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Business Advisors

ALBERTA ACCOMMODATION OUTLOOK 2015

Prepared For:
TOURISM DIVISION
ALBERTA CULTURE AND TOURISM



Source: canadianbadlands.com

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ALBERTA ECONOMIC & TOURISM OUTLOOKS



Source: Google

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CALGARY MARKET OUTLOOK

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CALGARY ECONOMIC OUTLOOK

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	2013	2014	2015 Forecast	2016 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 – Metropolitan Outlook Winter 2015

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CALGARY – ECONOMIC INDICATORS

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▶ **Key factors for 2015**

- Office vacancies increasing and negative absorption of space occurring
- 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

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EDMONTON ECONOMIC OUTLOOK **PKF**
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	2013	2014	2015 Forecast	2016 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

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EDMONTON – ECONOMIC INDICATORS **PKF**
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▸ **Key factors for 2015**

- 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

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EDMONTON TRAVEL OUTLOOK 2014/15 **PKF**
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(% Changes)	2014 Forecast	2015 Forecast
Business Travel Overnight Domestic	3.4	3.1
Pleasure Travel Overnight Domestic	3.0	4.3
U.S. Overnight Travel	5.8	3.6
Overseas Overnight Travel	7.5	5.0
TOTAL OVERNIGHT TRAVEL	3.2	3.7

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2014 Forecast

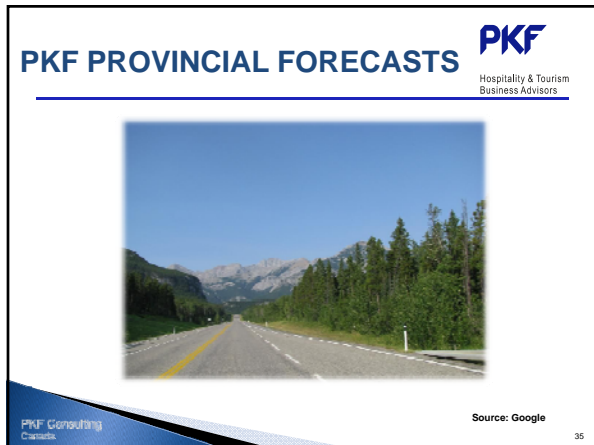
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EDMONTON ACCOMMODATION MARKET PERFORMANCE

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	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%)

PKF Consulting Canada Source: PKF Trends in the Hotel Industry 34



ALBERTA "TOP LINE" 2015 FORECAST

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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

RevPar % Change: 11.1% (2011-12), 8.0% (2012-13), 3.0% (2013-14), -6.0% (2014-15)

PKF Consulting Canada Source: PKF Consulting Inc. 36

HOTEL INVESTMENT IN ALBERTA



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Source: Google

ALBERTA TRANSACTION OVERVIEW



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Canada	2008	2009	2010	2011	2012	2013	2014
Total Transactions	92	74	86	99	116	115	127
Volume (\$ Millions)	\$1,072	\$414	\$717	\$1,107	\$1,178	\$2,023	\$1,455
Alberta	2008	2009	2010	2011	2012	2013	2014
Total Transactions	14	9	14	17	30	24	27
Volume (\$ Millions)	\$280	\$66	\$114	\$194	\$391	\$494	\$328
% Volume of Total	27%	16%	16%	18%	34%	24%	23%

Source: 2015 Colliers Hotel Investment Report

23% of Total Transaction
Volume in Canada in 2014

LENDING & INVESTMENT



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PKF Estimates for 2014 (National)

- Overall Capitalization Rates (Next 12 Months): 8.5%-9.0%
- Terminal Capitalization Rates: 9.0%-10.0%
- Discount Rates: 11.0%-12.0%

KEY TAKEAWAYS

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- ▶ 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

Source: PKF Consulting Inc.

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KEY TAKEAWAYS (CONT.)

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- ▶ 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

Source: PKF Consulting Inc.

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THANK YOU!!

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