

ALBERTA ACCOMMODATION OUTLOOK 2017

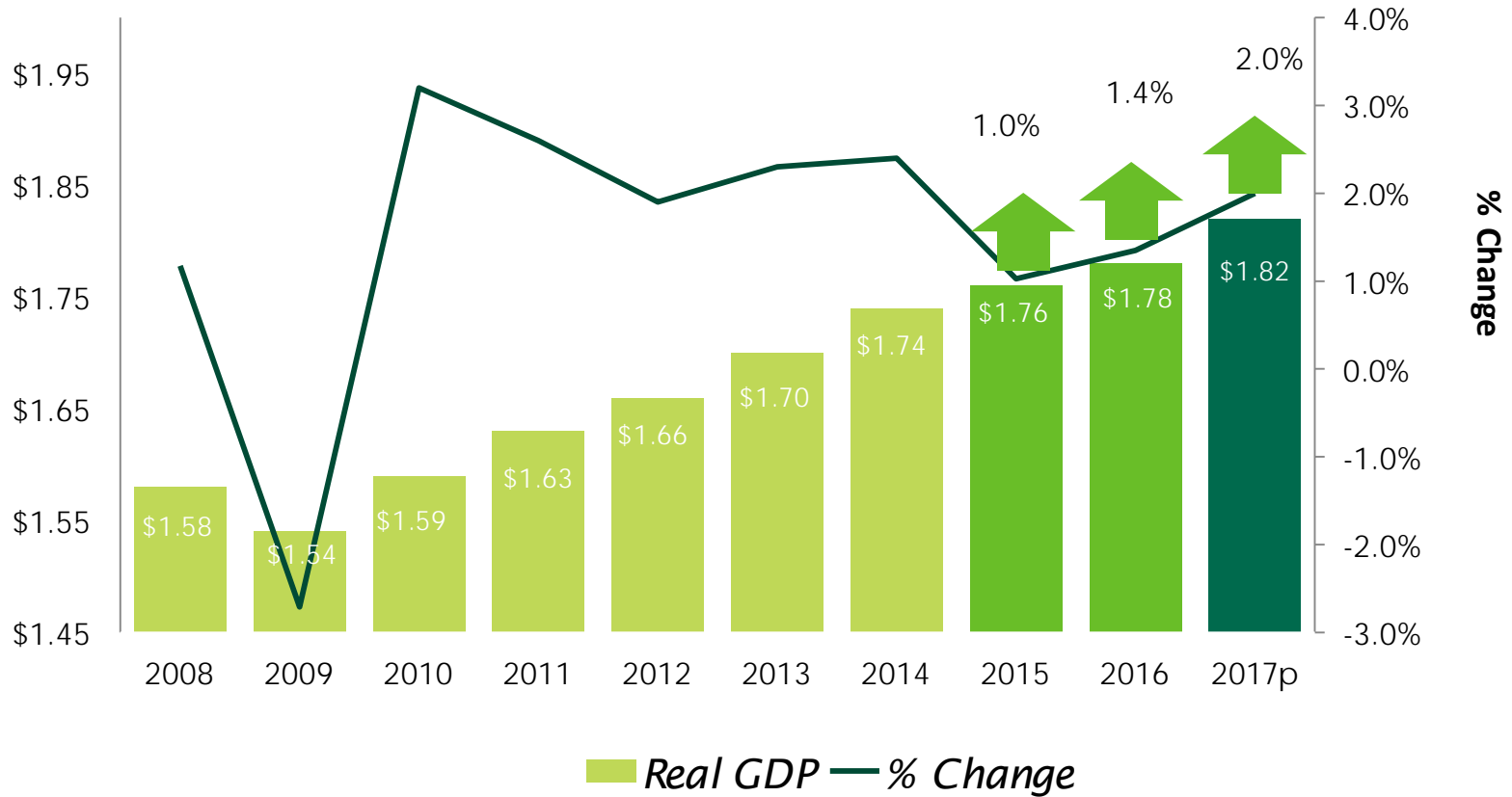
Summary of the CBRE presentation to the AHLA
On April 11, 2017
Jasper, Alberta

PRESENTATION OUTLINE

- National Economic & Travel Outlooks
- National Supply & Demand Outlooks
- Western Canada Outlooks
- Alberta Economic & Tourism Outlooks
- Alberta Supply & Demand Outlooks
- Provincial Forecasts
- Hotel Investment in Alberta
- Key Takeaways

NATIONAL ECONOMIC & TRAVEL OUTLOOKS

NATIONAL ECONOMIC OUTLOOK 2016/17



Source: Statistics Canada, Conference Board of Canada, Canadian Outlook Winter 2017, Scotiabank Group – Global Forecast Update 2017; CIBC World Markets – Monthly FX Outlook, 2017; RBC – Economic and Financial Market Outlook – March 2017
 Source: CBRE Hotels

NATIONAL TRAVEL OUTLOOK

| Overnight Travel | 2016 Estimate | 2017 Forecast | 2018 Forecast |
|--------------------------------------|---------------|---------------|---------------|
| Business travel domestic | 1.3% | 2.3% | 2.4% |
| Pleasure travel domestic | 2.1% | 3.4% | 2.6% |
| Total domestic travel | 1.9% | 3.2% | 2.4% |
| U.S. Travel | 9.4% | 5.3% | 3.1% |
| Overseas travel | 13.6% | 8.5% | 6.1% |
| Total Overnight Travel | 3.7% | 3.8% | 2.8% |
| National Accommodation Demand Growth | 1.5% actual | 2.4% | |

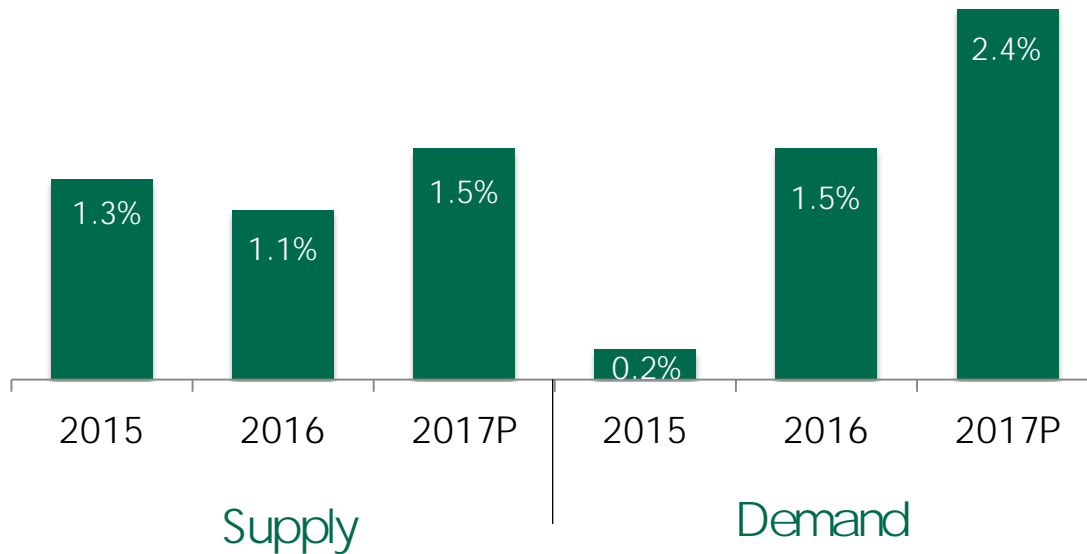
**2017 Federal Budget – Permanent Funding of \$37.5 Million Per Year to Destination Canada

NATIONAL SUPPLY & DEMAND OUTLOOKS 2017

Alberta

NATIONAL SUPPLY & DEMAND OUTLOOK

Supply & Demand Growth



National Occupancy

2015 Actual 64%

2016 Actual 64%

2017 Projection 64%

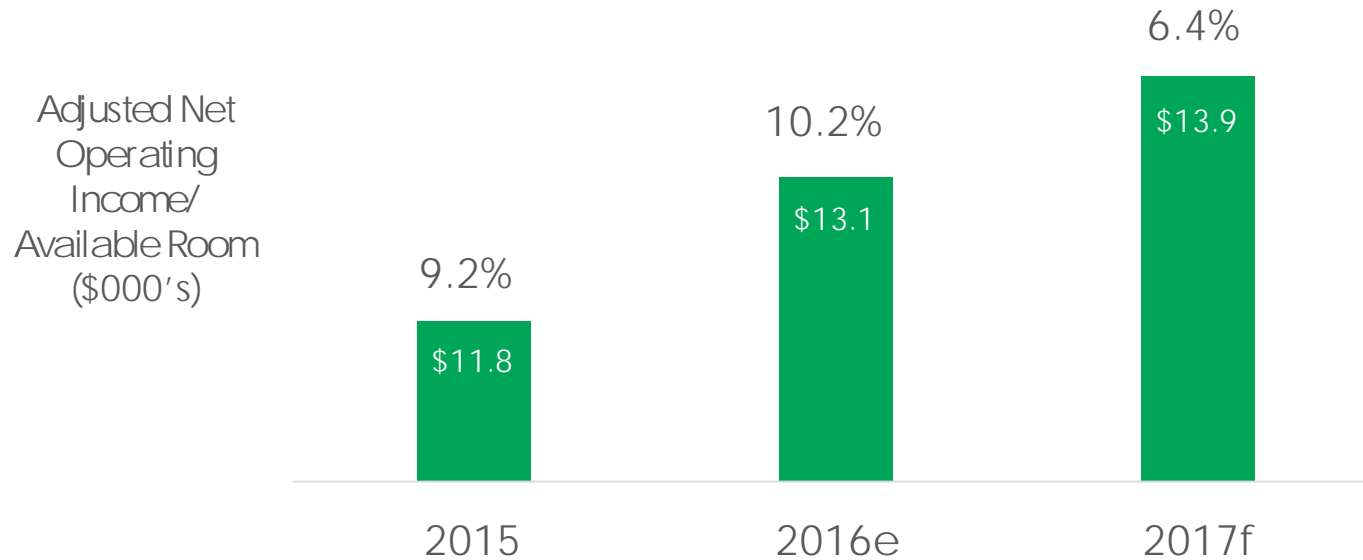
NATIONAL ADR, REVPAR & BOTTOM LINE OUTLOOK

ADR Growth

| | |
|---------------|------|
| 2015 Actual | 4.8% |
| 2016 Actual | 3.3% |
| 2017 Forecast | 3.7% |

RevPAR Growth

| | |
|---------------|------|
| 2015 Actual | 3.6% |
| 2016 Actual | 3.6% |
| 2017 Forecast | 4.6% |



NATIONAL TOP LINE OUTLOOK

| | 2015 | 2016 | 2017F | 2016-2017P Change |
|-----------|-------|-------|-------|----------------------|
| Occupancy | 64% | 64% | 64% | No change |
| ADR | \$144 | \$149 | \$154 | 3.7% |
| RevPAR | \$91 | \$95 | \$99 | 4.6% |

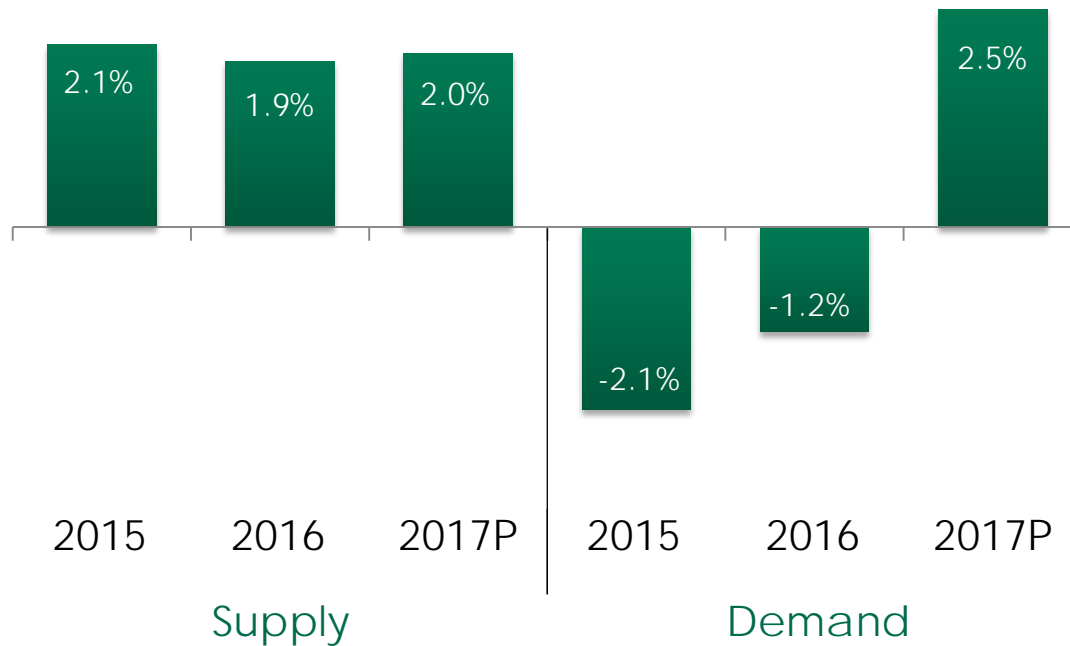
Source: CBRE Hotels

WESTERN CANADA OUTLOOKS

Alberta

WESTERN CANADA SUPPLY & DEMAND OUTLOOK

Supply & Demand Growth



Western Canada Occupancy

2015 Actual 62%

2016 Actual 60%

2017 Projection 61%

CANADIAN NATIONAL AND REGIONAL MARKET OUTLOOKS

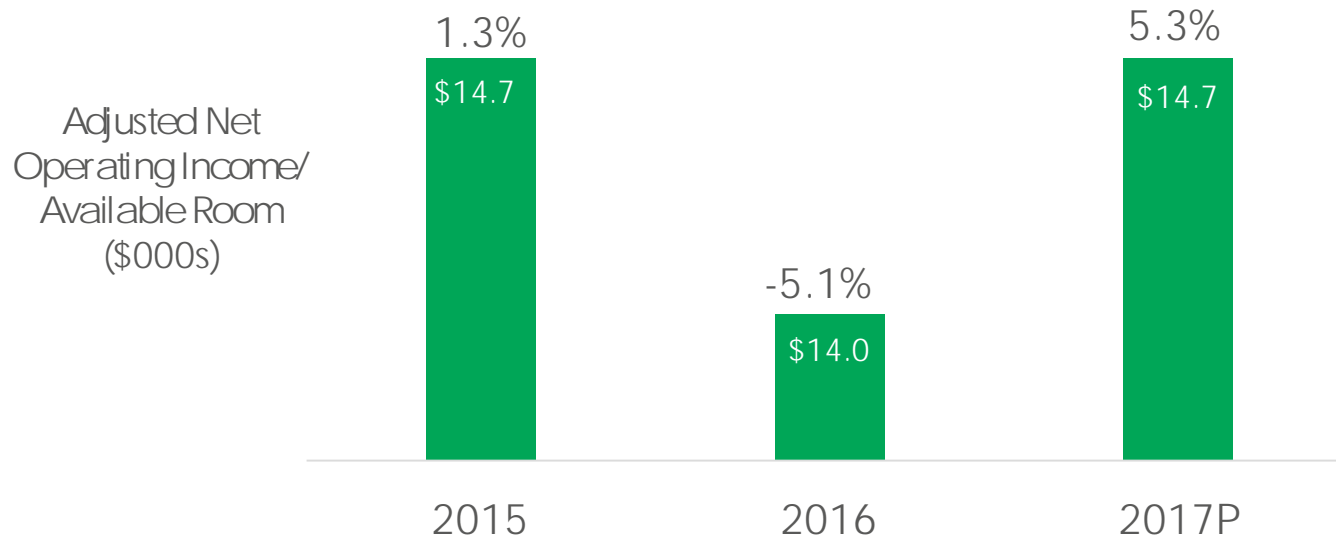
| Region | | 2010 Actual | 2014 Actual | 2015 Actual | 2016 Actual | 2017 Forecast |
|------------------------|--------|-------------|-------------|-------------|-------------|---------------|
| <i>Western Canada</i> | Occ | 60% | 65% | 62% | 60% | 61% |
| | ADR | \$133 | \$143 | \$148 | \$151 | \$156 |
| | RevPAR | \$80 | \$93 | \$92 | \$91 | \$94 |
| <i>Central Canada</i> | Occ | 61% | 64% | 66% | 68% | 69% |
| | ADR | \$125 | \$134 | \$142 | \$149 | \$156 |
| | RevPAR | \$75 | \$86 | \$93 | \$101 | \$107 |
| <i>Atlantic Canada</i> | Occ | 59% | 58% | 59% | 61% | 61% |
| | ADR | \$117 | \$124 | \$127 | \$129 | \$132 |
| | RevPAR | \$69 | \$72 | \$75 | \$78 | \$81 |
| <i>National</i> | Occ | 60% | 64% | 64% | 64% | 64% |
| | ADR | \$128 | \$137 | \$144 | \$149 | \$154 |
| | RevPAR | \$77 | \$88 | \$91 | \$95 | \$99 |

Source: CBRE Hotels




WESTERN CANADA ADR, REVPAR & BOTTOM LINE OUTLOOK

| ADR Growth | |
|---------------|------|
| 2015 Actual | 3.8% |
| 2016 Actual | 1.8% |
| 2017 Forecast | 3.2% |

| RevPAR Growth | |
|---------------|-------|
| 2015 Actual | -0.5% |
| 2016 Actual | -1.3% |
| 2017 Forecast | 3.6% |



WESTERN CANADA 2016 PROJECTION

| | 2015 | 2016 | 2017F | 2016-2017P Change |
|-----------|-------|-------|-------|--|
| Occupancy | 62% | 60% | 61% |  1.0 pt |
| ADR | \$148 | \$151 | \$156 |  3.2% |
| RevPAR | \$92 | \$91 | \$94 |  3.6% |

ALBERTA ECONOMIC & TOURISM OUTLOOKS

ALBERTA 2017 GDP GROWTH PROJECTIONS

| | 2016 Estimate | 2017 Forecast | 2018 Forecast |
|-------------------------------|------------------|------------------|------------------|
| ATB Financial | -2.7% | 2.2% | 2.3% |
| Scotiabank Group | -2.7% | 2.3% | 2.0% |
| RBC Economics | -3.0% | 2.1% | 3.3% |
| Conference Board of Canada | -2.9% | 2.8% | 1.9% |

Source: ATB Financial – Alberta Economic Outlook – March 2017

Scotiabank Group, Global Forecast Update – April 6, 2017

RBC Economic and Financial Provincial Outlook – Alberta – March 2017

Conference Board of Canada, Provincial Outlook Winter 2017

2016-17 REAL GDP GROWTH BY PROVINCE



Source: Scotiabank Group, Global Forecast Update, April 6, 2017

ALBERTA TOURISM INDICATORS 2016



AIRPORT PASSENGER VOLUMES

- Calgary 1.3% ▲
- Edmonton -3.5% ▼



NATIONAL PARKS ATTENDANCE*

- Banff 6.3% ▲
- Jasper 3.6% ▲
- Waterton 12.9% ▲



FOOD SERVICES & DRINKING PLACES RECEIPTS

- 0.4% ▲



HISTORIC SITES & MUSEUM VISITS

- -12.9% ▼

*Excludes Group Tours as per Parks Canada Definition
Source: Alberta Tourism Market Monitor, Alberta Culture and Tourism

ALBERTA TRAVEL OUTLOOK

| Overnight Travel | 2016 Estimate | 2017 Forecast | 2018 Forecast |
|------------------------------------|------------------|------------------|------------------|
| Business Travel Overnight Domestic | -2.8% | 2.1% | 2.0% |
| Pleasure Travel Overnight Domestic | -1.8% | 2.4% | 2.6% |
| U.S. Overnight Travel | 9.3% | 5.7% | 3.6% |
| Overseas Overnight Travel | 12.6% | 6.6% | 5.7% |
| Total Overnight Travel | -0.2% | 2.8% | 2.7% |

Source: Canadian Tourism Research Institute, Conference Board of Canada, Preliminary Spring 2017

HISTORIC OIL PRICES (WEST TEXAS INTERMEDIATE)

Cushing, OK WTI Spot Price FOB

[↓ DOWNLOAD](#)

Dollars per Barrel



Source: U.S. Energy Information Administration

KEY FACTORS AFFECTING HOTEL PERFORMANCE

- Oil prices not rising to levels that would generate substantial growth in room night generating activity
- Favourable exchange rates helping to attract international overnight leisure travel to Alberta
- Supply growth outside of Calgary and Edmonton has slowed substantially
- Business Confidence Levels and Consumer Confidence Levels
- Room rate discounting continues
- Air capacities/route cutting

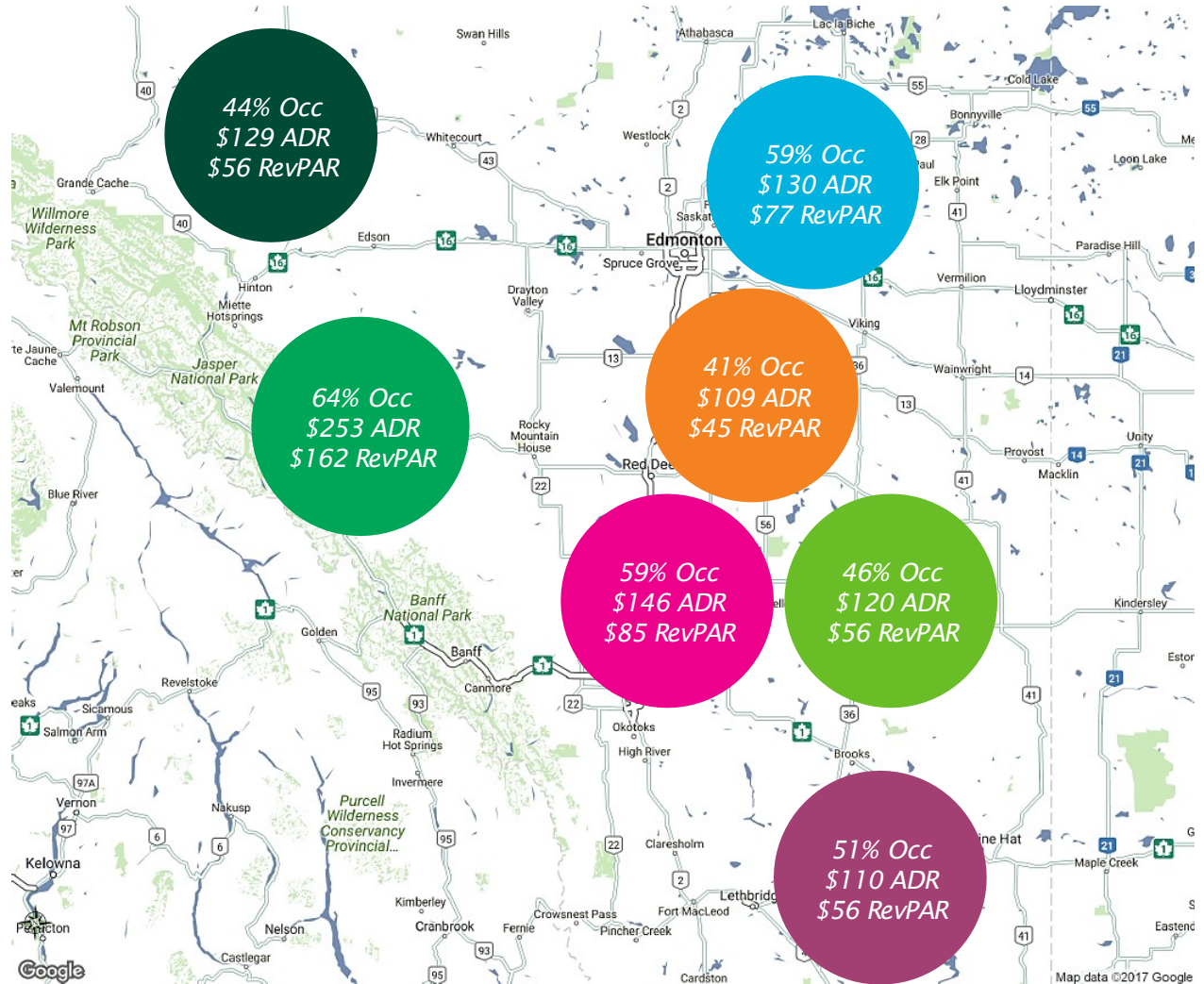
CANADIAN BUSINESS TRAVEL OUTLOOK 2017 – KEY FINDINGS

- Annual survey prepared by Conference Board of Canada and Association of Corporate Travel Executives. Respondents are Canadian Corporate Travel Managers/Executives
- Canadian business travel projected to decline by 0.7% in 2017
- Corporate business travel budgets are projected to decline by 0.5% in 2017
- 63% of respondents expect Canadian hotel room rates to increase in 2017. They expect rates to increase by an average of 1.5%
- 12% of respondents currently permit the use of sharing economy accommodation (37% of respondents permit use of sharing economy ground transportation)
- “A significant share of companies are currently reviewing their corporate travel policy on sharing economic suppliers”

ALBERTA SUPPLY & DEMAND OUTLOOKS 2017

ALBERTA TOP LINE 2016 PERFORMANCE

- Edmonton
- Calgary
- Lethbridge
- Red Deer
- Alberta Resorts
- Other Alberta North*
- Other Alberta South**



Note:

*Properties in Communities located On or North of Highway 16

**Properties in Communities located SOUTH of Highway 16

ALBERTA HISTORIC “TOP LINE” RESULTS

| | | 2008 | 2010 | 2014 | 2015 | 2016 |
|---------------------------|--------|-------|-------|-------|-------|-------|
| Overall | Occ | 69% | 58% | 68% | 59% | 52% |
| Alberta (excl.resorts) | ADR | \$134 | \$125 | \$143 | \$141 | \$132 |
| | RevPAR | \$92 | \$73 | \$97 | \$83 | \$69 |
| | Occ | 58% | 47% | 62% | 49% | 41% |
| Red Deer | ADR | \$99 | \$102 | \$112 | \$115 | \$109 |
| | RevPAR | \$57 | \$48 | \$69 | \$57 | \$45 |
| | Occ | 61% | 56% | 58% | 53% | 51% |
| Lethbridge | ADR | \$102 | \$101 | \$110 | \$112 | \$110 |
| | RevPAR | \$62 | \$56 | \$64 | \$59 | \$56 |
| | Occ | 61% | 53% | 60% | 62% | 64% |
| Alberta Resorts | ADR | \$203 | \$191 | \$215 | \$230 | \$253 |
| | RevPAR | \$124 | \$101 | \$129 | \$143 | \$162 |
| | Occ | 61% | 51% | 66% | 51% | 42% |
| Other Alberta | ADR | \$139 | \$118 | \$137 | \$134 | \$123 |
| | RevPAR | \$85 | \$60 | \$91 | \$68 | \$51 |

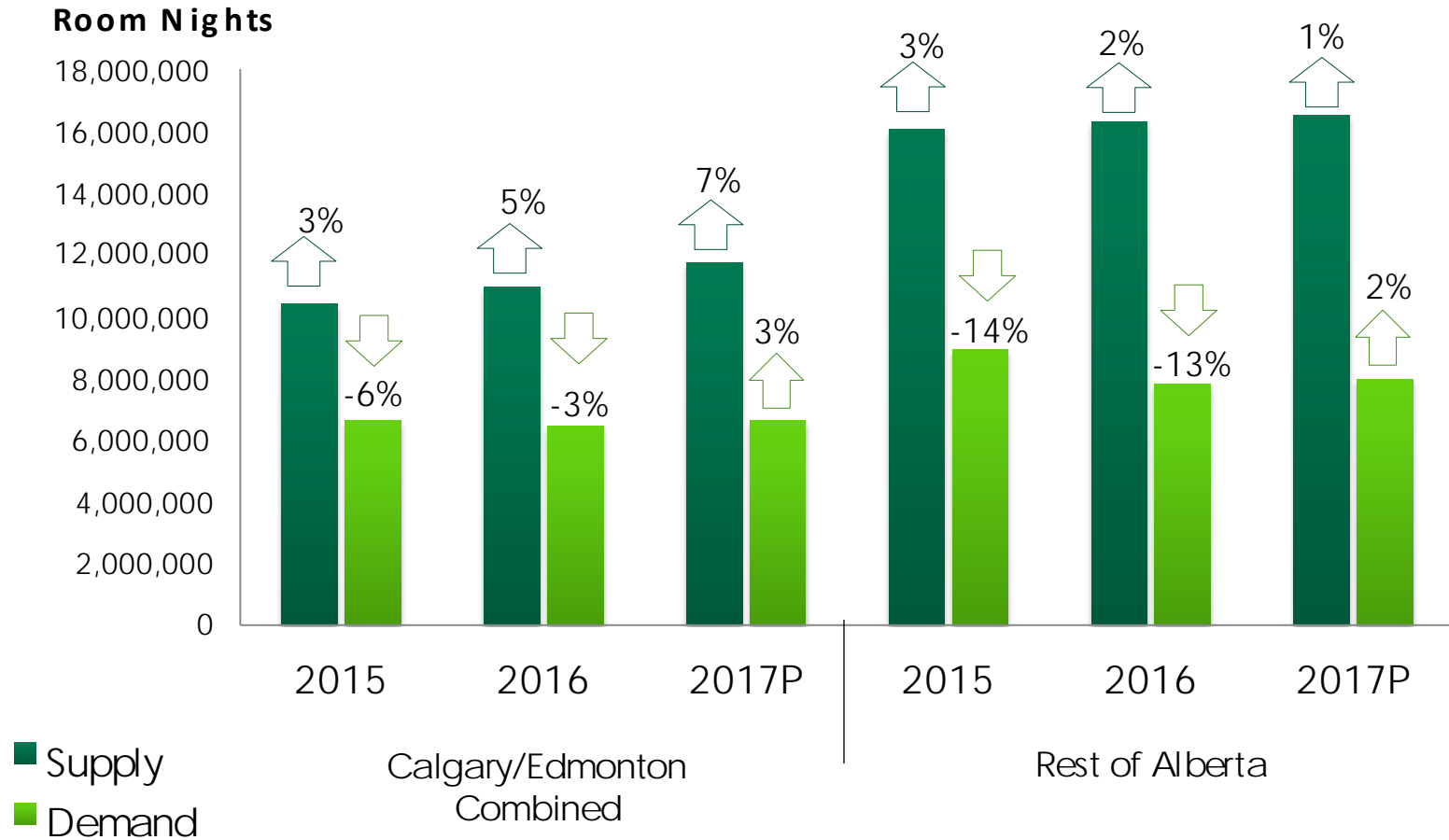
Source: CBRE Hotels

ACCOMMODATION SUPPLY

- Estimated 1,500 new rooms to open province wide in 2017
- Majority in metro Calgary and Edmonton
- Virtually all are branded
- Some assets converting to brands
- No indication that construction costs have declined significantly

ALBERTA SUPPLY & DEMAND OUTLOOK

Supply & Demand Growth/Dedine



CALGARY & EDMONTON MARKET OUTLOOKS

CALGARY ECONOMIC OUTLOOK

| | 2014 | 2015 | 2016 | 2017F |
|---|------|------|------|-------|
| GDP Growth (%) | 5.2 | -3.1 | -1.7 | 1.8 |
| Employment (% Change) | 2.5 | 2.1 | -2.0 | 1.4 |
| Unemployment Rate (%) | 5.0 | 6.4 | 9.1 | 9.4 |
| Housing Starts (annual, 000's of units) | 17 | 13 | 9 | 9 |

Source: Conference Board of Canada – Metropolitan Outlook Winter 2017

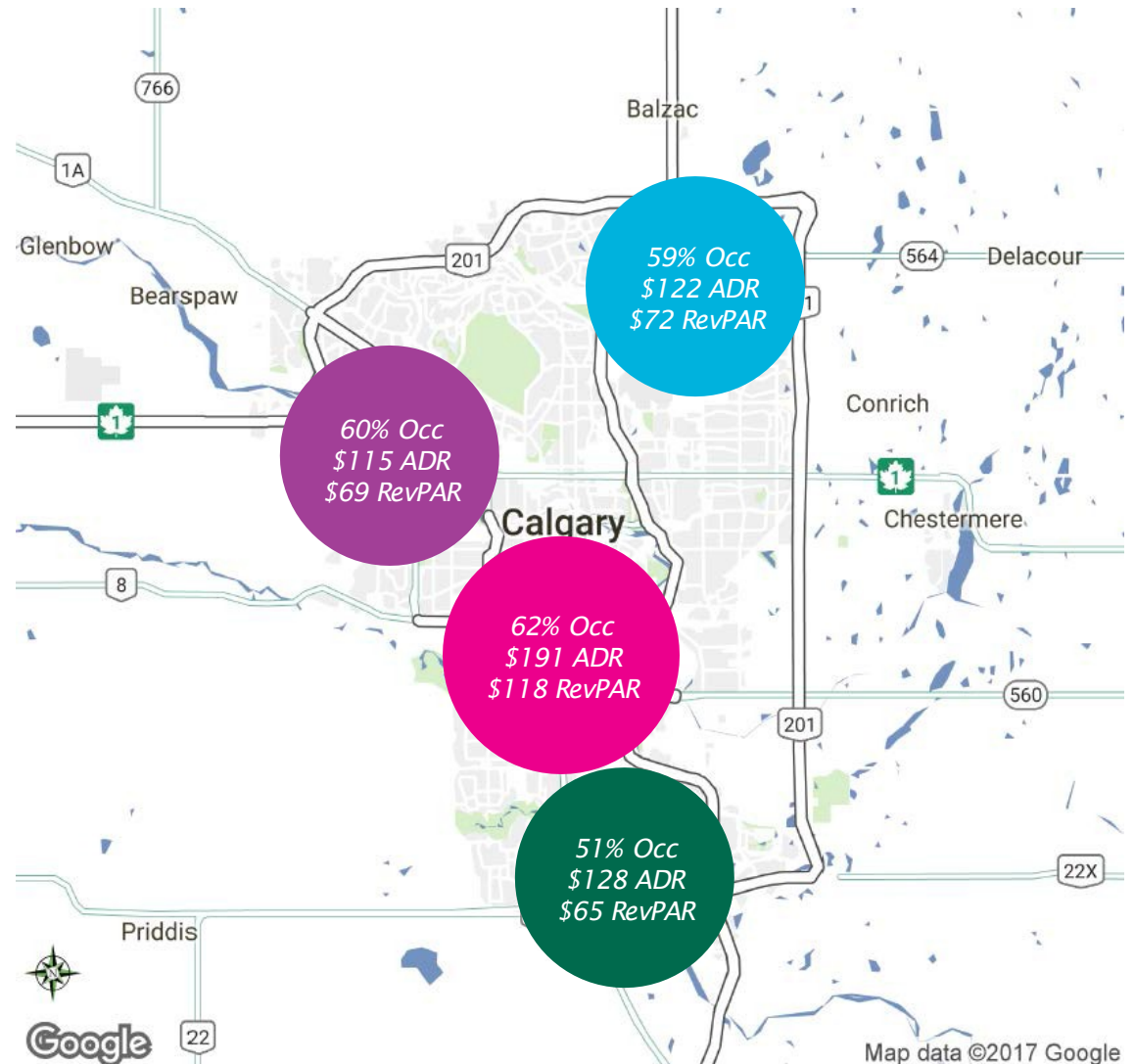
CALGARY – PERFORMANCE INDICATORS

KEY POINTS FOR 2017

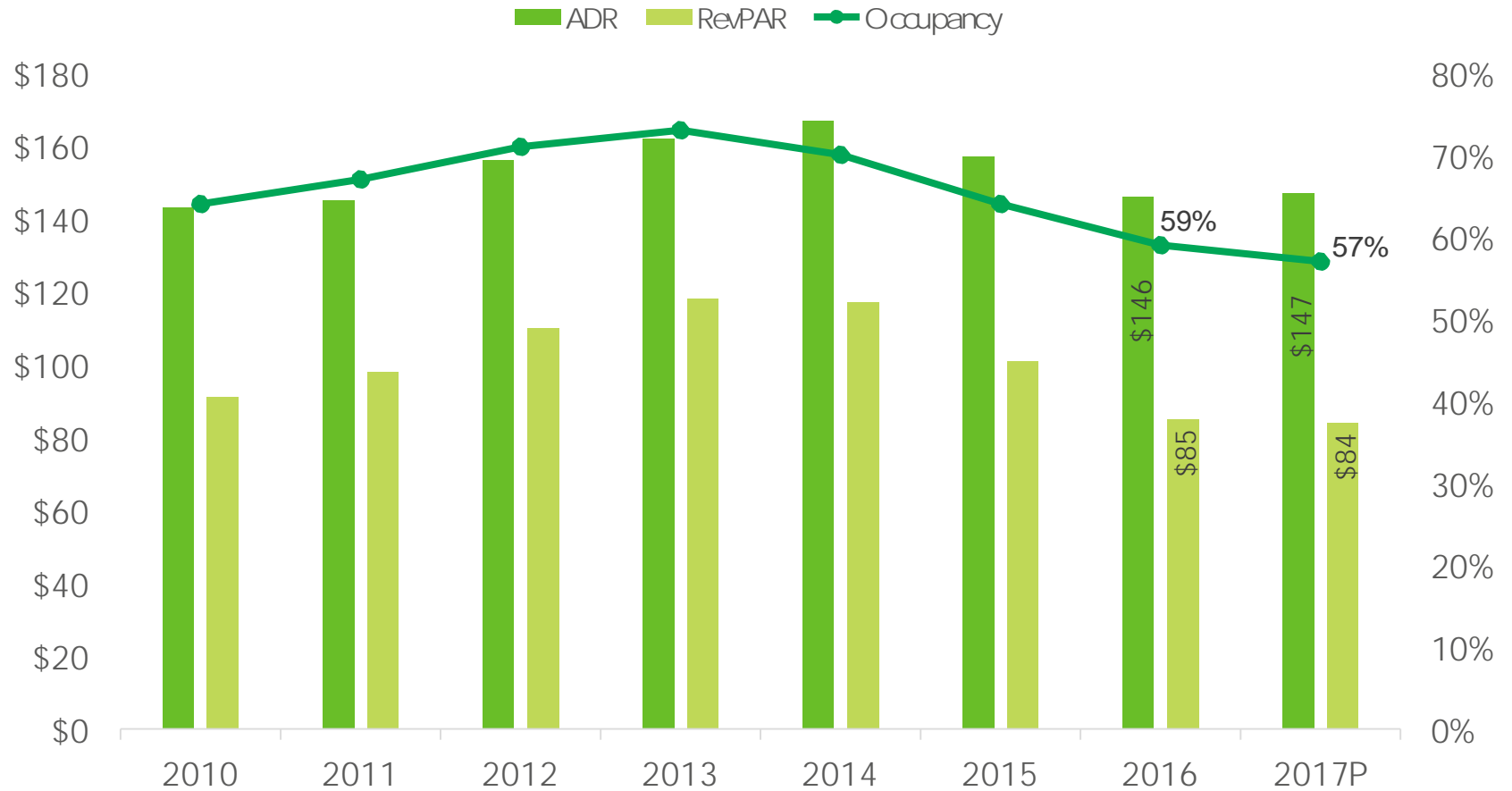
- Accommodation supply growth of over 5% will outpace demand growth in 2017
- High office vacancy rates – particularly downtown
- Overnight corporate travel volumes continue to suffer

CALGARY TOP LINE 2016 PERFORMANCE BY SUB-MARKET

-  Airport / NE
-  Downtown / Beltline
-  Northwest / Motel Village
-  South / Macleod Trail



CALGARY ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

EDMONTON ECONOMIC OUTLOOK

| | 2014 | 2015 | 2016 | 2017F |
|---|------|------|------|-------|
| GDP Growth (%) | 4.9 | -3.2 | -1.7 | 2.1 |
| Employment (% Change) | 2.3 | 2.4 | 0.2 | 0.1 |
| Unemployment Rate (%) | 5.2 | 5.9 | 7.1 | 7.5 |
| Housing Starts (annual, 000's of units) | 14 | 17 | 10 | 9 |



Source: Conference Board of Canada – Metropolitan Outlook Winter 2017

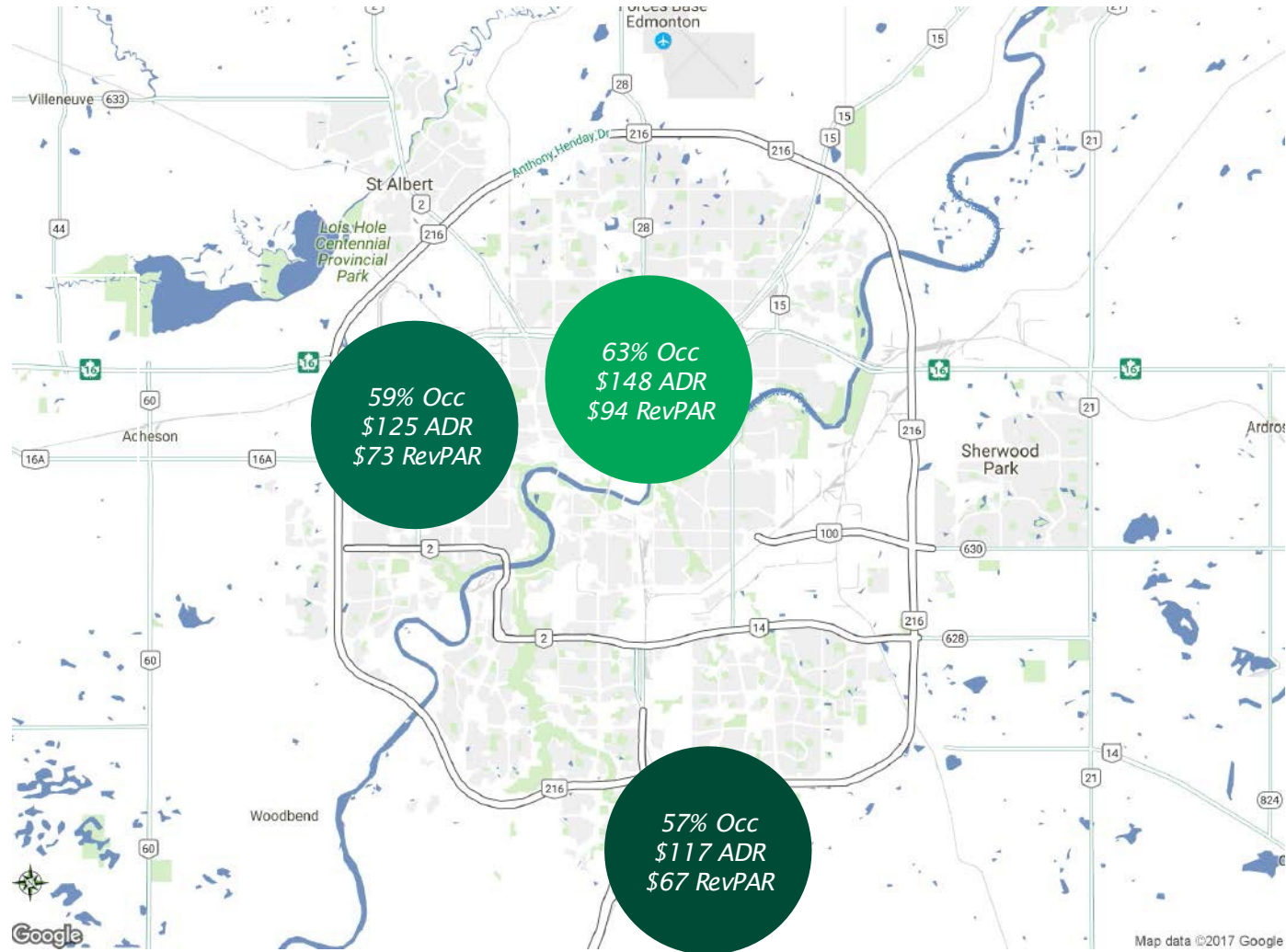
EDMONTON – ECONOMIC INDICATORS

KEY POINTS FOR 2017

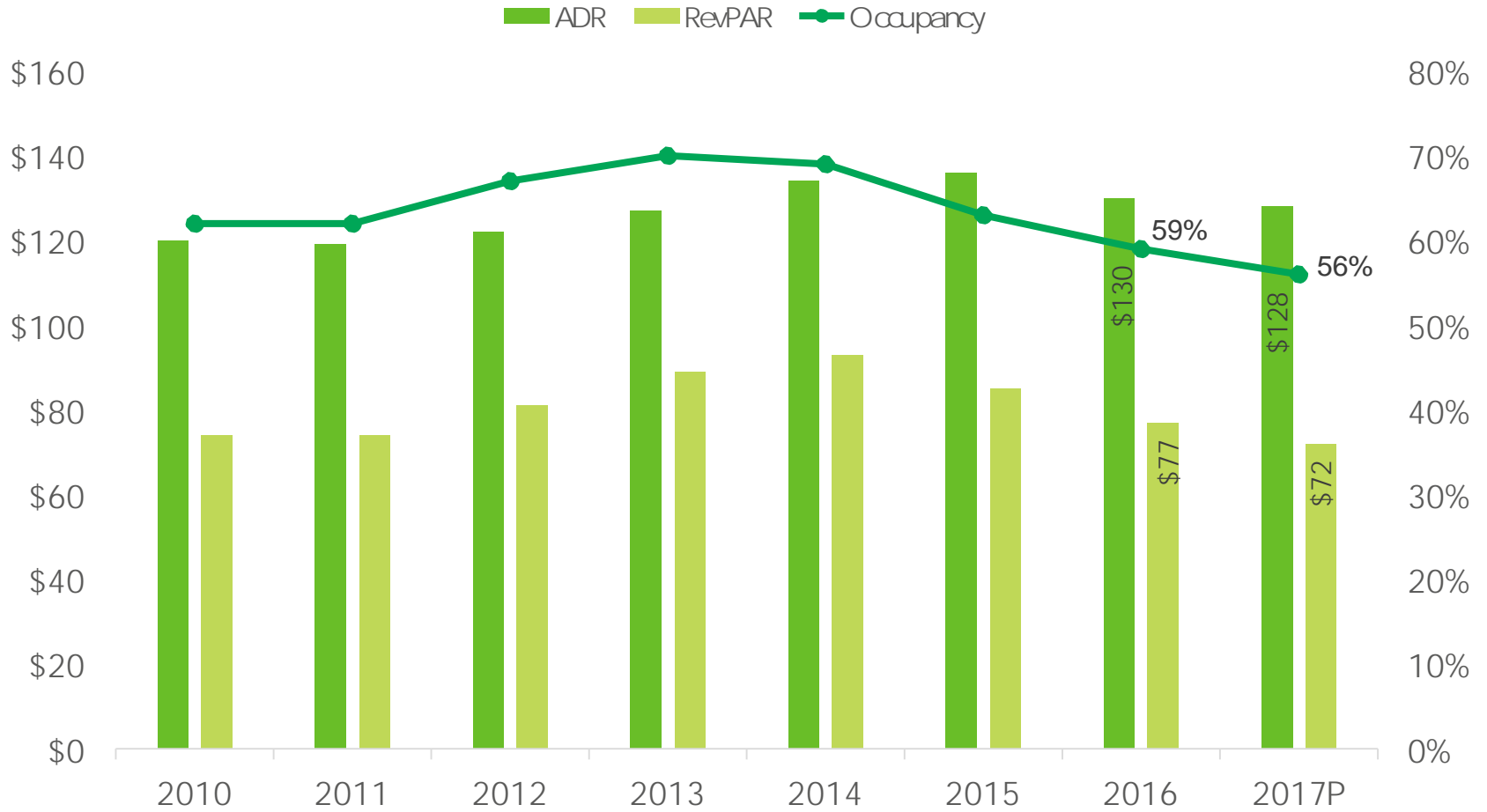
- Supply growth will be nearly 9%; will greatly outpace demand growth
- Major infrastructure projects continue in 2017 (ie. ICE District, Royal Alberta Museum, ring road construction)

EDMONTON TOP LINE 2016 PERFORMANCE BY SUB-MARKET

-  *Downtown*
-  *South / Ellerslie*
-  *West*

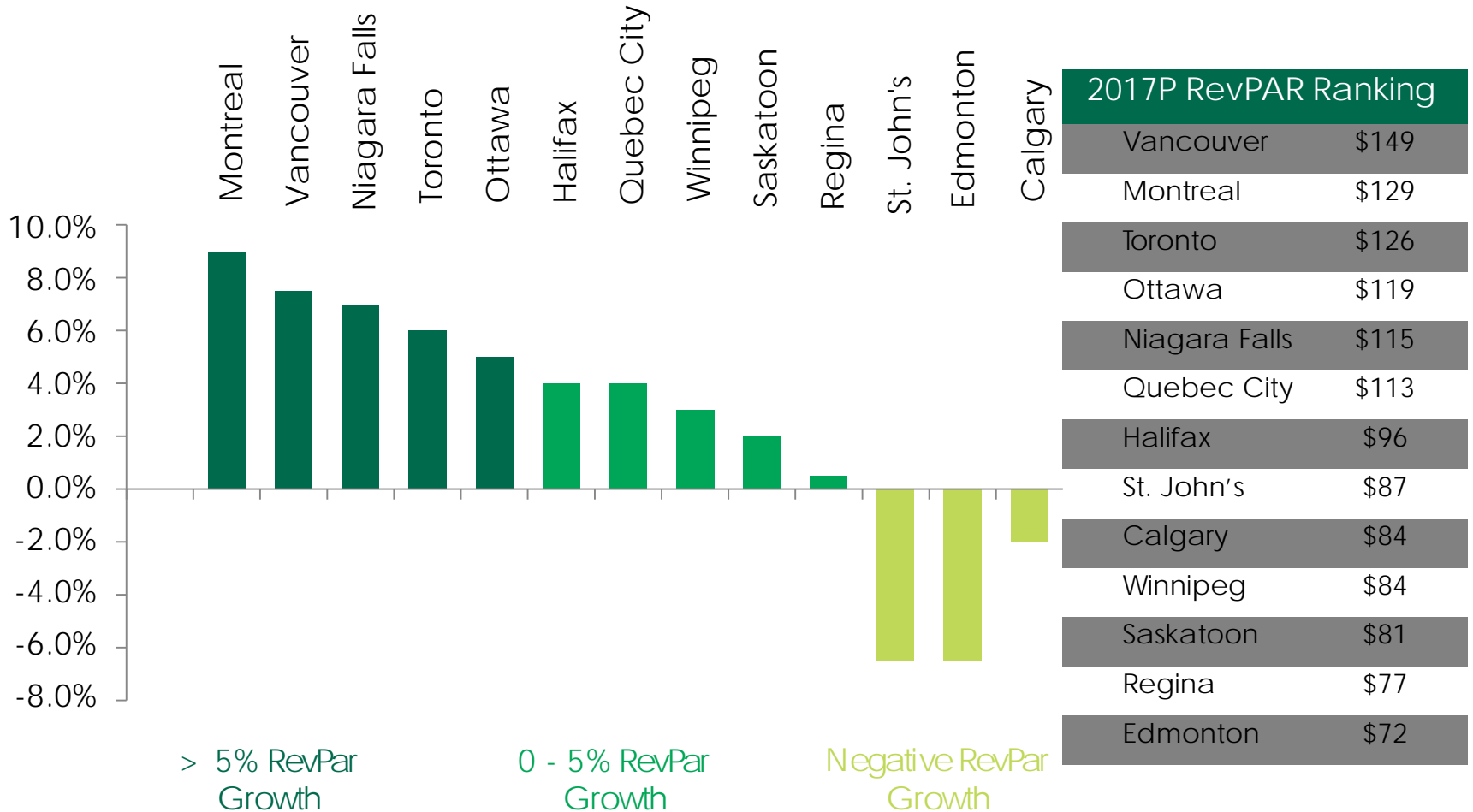


EDMONTON ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

MAJOR MARKET OUTLOOKS REVPAR PROJECTION - 2017

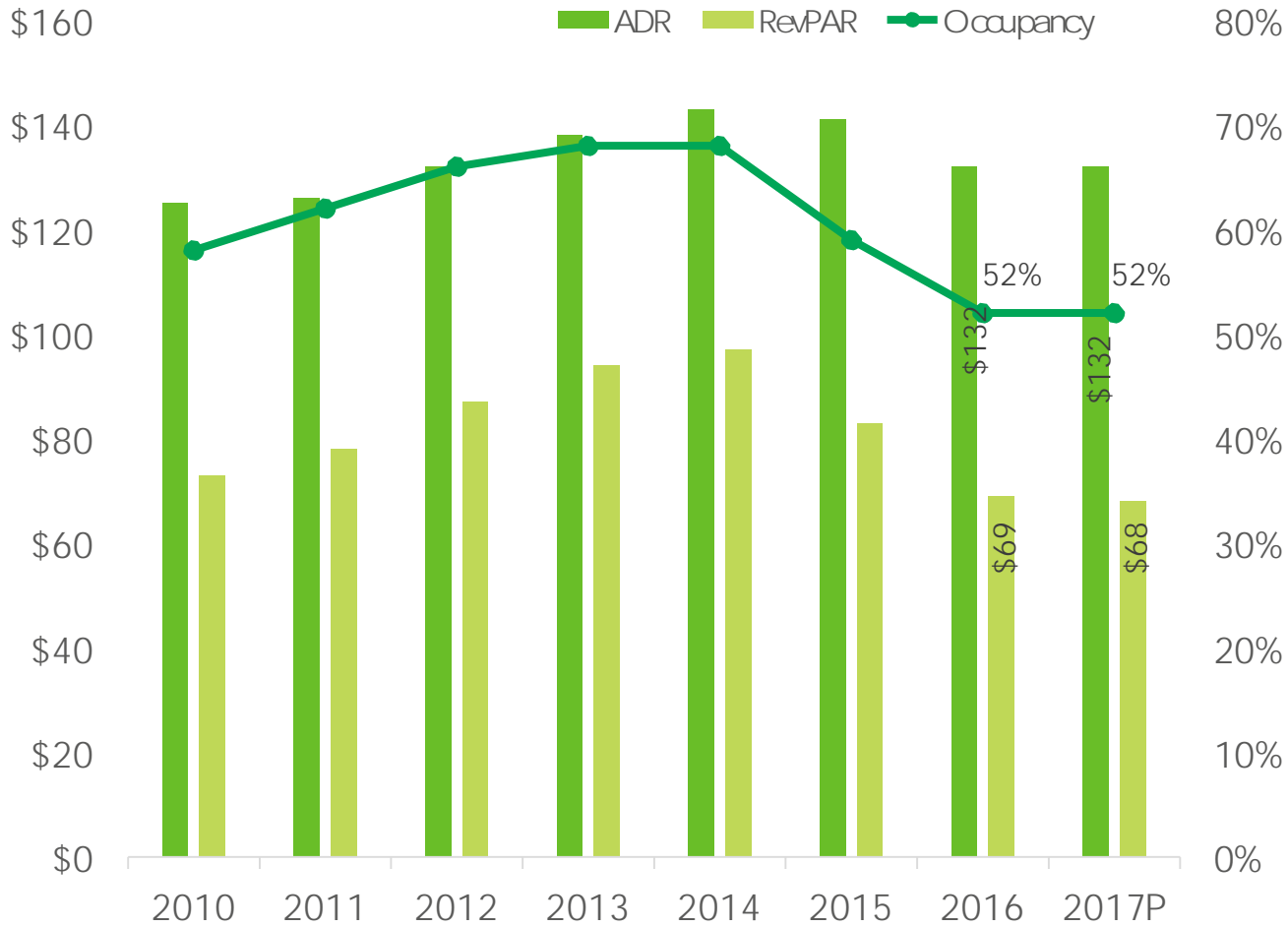


*"Major Markets" refer to Greater Metro Areas
 Source: CBRE Hotels

PROVINCIAL FORECAST

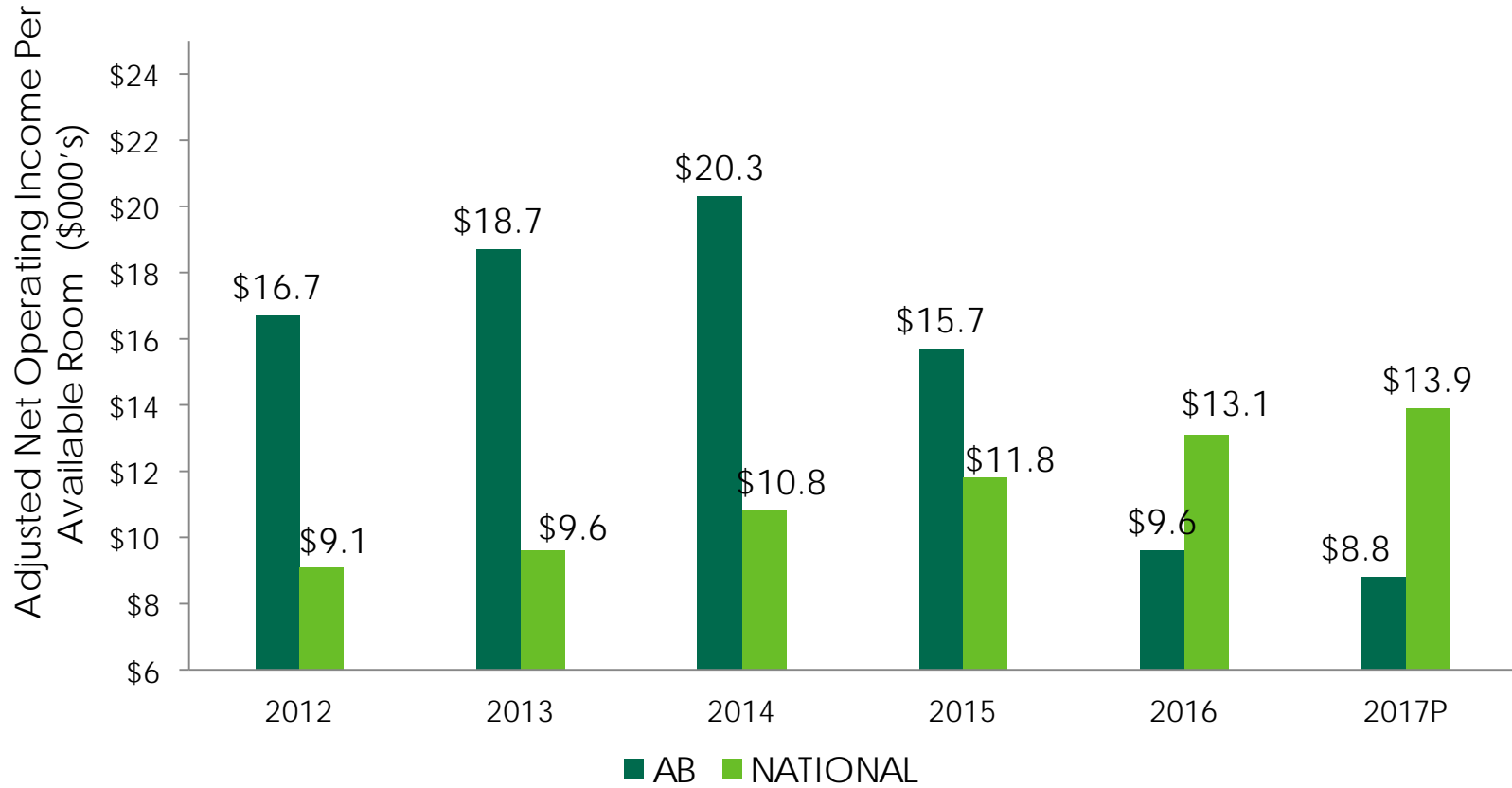
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ALBERTA "TOP LINE" 2017 FORECAST



Source: CBRE Hotels

ALBERTA FINANCIAL FORECAST



NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.

Source: CBRE Hotels

HISTORIC EXPENSE RATIOS – ALBERTA FULL SERVICE

YEAR 2015

| Departmental Expenses | \$ Per Available Room | % of <u>Dept</u> Revenue |
|-----------------------------|-----------------------|--------------------------|
| Rooms | \$8,741 | 27.1% |
| Food & Beverage | \$12,636 | 68.5% |
| Other Operated Departments* | \$1,312 | 58.2% |

| Undistributed Expenses | \$ Per Available Room | % of <u>Total</u> Revenue |
|---|-----------------------|---------------------------|
| Administration & General | \$3,721 | 6.9% |
| Information & Telecommunications Systems | \$754 | 1.4% |
| Sales & Marketing | \$3,430 | 6.4% |
| Property Op. & Maintenance | \$2,412 | 4.5% |
| Utilities | \$2,036 | 3.8% |
| Property and Other Taxes | \$1,780 | 3.3% |
| Insurance | \$302 | 0.6% |

HISTORIC EXPENSE RATIOS – ALBERTA LIMITED SERVICE

YEAR 2015

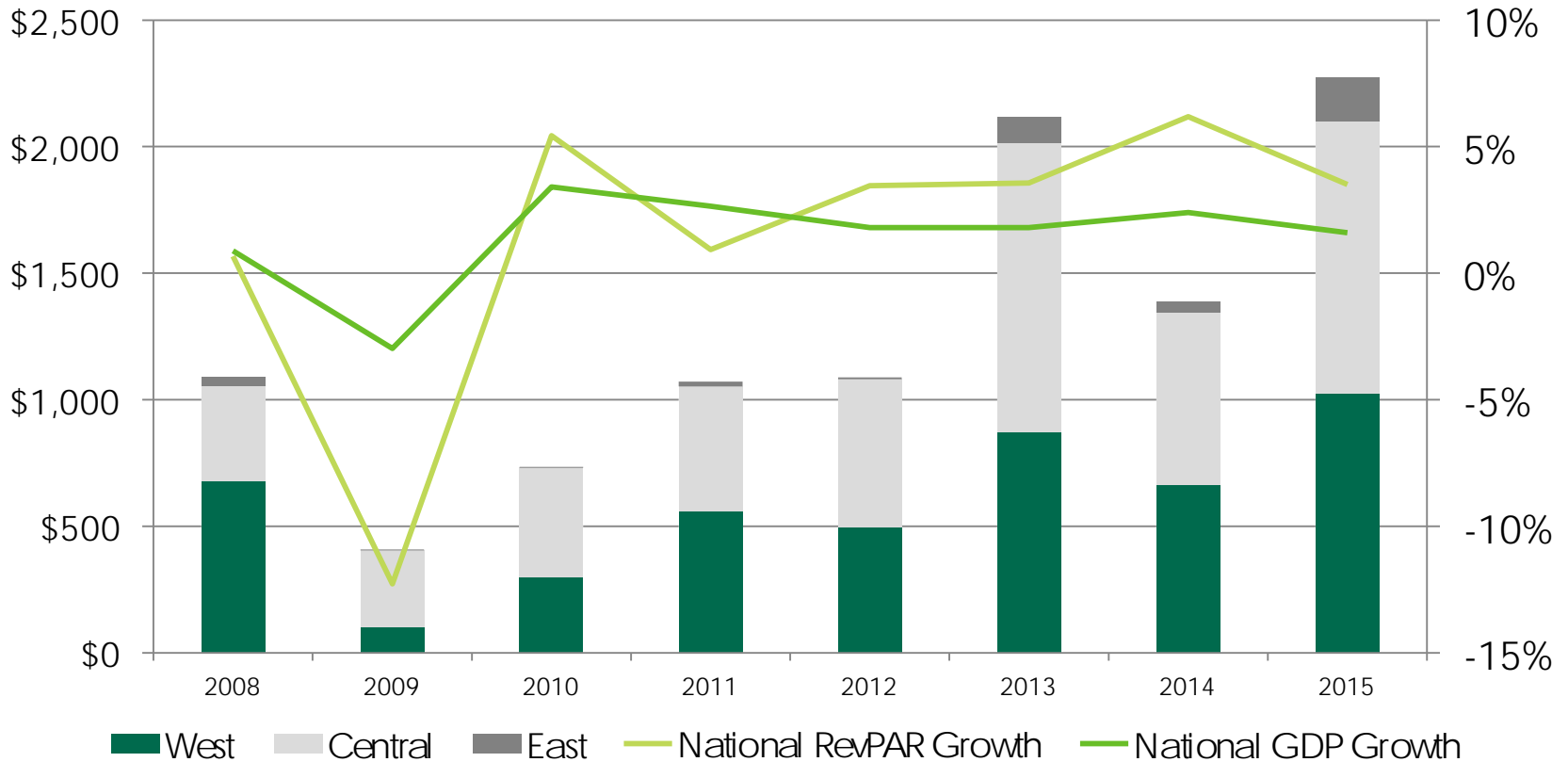
| Departmental Expenses | \$ Per Available Room | % of <u>Dept</u> Revenue |
|-----------------------------|-----------------------|--------------------------|
| Rooms | \$5,954 | 22.2% |
| Other Operated Departments* | \$214 | 45.6% |

| Undistributed Expenses | \$ Per Available Room | % of <u>Total</u> Revenue |
|---|-----------------------|---------------------------|
| Administration & General | \$2,450 | 8.8% |
| Information & Telecommunications Systems | \$159 | 0.6% |
| Sales & Marketing | \$1,280 | 4.6% |
| Property Op. & Maintenance | \$1,782 | 6.4% |
| Utilities | \$1,103 | 3.9% |
| Property and Other Taxes | \$1,285 | 4.6% |
| Insurance | \$99 | 0.4% |

INVESTMENT

Alberta

HOTEL INVESTMENT CYCLE



ALBERTA TRANSACTION OVERVIEW

| Canada | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------|---------|-------|-------|---------|---------|---------|---------|---------|---------|
| Total Transactions | 96 | 74 | 89 | 102 | 103 | 131 | 136 | 135 | 234 |
| Volume (\$ Millions) | \$1,090 | \$410 | \$730 | \$1,200 | \$1,090 | \$2,110 | \$1,400 | \$2,300 | \$4,000 |
| Alberta | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Total Transactions | 22 | 10 | 11 | 16 | 25 | 28 | 27 | 15 | 14* |
| Volume (\$ Millions) | \$344 | \$77 | \$111 | \$167 | \$335 | \$501 | \$293 | \$265 | \$110* |
| % Volume of Total | 32% | 19% | 15% | 14% | 31% | 24% | 21% | 12% | -- |

*Year 2016 EXCLUDE assets that were within "Entity Level" transactions for which individual property acquisition prices were not disclosed. Specifically, the acquisition of the InnVest REIT portfolio and the acquisition of Coast Hotels & Resorts.

Source: CBRE

CAPITALIZATION RATES

RESULTS FROM CBRE'S Q4 2016 CANADIAN CAP RATE SURVEY

| HOTEL PROPERTY TYPE | NATIONAL | CALGARY | EDMONTON |
|--------------------------|----------|----------------|---------------|
| Downtown Full Service | 7.72% | 7.75% - 8.75% | 7.75% - 8.75% |
| Suburban Limited Service | 9.03% | 9.25% - 10.25% | 10.0% - 10.5% |
| Focused Service | 8.30% | 8.25% - 9.25% | 9.0% - 10.0% |

Indicated Discount Rates (National): 9.0% - 13.5%

KEY TAKEAWAYS

- Oil price uncertainty has significant impact on investment, economic performance and ultimately accommodation performance
- Further declines in Top Line and Bottom Line performance for the accommodation sector projected for 2017
- Resorts will continue to perform well, bolstered by both international and domestic overnight travel
- Pace of new hotel construction slowing considerably, as capital is either parked or developers looking elsewhere for opportunities
- Continue to search for new sources of room demand
- # of wells drilled in AB in 2017 forecast to be up vs. 2016 activity (PSAC Forecast)
- Lower production costs for many firms enabling them to increase spending in 2017
- Efficiencies in drilling/production encouraging investment