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Alberta Accommodation Outlook

April 2008

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PKF Consulting provides:
Advisory Services exclusively to the Hospitality and tourism Industry, including hotels, resorts, spas, conference centres, casinos, golf courses and other tourism businesses.

- Strategic Advisory services such as Asset Evaluation and Asset Strategy, Appraisals and Valuations, Market Feasibility Studies and Economic Impact Analysis and increasingly we review and provide input to the budget/business planning for hotels.
- Trends in the Hotel Industry Market Report and Financial Reports, the only Proprietary Database of such information in Canada, maintained 30 years.

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Presentation Outline

1. Canadian Travel Outlooks
2. National Industry Outlook
3. Alberta Industry Outlooks
4. Industry Investment Issues

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Canadian Travel Outlooks

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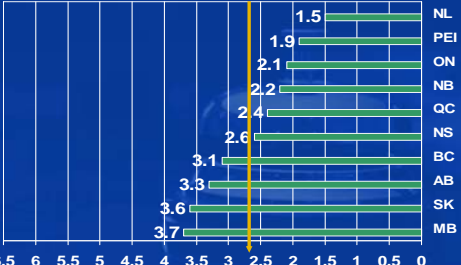
National Economic/Travel Outlook

	2006 Actual	2007 Forecast	2008 Projection
GDP Growth National	3.1%	2.4%	2.6%
Business Travel Overnight Domestic	5.9%	3.0%	3.2%
Pleasure Travel Overnight Domestic	4.2%	3.2%	3.9%
U.S. Overnight Travel	-3.4%	-3.6%	-5.3%
Overseas Overnight Travel	0.1%	4.7%	4.5%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2007

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2008 Real GDP Growth by Province



Province	2008 Real GDP Growth (%)
NL	1.5
PEI	1.9
ON	2.1
NB	2.2
QC	2.4
NS	2.6
BC	3.1
AB	3.3
SK	3.6
MB	3.7

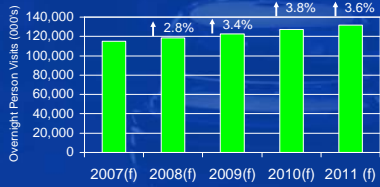
Gross Domestic Product at Basic Prices (2002 \$)
Source: Conference Board of Canada, Statistics Canada, Winter 2008

2.6% Canada



Travel Outlook – Canada

Total Overnight Person Visits (2007f - 2011f)



Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2007



Business Travel Outlook

3.0% Growth in 2007

3.2% Growth in 2008

2.9% Growth in 2009

Pros

- ✓ Continued economic growth
- ✓ Number of business trips are still increasing
- ✓ Led by the Domestic market – Particularly in Western Canada

Cons

- *Loss in manufacturing jobs
- *Weak export market due to strong Canadian dollar
- *Sensitive to slowdown in the US economy

Source: Conference Board of Canada, Canadian Travel Research Institute, Fall 2007



Business Travel Outlook

Main Concerns

1. Will Western Canada continue to achieve strong growth?
2. What is the spillover from the U.S. slowdown?

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Meeting/Conference Outlook

Pros

- ✓ Continued Upgrading and Expansion of Supply
- ✓ Increased direct air capacity to many International destinations
- ✓ Increased MC&IT sales efforts through Rooms Taxes and Convention Development Funds

Cons

- ✗ WHTI requiring passports
- ✗ Decreased price competitiveness of Canada

1.0% Growth in 2007
3.0% Growth in 2008

Source: PKF Consulting

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Domestic Leisure Travel Outlook

3.2% Growth in 2007
3.9% Growth in 2008
2.9% Growth in 2009


Pros

- ✓ Continued growth in real disposable income
- ✓ Continued increase in air travel
- ✓ Canadian dollar should moderate

Cons

- ✗ Strong Canadian dollar enticing Canadians to travel out of the country
- ✗ Consumer confidence waning in some regions of Canada
- ✗ High gas prices are increasing the prices of short trips
- ✗ Lack of Labour Supply

Source: Conference Board of Canada, Canadian Travel Research Institute, Fall 2007

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US Leisure Travel Outlook

Pros

- ✓ Extension of WHTI

Cons

- ✗ Continual decline in US Visitors
- ✗ Weak US housing market
- ✗ Weak US dollar
- ✗ Increased competitive destinations
- ✗ Gasoline prices affect travel decisions
- ✗ Border issues (real and perceived)

-3.6% Decline in 2007
-5.3% Decline in 2008
3.2% Growth in 2009

1. How long will the US economy continue to lag?

Source: Conference Board of Canada, Canadian Travel Research Institute, Fall 2007



Overseas Leisure Travel Outlook

4.7% Growth in 2007

4.5% Growth in 2008

4.5% Growth in 2009

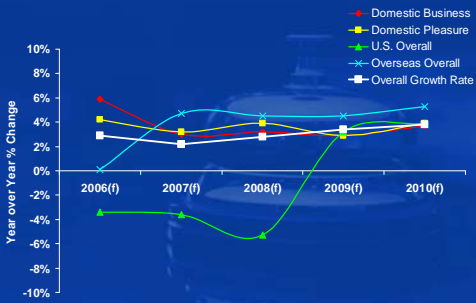
- | | |
|--|--|
| <p>Pros</p> <ul style="list-style-type: none">✓ Emerging Markets include: China, Mexico, South Korea, India✓ Increased direct air capacity to/from many International destinations | <p>Cons</p> <ul style="list-style-type: none">✗ Competition for International travel increasing |
|--|--|

Open Skies Agreements – Existing and Future Potential

Source: Conference Board of Canada, Canadian Travel Research Institute, Fall 2007



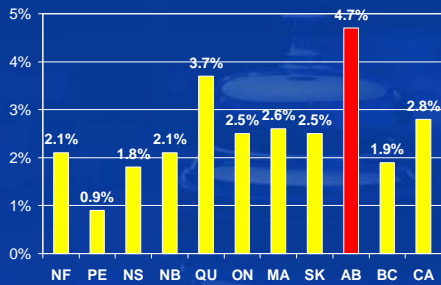
Travel Outlook – National



Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2007



Tourism Growth Projections by Province - 2008

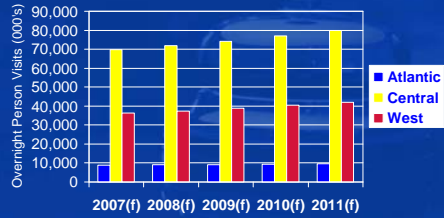


Source: Conference Board of Canada



Regional Travel Outlooks

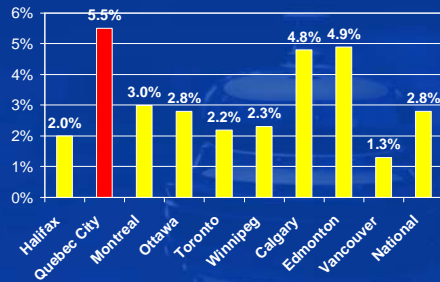
Regional Overnight Person Visits
(2007f - 2011f)



Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2007



Tourism Growth Projections by City - 2008

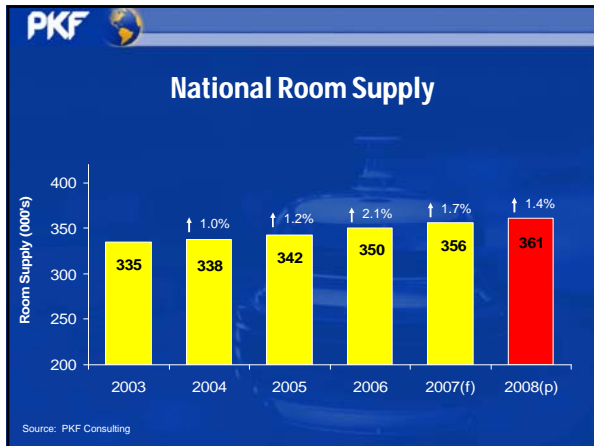


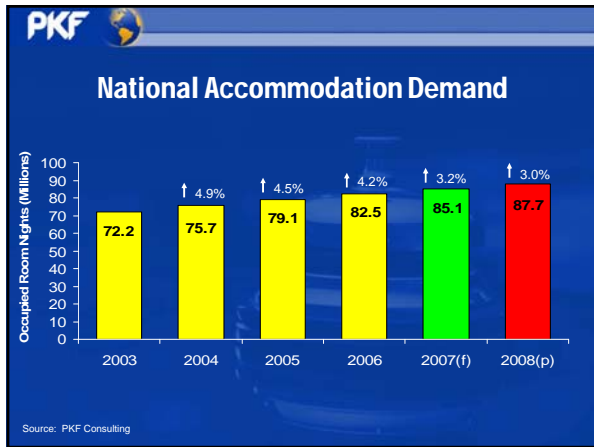
Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2007



National Industry Outlooks



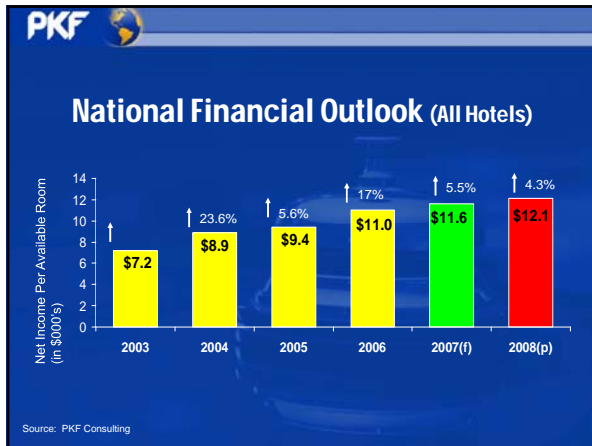


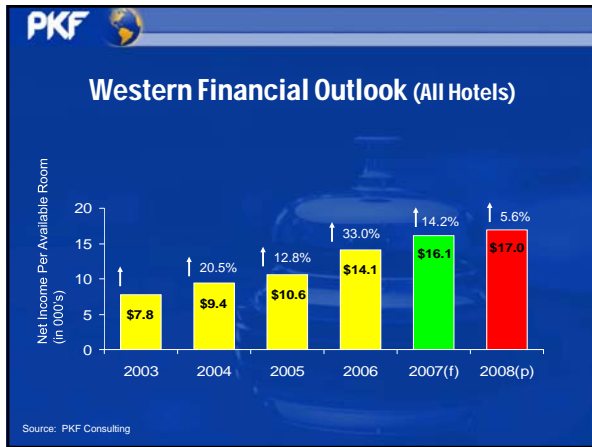


National Market Outlook

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Occupancy	59%	61%	63%	65%	65%	66%
ADR	\$114	\$116	\$119	\$123	\$127	\$131
RevPAR	\$67	\$71	\$75	\$79	\$83	\$86

Source: PKF Consulting

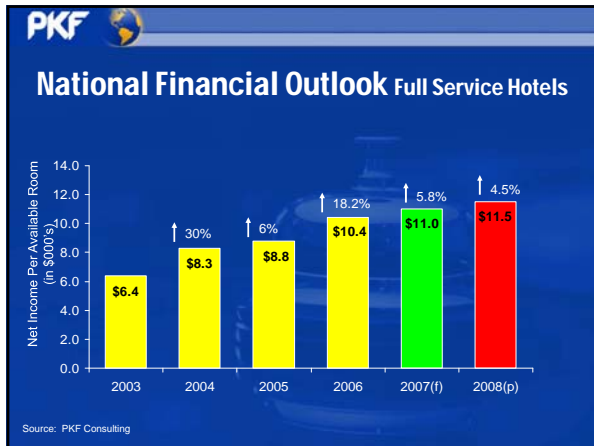




National Full Service Segment Outlook

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Occupancy-						
Full Service	60%	64%	65%	67%	68%	68%
ADR-						
Full Service	\$117	\$122	\$125	\$129	\$133	\$137
RevPAR-						
Full Service	\$70	\$78	\$81	\$86	\$90	\$94

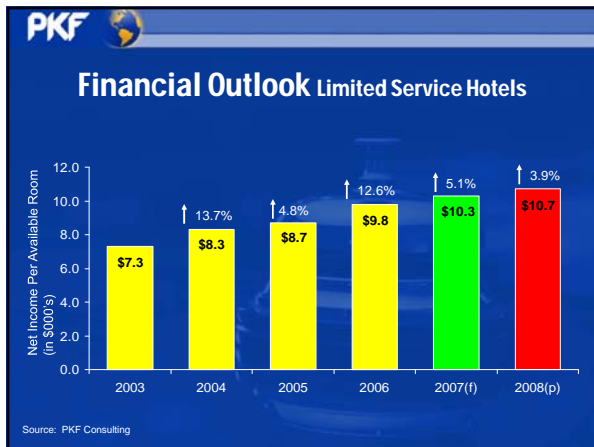
Source: PKF Consulting



National Limited Service Segment Outlook

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Occupancy-Limited Service	56%	59%	60%	60%	60%	61%
ADR-Limited Service	\$80	\$82	\$85	\$89	\$93	\$96
RevPAR-Limited Service	\$45	\$48	\$51	\$54	\$56	\$58

Source: PKF Consulting

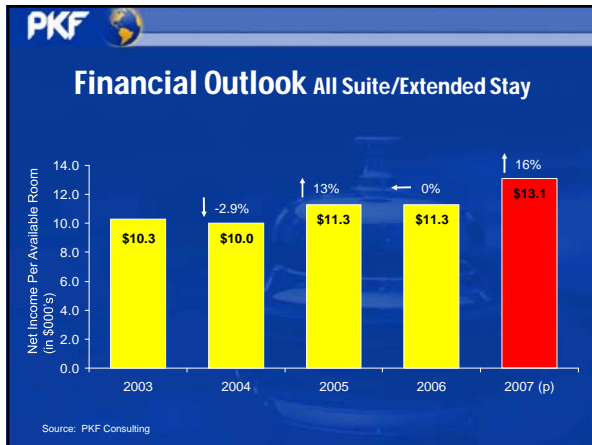


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All Suite & Extended Stay Outlook

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Occupancy- Suites/ES	62%	69%	71%	70%	69%	74%
ADR- Suites/ES	\$115	\$115	\$118	\$133	\$133	\$133
RevPAR- Suites/ES	\$71	\$79	\$84	\$93	\$97	\$98

Source: PKF Consulting

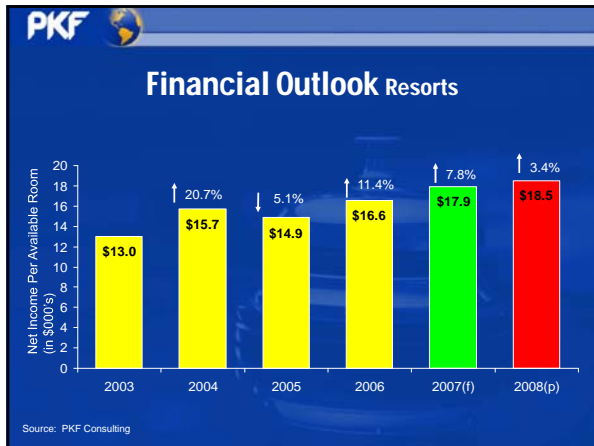


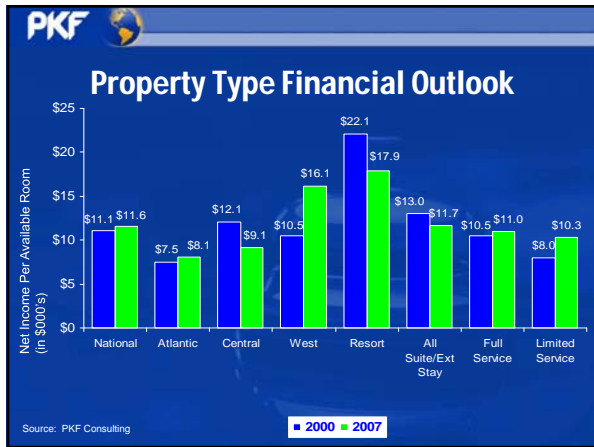
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Resort Segment Outlook

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Occupancy Resort	54%	55%	56%	56%	57%	57%
ADR Resort	\$188	\$186	\$184	\$188	\$195	\$201
RevPAR Resort	\$105	\$102	\$103	\$105	\$111	\$115

Source: PKF Consulting

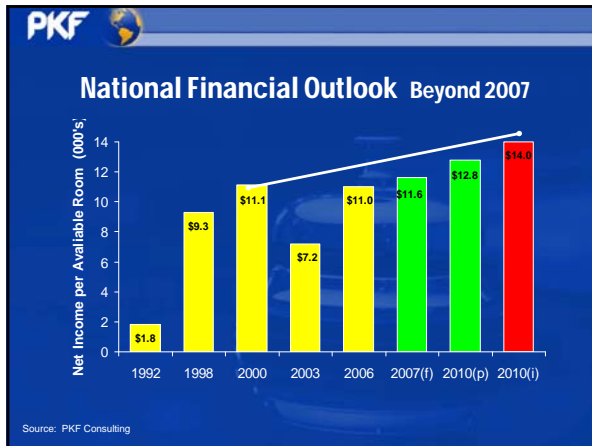




Beyond 2007 - National

	Occupancy	ADR	RevPAR
2000 Actual	65%	\$111	\$72
2007 Actual	65%	\$127	\$83
2010 Outlook	66%	\$139	\$92

Source: PKF Consulting





	Occupancy Percentage			Average Daily Rate		
	2007	2006	**Point Change	2007	2006	Variance
Property Size						
Under 50 rooms	57.0%	57.2%	-0.3	\$95.79	\$89.86	6.8%
50-75 rooms	64.1%	63.1%	1.0	\$99.41	\$92.14	7.9%
76-125 rooms	65.9%	65.1%	0.7	\$114.64	\$106.86	7.3%
126-200 rooms	70.4%	68.8%	1.6	\$118.89	\$108.67	9.4%
201-500 rooms	71.5%	69.6%	2.0	\$137.23	\$128.61	6.7%
Over 500 rooms	71.4%	70.5%	0.9	\$274.60	\$206.19	4.1%
Total	68.3%	67.0%	1.3	\$127.53	\$119.07	7.1%
Property Type						
Limited Service	65.2%	64.7%	0.5	\$96.39	\$89.43	7.8%
Full Service	70.6%	69.1%	1.5	\$129.47	\$120.91	7.1%
Suite Hotel	72.0%	70.8%	1.2	\$145.16	\$130.83	10.9%
Resort	62.1%	59.9%	2.2	\$203.63	\$195.28	4.3%
Total	68.3%	67.0%	1.3	\$127.53	\$119.07	7.1%
Price Level						
Budget	62.7%	62.1%	0.6	\$88.25	\$82.54	6.9%
Mid-Price	68.1%	67.7%	1.4	\$111.49	\$102.51	8.8%
Upscale	70.6%	69.0%	1.5	\$173.58	\$163.42	6.2%
Total	68.3%	67.0%	1.3	\$127.53	\$119.07	7.1%

Source: PKF Trends in The Hotel Industry December 2006



WESTERN CANADA OUTLOOK

	2003	2004	2005	2006	2007	2008
	Actual	Actual	Actual	Actual	Actual	Projection
Vancouver	62%	67%	69%	72%	74%	75%
	\$115	\$118	\$121	\$126	\$133	\$139
	\$71	\$79	\$83	\$91	\$98	\$104
Winnipeg	60%	63%	63%	65%	68%	71%
	\$92	\$92	\$94	\$99	\$103	\$108
	\$55	\$58	\$59	\$64	\$70	\$77
Western Canada	59%	62%	65%	67%	68%	69%
	\$109	\$113	\$114	\$119	\$128	\$133
RevPAR	\$64	\$70	\$74	\$80	\$87	\$92

Source: PKF Consulting



Alberta Industry Outlooks





2007 Alberta Tourism Highlights

- ✓ Direct Entries from U.S. residents increased 1.9%
- ✓ Direct Entries from Other Countries up 21.2%
- ✓ Air Passenger Volumes up in Edmonton & Calgary
- ✓ Total Employment –Accommodation & Foodservice Sector up 1.7%
- ✓ YTD (Nov) Attendance Up in Banff (3.3%) and Jasper (5.0%) National Parks
- ✓ YTD (Sept) Visitor Attendance at Historic Sites and Museums up 2.5%
- ✓ YTD (Oct) Restaurant Receipts up 7.0%

Source: Alberta Tourism, Parks and Recreation



Supply

Hotels

Franchise

Full service vs. Limited Service

Development

Growth in Supply

Development Costs

Product

Condo

Full Service, Limited Service, Suite/Extended Stay

Work Camps



Branded Hotel/ Guest Rooms

	Canada Guest Rooms	# of Properties	Alberta Guest Rooms	# of Properties
Total	445,524	8,341	65,359	1,121
% Branded	49%	22%	47%	26%





Accommodation Supply Estimates by Alberta TDR (# of Guest Rooms)

Alberta North	10.5%
Alberta Central	16.1%
Alberta South	10.5%
Canadian Rockies	20.2%
Edmonton & Area	21.8%
Calgary & Area	20.9%

Source: Alberta Tourism, Parks and Recreation - Based on 2006 Estimates



Hotel Development Cost Impact

- ✓ Rapid Escalation
- ✓ Material Cost Increase
- ✓ Non Residential Construction Costs in Calgary up > 18% (2006 and 2007)
- ✓ General Rule of Thumb has been 1.5% per Month Increase
- ✓ Will the Growth Abate?
- ✓ Influences Acquisition vs. Development Decisions
- ✓ Varies by product type
 - ✓ Full Service
 - ✓ Limited Service
- ✓ Franchise, Contractors and Quantity Surveyors



Demand

- ✓ Alberta Major Urban Communities
- ✓ Alberta Regional Communities
- ✓ Alberta Resort Communities

- ✓ Impact of Supply
- ✓ Impact of Energy Issues
 - ✓ Royalty Review
 - ✓ \$100+ Oil
 - ✓ Natural Gas Price Fluctuations
 - ✓ Drilling Activity
 - ✓ Mergers & Acquisitions



Alberta Major Urban Communities

- ✓ Segmentation
- ✓ Corporate
- ✓ Meeting & Conventions
- ✓ Major Special Projects
- ✓ Sports Tourism
- ✓ Tours
- ✓ Airline, Movie Crews
- ✓ Casino

- ✓ Impact of Supply
- ✓ Impact of Energy Issues

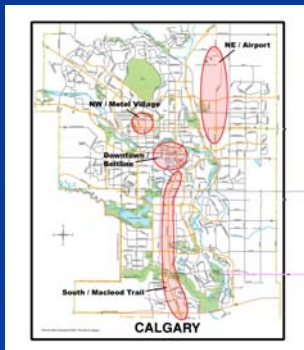


EDMONTON AND LEDUC /NISKU HOTEL CLUSTERS





CALGARY HOTEL CLUSTERS





Alberta Regional Communities

- ✓ Segmentation
- ✓ Oil and Gas & Other Resources
- ✓ Major Special Projects
- ✓ Construction
- ✓ Manufacturing/Production
- ✓ Forestry Industry Concerns

- ✓ Impact of Supply
- ✓ Impact of Energy Issues



Alberta Major Projects

- ✓ Upgraders in Sturgeon/Strathcona County/Wood Buffalo
- ✓ Impact of Prince Rupert Port Expansion
- ✓ Pipelines Construction
- ✓ Oilsands Projects
- ✓ Pine Beetle Harvest
- ✓ Highways/Road Construction



Oil & Gas

- ✓ Oilsands Projects
- ✓ Gas Projects
- ✓ Pipelines
- ✓ Coalbed Methane
- ✓ Supporting Infrastructure
 - ✓ Bitumen Upgraders
 - ✓ Road Construction/Widening
 - ✓ Schools/Recreation/Medical Facilities
 - ✓ Other Emergency Response Upgrades
- ✓ Oilsands and related construction projects workforce projected to peak in 2009 and 2010



Work Camps

- Open vs. Closed
- Competition for Fixed Roof Properties
- Pricing
- Lack of Availability
- Labour Challenges
- Executives/VIP Housing



Alberta Resort Communities

- ✓ Segmentation
- ✓ Meeting & Conventions
- ✓ Leisure
- ✓ Recreation

- ✓ Impact of Supply
- ✓ Global Economic concerns and their impact on demand



ALBERTA OUTLOOK

	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Projection
Calgary	61%	66%	70%	74%	74%	74%
	\$106	\$112	\$116	\$127	\$142	\$152
	\$65	\$74	\$81	\$95	\$105	\$112
Edmonton	62%	62%	66%	72%	75%	75%
	\$96	\$97	\$99	\$103	\$113	\$121
	\$60	\$60	\$65	\$75	\$83	\$90
Alberta Resorts	55%	57%	61%	62%	64%	63%
	\$197	\$202	\$204	\$206	\$211	\$229
	\$108	\$115	\$124	\$128	\$134	\$144
Western Canada	59%	62%	65%	67%	68%	69%
	\$109	\$113	\$114	\$119	\$128	\$133
RevPAR	\$64	\$70	\$74	\$80	\$87	\$92

Source: PKF Consulting



ALBERTA OCCUPANCY AND ADR

	2006 Actual	2007 Actual	2006 Actual	2007 Actual	Occupancy Point Change 2007/2006	ADR % Change 2007/2006
Alberta Excl. Resorts	72%	71%	\$113	\$126	-0.5	11%
Lethbridge	57%	60%	\$82	\$89	3.3	9%
Red Deer	62%	57%	\$91	\$95	-4.8	5%
Other Alberta	75%	69%	\$115	\$132	-6.3	15%
Edmonton	72%	75%	\$103	\$113	2.8	9%
Calgary	74%	74%	\$127	\$142	-0.3	12%

Source: PKF Consulting



Alberta Hotels by Department

- ✓ Hotel Expense Comparison 2000-2006
- ✓ Expense Categories In Line with Inflation
- ✓ Expense Rapid Cost Escalation

Source: PKF Trends In The Hotel Industry



Historic Expense Ratios – Alberta Full Service Hotels

	2006 (Per Available Room)	2006 (% of Dept Revenue)
Rooms	\$7,517	24.5%
F&B	\$11,942	67.2%
Telecom	\$303	86.6%
Other Depts	\$1,431	70.5%

Source: PKF Consulting

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Historic Expense Ratios – Alberta Full Service Hotels

	2006 (Per Available Room)	2006 (% of Total Gross Revenue)
Admin/General	\$3,786	7.3%
Marketing	\$2,343	4.5%
Maintenance	\$1,846	3.6%
Energy	\$2,124	4.1%
Property Tax	\$1,462	2.8%
Insurance	\$230	0.4%

Source: PKF Consulting

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Historic Expense Ratios – Alberta Limited Service Hotels

	2006 (Per Available Room)	2006 (% of Dept Revenue)
Rooms	\$4,996	19.2%
F&B	\$0	0.0%
Telecom	\$54	62.1%
Other Depts	\$347	59.5%

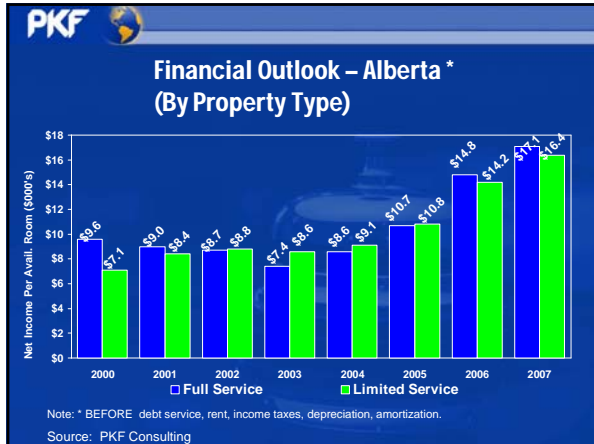
Source: PKF Consulting

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Historic Expense Ratios – Alberta Limited Service Hotels

	2006 (Per Available Room)	2006 (% of Total Gross Revenue)
Admin/General	\$2,008	7.2%
Marketing	\$966	3.4%
Maintenance	\$1,050	3.7%
Energy	\$1,157	4.1%
Property Tax	\$962	3.4%
Insurance	\$91	0.3%

Source: PKF Consulting



- ### Alberta Accommodation Outlook Summary – 2008 and Beyond
- ✓ Fundamentals still strong for solid RevPar and Net Income performance
 - ✓ Most markets that have stagnant demand growth are still getting ADR growth
 - ✓ Energy companies have too much invested in Province to abandon projects
 - ✓ Property tax increases still an issue as municipalities struggle with growth
 - ✓ New construction/property expansion opportunities exist, but you must complete due diligence and control construction costs

- ### Alberta Accommodation Outlook Summary – 2008 and Beyond
- ✓ Labour issues to remain a major challenge
 - ✓ Renovations – What shape is your property in?
 - ✓ Oversupply – Some markets need additional demand growth to absorb recent new additions

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Industry Investment Issues



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Overview of Investments in Hotels

- ✓ US Perspective vs. Canada
- ✓ Yield Rates
- ✓ Capitalization Rates
- ✓ Discount Rates
- ✓ Impact on Hotel Values
- ✓ Loan to Value Ratio



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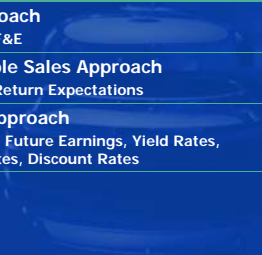
The Fundamentals of Valuations

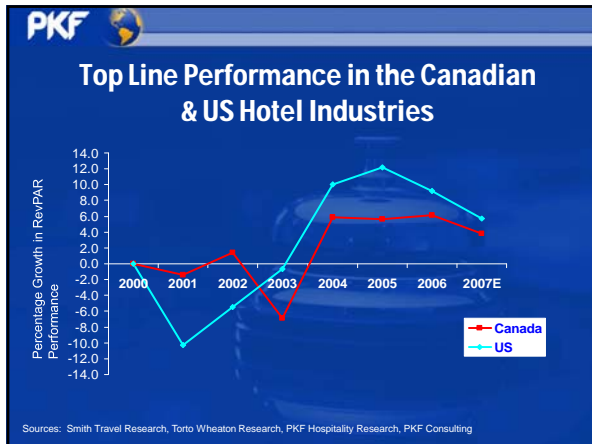
Valuation Approaches

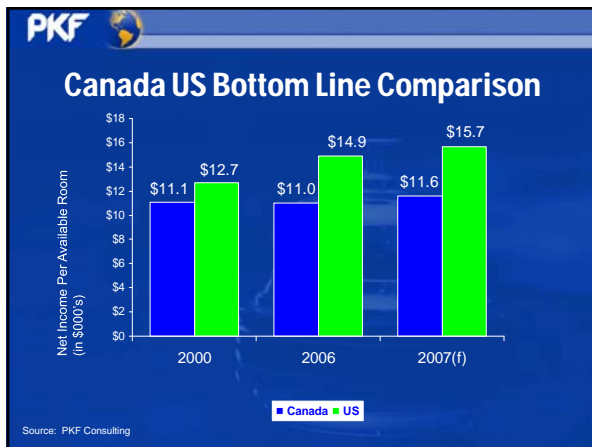
The Cost Approach
Land, Building, FF&E

The Comparable Sales Approach
Price per Room, Return Expectations

The Income Approach
Historic Earnings, Future Earnings, Yield Rates,
Capitalization Rates, Discount Rates








Investment Trends in the US Lodging Industry

	1995	2000	2005	2006	2007
Overall Capitalization Rate	11.0%	11.3%	9.7%	8.9%	9.1%
Discount Rate	14.6%	14.5%	13.7%	13.3%	13.0%
Holding Period (Years)	6.3	8.6	6.9	6.3	8.2
Debt Coverage Ratio	1.4	1.4	1.4	1.4	1.4
Interest Rate	9.6%	9.2%	7.2%	7.1%	7.0%
Loan-to-Value Ratio	69.1%	66.4%	70.6%	68.5%	69.8%

Source: PKF Hospitality Research, the research affiliate of PKF Consulting


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National Transaction Overview Canada

	2000	2001	2002	2003	2004
Transactions	47	41	48	50	52
Volume (\$ Millions)	\$485	\$657	\$540	\$488	\$412
Price/Room (\$ 000)	\$83.4	\$102.2	\$95.6	\$68.7	\$67.3
Yield (%)	12.5%	11.2%	11.2%	11.2%	10.4%

	2005	2006	2007
Transactions	110	115	149
Volume (\$ Millions)	\$1,660	\$2,594	\$4,322
Price/Room (\$ 000)	\$104.1	\$153	\$153.7
Yield (%)	9.7%	10.82%	9.72%

Source: Colliers Investment Report; PKF Consulting

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National Transaction Overview Central vs. West

National	2000	2006	2007
Transactions	47	115	149
Volume (\$ Millions)	\$484	\$2,594	\$4,322
Price/Room (\$ 000)	\$83.4	\$153	\$153.7
Yield (%)	12.5%	10.82%	9.72%

Central	2000	2006	2007
Transactions	18	48	31
Volume (\$ Millions)	\$140	\$696	\$330
Price/Room (\$ 000)	\$60.6	\$94.8	\$89.9
Yield (%)	13.0%	10.4%	7.8%*

West	2000	2006	2007
Transactions	28	56	55
Volume (\$ Millions)	\$324	\$1,833	\$760
Price/Room (\$ 000)	\$100.9	\$220.9	\$141.6
Yield (%)	12.1%	11.1%	10.7%

Source: Colliers Investment Report; PKF Consulting *Limited number of reporting yield rates.

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Financing Trends

- ✓ "The Players"
- ✓ Current Financing Trends



