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ALBERTA
ACCOMMODATION
OUTLOOK 2010

PKF CONSULTING INC.
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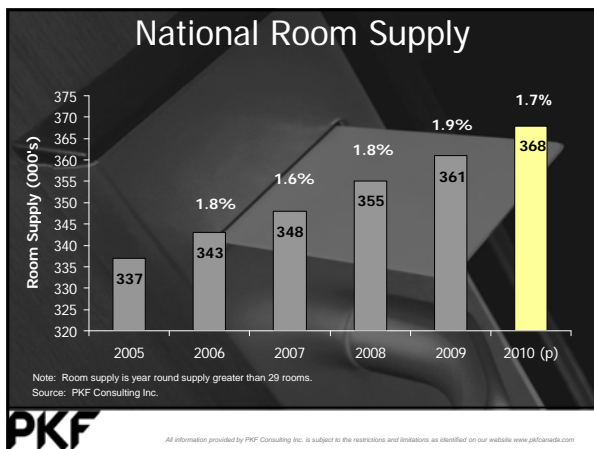
APRIL 20, 2010

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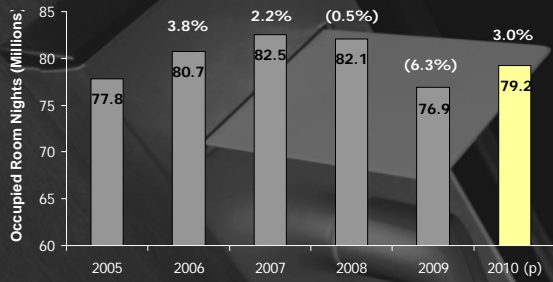
National Outlook

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National Accommodation Demand



Source: PKF Consulting Inc.



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National Market Outlook

	2007 Actual	2008 Actual	2009 Actual	2010 Projection
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Occupancy 65% 63% 58% 59%

ADR \$127 \$131 \$125 \$127

Source: PKF Consulting Inc.



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RevPAR \$83 \$83 \$73 \$75

Canada Vs. U.S.

YEAR	Canada			U.S.		
	2008	2009	2010(p)	2008	2009(f)	2010(p)
Supply	1.8%	1.9%	1.7%	2.6%	3.0%	1.2%
Demand	(0.5%)	(6.3%)	3.0%	(1.8%)	(6.3%)	1.7%
Occupancy	63.4%	58.0%	59.0%	60.4%	54.9%	55.2%
ADR	3.0%	(4.7%)	2.0%	2.6%	(10.4%)	(3.1%)
RevPAR	0.6%	(12.3%)	3.3%	(1.8%)	(18.5%)	(2.7%)

Source: PKF Consulting Inc., PKF Hospitality Research US



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Regional Performance

	2007	2008	2009
Western Canada	68%	66%	60%
	\$127	\$134	\$129
RevPAR	\$87	\$89	\$77
Central Canada	63%	61%	57%
	\$129	\$130	\$122
RevPAR	\$80	\$80	\$70
Atlantic Canada	62%	60%	57%
	\$115	\$118	\$117
RevPAR	\$71	\$71	\$67

Source: PKF Consulting Inc.



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Alberta Economic & Tourism Outlooks



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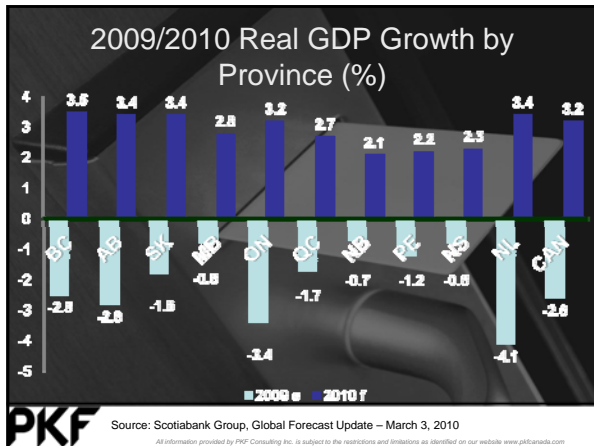
Alberta Economic Outlook

	2000-2008 Average	2009	2010 Forecast	2011 Forecast
GDP Growth	3.5%	-2.8%	3.4%	3.5%
Employment (% Change)	3.0%	-1.3%	1.3%	2.0%
Unemployment Rate	4.3%	6.6%	6.6%	6.4%
Housing Starts (annual, 000's of units)	37	20	28	26



Source: Scotiabank Group, Global Forecast Update – March 3, 2010

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2009 Alberta Tourism Indicators

- ✓ Yr 2009 Direct Entries from U.S. residents down -3.8%
- ✓ Yr End 2009 Direct Entries from Other Countries down -14.6%
- ✓ Air Passenger Volumes down in Edmonton (-5.4%) & Calgary (-2.7%)
- ✓ Total Employment – Accommodation & Foodservice Sector up 10.4% (Year End 2009)
- ✓ Year End 2009 Attendance up in Banff (1.2%) and Jasper (1.2%) National Parks
- ✓ Year To Date 2009 (Jan-Oct) Visitor Attendance at Historic Sites and Museums up 1.1%
- ✓ Year End 2009 Food Services & Drinking Place Receipts virtually unchanged vs. 2008 results

Source: Alberta Tourism, Parks and Recreation

Business Travel Outlook in Alberta

- ✓ Province still has among leading economies in Canada – Strong GDP growth in 2010 forecasted
- ✓ CDN Business Travel Outlook - Gradual resumption of growth in business travel in 2010 throughout Canada
- ✓ Concerns over the volume of capital investment in oil and gas projects that are not based in Alberta
- ✓ Some projects relating to oilsands starting up again. Foreign investment in some projects injecting “New hope” that they will get developed
- ✓ Many corporate accounts now resisting rate increases (“Buyers’ market”)

Is there a “New Norm” for corporate travel across Alberta?

Meeting/Conference Outlook in Alberta

- ✓ Strong volume of "City Wide" events in Calgary in 2009, but softer in 2010.
- ✓ Continued strong MC&IT sales efforts through Rooms Taxes, Convention Development Funds and enhanced coordination of promotional activities by local Visitor and Convention bureaux
- ✗ Continued problem of lower delegate volumes, some cancellations and attendees not booking within the group blocks
- ✗ Increasing price competitiveness from other countries

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Domestic Leisure Travel Outlook in Alberta

- ✓ Consumer confidence growing in many provinces
- ✓ "Staycation" initiatives appear to be working
- ✓ HAC – 2010 Canadian Travel Intentions survey indicates that 78% of surveyed leisure travellers will travel the same or more within Canada in 2010 compared to last year (down slightly from 2009 results)
- ✓ Web information continues to increase in popularity for those seeking accommodations
- ✗ Strong \$CDN and increasing air capacity leading many Canadians to travel outside of Canada (including those driving to US airports)
- ✗ Will rising interest rates lead to belt tightening?
- ✗ Gap in room rates narrowing between luxury/high end hotels and other properties in the same or similar markets

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International Leisure Travel Outlook to Alberta

- ✓ Increased direct air capacity to/from many International destinations
- ✓ Canada's status as an international destination still strong
- ✓ Great diversity of products/experiences available in Alberta
- ✓ Recent Winter Olympics raises international profile of all of Canada (Strong presence in Vancouver by Alberta)
- ✓ ADS with China hopefully ratified soon
- ✓ Future HST introduction in BC & ON could boost tour demand for Alberta
- ✗ U.S. market to Canada still weak, with slow recovery forecast
- ✗ Strong \$CDN lessens competitiveness vs. other destinations
- ✗ Key Asian markets still facing recessionary conditions
- ✗ Competition for International travel increasing

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Alberta Supply & Demand Outlook



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Accommodation Supply in Alberta

- 2,000+ rooms to open province wide in 2010
- Primarily in cities with > 30,000 population
- (ie. Calgary, Edmonton, Red Deer, Grande Prairie, Fort Mac, Lethbridge)
- Development Costs – Likely down vs. 2005-2008. Labour availability improving, material costs declining
- Conversions/branding becoming more frequent
- Thinking forward – past 2010 – many initiatives to consider in expansions, new development and conversions (ie. Green initiatives, addition of leisure amenities)

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Key Factors Affecting Demand for Alberta – Oil and Gas

- Drilling activity for 2010 forecast to be comparable to 2009 results (CAPP, CAODC)
- Resurgence in oil prices leading to increased oil sands related activity, construction and filings for approvals
- Continued low natural gas prices make drilling uneconomic in many areas (particularly conventional drilling)
- Global slowdown in drilling/exploration results in less demand for pipe, drilling supplies and other related infrastructure
- Fewer crew workers, engineers, architects staying in hotels
- Many suspended Upgrader projects will not resume (more raw bitumen being sent to US for processing)
- Changes to royalty structure by provincial government should increase investment in Q4 2010 and beyond

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Shale Gas

- Previously very expensive to extract, but significant advances in equipment and technology making this a much researched initiative (“A complete game changer”)
- Major firms extensively exploring and extracting outside of Alberta – Capital spending shifting from “conventional” to “unconventional”
- Shale gas won’t replace more traditional drilling, but will change decision making well into future
- Wellsboro, Pennsylvania enjoying the impact

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Where are the shale gas reserves?



Source: Canadian Association of Petroleum Producers (CAPP)

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Total Well Completions

	2009	2008	2007	2006	2005	2004	2003	2002	2001
ALBERTA									
OIL	1571	3287	2900	3034	2771	2613	2751	2358	2006
GAS	4184	10268	10679	12670	12711	12754	11067	6924	9165
DRY	651	1452	752	884	1180	1081	1031	1102	1452
SERVICING	293	319	82	99	249	200	119	161	134
SASKATCHEWAN									
OIL	1339	2604	2182	2038	1766	1616	1558	1356	1716
GAS	330	1198	1217	1518	1714	1887	2254	1718	1366
DRY	61	98	88	107	146	93	130	121	161
SERVICING	14	128	73	61	65	44	64	74	71
BRITISH COLUMBIA									
OIL	36	30	66	59	40	66	88	45	84
GAS	546	859	725	1101	932	972	618	429	640
DRY	35	64	46	64	76	88	60	55	110
SERVICING	29	3	1	7	16	18	9	20	23

Source: Canadian Association of Oilwell Drilling Contractors, Daily Oil Bulletin

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Calgary

	2005	2006	2007	2008	2009
Occupancy	70.0%	74.2%	73.9%	71.7%	65.0%
ADR	\$115.42	\$127.37	\$142.40	\$151.35	\$144.36
REVPAR	\$80.75	\$94.51	\$105.23	\$108.59	\$93.84

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Calgary

MONTH TO MONTH COMPARISON

	2008/09 Actual OCC%	2009/10 Actual OCC%	2008/09 Actual ADR	2009/10 Actual ADR	2008/09 Actual REVPAR	2009/10 Actual REVPAR
Aug	80%	72%	\$142	\$136	\$114	\$98
Sep	81%	78%	\$153	\$150	\$123	\$117
Oct	73%	64%	\$150	\$144	\$92	\$110
Nov	71%	65%	\$146	\$148	\$104	\$97
Dec	53%	48%	\$137	\$130	\$72	\$62
Jan	55%	51%	\$141	\$134	\$77	\$69
Feb	64%	57%	\$142	\$129	\$91	\$78

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The Economic Downturn - Calgary

911/SARS/BSE	2000	2001	2002	2003	2000-03	
Occupancy	65%	64%	64%	61%	(4%)	
ADR	\$112	\$106	\$107	\$106	(\$6)	
Supply	6%	5%	2%	0%	6%	
	2007-10	2007	2008	2009	2010 (f)	2007-10 (f)
Occupancy	74%	72%	65%	63%	(11%)	
ADR	\$142	\$151	\$144	\$145	\$3	
Supply	1%	1%	2%	4%	7%	
Demand	1%	(3%)	(8%)	0.5%	(9.6%)	

Source: PKF Consulting

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Financial Analysis



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The Economic Downturn –National

1991-92	1989	1990	1991	1992	89-92
Occupancy	66%	65%	59%	58%	(8pts)
ADR	\$81	\$84	\$84	\$83	\$2
NOI Per Room	\$5,100	\$4,400	\$1,900	\$1,800	(65%)
Supply	3%	4%	4%	7%	12%
911/SARS	2000	2001	2002	2003	00-03
Occupancy	65%	62%	62%	59%	(6pts)
ADR	\$111	\$114	\$116	\$114	\$3
NOI Per Room	\$11,100	\$9,800	\$9,900	\$7,200	(35%)
Supply	2%	2%	2%	2%	8%
2007-10	2007	2008	2009	2010(p)	07-10
Occupancy	65%	63%	58%	59%	(6pts)
ADR	\$127	\$131	\$125	\$127	\$0
NOI Per Room	\$11,600	\$11,800	\$7,800	\$8,100	(30%)
Supply	1.7%	1.8%	1.6%	1.7%	5.7%

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National Financial Outlook



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THANK YOU!!

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