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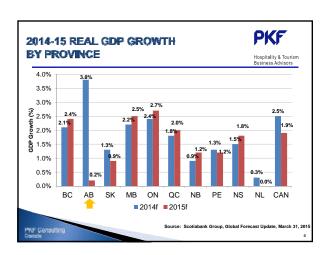


- Alberta Economic & Tourism Outlooks
- Alberta Supply & Demand Outlooks
- Provincial Forecasts
- ▶ Hotel Investment in Alberta
- Questions?

ALBERTA ECONOMIC & TOURISM OUTLOOKS	PKF Hospitality & Tourism Business Advisors
PKF Censulting	Source: Google

			Hospitality & Touris Business Advisors
GDP Growth (National)	2014 Estimate	2015 Forecast	2016 Forecast
Conference Board	2.4%	1.9%	2.3%
Scotiabank Group	2.5%	1.9%	2.0%
CIBC World Markets Inc.	2.5%	1.7%	2.6%
RBC Economics Research	2.5%	2.4%	2.3%
Sources: Confere	ence Board of Canada, Wi	nter Outlook 2015 (rele	acad Enhrunry 2015)

PKF Hospitality & Tourism Business Advisors		
2016 Forecast		
1.7%		
1.6%		
1.1%		
1.2%		

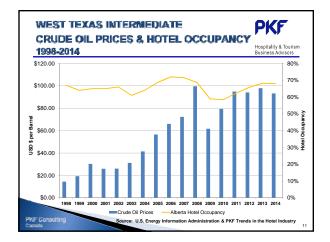


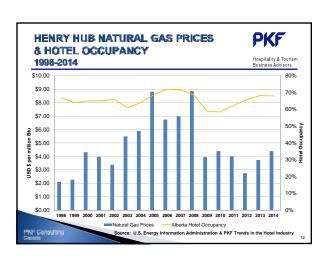
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_	LBERTA TOURIS	SMINDICATO	Hospitality Business A	
	International Airport Pass	senger Volumes (Ann	ual Growth %)	
		2013	2014	
	YYC	4.9%	6.0%	
	YEG	4.6%	4.6%	
	National Park Independer	nt Visits* (Annual Gro	owth %)	
		2013	2014	
	Banff	0.1%	5.4%	
	Jasper	2.5%	8.1%	
	Waterton Lakes	1.7%	1.3%	
	Yr 2014 Food Service and Yr 2014 Total Visits to Histo		•	
	* Exclud	es Group Tours as per Parks	Canada definition	
PKF G	Prouting	Source: Alberta	, Tourism Market Monitor - Alberta Cu	lture and Touris 7

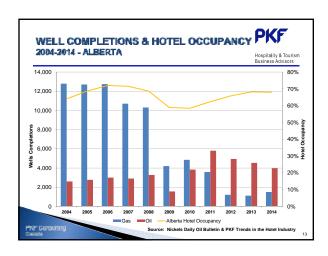
ALBERTA TRAVEL 2014/15	OUTLOG	Hospitality & Touris Business Advisors
% Changes	2014 Forecast	2015 Forecast
Business Travel Overnight Domestic	3.0	(4.3)
Pleasure Travel Overnight Domestic	3.1	2.3
U.S. Overnight Travel	4.1	3.6
Overseas Overnight Travel	6.6	3.4
TOTAL OVERNIGHT TRAVEL	3.0	1.8

OIL AND GAS FACTORS IMPACTING ACCOMMODATION DEMAND - Current oil price decline not initiated by a global economic downturn - North American Oil Production is significantly higher than it was in 2009 – US Production has increased by over 4 million barrels/day (Jan 2009 vs. Jan 2015) - Major capital projects already under construction will move toward to completion/startup – Further increases to oil production that will swell inventories and impact price recovery - Capital expenditures for 2015 forecast to be down significantly for oil and natural gas projects

OIL AND GAS FACTORS IMPACTING ACCOMMODATION DEMAND (CONT.) Decline in drilling activity in Alberta since January 2015 – Rig counts down Technological advances changing the nature of drilling industry (fewer wells drilled, well outputs increase, multiple wells drilled from same platform) Natural gas prices remain low **No one can accurately project when oil prices will recover nor how high they can reach in future – Investment uncertainty for developers and investors. More mergers, banruptcies and acquisitions in future. Pipelines – More delays in decision making/approvals







	ND OIL PRICES							Hospitality & Tourism Business Advisors		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Fe		
	2014	2014	2014	2014	2014	2014	2015	201		
West Texas Intermediate (\$USD per barrel)	\$104	\$97	\$93	\$84	\$76	\$59	\$47	\$5		
Overall Alberta	70%	75%	74%	72%	69%	52%	54%	609		
(excl. Resorts)	\$149	\$138	\$146	\$146	\$144	\$138	\$140	\$14		
RevPAR	\$105	\$103	\$108	\$105	\$99	\$72	\$75	\$8		
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Fe		
	2013	2013	2013	2013	2013	2013	2014	201		
West Texas Intermediate (\$USD per barrel)	\$105	\$107	\$106	\$101	\$94	\$98	\$95	\$10		
Overall Alberta	73%	74%	75%	73%	72%	54%	59%	669		
(excl. Resorts)	\$145	\$133	\$139	\$140	\$140	\$133	\$137	\$14		
RevPAR	\$106	\$98	\$104	\$103	\$102	\$72	\$81	\$92		

OTHER KEY FACTORS AFFECTING ROOM DEMAND FOR ALBERTA • Consumer confidence levels in Alberta are down – Will impact domestic overnight leisure travel in Alberta • Timing of opening of new accommodation supply won't help in markets where demand is flat or down • National GDP Growth projection for 2015 is "Healthy", but concerns emerging that national economy is not as strong • US economic growth is strong for 2015, but largest share of US Overnight travel to Alberta is Corporate Travel • Steady increase in international overnight travellers from key emerging markets (incl. China) • Room Rates – Will operators drop them again?

CANADIAN BUSINESS TRAVEL OUTLOOK 2015 - 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 2.1% in 2015, after growth of 1.8% in 2014
- Corporate business travel budgets are projected to decline by 2.7% in 2015
- 44% of respondents indicated lower oil prices would have a negative impact on their corporate travel in 2015
- Responses indicate their expectation is that domestic lodging rates would increase by only 0.7% in 2015

PKF Gensulting

Source: Canadian Business Travel Outlook 2015 - Conference Board of Canada and ACTE

PKF INTERNATIONAL CONGRESS AND **CONVENTION ASSOCIATION (ICCA) STATS** | ICCA Country and City Rankings 2013 | By Country | # Meetings | 1 U.S.A. | 8: 2 | Germany | 7: 2 # Meetings 829 722 | ICCA Country and City Rankings 2013 | By City | By City | By City | By Canadian City | By Meetings | 30 | Montreal, QC | By Canadian City | By C Rank Rank 30 32 38 182 193 **206** 328 **371** 371 # Meetings Spain France 562 527 525 447 342 340 315 302 **290** 260 249 244 238 71 69 57 13 12 **11** 6 **5** Toronto, ON United Kingdom Vancouver, BC Ottawa, ON United Kingdom Italy Japan China – P.R. Brazil Netherlands Canada Republic of Korea Quebec City Calgary, AB Halifax, NS 9 10 11 12 13 14 15 Banff, AB Niagara Falls, ON Portugal Austria Sweden



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ACCOMMODATION SUPPLY

PKF

- ▶ Estimated 2,400 new rooms to open province wide in 2015
- Approx. 50% of new rooms are in metro Edmonton and Calgary
- Other markets include Peace River, Cold Lake, Fort McMurray, Red Deer, Airdrie, Whitecourt, Medicine Hat
- Over 90% of new rooms in 2015 will be branded
- Select Service and Limited Service hotels comprise majority of new assets being developed

PKIF Gensula

Source: PKF Consulting Inc

ACCOMMODATION SUPPLY (CONT.)



Hospitality & Touris

- Construction Costs coming down in 2015
- Borrowing becomes more difficult when Alberta's economic growth slows (low oil and gas prices)
- ▶ Work Camps Increasingly competitive in "Down" periods

PKF Canaulting

Source: PKF Consulting Inc.

CANADIAN NATIONAL AND REGIONAL MARKET OUTLOOKS



Hospitality & Tourish Business Advisors

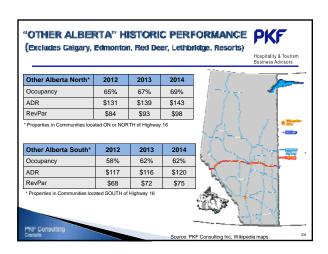
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Forecast
Western Canada	60%	60%	62%	63%	64%	65%	64%
	\$129	\$133	\$130	\$133	\$137	\$143	\$145
RevPAR	\$77	\$80	\$80	\$83	\$88	\$93	\$92
Central Canada	57%	61%	61%	62%	63%	64%	65%
	\$122	\$125	\$126	\$127	\$130	\$134	\$138
RevPAR	\$70	\$75	\$77	\$78	\$81	\$86	\$90
Atlantic Canada	57%	59%	58%	58%	59%	58%	59%
	\$117	\$117	\$118	\$119	\$120	\$124	\$126
RevPAR	\$67	\$69	\$69	\$69	\$70	\$72	\$74
National	58%	60%	61%	62%	63%	64%	64%
	\$125	\$128	\$127	\$130	\$133	\$137	\$140
RevPAR	\$73	\$77	\$78	\$80	\$83	\$88	\$90

Source: PKF Consulting Inc.

PKF Cansulting

	RESULTS						ty & Tourisn Advisors		
	2008	2009	2010	2011	2012	2013	2014		
Overall Alberta	69%	59%	58%	62%	66%	68%	68%		
(excl. Resorts)	\$134	\$129	\$125	\$126	\$132	\$138	\$143		
RevPAR	\$92	\$76	\$73	\$78	\$87	\$94	\$97		
Red Deer	58%	46%	47%	50%	57%	57%	62%		
	\$99	\$106	\$102	\$104	\$108	\$110	\$112		
RevPAR	\$57	\$49	\$48	\$52	\$61	\$62	\$69		
Lethbridge	61%	60%	56%	57%	58%	62%	58%		
	\$102	\$103	\$101	\$102	\$107	\$109	\$110		
RevPAR	\$62	\$61	\$56	\$59	\$62	\$67	\$64		
Resorts	61%	63%	53%	54%	56%	57%	60%		
	\$203	\$194	\$191	\$187	\$196	\$203	\$215		
RevPAR	\$124	\$103	\$101	\$101	\$111	\$116	\$129		
Other Alberta	61%	47%	51%	61%	63%	65%	66%		
	\$139	\$129	\$118	\$118	\$127	\$132	\$137		
RevPAR	\$85	\$60	\$60	\$72	\$79	\$86	\$91		

HISTORIC COMPARISONS 2000 to 2014 PKF Hospitality & Touris Business Advisors						
	2000	2007	2010	2014		
Overall Alberta (Excl. Resorts)	65%	72%	58%	68%		
RevPAR	\$93	\$126	\$125	\$143		
RevPAR	\$61	\$90	\$73	\$97		
Calgary	65%	74%	64%	70%		
RevPAR	\$112	\$142	\$143	\$167		
RevPAR	\$73	\$105	\$91	\$117		
Edmonton	63%	75%	62%	69%		
RevPAR	\$87	\$114	\$120	\$134		
RevPAR	\$55	\$85	\$74	\$93		
Alberta Resorts	68%	63%	53%	60%		
RevPAR	\$194	\$211	\$191	\$215		
RevPAR	\$131	\$133	\$101	\$129		
"Other" Alberta	67%	66%	52%	66%		
(Incl. Lethbridge and Red Deer)	\$73	\$118	\$113	\$137		
RevPAR	\$49	\$78	\$59	\$91		



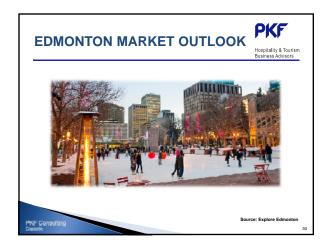


PKF CALGARY ECONOMIC OUTLOOK 2015 2016 2013 2014 Forecast Forecast GDP Growth (%) 3.7 4.5 1.5 2.6 Employment (% Change) 2.9 2.8 0.9 1.9 Unemployment Rate 4.9 5.0 5.1 4.6 (%) Housing Starts (annual, 000's of units) 13 18 14 13 Source: Conference Board of Canada - Metro

CALGARY – ECONOMIC INDICATORS New factors for 2015 Office vacancies increasing and negative absorption of space occuring Pace of housing construction slowing considerably, home prices down Unemployment up. Major layoff announcements impact psyche of Calgary residents Despite the downturn, Calgary still has one of the most robust Metropolitan economies in Canada Source: PKF Consulting Inc., Conference Board of Canada

CALGARY TRAVEL O 2014/15	PKF Hospitality & Touris Business Advisors	m	
% Changes	2014 Forecast	2015 Projection	
Business Travel Overnight Domestic	3.4	3.5	_
Pleasure Travel Overnight Domestic	3.4	3.3	_
U.S. Overnight Travel	3.7	3.4	
Overseas Overnight Travel	7.3	5.1	
TOTAL OVERNIGHT TRAVEL	3.5	3.4	
Source: Canadian Tourism Research Insti	tute, Conference Board of Ca	nada, Fall 2014 Forecast	

MARK	Hospitality & Tourism Business Advisors							
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Projection	2014-15 Change
Occupancy	65%	64%	67%	71%	73%	70%	65%	(5.0pt)
ADR	\$144	\$143	\$145	\$156	\$162	\$167	\$166	(0.5%)
RevPAR	\$94	\$91	\$98	\$110	\$118	\$117	\$109	(7.0%)



EDMONTON ECONOMIC OUTLOOK 2015 2016 2013 2014 Forecast Forecast GDP Growth (%) 5.4 5.6 1.9 2.8 Employment (% Change) 3.6 3.2 1.5 2.0 Unemployment Rate 4.9 5.3 5.2 4.7 (%) Housing Starts (annual, 000's of units) 15 14 13 13 Source: Conference Board of Canada – Metropolitan Outlook Winter 2015

EDMONTON - ECONOMIC INDICATORS ▶ Key factors for 2015

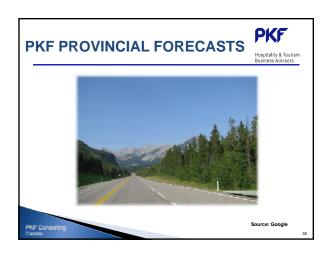
PKF

- GDP growth down significantly in 2015
- Unemployment rate projected to remain similar to 2014 levels
- Housing starts to slow
- Industrial activity in suburban areas may drop similar to what happened in 2009 2011

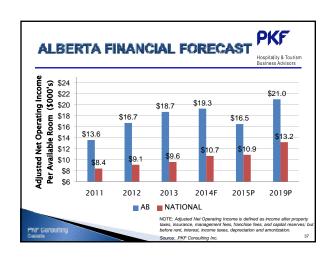
Source: PKF Consulting Inc., Conference Board of Canada

EDMONTON TRAVEL OUTLOOK **PKF** 2014/15 2014 2015 (% Changes) Forecast Forecast **Business Travel Overnight** Domestic 3.4 3.1 Pleasure Travel Overnight 3.0 4.3 U.S. Overnight Travel 5.8 3.6 Overseas Overnight Travel 5.0 TOTAL OVERNIGHT TRAVEL 3.2 3.7

					Business Advisors			
	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Projection	2014-15 Change
Occupancy	65%	62%	62%	67%	70%	69%	66%	(3.0 pts)
ADR	\$120	\$120	\$119	\$122	\$127	\$134	\$134	0.0%
REVPAR	\$78	\$74	\$74	\$81	\$89	\$93	\$88	(5.5%)



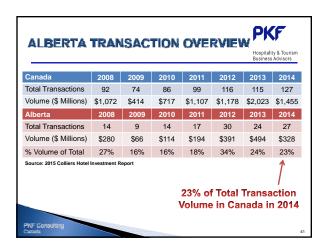
	2015	FORE	-CASI		Hospitality & Touri Business Advisors
Alberta (Excluding Resorts)	2011	2012	2013	2014	2015 Forecast
Occupancy	62%	66%	68%	68%	64%
ADR	\$126	\$132	\$138	\$143	\$143
RevPar	\$78	\$87	\$94	\$97	\$91

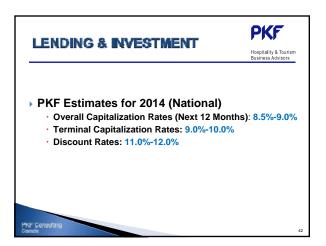


ISTORIC EXPEN LBERTA FULL \$ EAR 2013	PKF Hospitality & Tou Business Adviso	
Departmental Expenses	\$ Per Available Room	% of <u>Dept</u> Revenue
Rooms	\$9,098	25.2%
Food & Beverage	\$13,138	69.1%
Other Operated Departments*	\$1,235	71.4%
Undistributed Expenses	\$ Per Available Room	% of <u>Total</u> Revenue
Administration & General	\$5,068	8.7%
Marketing/Guest Entertainment	\$3,365	5.8%
Property Op. & Maintenance	\$2,489	4.3%
Energy Costs	\$2,224	3.8%
Property Taxes	\$1,593	2.7%
Insurance	\$281	0.5%

IISTORIC EXPEI LBERTA LIMITI EAR 2013		PKF Hospitality & Touris Business Advisors
Departmental Expenses	\$ Per Available Room	% of <u>Dept</u> Revenue
Rooms	\$6,246	20.1%
Other Operated Depts*	\$341	68.1%
Undistributed Expenses	\$ Per Available Room	% of <u>Total</u> Revenue
Administration & General	\$2,736	8.4%
Marketing/Guest Entertainment	\$1,238	3.8%
Property Op. & Maintenance	\$1,781	5.4%
Energy Costs	\$1,220	3.7%
Property Taxes	\$1,169	3.6%
Insurance	\$64	0.2%
Sensuting		includes Telecommunication expense







KEY TAKEAWAYS



Hospitality & Tourisr

- Oil price drop will have most significant impact on performance in 2015
- Natural gas prices also low, little incentive to significantly increase production
- Consumer confidence level declines affect leisure and meeting/conference travel by domestic sources, particularly Albertans
- Overnight travel to Alberta by international sources will help resorts and some urban markets, but not offset declines from domestic sources

PNF Gensulan

Source: PKF Consulting Inc

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KEY TAKEAWAYS (CONT.)



Hospitality & Touris

- Strong increase in new hotel supply this year most projects were under construction prior to the oil price declines
- Construction costs will be lower in 2015 good time to invest in new construction and/or expansions and renovations
- RevPar and Bottom Lines will decline in 2015
- Recovery is on the horizon. Be diligent in cost controls, rate integrity and promotional efforts in order to minimize impact on ANOI

PKF Consulting

Source: PKF Consulting In

THANK YOU!!



Hospitality & Touris Business Advisors



Presented by:

David Ferguson Senior Associate davidferguson@pkfcanada.co

PKF VANCOUVER OFFICE

1120 – 800 West Pender St. Vancouver, BC V6C 2V6

(604) 689-3833

pkfvancouver@pkfcanada.com

PKF Cansultima