

Alberta Accommodation Outlook 2013



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Business Advisors



Agenda



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- ▶ PKF National Outlook
- ▶ Alberta Economic & Tourism Outlooks
- ▶ Alberta Supply & Demand Outlook
- ▶ Financial/Investment Analysis
- ▶ Questions?

PKF National Outlook



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National Economic Outlook 2012/13



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GDP Growth National	2012 Estimate	2013 Forecast		2014 Forecast
Conference Board	1.9%	2.2%	↑	2.7% ↑
Scotiabank Group	1.8%	1.6%	↓	2.4% ↑
CIBC World Markets Inc.	1.8%	1.7%	↓	2.4% ↑
RBC Economics Research	1.8%	1.8%	↔	2.9% ↑

Source: Conference Board of Canada, Winter Outlook 2013 (released February 2013), Scotiabank Group – Global Forecast Update March 27, 2013; CIBC World Markets – Economic Insights, March 4, 2013; RBC – Economic and Financial Market Outlook – March 2013



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National Travel Outlook 2012/13

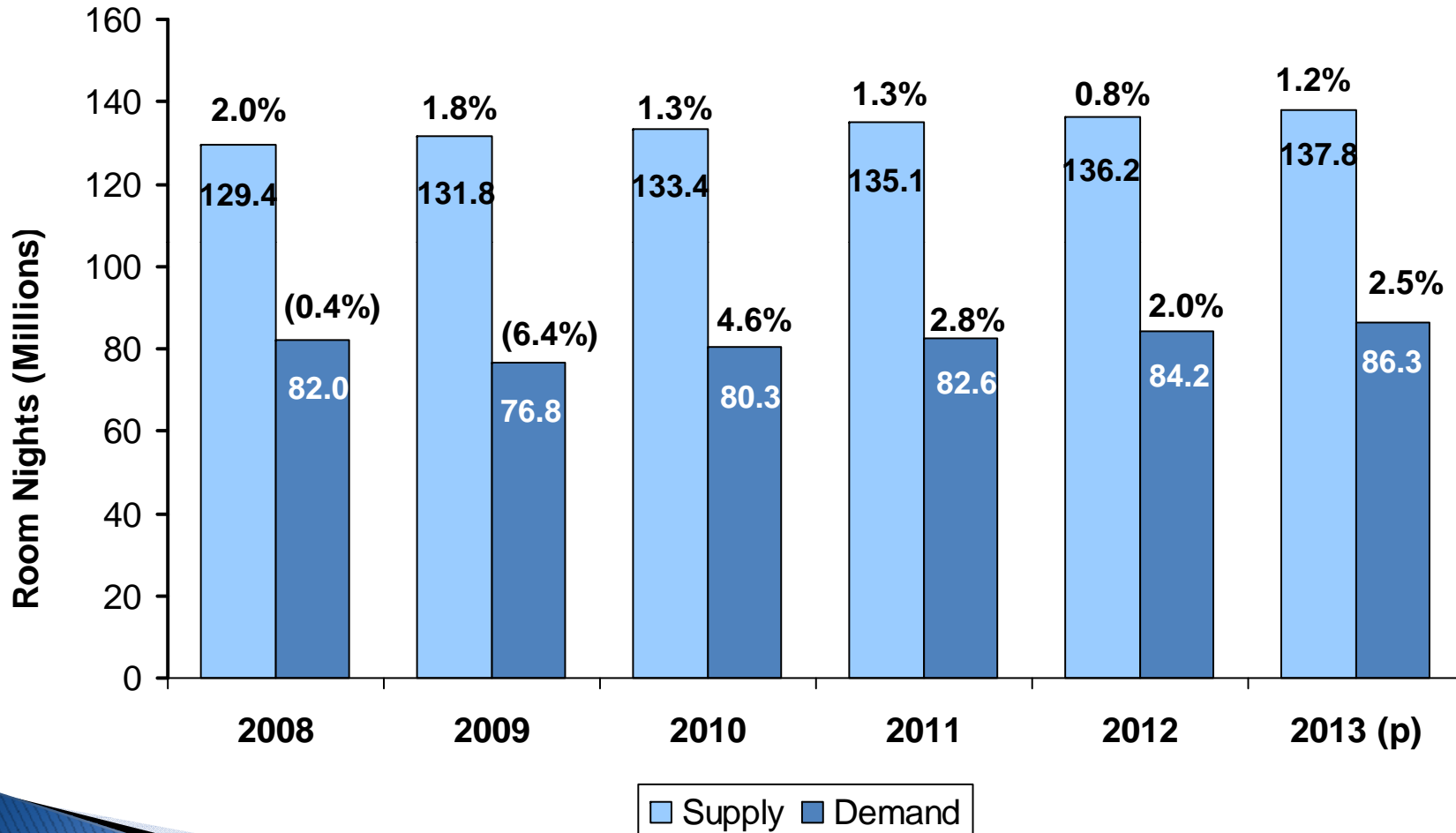
Overnight Travel	2011 Actual	2012 Forecast	2013 Projection
Business Travel Domestic	2.4%	2.1%	2.1%
Pleasure Travel Domestic	0.7%	1.5%	2.1%
Total Domestic Travel	0.8%	1.5%	2.0%
U.S. Travel	(-1.4%)	1.3%	0.1%
Overseas Travel	0.0%	1.9%	2.6%
TOTAL OVERNIGHT TRAVEL	0.6%	1.5%	1.9%
National Accommodation Demand Growth (PKF Projection)	2.8%	2.0%	2.5%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2012 Forecast (released September 2012)

National Accommodation Supply & Demand



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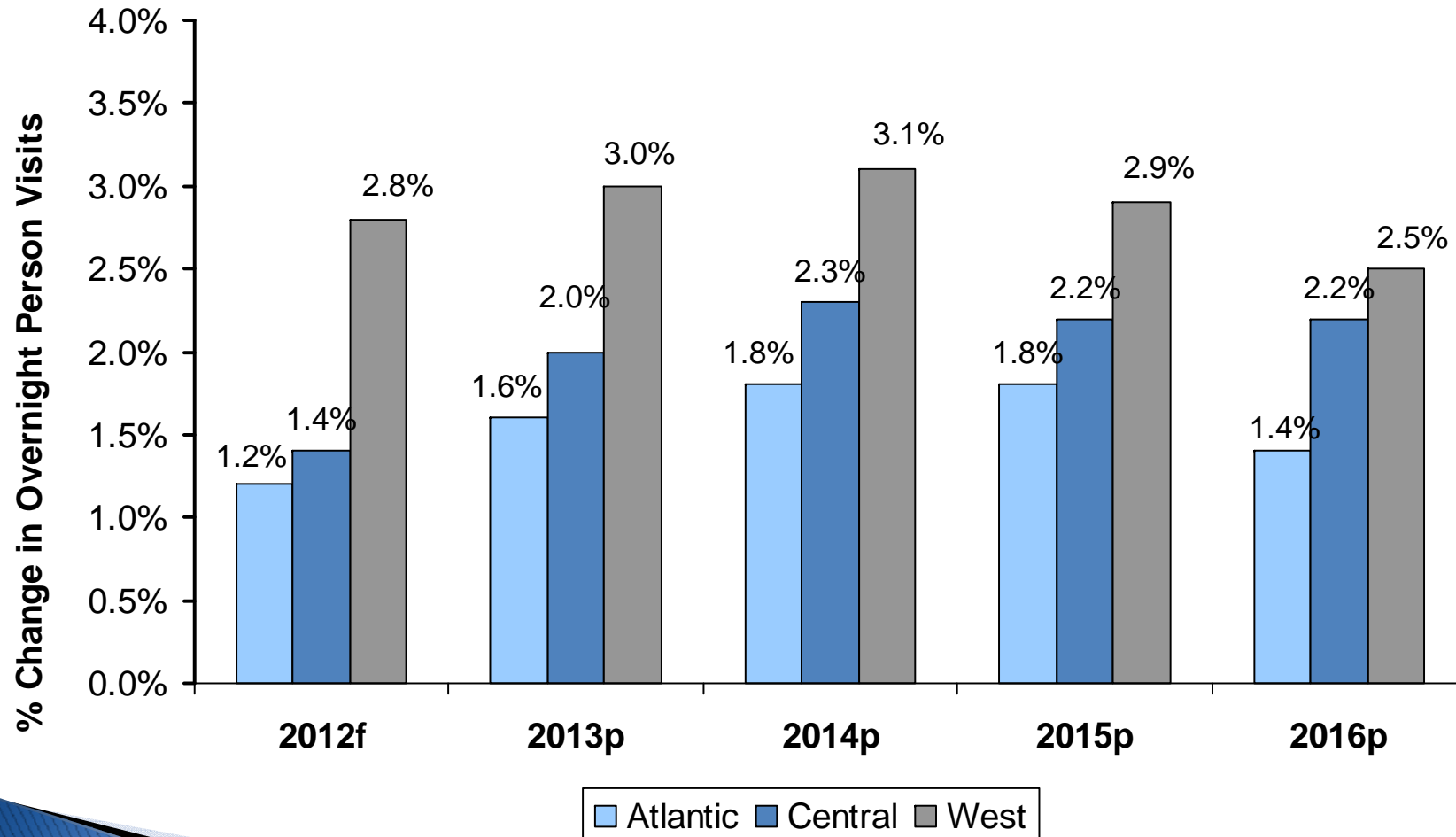
Canadian National and Regional Market Outlooks



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	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Proj.
Western Canada	66%	60%	60%	62%	63%	64%
	\$134	\$129	\$133	\$130	\$133	\$136
RevPAR	\$89	\$77	\$80	\$80	\$83	\$87
Central Canada	61%	57%	61%	61%	62%	62%
	\$130	\$122	\$125	\$126	\$127	\$131
RevPAR	\$80	\$70	\$75	\$77	\$79	\$81
Atlantic Canada	60%	57%	59%	58%	58%	59%
	\$118	\$117	\$117	\$118	\$119	\$121
RevPAR	\$71	\$67	\$69	\$69	\$69	\$72
National	63%	58%	60%	61%	62%	63%
	\$131	\$125	\$128	\$127	\$129	\$133
RevPAR	\$83	\$73	\$77	\$78	\$80	\$83

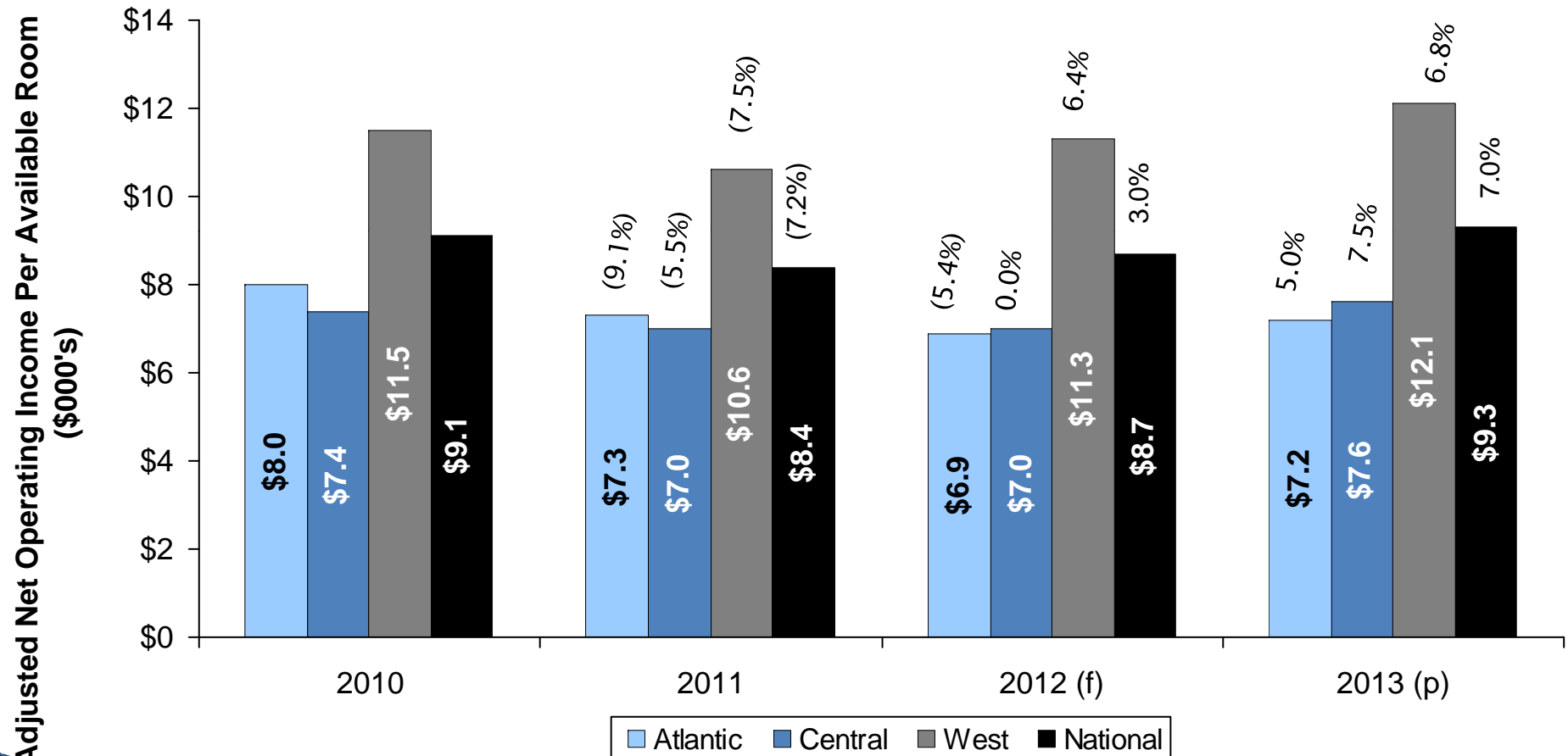
Regional Travel Outlooks



Regional and National Financial Outlook



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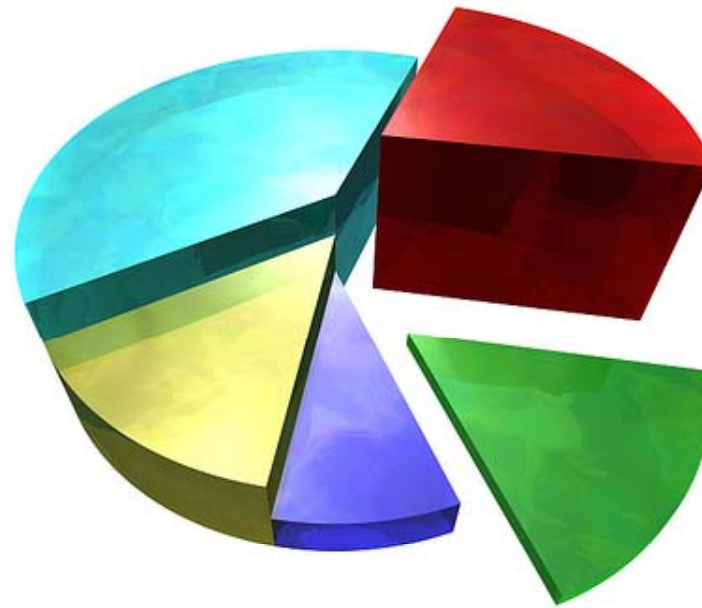
NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.

Source: PKF Consulting Inc.

Product Segment Outlooks



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Product Segment Market Outlooks



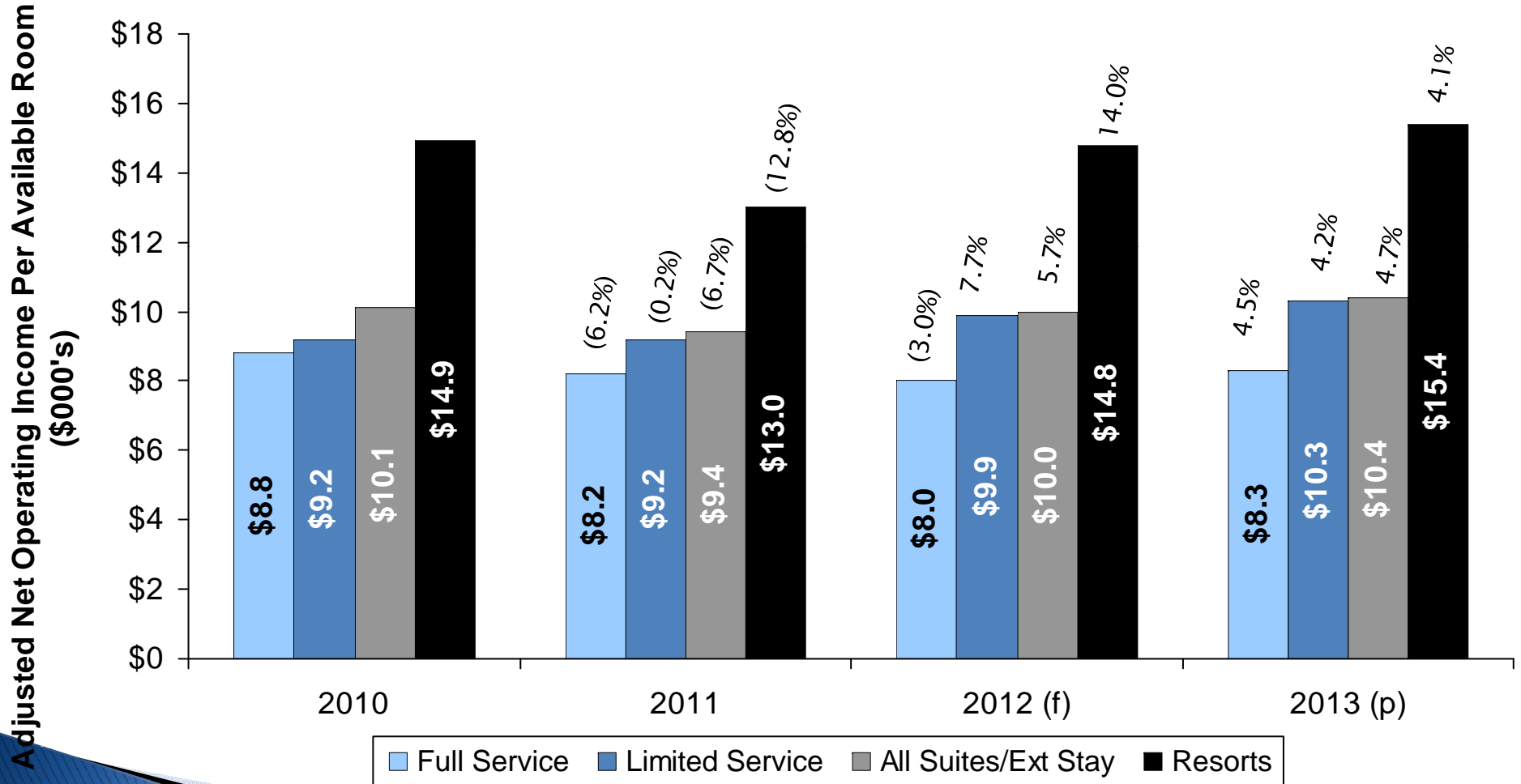
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	2010 Actual	2011 Actual	2012 Forecast	2013 Projection
Full Service	63%	64%	64%	65%
	\$133	\$133	\$135	\$138
RevPAR	\$84	\$85	\$86	\$89
Limited Service	56%	57%	58%	60%
	\$101	\$101	\$104	\$106
RevPAR	\$56	\$58	\$61	\$64
All Suites/Ext Stay	67%	69%	69%	71%
	\$136	\$132	\$136	\$139
RevPAR	\$91	\$91	\$94	\$99
Resorts	51%	51%	53%	54%
	\$191	\$182	\$190	\$195
RevPAR	\$98	\$93	\$101	\$105

Product Segment Financial Outlook



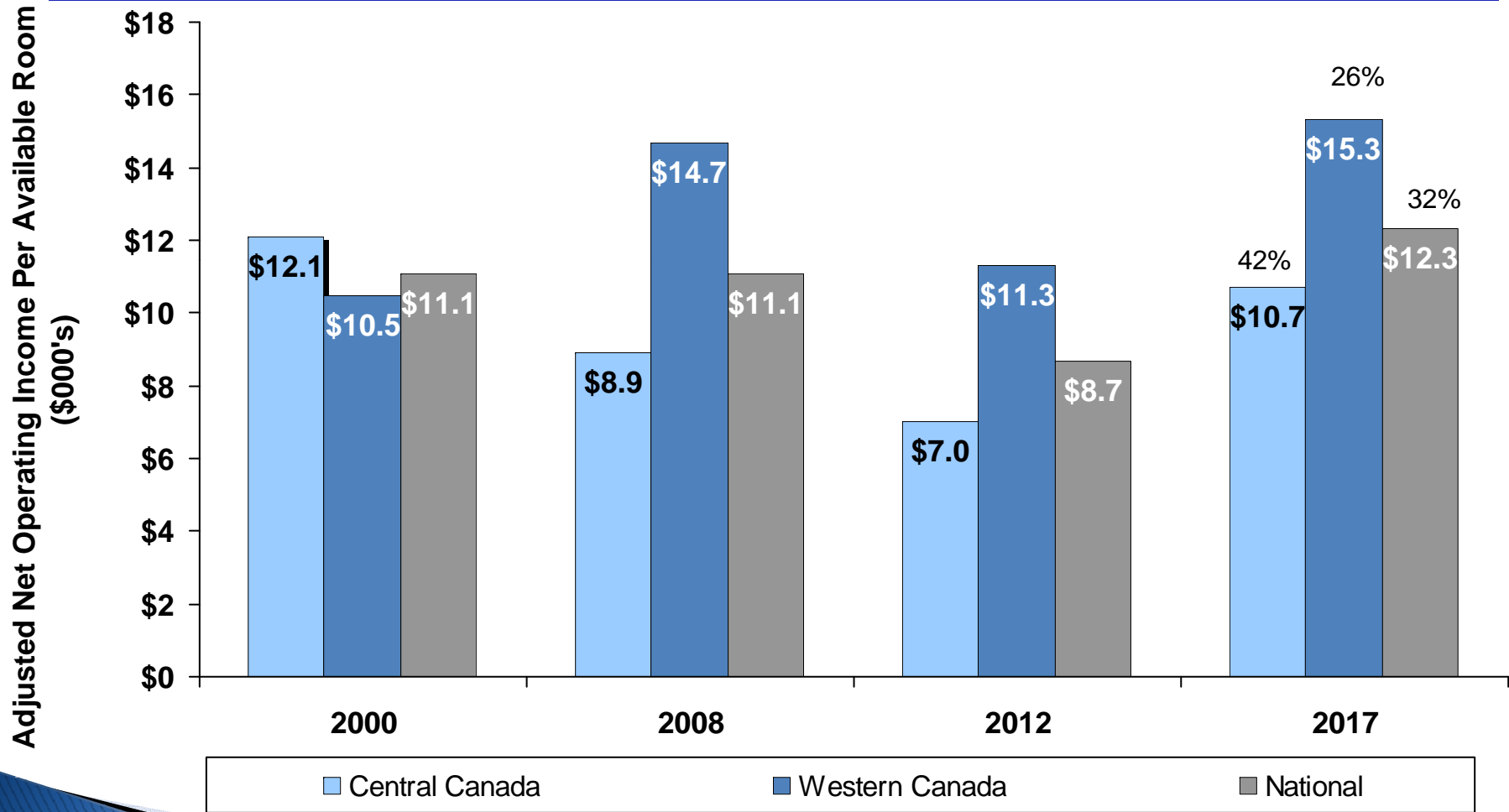
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National Financial Outlook – Beyond 2012



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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: PKF Consulting Inc.

Major Market Outlooks



2013 Major Market Outlooks*



Edmonton	6%	>3% RevPAR Growth
Quebec City	4%	
Montreal	4%	
Calgary	3%	>3% RevPAR Growth
Toronto	3%	
Niagara Falls	3%	
Halifax	2%	1-3% RevPAR Growth
Ottawa	2%	
Vancouver	2%	
Winnipeg	(2%)	<1% RevPAR Growth

* 'Major Markets' refer to Greater Metro Areas

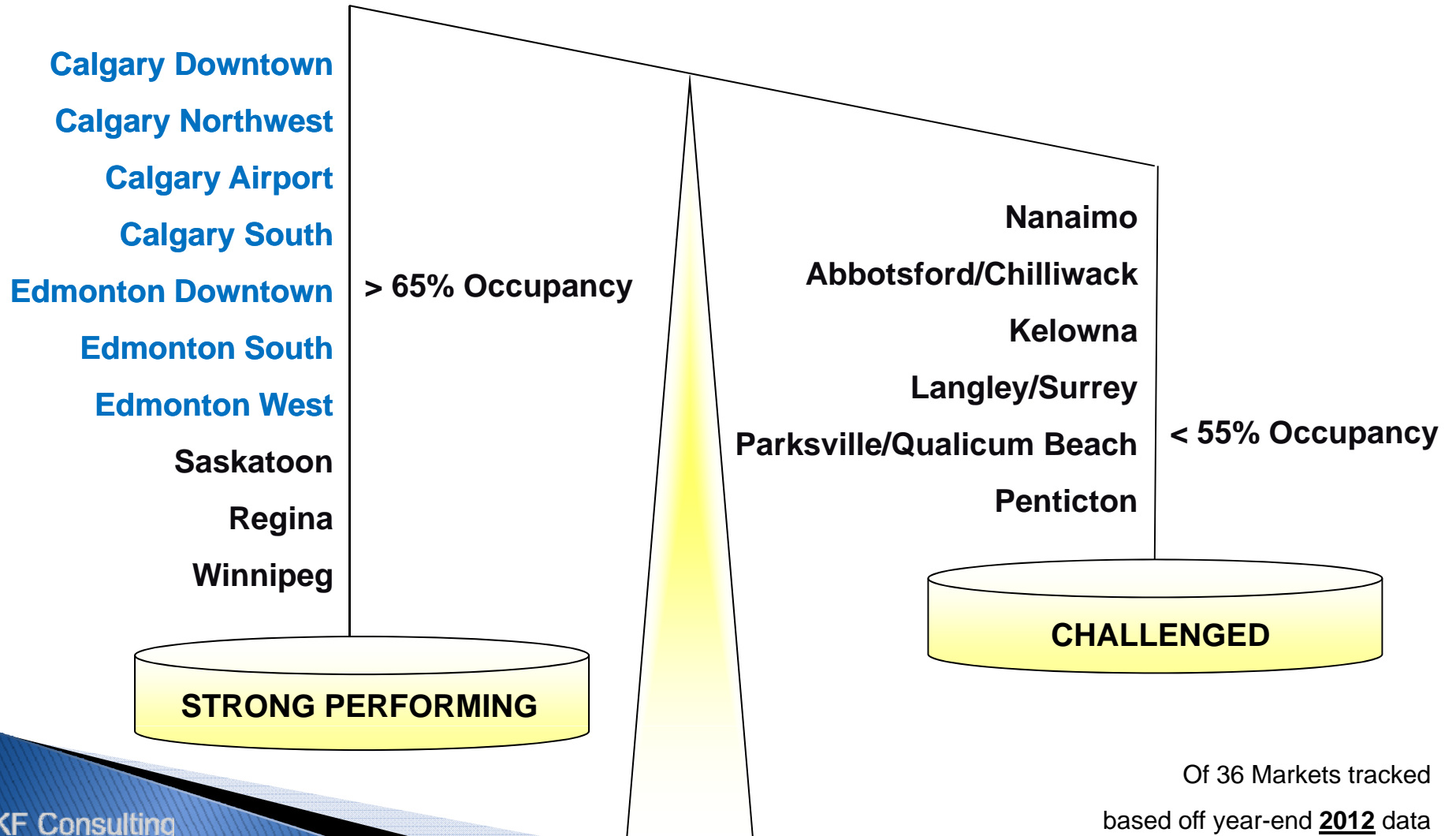
Strong Performing Markets & Challenged Markets



Western Canada Markets - 2012



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Alberta Economic & Tourism Outlooks



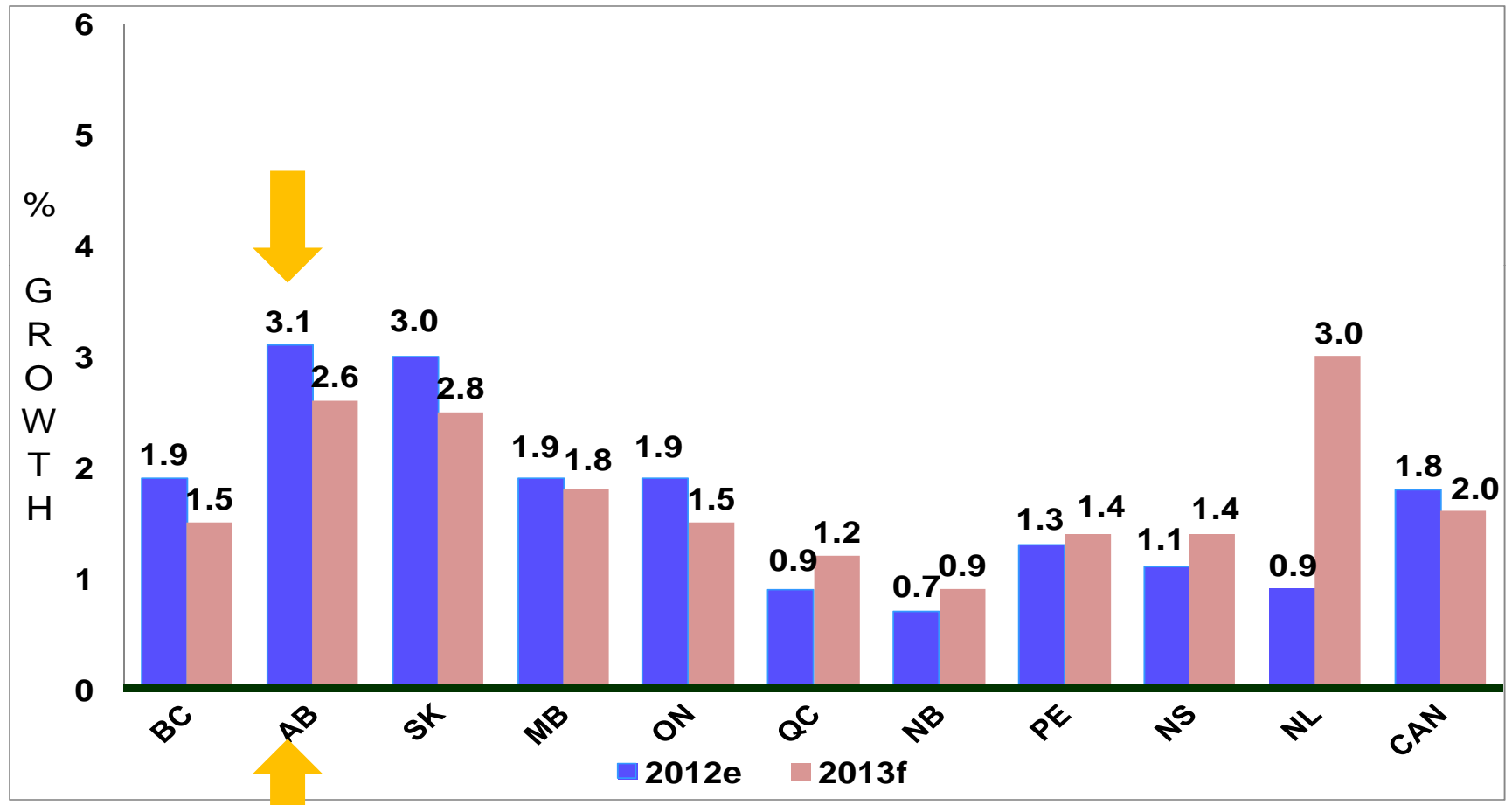
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2012/2013 Real GDP Growth by Province



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Source: ScotiaBank Group, Global Forecast Update, March 27, 2013

Alberta Economic Outlook



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	2000-2011 Average	2012 Estimate	2013 Forecast	2014 Forecast
GDP Growth	3.0%	3.1%	2.6%	3.1%
Employment (% Change)	2.6%	2.7%	2.0%	2.0%
Unemployment Rate	4.8%	4.6%	4.4%	4.3%
Housing Starts (annual, 000's of units)	34	33	29	29

Source: Scotiabank Group, Global Forecast Update – March 27, 2013

Alberta 2012 Tourism Indicators



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- ▶ Air passenger volumes up 6.4% year end 2012 in Edmonton and up 6.4% year end 2012 for Calgary (International Airports Only)
- ▶ 2012 (YTD November) Attendance Up 3.5% in Banff National Park and up 2.8% in Jasper National Park
- ▶ 2012 (YTD November) Food Services & Drinking Place Receipts up 8.0% over 2011 results
- ▶ Year 2012 Attendance at Historic Sites and Museums UP - 7.2% over 2011 results
- ▶ Total Employment – Accommodation and Food Services sector up 1.6% vs. 2011 Totals

Alberta Travel Outlook 2012/13



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% Changes	2011 Actual	2012 Forecast	2013 Projection
Business Travel Overnight Domestic	3.8%	4.2%	2.4%
Pleasure Travel Overnight Domestic	1.9%	3.9%	2.9%
U.S. Overnight Travel	(-4.5%)	4.8%	0.6%
Overseas Overnight Travel	2.3%	0.7%	2.0%
TOTAL OVERNIGHT TRAVEL	1.7%	4.0%	2.7%

Source: Canadian Tourism Research Institute, Conference Board of Canada Fall 2012 Forecast

Supply & Demand Outlooks

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Accommodation Supply in Alberta



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- ▶ Over 1,000 rooms to open province wide in 2013
- ▶ More than 80.0% of these new rooms opening in Edmonton and Calgary
- ▶ Calgary Airport area very busy with construction and proposals
- ▶ New construction activity still very busy in 2012 and 2013 in Saskatchewan (Regina, Saskatoon, Yorkton, Swift Current, Estevan) still keeping some developers outside of Alberta
- ▶ Renovations and branding/rebranding
- ▶ Development costs creeping upward in 2013 – Contractors still busy with other types of projects
- ▶ There are lenders out there looking for good opportunities!!

Alberta – Occupancy & ADR 2010 to 2012



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	2010 Actual OCC%	2011 Actual OCC%	2012 Actual OCC%	2010 Actual ADR	2011 Actual ADR	2012 Actual ADR
Overall Alberta (Excl Resorts)	58.4%	62.2% ↑	65.6% ↑	\$125.19	\$125.54 ↑	\$132.24 ↑
Red Deer	47.1%	51.6% ↑	56.8% ↑	\$102.11	\$103.07 ↑	\$107.53 ↑
Lethbridge	56.1%	56.9% ↑	58.3% ↑	\$100.61	\$102.43 ↑	\$107.00 ↑
Resorts	52.3%	54.0% ↑	56.4% ↑	\$186.93	\$186.64 ↓	\$196.10 ↑
Other Alberta*	50.7%	60.6% ↑	62.7% ↑	\$118.30	\$118.64 ↑	\$126.61 ↑

* NOTE: "Other Alberta" EXCLUDES Red Deer, Lethbridge, Resorts, Calgary and Edmonton results.

Other Alberta Historic Performance

(Excludes Calgary, Edmonton, Red Deer, Lethbridge, Resorts)



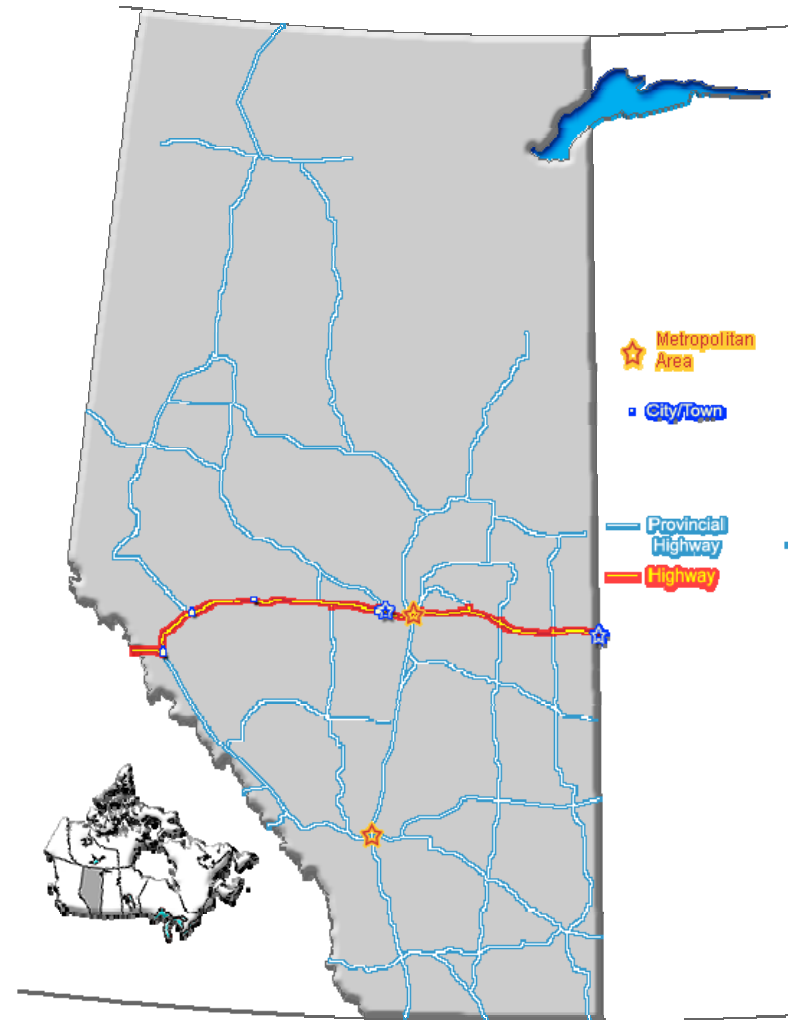
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Other Alberta North*	2011	2012
Occupancy	62.6%	65.1%
ADR	\$121.13	\$130.74
RevPar	\$75.83	\$85.16

* Properties in Communities located ON or NORTH of Highway 16

Other Alberta South*	2011	2012
Occupancy	56.3%	58.3%
ADR	\$112.80	\$116.61
RevPar	\$63.47	\$67.96

* Properties in Communities located SOUTH of Highway 16



Source: PKF Consulting Inc, Wikipedia maps

Year to Date (Jan-Feb only) Historic Performance



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	2011 YTD Actual	2012 YTD Actual	2013 YTD Actual
Overall Alberta (Excl. Resorts)	54.8%	59.1%	61.3%
RevPAR	\$122.63 \$67.20	\$128.10 \$75.74	\$134.08 \$82.12
Calgary	56.5%	60.4%	62.7%
RevPAR	\$139.41 \$78.77	\$146.79 \$88.64	\$156.20 \$97.93
Edmonton	55.1%	59.3%	61.9%
RevPAR	\$118.59 \$65.36	\$120.90 \$71.69	\$124.69 \$77.24
Alberta Resorts	38.0%	40.0%	40.6%
RevPAR	\$151.47 \$57.59	\$156.02 \$62.38	\$164.60 \$66.79
“Other” Alberta (Incl. Lethbridge and Red Deer)	53.3%	58.1%	59.8%
RevPAR	\$112.41 \$59.87	\$119.33 \$69.29	\$124.81 \$74.58

Historic Comparisons 2000 to 2012



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	2000 Actual	2007 Actual	2011 Actual	2012 Actual
Overall Alberta (Excl. Resorts)	65%	72%	62%	66%
RevPAR	\$93	\$126	\$126	\$132
	\$61	\$92	\$78	\$87
Calgary	65%	74%	67%	70%
RevPAR	\$112	\$142	\$145	\$156
	\$73	\$105	\$97	\$110
Edmonton	63%	75%	62%	67%
RevPAR	\$87	\$114	\$119	\$122
	\$55	\$85	\$74	\$81
Alberta Resorts	68%	63%	54%	56%
RevPAR	\$194	\$211	\$187	\$196
	\$131	\$133	\$101	\$111
“Other” Alberta (Incl. Lethbridge and Red Deer)	67%	66%	59%	62%
RevPAR	\$73	\$118	\$114	\$121
	\$49	\$78	\$67	\$74

Oil and Gas Factors Affecting Accommodation Demand



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- ▶ Impacts of delay in Keystone XL pipeline decision
- ▶ Natural gas prices are creeping upward, but comparatively speaking they are still low – few incentives to drill or add significant amounts of new pipelines in 2013
- ▶ Oil prices relatively stable – encourages continuation of oil drilling activities and construction related to oil sands (in most cases)
- ▶ Search for liquids rich natural gas continues
- ▶ Total wells drilled in 2013 to be 2% HIGHER in Alberta than for 2012 (PSAC Forecast – updated January 24, 2013)
- ▶ January – March drilling season reported to be strong in certain areas of the province
- ▶ Hotel markets where there is industry supporting oil and oil sands activities saw improvements in 2012. This should continue in 2013

Oil Drilling – Alberta

Well Completions (2004-2013 YTD)



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Oil Well Completions by Month & Year										
Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Jan	313	215	226	253	156	270	357	226	209	293
Feb		489	353	144	116	158	263	306	174	208
Mar		516	650	397	321	263	291	222	242	334
Apr		405	419	198	111	309	263	233	176	271
May		296	602	400	71	174	116	178	147	187
Jun		205	209	126	36	68	229	144	166	252
Jul		348	105	131	79	176	123	119	208	141
Aug		380	451	168	101	262	271	236	241	241
Sep		447	1030	357	146	414	285	225	307	188
Oct		588	626	402	132	297	234	372	281	176
Nov		533	559	579	169	272	281	354	228	178
Dec		523	568	676	121	613	191	390	389	136
Total	313	4945	5798	3831	1559	3276	2904	3005	2768	2605

Source: Nickels Daily Oil Bulletin

Gas Drilling – Alberta

Well Completions (2004-2013 YTD)



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Gas Well Completions by Month & Year

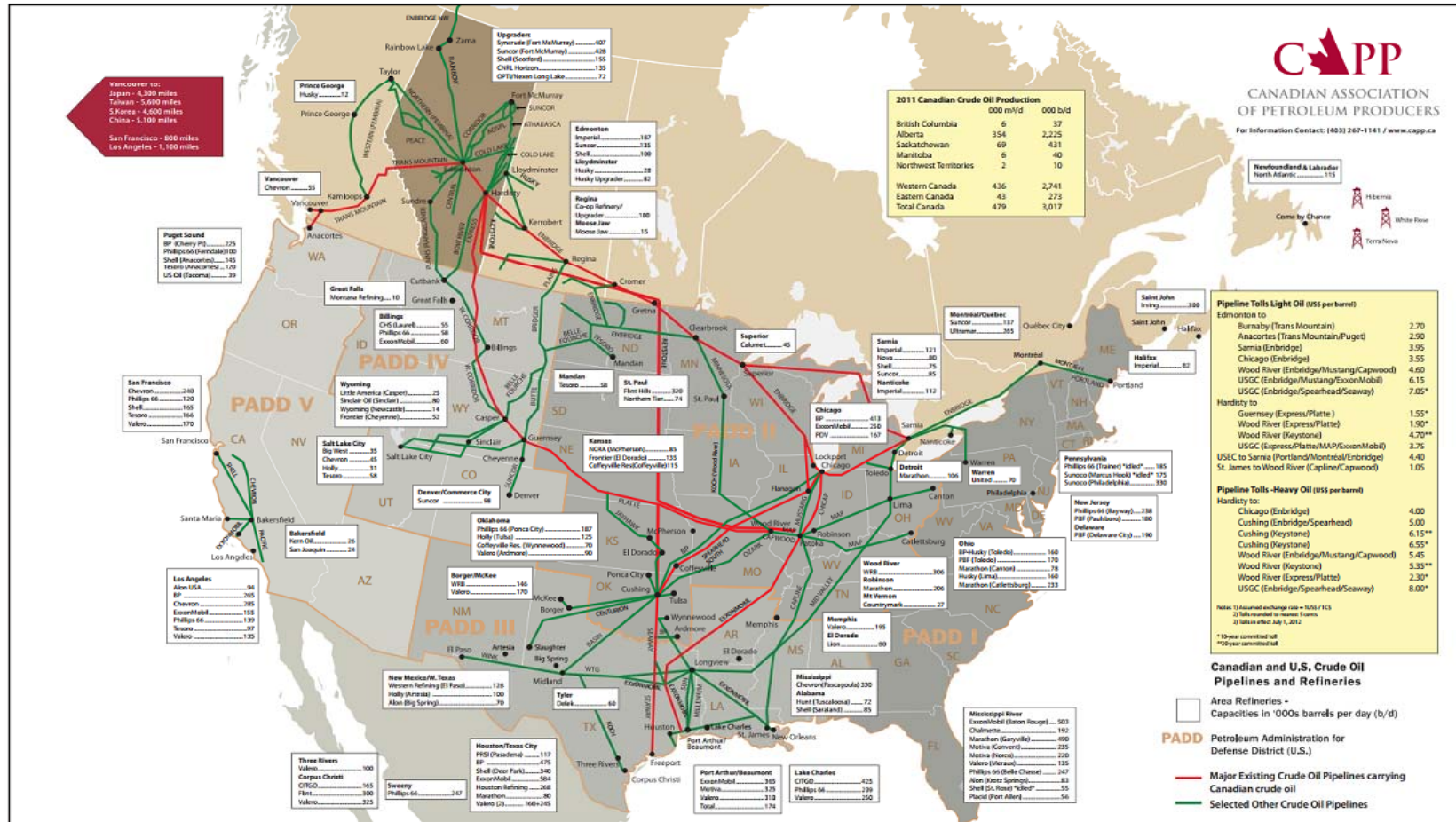
Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Jan	59	131	145	324	606	1370	1429	1038	1147	1256
Feb		181	294	308	899	610	1242	1211	790	430
Mar		146	974	632	979	952	1250	1498	1150	1133
Apr		141	472	418	342	897	899	1558	1069	1075
May		62	196	462	187	322	389	841	771	1135
Jun		12	124	117	143	202	436	752	833	764
Jul		46	43	110	178	554	635	500	694	909
Aug		98	183	135	217	372	549	778	1291	1257
Sep		65	356	638	155	1084	789	785	841	1123
Oct		81	259	461	160	937	1369	1176	904	1380
Nov		137	243	847	212	1075	1117	1337	1254	1526
Dec		110	299	403	127	1929	599	1272	1961	797
Total	59	1210	3588	4855	4205	10304	10703	12746	12705	12785

Source: Nickels Daily Oil Bulletin

Pipelines



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Source: Canadian Association of Petroleum Producers

Canadian Business Travel Outlook

2013 – Survey Highlights



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- ▶ 43% of Canadian companies that responded expect their volume of business travel will increase in 2013, 28% expect volumes to remain the same
- ▶ Overall business travel budgets are projected to increase by 1.6% in 2013 (up from the 2012 Survey projection of 1.4%)
- ▶ 61% of respondents expect hotel room rates to increase in 2013 (9% expect a decrease, 31% expect rates to remain the same)
- ▶ Respondents project corporate rates for domestic lodging will increase by 1.4% in 2013
- ▶ 38% of companies support or provide business traveller applications for their traveller's mobile devices. 14% indicated they are "looking into it"

Source: Conference Board of Canada, Association of Corporate Travel Executives

Meetings and Conference Demand – 2013 Survey



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2013 Meetings Forecast – North America (Amex Meetings & Events)

- ▶ 36% of meeting planner respondents indicated the # of meetings they will hold in 2013 will increase (34% will remain the same, 30% will decrease)
- ▶ # of days per meeting remains relatively the same as in 2012
- ▶ 70% of respondents indicated # of attendees per event will either increase or remain the same as in 2012
- ▶ 24% of respondents indicated their meetings budgets are going up in 2013 (37% will remain the same, 39% decreasing!!)
- ▶ 44% indicated they will continue to shift away from using luxury/upscale hotels & resorts (as they did in 2012)
- ▶ However, use of resorts is stabilizing (thanks largely to stability in the incentrive travel segment)
- ▶ Push toward more local meetings is driven by budget concerns but in some markets lack of availability in preferred cities/resorts also pushing this trend in 2013

Meetings and Conference Planner Survey – Notable Trends



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Destination Hotels & Resorts “State of the Meeting Industry Survey 2013”

- ▶ “Location” was most important consideration when selecting a venue, which is a shift from last year when “price” ranked higher
- ▶ 45% of respondents indicated eco-friendly practices by the host venue were “Somewhat Important”, while 18% indicated “Extremely Important”
- ▶ 78% of respondents indicated culinary offerings were either “Somewhat Important” or “Extremely Important” in venue selection
- ▶ 43% cited that culinary packages focusing on “Health & Nutrition” were important
- ▶ 54% indicated that they prefer destinations that have “Adventure/Active Options” for teambuilding activities
- ▶ 50% indicated that Social Media play an integral part in their planning process for delegates
- ▶ Nearly 50% of planners read online reviews before selecting a venue
- ▶ 36% of respondents indicated they will increase their use of technology integration in meetings in 2013 (ie. Streaming media, web conferencing & on site video production)

Other Key Factors Affecting Demand for Alberta



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- ▶ National GDP growth steady for 2013, Provincial growth is strong
- ▶ Domestic Business and Leisure travel by Canadians, Albertans in particular, still driving room demand activity in the Province
- ▶ Worries that consumer confidence levels in Alberta may drop
- ▶ US economic recovery picking up
- ▶ Outbound travel by Canadians is still hurting domestic leisure travel volumes
- ▶ Airports/air service changes will help travel volumes

Calgary Market Outlook



Calgary Region Economic Indicators



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▶ **General Economy**

- Calgary has one of the country's strongest economies, and is projected to see highest GDP growth rates in the +3% range over the next few years
- Office space and industrial construction strongest in Canada for 2013
- Unemployment rate to remain low
- Housing starts up, building permit values strong

▶ **New Supply 2013**

- Hampton Inn - Calgary Airport
- Homewood Suites - Calgary Airport
- Radisson Hotel & Conference Centre – Calgary Airport
- Acclaim Inn Expansion – Calgary Airport
- Aloft Conversion/Expansion – Motel Village

Calgary Travel Outlook 2012/13



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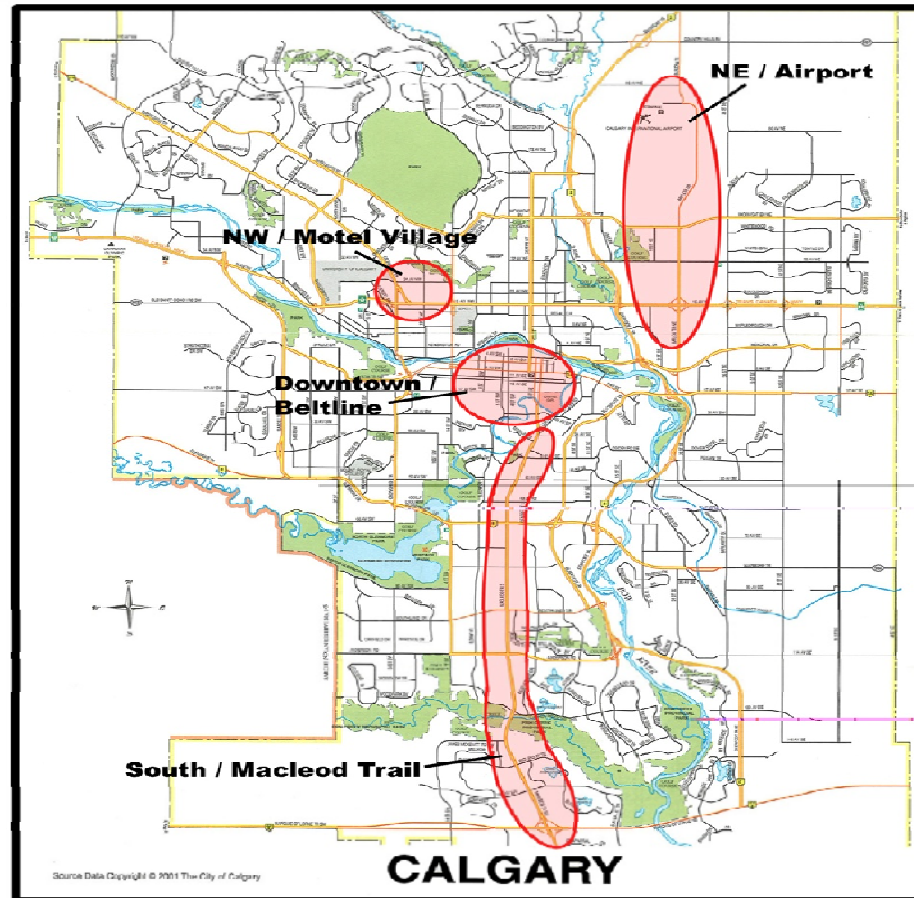
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Pleasure Travel Overnight Domestic	5.8%	1.7%
U.S. Overnight Travel	5.8%	0.2%
Overseas Overnight Travel	1.1%	2.0%
TOTAL OVERNIGHT TRAVEL	3.6%	2.4%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2012 Forecast

Calgary



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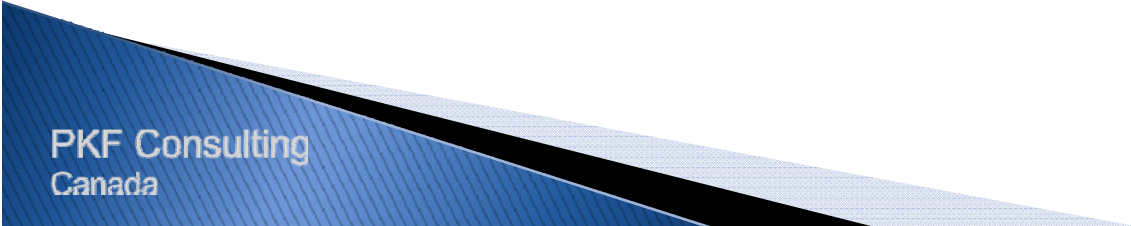
Calgary Accommodation Market Performance



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	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 <i>Projection</i>
Occupancy	73.9%	71.7%	65.0%	64.0%	66.7%	70.5%	71%
ADR	\$142.40	\$151.35	\$144.45	\$142.97	\$145.26	\$156.04	\$160
RevPAR	\$105.23	\$108.59	\$93.87	\$91.45	\$97.85	\$110.01	\$113

Source: PKF Trends in the Hotel Industry



Source: PKF Consulting Inc.

Detailed Analysis of Impact of Major Events - Calgary 2012 vs. 2011



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	2011 Actual	2012 Actual	DIFF
June Only (Global Petroleum)	75.0%	78.1%	
ADR	\$151.79	\$172.43	\$20.64
RevPAR	\$113.87	\$134.62	\$20.75
July Only (Stampede Centennial)	77.9%	83.3%	
ADR	\$161.41	\$184.92	\$23.51
RevPAR	\$125.76	\$154.02	\$28.26
Other 10 Months	64.7%	68.5%	
ADR	\$142.54	\$150.73	\$8.19
RevPAR	\$92.24	\$103.24	\$11.00
Overall Calendar Year	66.7%	70.5%	
ADR	\$145.26	\$156.04	\$10.78
RevPAR	\$97.85	\$110.01	\$12.16

Source: PKF Trends in the Hotel Industry



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Edmonton Market Outlook



Edmonton Region Economic Indicators



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▶ **General Economy**

- Edmonton had the country's strongest economy in 2012 (4.4%)
- Projected to see highest GDP growth rates in the +3% range over the next few years

▶ **New Supply 2013-14**

- Four Points by Sheraton – Edmonton Airport/Nisku
- Renaissance Marriott Hotel @ YEG Terminal - Edmonton Airport

▶ **Major Events**

- Tim Hortons Brier 2013 – March 2-10, 2013
- Tour of Alberta (Pro-Cycling) – Sept 2-3 2013
- Canadian Country Music Awards – Sept 5-8, 2013

Edmonton Travel Outlook 2012/13



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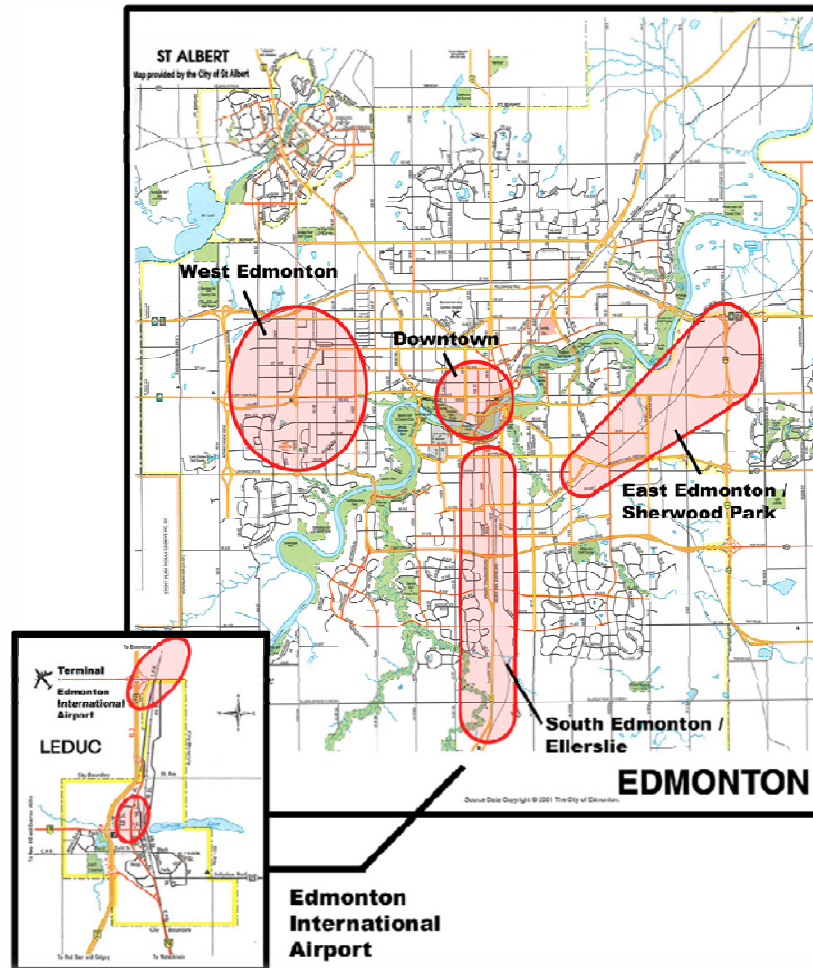
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Pleasure Travel Overnight Domestic	3.8%	3.4%
U.S. Overnight Travel	4.8%	1.2%
Overseas Overnight Travel	1.0%	2.9%
TOTAL OVERNIGHT TRAVEL	3.7%	3.0%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2012 Forecast

Edmonton



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Edmonton Accommodation Market Performance



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	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 <i>Projection</i>
Occupancy	74.9%	73.2%	64.7%	61.7%	62.4%	66.5%	68%
ADR	\$112.96	\$122.87	\$120.38	\$119.56	\$118.65	\$122.42	\$126
REVPAR	\$84.61	\$89.94	\$77.83	\$73.74	\$73.99	\$81.41	\$86

Source: PKF Trends in the Hotel Industry

Financial & Investment Analysis



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Historic Expense Ratios – Alberta Full Service – Year 2011



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Departmental Expenses	\$ Per Available Room	% of <u>Dept</u> Revenue
Rooms	\$8,029	26.6%
Food & Beverage	\$11,765	71.5%
Other Operated Departments*	\$1,108	65.4%
Undistributed Expenses	\$ Per Available Room	% of <u>Total</u> Revenue
Administration & General	\$4,656	9.4%
Marketing/Guest Entertainment	\$2,964	6.0%
Property Op. & Maintenance	\$2,312	4.7%
Energy Costs	\$2,118	4.3%
Property Taxes	\$1,687	3.4%
Insurance	\$224	0.5%

* Other Operated Departments includes Telecommunication expenses

Historic Expense Ratios – Alberta Limited Service - Year 2011



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Departmental Expenses	\$ Per Available Room	% of <u>Dept</u> Revenue
Rooms	\$5,144	20.0%
Other Operated Depts*	\$286	50.1%
Undistributed Expenses	\$ Per Available Room	% of <u>Total</u> Revenue
Administration & General	\$2,516	9.0%
Marketing/Guest Entertainment	\$911	3.3%
Property Op. & Maintenance	\$1,671	6.0%
Energy Costs	\$1,266	4.5%
Property Taxes	\$1,179	4.2%
Insurance	\$58	0.2%

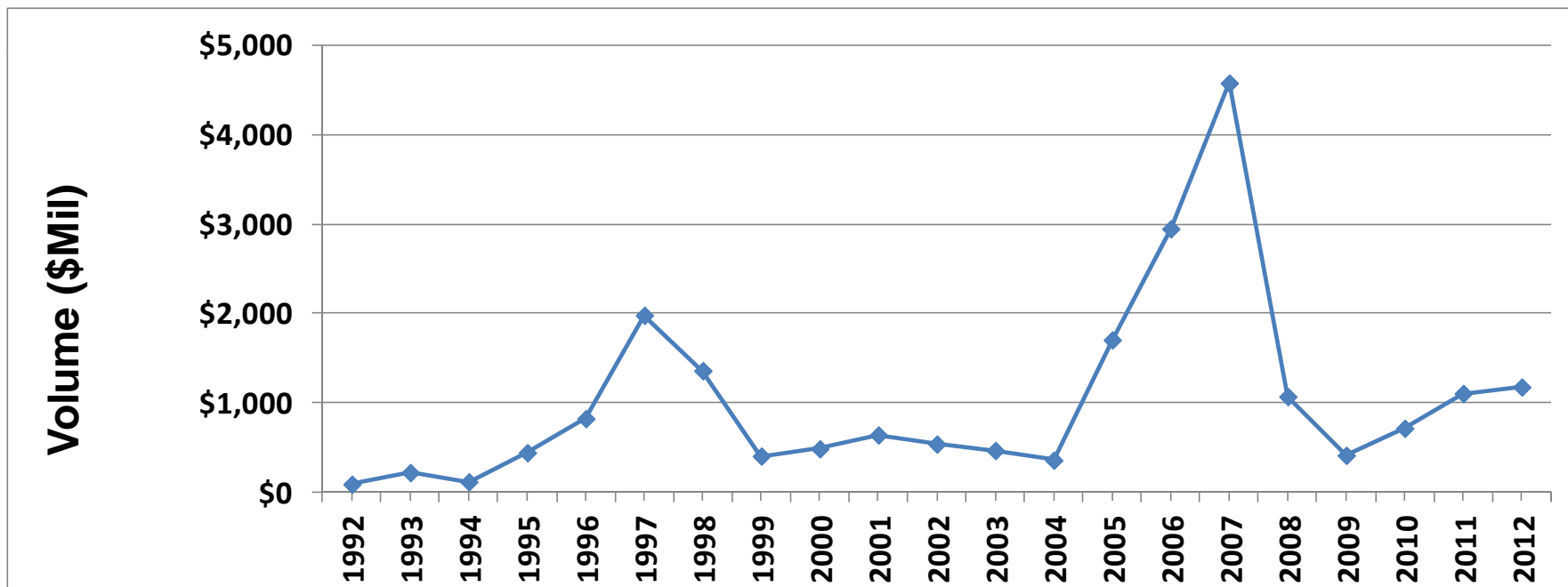
* Other Operated Departments includes Telecommunication expenses



National Transaction Overview

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	2007	2008	2009	2010	2011	2012
Total Transactions	169	92	74	86	99	116
Volume (\$ Millions)	\$4,580	\$1,072	\$414	\$717	\$1,107	\$1,178



Source: Colliers International Hotels 2013 Canadian Hotel Investment Report



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Alberta Transaction Overview

Canada	2007	2008	2009	2010	2011	2012
Total Transactions	169	92	74	86	99	116
Volume (\$ Millions)	\$4,580	\$1,072	\$414	\$717	\$1,107	\$1,178
Alberta	2007	2008	2009	2010	2011	2012
Total Transactions	43	14	9	14	17	30
Volume (\$ Millions)	\$549	\$280	\$66	\$114	\$194	\$391
% Volume of Total	12%	27%	16%	16%	18%	34%

Source: Colliers International Hotels 2013 Canadian Hotel Investment Report



**34% of Total Transaction
Volume in Canada in 2012**

Factors on Lending and Investment



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Alberta lenders are listening and paying attention to the sector

Restrictions on lending remain in place – branded vs independent properties, loan amounts, amortization periods

Outlook for 2013 for Capitalization Rates and Return expectations reflect some modest compression from 2011 and 2012 levels

PKF Projections for 2013 (National):

Overall Capitalization Rates (Next 12 Months): 8.5%-9.5%

Terminal Capitalization Rates: 9.0%-10.0%

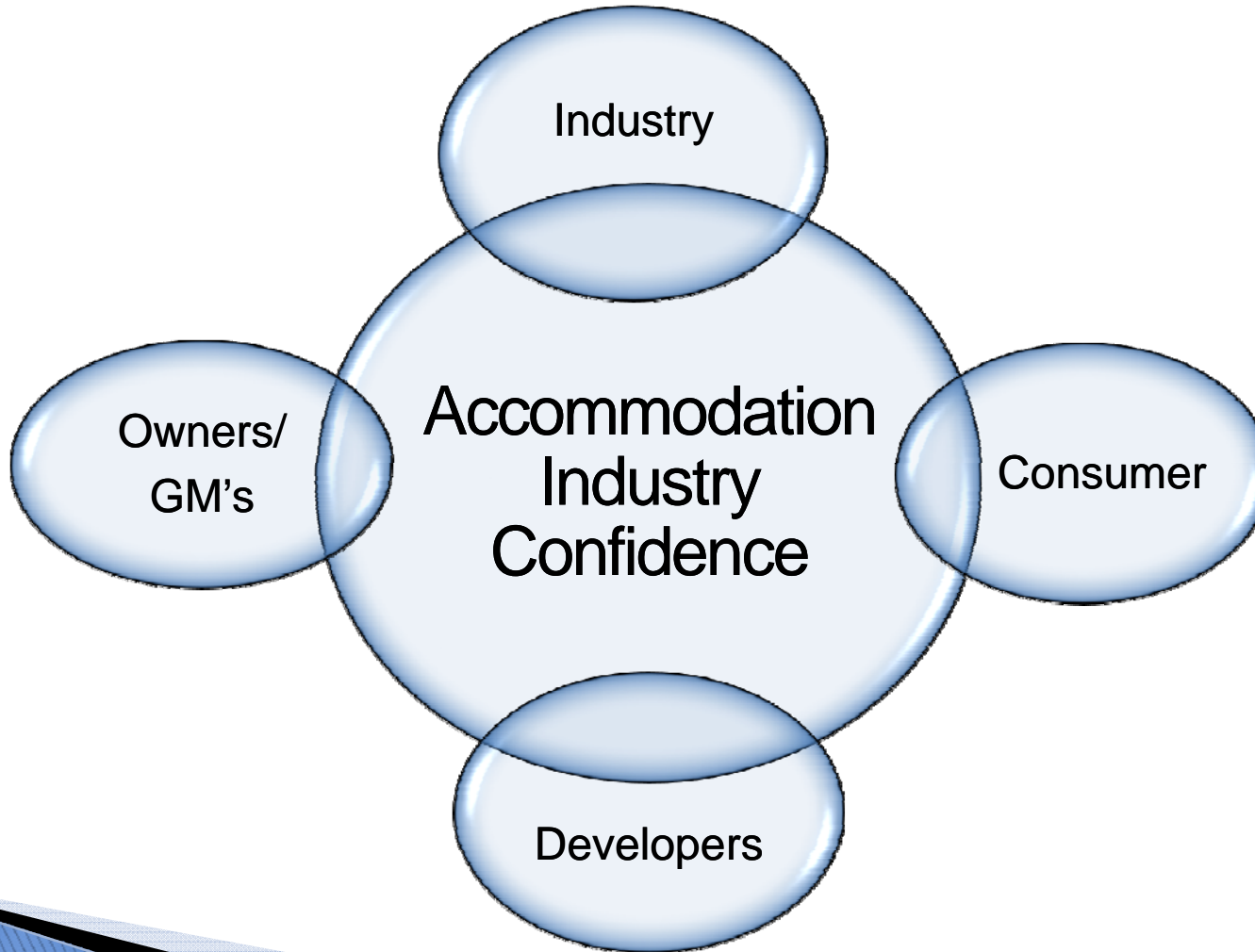
Discount Rates: 11.0%-12.0%

Confidence!!

Accommodation Sector In Alberta Relies on Confidence!



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Key Takeaways

- ▶ 2012 performance was stronger in many accommodation markets compared with 2011
- ▶ Fundamentals changing, but 2013 should also be a better year in many markets
- ▶ Continue to strive for ADR growth
- ▶ Despite pipeline and capacity concerns, oil/oil sands activity seems to be charging forward (but for how long?)
- ▶ Natural gas prices will be recovering slightly, but is it enough to result in more drilling activity? Not likely for 2013
- ▶ Many potential hotel acquisition opportunities
- ▶ Lenders are willing to listen
- ▶ Be Confident!

Thank you!!



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