcoe County		
	2018	2028 Proj	10-Yr % Growth	2018	2028 Proj	10-Yr % Growth
0-4	3,400	3,900	13%	25,200	28,700	14%
5-14	7,500	7,900	5%	53,200	57,700	8%
Child (0-14)	11,000	11,800	8%	78,300	86,400	10%
15-24	9,100	8,400	-8%	60,800	56,700	-7%
25-39	13,400	15,400	15%	95,600	108,900	14%
40-54	15,800	14,900	-6%	103,900	103,500	0%
55-64	14,300	13,700	-4%	75,900	78,100	3%
Adult (15-64)	52,600	52,300	-1%	336,200	347,300	3%
Senior (64+)	18,700	26,300	40%	93,900	132,200	41%
TOTAL	82,300	90,500	10%	508,500	565,900	11%

Source: Sitewise, 2018 Ontario's Lake Country

The average household income in Ontario's Lake Country is \$98,739 and 23% of households have incomes greater than \$100,000. Household spending is 2% greater than the Canadian average at \$109,400 per household.

Economic Indicators in OLC & Simcoe County

Economic Indicator	OLC	Simcoe County
Average Household Income	\$91,000	\$100,400
Household Income >\$100K	23%	27%
Persons per Household	2.4	2.6
Couples with Children at Home	37%	43%
Lone-Parent Families	16%	17%
Couples without Children at Home	47%	41%

Source: Sitewise, 2018

The main industries for residents in Ontario's Lake Country are Retail Trade (11.6%), Healthcare and Social Assistance (10.3%), Construction (9.4%), with Manufacturing, Accommodation and Food Services, Public Administration and Arts, Entertainment, and Recreation all at approximately 7 to 8%. Simcoe County has a similar pattern of labour force industry.

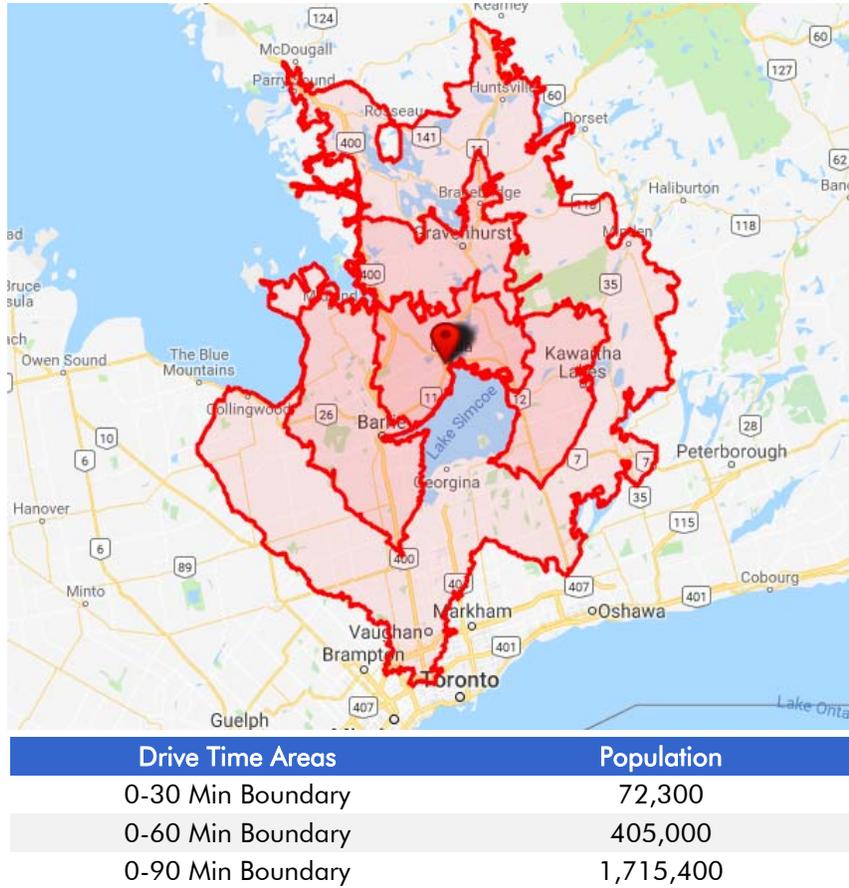
Simcoe County Tourism Market

Ontario's Lake Country is known for its picturesque lakes, rivers, and year-round outdoor activities including skiing, mountain biking, boating, fishing, and more. The Ontario Ministry of Tourism, Culture, and Sport tracks

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visitation to Simcoe County (CD 43) and the latest visitation statistics available are for 2016. The primary Tourism Market are residents in the GTA (30%) and the surrounding areas within a 90-minute drive time (44%)—especially from regions to the south of OLC along Highway 400, such as Vaughan, York and Durham Regions.



Source: Sitewise, Environics Analysis, 2018

In 2016, an estimated 6.7 million visitors travelled to Simcoe County. The majority of visitors to Simcoe County are from Ontario (99%), however of the small percentage of visitors from outside of Ontario were typically aged 55-64 (43%) followed by 25-34 (24%). The most common visitors are leisure groups, sport teams (especially youth), day trippers, and families.

Canadian Visitors to Simcoe County by Age

Age Range (18+)	Total Visitors	% of Visitors
18 – 24	977,200	14%
25 – 34	1,205,200	18%
35 – 44	1,063,700	16%
45 – 54	1,120,000	17%
55 - 64	1,179,500	17%
65+	1,200,000	17%
Party with Children	14%	-

Source: Ministry of Tourism, Culture, and Sport, 2016



From a seasonality perspective, most visits take place during the summer months of July to September (37%), followed by Spring (29%), and Winter (21%), with the popularity of winter activities in the region.

Simcoe County Visitors by Time of Year

Quarter	% of Visits
Q1 (Jan - Mar)	21%
Q2 (Apr - Jun)	29%
Q3 (Jul - Sep)	37%
Q4 (Oct - Dec)	13%

Source: Ministry of Tourism, Culture & Sport, Simcoe County CD43 Visitation, 2016

Roughly one-third of visitors to Simcoe County participate in an outdoor or sport activity (33%), closely followed by Visiting Friends or Relatives (VFR) at 31%. Of the outdoor activities, most popular are: going to the beach (36%), camping (19%), boating (19%), and hiking (16%).

Visitor Activity Participation in Simcoe County

Activity	Visitor Participation
Any Outdoor/Sports Activity	33%
Visit Friends or Relatives	31%
Shopping	6%
Cultural Performances	6%
Casinos	4%*
National/Provincial Nature Parks	3%
Sports Events	3%
Sightseeing	3%
Indigenous	2%
Business Meeting/Conference/Seminar	2%
Restaurant or bar	2%
Other	6%

Source: Ministry of Tourism, Culture & Sport, Simcoe County CD43 Visitation, 2016

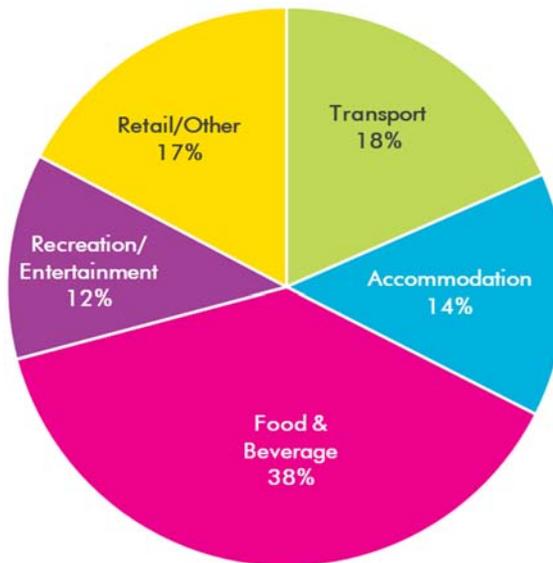
According to visitor statistics from Ontario's Regional Tourism Organization 7 (Bruce, Simcoe, and Grey counties), the main tourism drivers are the summer water-based activities, winter sports, visiting friends and relatives (VFR), sport tourism/tournaments, event tourism, and shopping. While only 2% of visitor respondents listed going to a restaurant or bar while visiting Simcoe County, Food & Beverage accounts for the greatest percentage of visitor spending at 38%.

Similarly, according to visitor statistics from Ontario's Regional Tourism Organization 7 (Bruce, Simcoe, and Grey counties), the main tourism drivers are the summer water-based activities, winter sports, visiting friends



and relatives (VFR), sport tourism/tournaments, event tourism, and shopping. Both the tourist and the resident market partake in these activities.

Simcoe County Visitor Spending



Source: Ministry of Tourism, Culture & Sport, 2016

Target Markets

Having tourism experiences that reflect the geography of the area, emphasizing elements of the landscape that make OLC unique, is recommended in order to draw investment. Furthermore, developing tourism products and experiences that connect strongly with residents, visiting friends and relatives, and tourists in the surrounding GTA is very important. Such experiences relate to a variety of activity interests and associated socio-demographic profiles, such as interest in family adventures and outdoor activities.

In 2012, TNS with the Ontario Ministry for Tourism, Culture & Sport defined 12 high potential consumer segments for travellers within and to Ontario. These segments pertain to travellers from Ontario, certain regions in Quebec and Manitoba, and nearby Midwest and Northeastern states. Segments were constructed based on travellers' social/emotional needs, travel experiences sought, use of technology in travel, and importance of travel. Ontario's Regional Tourism Organization 7 (Bruce, Simcoe, and Grey counties), current visitation levels are represented as shown in the following table.



RTO 7 Visitor Volume & Spending by Segment

Highest Visitor Volume	Highest Visitor Spending
Up & Coming Explorers	Up & Coming Explorers
Nature Lovers	Pampered Relaxers
Sport Lovers	Connected Explorers
	Nature Lovers

Source: Ministry of Tourism, Culture & Sport, Simcoe County CD43 Visitation, 2016

A Family Entertainment Centre in Ontario's Lake Country would be appealing to **Up & Coming Explorers, Family Memory Builders, Youth Socializers, and Sport Lovers** from Ontario and nearby Midwest and Northeastern states, which are the highest visitor spending segments to Region 7 (Bruce, Grey and Simcoe).

Traveller Segment	Description
Up & Coming Explorers	This is a youth-oriented group that is on its way up in the world. These travellers are emerging into a new life stage, often characterized by greater affluence and new opportunities. Visible minorities and immigrants often fall into this segment. Travel is not about connecting with family or friends. While these people often want to be adventurous and energetic, their travel experiences often start with what is nearby and typically with core tourist attractions. Ontario is popular with this group and visitation is typically very recent.
Family Memory Builders	This segment is driven by families with children under 18. They want a playful vacation that is centred around building family memories and strengthening the bonds. Activities such as theme parks allow the family to have fun and build these lasting memories.
Youth Socializers	This is a typical youth segment driven by a love of socializing with friends on vacations, often on a limited budget. This group wants to have fun and unwind on vacation, which is best achieved by spending time in a group and sharing experiences with others.
Sports Lovers	This group skews more male and is driven by a love of sports, either watching or participating. By the nature of their passion, these people describe themselves as more active and energetic than most. In reality, their sports are not necessarily extreme more in keeping with what is readily available and more likely to be organized team sports and golf.

Source: TNS, 2012

Grandparents and other senior family members are also included in the target markets for a Family Entertainment Centre. These segments currently comprise approximately 20% of OLC and Simcoe County's populations and are expected to grow approximately 40% in Ontario's Lake Country and Simcoe County over the next 10 years.



COMPARABLE FEC EXPERIENCES IN ONTARIO

Comparable FEC experiences offered in Ontario range from small single attraction facilities in the region, to large branded facilities with multiple activities, such as Dave & Busters and The Rec Room. A description of several of these comparable facilities and the range of pricing offered at each attraction is provided in the following table.

2019 Competitive Set – Ontario Family Entertainment Centres

Attraction	Location	Description	General Admission	Indoor Playground	Escape Room	Mini Golf	LazerTag (or equivalent)	Arcade	Go-Karts	Trampoline	Other	Party Room(s)
Single Attraction Facilities												
Orillia Bowl	Orillia	Licensed bowling alley with pool table and snack bar	\$32/hour lane rental + \$4 shoe rental								Bowling, pool table	1
Mariposa Gymnastics Club	Orillia	Gymnastics club; offers both professional coaching and birthday parties	\$10 per child for drop in class							x	Climbing ropes, beams, and other gymnastic apparatus	1
Treetops Playground	Orillia & Barrie	Indoor children's playground also offering supervised daycare and hair salon	\$10 per child	x							Themed Hair Salon	2
Escape Challenge North	Coldwater	Facility includes 2 indoor escape rooms inside "Trailer in the Woods"	\$25 per person		x							-
Smart Moves Play Place	Barrie	Indoor playground based on STEM (science, technology, engineering, math); also offers children's parties and educational programming	\$12 per child	x							Coding workshops	4
Multiple Attraction Facilities												
201 Grill and Game Bar at the Highway Man Inn	Orillia	Restaurant with an arcade, bowling, and bumper cars	Starting at \$2					x			Bumper cars, 2 bowling lanes	-
X-Play	Barrie	Trampoline park including lazer tag, battle zone, foam pit, dodgeball, and more.	Starting at \$11							x	Dodgeball, battle zone, foam pit, dodgeball, basketball, airbag	1
Rec Room	Barrie (opening 2020)	Large arcade and games floor, including VR experience and live entertainment	Starting at \$10					x			VR experience, live entertainment events, multiple food and beverage outlets	multiple
In Play	New Market & Barrie	Indoor playground and arcade plus mini golf, rock climbing, bear making, and rides	\$10.00	x		x					Rock climbing wall, bear making, and coin operated rides	1
Sky Zone	Vaughan	Trampoline park including obstacle course, foam zone, dodgeball, etc.	\$25.00							x	Obstacle course, foam zone, trampoline dodgeball	1
LEGOLand	Vaughan	Indoor LEGO playground plus 2 rides and 4D cinema	\$24.00	x							Themed LEGO interactive play areas, factory tour, 4D cinema	1
Playdium	Mississauga	Arcade featuring Roller Coaster Simulator, Lazer Maze, etc. plus outdoor Go-Karts and Batting Cages	\$25 for indoor arcade & simulators \$8 for mini golf			x		x	x		3D movie ride, video games, bumper cars, roller coaster simulator, batting cages; some at extra costs	1
GlowZone 360	Brampton & Mississauga	Lazertag, Mini Golf, and an Arcade	\$15.00			x	x	x				1
Kidnetix Edu-Play Centre	Brampton & Yorkdale	Indoor playground with inflatables, climbing walls, arcade, etc. plus Bazooka Ball and Mini Glow golf	\$5 per child	x		x	x	x			Coding & Robotics workshop, Zumba for kids	2

Source: CBRE Tourism & Leisure Group Research



SUBJECT CONCEPT FOR FAMILY ENTERTAINMENT CENTRE INVESTMENT OPPORTUNITY IN OLC

Based on the various FEC business models and our market overview, CBRE suggests the FEC investment opportunity for Ontario's Lake Country be positioned at the upper end of the product scale, featuring 3 activity areas, a 150-seat restaurant, and 3 party rooms, on a 1- or 2-acre site, which is serviced and commercially zoned. The operation would be open 7 days a week on a year-round basis. CBRE suggests that the operation be located in close proximity to major highways to accommodate both the resident and visitor markets, and major retail commercial establishments (i.e. SmartCentres Orillia). Furthermore, given the anticipated growth in younger age groups both within Lake Country and visiting the area, an entire family market appeal is recommended.

Although the developer will need to conduct their own due diligence, the following three activity areas are notable options for the subject FEC in Ontario's Lake Country:

- Arcade Area - featuring virtual reality games
- High Ropes Course – to reflect a local interest in sports and outdoor activities
- Bowling or HyperBowling – an alternative to traditional bowling with an innovative bumper system that becomes part of the game (more fun for families)

SUBJECT FACILITY PROGRAM & ESTIMATED CAPITAL COSTS

As identified through the stakeholder consultation, Ontario's Lake Country is missing a major year-round attraction, particularly one that appeals to a young adult market. However, there are a variety of such attractions throughout the GTA, including the Rec Room Barrie opening in 2020, and as such, the concept will need to have a planned target market and associated programming.

The proposed FEC attraction will require a large warehouse type of space that can accommodate three major activity areas, a restaurant, and ample room for visitors to move between attractions. The total effective capacity of the FEC would be approximately **350 persons** at any given time. The main structural features of the proposed facility include the following:

- *Attraction Areas* – the proposed entertainment centre features three “attraction areas” focused on a particular activity (i.e. arcade, high ropes, bowling, ninja course, etc.), each of which will total 4,700 square feet, for a combined total of 14,000 square feet;
- *Food & Beverage / Party Rooms* – a 150-seat restaurant area with bar and three party/meeting rooms (total 1,400 sq.ft.) have been included; including kitchen and back of house area, this area represents 4,400 square feet;
- *Back of House / Front of House* - a further 5,500 square feet of space has been included to reflect circulation through the various exhibit areas, storage, and front of house public areas (ticketing booth, coat check, washrooms, etc.).

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The overall facility program calls for a **24,000 square foot building**, of which the initial attraction development would consist of approximately **14,000 square feet**.

Order of magnitude capital costs for the subject FEC have been estimated at **\$5.8 Million**, as summarized in the table below. Both the facility program and capital cost estimates will require further clarification by qualified architects/cost consultants.

OLC Family Entertainment Centre

ATTRACTION DEVELOPMENT	Square Feet	Total Cost Est
Attraction Area Development / Construction	14,000	\$2,800,000
Balance of Construction	10,000	\$1,000,000
FF&E		\$1,400,000
Soft Costs	12%	\$336,000
Contingency	10%	\$280,000
TOTAL	\$242	\$5,816,000

Source: CBRE Tourism & Leisure Group

SUBJECT PRELIMINARY MARKET PROJECTIONS

The subject FEC will service not only local residents and seasonal cottage owners but will also satisfy the entertainment and foodservice needs of same-day visitors passing through the area year-round, and both seasonal and full-time employees of other businesses.

CBRE has projected that a Family Entertainment Centre that operates 7 days per week year-round, at an average length of stay of 3 hours and peak capacity of 350 people at any given time, would likely achieve 45% utilization in Year 1 or 95,000 visitors.

The attraction would also host an average of 25 events per week (i.e. birthday parties), at an average of 25 people per event, yielding a total of 1,300 events per annum and 32,500 attendees. At these levels, group sales represent 33% to 34% of total attendance at the subject FEC.

SUBJECT INVESTMENT PRELIMINARY HIGH LEVEL PROFORMA OPERATING STATEMENT

The projected operating results prepared by CBRE are based on assumptions that reflect industry trends and the operating results achieved by similar FEC operations and assume professional marketing and management of the facility. A preliminary 5-year high level proforma for the subject FEC investment business has been prepared based on the following assumptions:

- An inflationary factor of 2.0% per annum;
- The FEC will be open year-round, operating 7 days a week;
- The restaurant will operate daily from 11:00am to 12:00am (13 hours/day);

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- Peak periods would range from 12:00pm to 2:00pm, and from 8:00pm to 10:00pm, at an average length of stay of 3 hours;
- The attraction would attract 95,000 visits in Year 1, increasing to approximately 99,000 visitors by its fifth year of operation, at an average admission rate of \$18 in its first year of operation, increasing by inflation thereafter;
- Food & Beverage (F&B) Revenues include Restaurant and Bar sales, as well as catering and equipment for events in the 3 party rooms, and have been estimated at a combined total of \$32 per capita in year one, increasing by inflation thereafter;
- Retail Revenues include redemption prizes, candy and novelty items, and have been estimated at \$1.50 per person in Year 1 (\$152,000);
- Departmental expenses for the FEC largely include wages and salaries, at 40% of Attractions/Games and Food & Beverage Revenues, as well as general attraction operation expenses at 3% of Attractions/Games Revenue, Cost of Goods Sold for Food & Beverage and Events and other operating expenses at 35% of Food & Beverage Revenues, and Cost of Goods Sold for Retail at 50% of Retail Revenue;
- Undistributed operating expenses include: Administration & General (including salaries for General Manager and Accounting, credit card commissions, bank charges, cash overages/short, other miscellaneous, telephone), IT, Marketing (including salaries for one Sales Director), Programming in activity areas, Property Operation & Maintenance, and Utility costs, and have been estimated at 16% of gross revenues;
- Fixed costs include: Property Tax and Insurance, are estimated at 3% of Gross Revenues;
- A Management Fee calculated at 3.0% of gross revenue has been included, as per current industry standards for underwriting/valuation purposes; and
- A Reserve for Replacement has been included at 3.0% of gross revenue to account for the replacement of furnishings, fixtures and equipment as required to maintain the quality of the FEC product offering.

Based on these assumptions, the 24,000 square foot FEC Investment operation is estimated to generate a net income of approximately \$610,000 in Year 1, increasing to \$731,000 by Year 5, or 20% of gross revenue. The following provides a preliminary pro forma statement of income and expenses for a 5-year period, beginning with the first full year of operation for the subject FEC in Ontario's Lake Country.

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**OLC Family Entertainment Centre
FINANCIAL PROJECTIONS**

	Year 1	Year 2	Year 3	Year 4	Year 5
ATTENDANCE	95,000	96,000	97,000	98,000	99,000
Operating Days	364	364	364	364	364
Guest Design Day	1,400	1,400	1,400	1,400	1,400
Avg Visitation/Day	261	264	267	270	272
Avg Admission Rate	\$18	\$19	\$19	\$19	\$20
Admission Yield	69%	69%	69%	69%	69%
Total Per Cap Spend	\$34	\$34	\$35	\$35	\$36
Attraction Size (sq.ft.)	24,000	24,000	24,000	24,000	24,000
REVENUES	\$000s	% of Total	% of Total	% of Total	% of Total
ATTRACTIONS / GAMES	\$1,728	54%	\$1,836	54%	\$1,949
FOOD & BEVERAGE (Including Rentals)	\$1,316	41%	\$1,383	41%	\$1,455
RETAIL	\$152	5%	\$162	5%	\$172
Total Revenue	\$3,196	100%	\$3,381	100%	\$3,575
DEPARTMENTAL EXPENSES	\$000s	% of Rev	% of Rev	% of Rev	% of Rev
ATTRACTIONS / GAMES	\$49	3%	\$52	3%	\$55
FOOD & BEVERAGE (Including Rentals)	\$463	35%	\$490	35%	\$526
RETAIL	\$76	50%	\$81	50%	\$86
HOURLY PAYROLL (Games staff, Cashiers, Servers, Kitchen, etc.)	\$1,208	40%	\$1,256	39%	\$1,307
Total Departmental Expenses	\$1,795	56%	\$1,879	56%	\$1,975
Gross Operating Profit	\$1,401	44%	\$1,501	44%	\$1,601
Management Fee	\$96	3%	\$101	3%	\$107
UNDISTRIBUTED OPERATING EXPENSES	\$000s	% of Rev	% of Rev	% of Rev	% of Rev
ADMINISTRATION & GENERAL	\$205	6%	\$213	6%	\$221
IT	\$32	1%	\$34	1%	\$36
MARKETING & ADVERTISING	\$117	4%	\$124	4%	\$132
REPAIRS & MAINTENANCE	\$96	3%	\$100	3%	\$104
UTILITIES	\$60	2%	\$62	2%	\$65
Total Undistributed Operating Expenses	\$510	16%	\$533	16%	\$558
FIXED CHARGES	\$000s	% of Rev	% of Rev	% of Rev	% of Rev
PROPERTY AND OTHER TAXES	\$70	2%	\$73	2%	\$75
INSURANCE	\$20	1%	\$21	1%	\$22
Total Fixed Charges	\$90	3%	\$93	3%	\$97
NET OPERATING PROFIT/LOSS	\$705	22%	\$774	23%	\$839
Reserve for Replacement	\$96	3%	\$101	3%	\$107
NET OPERATING PROFIT/LOSS AFTER RESERVE	\$610	19%	\$672	20%	\$731

Source: CBRE Tourism & Leisure Group Projections



ROI UNDER ALTERNATIVE BUSINESS MODELS

The project's ROI will be dependent on its location, surrounding environment, quality of product and finishing, facilities and service offerings, and the business model in which it operates.

Under the base case model, whereby an existing landowner/operator invested in a 24,000 square foot FEC operation in Ontario's Lake Country, the investment is projected to achieve an 12% ROI by its 3rd year of operation. Should the investor also need to acquire lands for the development, capital costs would be higher, with an ROI slightly less at 10% by Year 3. Assuming a land and building lease model, the operating costs would be higher, and ROI at 7% by Year 3.

OLC Family Entertainment Centre BUSINESS MODEL ALTERNATIVES

FEC OPPORTUNITY	BASE CASE - EXISITING LANDOWNER /OPERATOR	ACQUIRE LANDS	LAND & BUILDING LEASE
CAPITAL COST	\$5,800,000	\$6,675,000	\$5,800,000
NET OPERATING INCOME (Yr 3)	\$672,000	\$672,000	\$384,000
Return on Investment	12%	10%	7%

Business Model Assumptions:	
Land Cost	2.50 acres at \$350,000 per acre
Land & Building Lease	\$12.00 per sq.ft. net

Source: CBRE Tourism & Leisure Group Projections

APPENDIX A: ASSUMPTIONS & LIMITING CONDITIONS



ASSUMPTIONS AND LIMITING CONDITIONS

1. This Advisory Report prepared by CBRE, is intended for the exclusive use of Orillia Area CDC ("Client"), and is not intended to be prepared for, given to, or relied upon, by any other person or entity, without the express prior written consent of CBRE, and the individual(s) who authored the Advisory Report.
2. It is assumed that all factual data furnished by the Client, property owner, owner's representative, or persons designated by the Client or owner to supply said data are accurate and correct unless otherwise specifically noted in the report. Unless otherwise specifically noted in the report, CBRE has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE of any questions or errors. CBRE does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the real property furnished by the Client to CBRE and contained in any report prepared by CBRE.
3. The date to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any opinion herein rendered is based upon the purchasing power of the Canadian Dollar on that date. This advisory report is based on market conditions existing as of the date of this report. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the report. However, CBRE will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
4. The conclusions, which may be defined within the body of this report, are subject to change with market fluctuations over time.
5. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE.



6. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE to buy, sell, or hold the properties. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
7. The report has been prepared at the request of the Client, and for the exclusive (and confidential) use of the Client. The report may not be duplicated in whole or in part without the specific written consent of CBRE nor may this report or copies hereof be disclosed to third parties without said written consent, which consent CBRE reserves the right to deny. If consent is given, it will be on condition that CBRE will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CBRE, by a party satisfactory to CBRE. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE which consent CBRE reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security". Any third party which may possess this report is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE shall have no accountability or responsibility to any third party.
8. The maps, plans, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
9. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate advisors.
10. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or Client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Advisor nor CBRE assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
11. CBRE assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
12. It is assumed that there is full compliance with all applicable federal, provincial, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the report.

FAMILY ENTERTAINMENT CENTRE TOURISM OPPORTUNITY
ONTARIO'S LAKE COUNTRY



13. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the herein, as of the effective date of this appraisal, cannot be relied upon as of any other date without subsequent advice of CBRE.
14. Client shall indemnify and hold CBRE fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client, and for which recovery is sought against CBRE by that third party.