

Town of Whitby Staff Report

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Report Title: Hotel Feasibility Study

Report to: Committee of the Whole

Date of meeting: June 9, 2025

Report Number: CAO 11-25

Department(s) Responsible:

Office of the Chief Administrative Officer

Submitted by:

Sarah Klein, Deputy CAO

**Acknowledged by M. Gaskell,
Chief Administrative Officer**

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1. Recommendation:

1. That Report CAO 11-25 Hotel Feasibility Study be received for information; and,
2. That Council endorse Attachment 2 of this report to support staff in advancing and promoting the proposed hotel and conference centre in the Town of Whitby.

2. Highlights:

- As identified in the 2022-2026 Economic Development Strategy, Action 1.6 aims to attract a hotel and conference centre to Whitby.
- HVS Consulting & Valuation Services was contracted in July 2024 to complete a Hotel Feasibility Study for hotel development purposes.
- The purpose of the Hotel Feasibility Study was to assess the potential development for a hotel and conference centre in Whitby in order to share detailed metrics and analysis when promoting this opportunity to the hospitality investment community.
- This study addresses this action and provides the analysis to support the investment of a hotel and conference centre in Whitby.

- Following the approval of the report, Town of Whitby staff will market the hotel and conference centre opportunities to potential hospitality investors.

3. Background:

The Town of Whitby 2022-2026 Economic Development Strategy outlines Pillar 1: Strengthening Economic Development Capacity, which includes Action 1.6 – Attract a hotel and conference centre to Whitby by 2026. The desire for a large-scale meeting and event venue has been a long-standing need for Whitby, as facilities in neighbouring municipalities currently absorb the demand. In July 2024, the Town of Whitby engaged HVS Consulting & Valuation Services to conduct a feasibility study and market analysis for hotel development purposes. The scope of the work included the following:

- Assessment of the local hospitality market conditions and research on comparable facilities in Durham Region.
- Supply and Demand Analysis of Whitby's local lodging market.
- 10-year projections for demand and revenue for the optimal proposed development.

The work was undertaken in two phases:

- Phase One: Desktop research, including consulting with various staff members for engagement and statistical data review.
- Phase Two: Market analysis and revenue projections based on the data and information collected in Phase One. Based on these findings, recommendations were developed for a hotel with a conference centre, including detailed projections, location considerations, and occupancy forecasts.

Study Approach

As a part of this study, the consultants conducted a review of various sites in the Town of Whitby to identify the most financially viable approach for establishing a new hotel and conference centre. It should also be noted that this report refers to “conference centre” instead of “convention centre.” A convention centre is typically located in major cities or near airports, and hosts large-scale events, accommodating thousands of people. A conference centre is smaller in scale and can hold a few hundred to several thousand attendees, and is more appropriate for the Whitby market.

This study did not include construction and land costs, as the goal was to review the market conditions to advance this type of development project in Whitby. Specifically, the study highlights the market conditions and projection of income to share with the private sector for further discussions and to serve as a promotion and attraction tool.

4. Discussion:

The following summarizes the key findings of the Feasibility Study, outlining the ideal parameters and recommended approach for developing a new hotel and conference centre in Whitby.

Market Analysis

The economic vitality of Whitby and, to a larger extent, Durham Region is a key consideration for forecasting the demand and future income of a new hotel and conference centre. The Town of Whitby is one of the fastest-growing communities in Canada with an excellent transportation infrastructure and steady economic growth. Situated in Ontario's Golden Horseshoe, Whitby is a part of one of the most important economic hubs in the country and an appealing place for public and private investment.

Tourism Trends

Whitby's strategic location, strong economic fundamentals, and growing workforce make it a prime destination for businesses seeking long-term growth. Specifically, there are numerous opportunities in the hospitality, retail, and tourism sectors, due to the following key factors:

- Conference Activity—Whitby does not currently have a conference centre. The Ajax Convention Centre is the closest convention centre and offers 13,000 square feet of rentable space, holding up to 600 attendees.
- Major Projects —The Whitby Sports Complex, the new Lakeridge Health hospital in Whitby, and Dockside Whitby Development are just a few of the projects that will significantly impact Whitby's local economy.
- Growth – The current Official Plan Review estimates by the year 2031, the Town of Whitby is anticipated to reach a population of 176,360 people, 63,760 jobs and 58,670 households.
- Tourist Attractions - Whitby offers various attractions, including the Whitby Pier, Port Whitby Marina, Station Gallery, the longest entertainment centrum east of Toronto, Abilities Centre, award-winning events, two heritage downtowns, Thermea Spa Village, golf courses, a robust arts, culture and food scene and over 100 parks with playgrounds, splash pads, and sports fields.
- Airport Traffic—Airport Passenger Counts are an important indicator of lodging demand. Toronto Pearson International Airport anticipates 65 million passengers by the early 2030s, with various international events taking place in the coming years.

Supply and Demand

A review of the existing accommodation supply and demand was conducted to assess the need for a proposed hotel and conference centre in Whitby. The Greater Durham Region lodging market includes 14 branded hotels and motels with about 1,400 rooms,

4 of which, totaling 441 rooms, are in Whitby. These hotels (Attachment 1 – Figure 1) were used as the future competition for the proposed hotel based on proximity, price point, age, and product type.

Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied, with the net effect of supply and demand being represented by a prevailing price or average daily rate (ADR). The RevPAR or revenue per available room, is a metric that considers the ADR and occupancy rate.

Essentially, the RevPAR provides a comprehensive view of a hotel's performance. A review of national and provincial figures highlighted a drop in room supply and demand, which was growing steadily from 2010, but collapsed in 2020 due to the COVID-19 pandemic.

Occupancy was back in line with pre-pandemic levels, and the country finished 2022 with record-high RevPAR, supported by higher room rates. In addition, Ontario sustained continuous growth in RevPAR from 2010 to 2018, and with recent trends (2022-2024), the market has continued to make gains with higher room rates and occupancy (Attachment 1 - Figure 2).

After evaluating all fourteen hotels in Durham Region, five were identified and are expected to be the primary competition for the proposed hotel and conference centre. The other nine hotels are projected to play a secondary role in the competitive landscape (Attachment 1 - Figure 3).

The following summarizes key highlights from the five primary comparators:

- Four of the five hotels are located in Oshawa, with the remaining hotel in Ajax.
- Occupancy penetration index in 2023 was 100.4%. This index is a performance metric that compares a property's occupancy to the average occupancy in a competitive market. With an index over 100, these five properties are outperforming the market (i.e. room for more competition).
- Four of the five are located along Highway 401 and close to the waterfront.

It should be noted that this analysis was limited as most of the area conference centres, banquet halls, and event centres are owner-managed properties without a brand affiliation, making it difficult to collect industry supply and demand data. For this analysis, the consultants reviewed the physical attributes and operating performance where available.

Target market and group segments

The report identified the following top segments for existing demand in this growing market: commercial, leisure, and meeting & group segments.

The commercial segment, consisting mainly of individual business people passing through the market area, is the largest source of demand in the Whitby and Durham Region. This 55% represents business travellers visiting companies in manufacturing, technology, health and the many diverse sectors in Whitby.

The leisure segment consists of families and individuals focused on sightseeing, recreation and visiting family and friends. At 24%, this is a smaller, yet still substantial source of demand for the Whitby/Durham Region market. The leisure market has grown considerably over the last two years as Whitby benefits from being more affordable for travellers coming to Toronto. New attractions, such as Thermae Spa Village, have brought new demand to the segment. Sports tourism is also associated with this segment and is a significant impact in Whitby as it involves individuals or groups taking sports-focused vacations.

The meeting and group segment market is the smallest group at 21%, representing meetings, seminars, conferences, trade shows and other small gatherings. Sports teams, bus tours, social events and conferences are this group's primary sources of demand. Sports tourism can also be included in this segment as it involves organized groups attending large sporting events or large-scale sporting conferences and events (i.e. hockey tournaments).

Seasonality and Occupancy Rates

The market's seasonality trends indicate that the high season is from June to October, where the occupancy rates are in the low 80% range, with an average rate of \$167.14, and RevPAR is \$134.79. The most popular days are Fridays and Saturdays (>80% occupancy), with Mondays to Thursdays ranging from 70 – 76% occupancy rates.

Business travel, including commercial travellers and corporate groups, is the predominant source of demand from Monday to Thursday nights, with leisure and non-business groups taking up the demand on Fridays and Saturdays. Sundays consistently see the lowest demand year-round.

Locational Analysis

The consultants reviewed selected sites to determine the most suitable approach for a new hotel and conference centre in Whitby. Overall, the research suggests that the ideal location for a hotel and conference centre is near the waterfront, while an extended stay hotel would be best situated in North Whitby. The following provides an overview of these two opportunities:

Opportunity 1 - Hotel and Conference Centre

Close to the Whitby Waterfront

- Close to corporate offices, industrial zones and a growing residential base.
- Key drivers included the Whitby GO Station, Durham College, and the Iroquois Park Sports Centre, which hosts large sporting events.

- Growing retail hub with restaurants and entertainment options.
- Easy access to major arterial highways, including Highway 401, Highway 412, and connectivity to the GTA.
- This location would have the ideal visibility and accessibility, making it a unique opportunity for a conference centre.
- Internationally recognized upscale brands such as Four Points by Marriot, Hyatt Place by Hyatt, or Wyndham Garden by Wyndham should be targeted.

Opportunity 2 - Extended Stay Hotel

North Whitby

- An extended stay hotel offers long-term accommodation for guests (e.g. a week or longer stay).
- The number of guestrooms would be 100.
- Nearby commercial and industrial developments.
- Key projects such as Lakeridge Health's new hospital location in Whitby and multiple business parks under planning and construction would make the extended-stay hotel format the most suitable option.
- Internationally recognized midscale/upper mid-scale branding should be targeted at these sites.

Recommendations for Hotel and Conference Centre – Opportunity 1

Based on the market research and analysis, the following recommendations were formed:

Size and Branding

The hotel and conference centre should have approximately 150 rooms and be associated with an internationally recognized brand such as Four Points Marriott, Hilton Garden Inn by Hilton IHG, or Wyndham Garden by Wyndham. The conference centre or banquet hall should feature 11,000 square feet of meeting space and accommodate large events with up to 550 attendees, as well as 370 surface parking stalls. Depending on the building layout, the site required for the recommended facilities is estimated to range between 4 and 6 acres.

Type/Amenities

The hotel should include a restaurant, fitness centre, pool, market pantry, and laundry area. Ideally, an integrated design approach would physically connect the hotel and conference space, making it convenient for guests using both facilities.

Approach

A waterfront location has been identified as the optimal site for a potential hotel and conference centre. Given the analysis that highlighted the transportation infrastructure (i.e. GO Transit train service) and additional locational factors make this a unique destination. While the waterfront location is considered ideal, staff will also work with property owners of the other potential sites to explore opportunities for hospitality investment.

Financial Feasibility – Opportunity 1

Projection of Occupancy and Average Rate

A hotel's penetration factor measures how well a hotel is performing compared to its competitors in the same market area. Attachment 1 - Figure 4 depicts the Occupancy Forecast for the Proposed Facility for the years 2026 – 2029 and demonstrates that the proposed subject hotel is projected to stabilize with an occupancy level of 79% and a penetration rate of 100% by 2029. Occupancy shows how full a hotel is, with 65–75% considered healthy. A penetration rate of 100% or higher indicates the property is outperforming the market.

The study concluded that the Average Daily Rate (ADR) forecast for the proposed hotel, based on measuring existing target market and group segments, projected a market-wide ADR growth of 2.5%. This project's positioning based on location, brand affiliation, and new-build status was the basis for a higher-than-average projection.

Projected Revenue

The proposed hotel would begin with a base-year ADR of \$185.00, which is above many of the five primary competitors attained in 2023. This occupancy level is projected at 78% and an ADR of \$209.30 in 2029. Attachment 1 - Figure 5 summarizes the ADR forecast for the hotel and conference centre.

Based on the limited data for a conference centre, the 2029/2030 projected figures indicate an estimated 41,830 attendees, \$63.67 average revenue per attendee, and \$242.13 revenue per rentable square foot (Attachment 2 – p.9).

10-year Income Forecast

In order to project future income, the operating statements from the five hotels were chosen for their similarity to the proposed subject hotel and conference centre. In these statements, the following common measures of industry performance were reviewed and included: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These statements and analysis (Attachment 1 - Figure 6A and 6B) indicate favourable revenue performance levels to share with hospitality investors.

It should be noted that this initial study did not address construction and land costs, as this will be the next stage in any future discussions with the development and investment community. Staff will engage with property owners to determine their interest in continuing discussions and advancing this potential investment opportunity.

Financial Feasibility – Opportunity 2

Projection of Occupancy and Average Rate

A hotel's penetration factor measures how well it performs compared to its competitors in the same market area. The Occupancy Forecast for the Proposed Extended Stay for the years 2026 – 2029 demonstrates that the proposed subject hotel is projected to stabilize with an occupancy level of 80% and a penetration rate of 106% by 2029. Occupancy shows how full a hotel is, with 65–75% considered healthy. A penetration rate of 100% or higher indicates the property is outperforming the market.

The study concluded that the Average Daily Rate (ADR) forecast for the proposed hotel, based on measuring existing target market and group segments, projected a market-wide ADR growth of 2.5%. This project's positioning based on location, brand affiliation, and new-build status was the basis for a higher-than-average projection.

Projected Revenue

The proposed hotel would begin with a base-year average daily rate (ADR) of \$168.70. This occupancy level is projected at 85% and an ADR of \$186.70 in 2029. Attachment 2 highlights the financial feasibility figures for Opportunity 2.

This initial study focused on the hotel and conference center and did not provide additional revenue metrics for an extended-stay hotel.

Economic Impact

A hotel and conference centre will deliver long-term economic value to the Town of Whitby. The proposed development will create jobs, increase tax revenue, and align with economic development, community, and tourism strategies. Job creation would be seen through the construction of this hotel and the resulting permanent positions associated with this project. Once established, indirect employment will result from this new development in a growing part of the Town. Once completed, this project will require the remittance of the Municipal Accommodation Taxes (MAT).

The MAT was established in July 2024, where all hotels and motels pay a 4% MAT to the Town of Whitby. The revenue from the MAT is allocated 50% to the Whitby Tourism Development Corporation, which is a municipal services corporation that supports the tourism industry and promotes the Town of Whitby. The remaining 50% is allocated to the Town of Whitby to fund tourism-related initiatives, including infrastructure. Additional municipal revenue potential includes development charges (one-time fees) to help pay for growth-related infrastructure and incremental property taxes once the hotel is built.

This investment opportunity is identified in the Town of Whitby 2022-2026 Economic Development Strategy outlines Pillar 1: Strengthening Economic Development Capacity, which recommended Action 1.6 – Attract a hotel and conference centre to Whitby by 2026. The investment would be a catalyst for development along the

waterfront and encourage investment in infrastructure, transit, and other public amenities.

Next Steps

To advance the hotel and conference centre investment opportunity, staff will follow up with the property owners of the reviewed sites and explore other potential sites that meet the parameters outlined in the feasibility study. Staff will also consider any appropriate Town-owned sites that could fulfill these requirements. The goal is to assess interest and promote the opportunity for investment with the data and analysis provided through this study.

Staff will also actively market the opportunity to potential investors in the hospitality sector, using Attachment 2 as a key promotional tool to support outreach efforts to the broader hospitality market. This marketing brochure will highlight the benefits of locating in Whitby, showcase potential amenities and attractions, and emphasize the market potential for hospitality investment.

Any recommendations resulting from these discussions will be brought back to Council for consideration and approval. In parallel, the Economic Development team will develop a communications plan to share the investment opportunity with the hospitality sector and generate broader awareness. Additionally, staff will reach out to the Whitby Tourism Development Corporation (WTDC) Board to identify further outreach opportunities and determine how this initiative aligns with their strategic planning process.

5. Financial Considerations:

The cost of the Hotel Feasibility Study was \$23,049, funded through the Economic Development Operating Account.

6. Communication and Public Engagement:

Economic Development will develop a communications plan to share this investment opportunity with the hospitality sector. Staff will also engage with the WTDC Board to explore additional outreach opportunities and assess how this investment initiative aligns with their strategic planning priorities. Attachment 2 will be used to pitch this investment opportunity to the greater hospitality market.

7. Input from Departments/Sources:

The internal review committee included the Senior Manager of Economic Development, the Senior Manager of Creative Communities, and the Manager of Events, Culture, and Tourism. Staff reviewed all draft reports and this final report.

8. Strategic Priorities:

This initiative is consistent with the Town's Community Strategic Plan, specifically Strategic Pillar 3: Whitby's Economy – Innovative and Competitive and focused on Objective 3.1 – Accelerate progress, create jobs, and drive economic growth. In addition, under Objective 3.2 - Attract and retain businesses and industry, Action 3.2.1 directly cites attracting a hotel and conference centre as a key action and deliverable.

9. Attachments:

Attachment 1 – Feasibility Study - Figures 1-6
Attachment 2 – Hotel marketing brochure