

**ALBERTA
ACCOMMODATION
OUTLOOK**

2011

LAKE LOUISE
April 19, 2011

Prepared for Tourism Division,
Alberta Tourism, Parks and Recreation

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Consulting Inc.

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Today's Agenda

- PKF 's 2011 Industry Outlook
- Alberta Economic & Tourism Outlooks
- Supply & Demand Outlooks
- Financial Analysis

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2

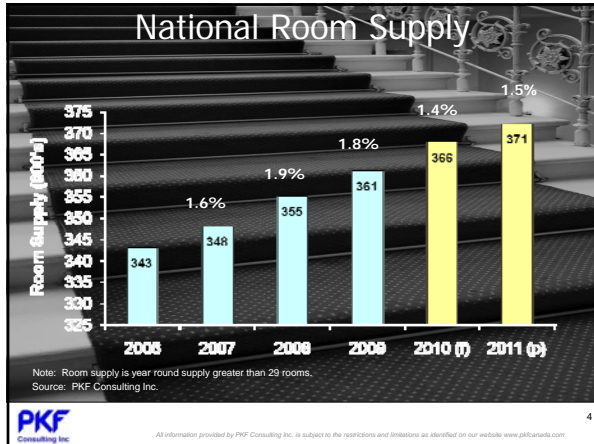
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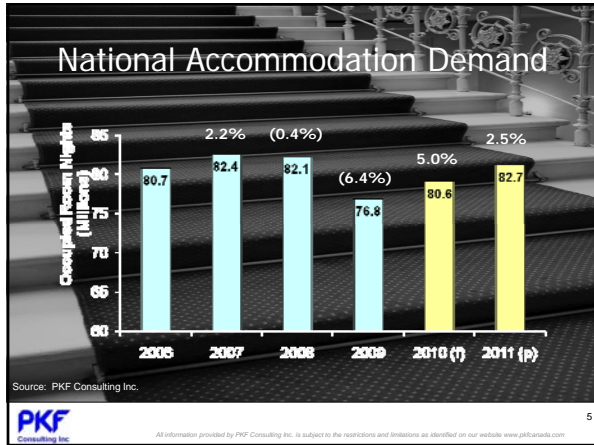
**PKF'S 2011
Industry Outlook**

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National Market Outlook

	2008 Actual	2009 Actual	2010 Actual	2011 Projection
Occupancy	63%	58%	60%	61%
ADR	\$131	\$125	\$128	\$131
RevPAR	\$83	\$73	\$77	\$80

Source: PKF Consulting Inc.

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Alberta Economic & Tourism Outlooks

Alberta's Tourism Destination Regions

- Alberta North
- Alberta Central
- Edmonton & Area
- Canadian Rockies
- Calgary & Area
- Alberta South

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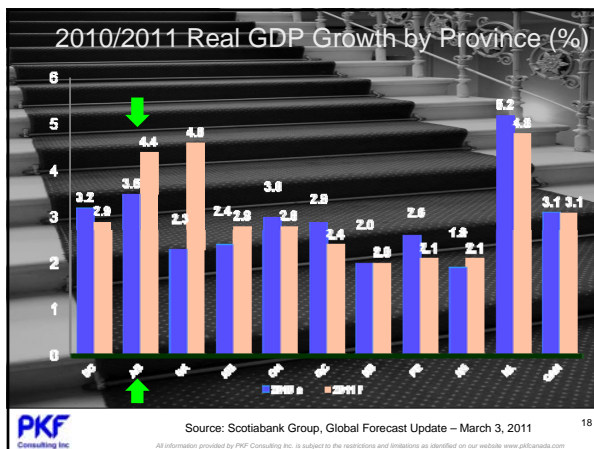
Alberta Economic Outlook

	2000-2009 Average	2010 Estimate	2011 Forecast	2012 Forecast
GDP Growth	2.7%	3.5%	4.4%	3.3%
Employment (% Change)	2.8%	-0.4%	2.4%	1.9%
Unemployment Rate	4.6%	6.5%	5.6%	5.3%
Housing Starts (annual, 000's of units)	35	27	26	28

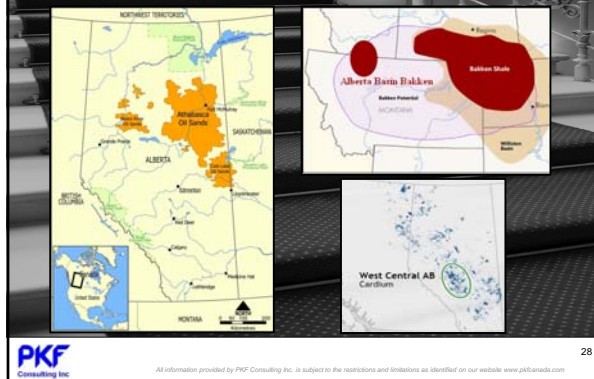
Source: Scotiabank Group, Global Forecast Update – March 3, 2011

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Where are the oil plays in Alberta?



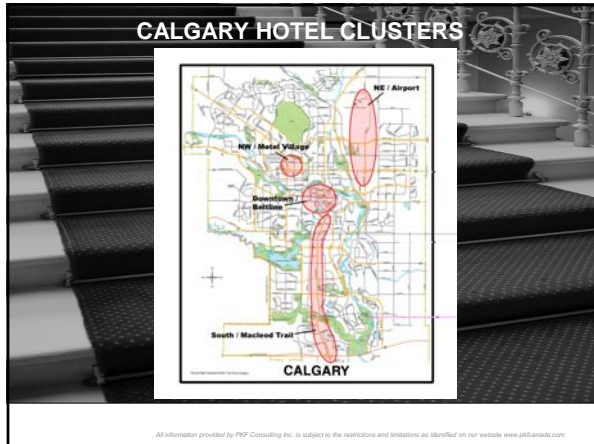
Other Key Factors Affecting Demand for Alberta

- Strong national economic growth widely forecast for 2011
- US economic recovery still lagging – hurts demand levels particularly for leisure and meeting/conference travel
- Strong \$CDN and efforts by airlines to increase routes provides additional choices for domestic markets
- Gasoline price increases – Will they remain at current levels or reach even higher levels for summer 2011 travel season?
- ADS with China – Are their volumes increasing?
- DMF Activity – How soon can enhanced marketing efforts translate into increased visitation?

Source: Conference Board of Canada & PKF Consulting Inc.



CALGARY HOTEL CLUSTERS



Calgary

	2005	2006	2007	2008	2009	2010
Occupancy	70.0%	74.2%	73.9%	71.7%	65.0%	63.9%
ADR	\$115.42	\$127.37	\$142.40	\$151.35	\$144.45	\$143.27
REVPAR	\$80.75	\$94.51	\$105.23	\$108.59	\$93.87	\$91.53

Source: PKF Consulting

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CALGARY ECONOMIC DOWNTURN COMPARISON

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%
Demand	5%	3%	1%	(4%)	0%

	2007-10	2007	2008	2009	2010	2007-10
Occupancy	74%	72%	65%	64%	64%	(10%)
ADR	\$142	\$151	\$144	\$143	\$143	\$1
Supply	1%	1%	2%	3.6%	3.6%	6.5%
Demand	1%	(3%)	(8%)	0.5%	0.5%	(8.6%)

Source: PKF Consulting

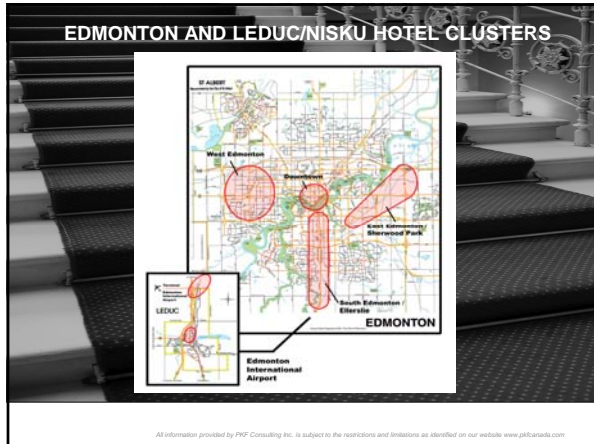
Calgary Travel Outlook 2010/11

% Changes	2010 Forecast	2011 Projection
Business Travel Overnight Domestic	2.6%	3.1%
Pleasure Travel Overnight Domestic	2.0%	3.0%
U.S. Overnight Travel	(0.3%)	1.9%
Overseas Overnight Travel	2.7%	4.5%
TOTAL OVERNIGHT TRAVEL	2.1%	3.1%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2010 Forecast

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Edmonton

	2005	2006	2007	2008	2009	2010
Occupancy	66.0%	72.1%	74.9%	73.2%	64.7%	61.5%
ADR	\$98.78	\$103.12	\$112.96	\$122.87	\$120.38	\$119.78
REVPAR	\$65.18	\$74.35	\$84.61	\$89.94	\$77.83	\$73.62

Source: PKF Consulting

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The Economic Downturn - Edmonton

911/SARS/BSE	2000	2001	2002*	2003	2000-03
Occupancy	63%	67%	72%	62%	(1%)
ADR	\$87	\$94	\$91	\$96	\$9
Supply	5%	5%	2%	2%	3%
Demand	5%	10%	10%	(12%)	6%

	2007-10	2007	2008	2009	2010	2007-10
Occupancy	75%	73%	65%	62%	(13%)	
ADR	\$114	\$122	\$120	\$120	\$6	
Supply	3%	3%	2%	2.8%	10.6%	
Demand	7%	1%	(10%)	(2.2%)	(10.4%)	

* Occupancy in 2002 impacted by major construction project that housed many workers in hotels across the City, which rippled through the entire market.

Source: PKF Consulting

Uniform Systems of Accounts for the Lodging Industry

- Key Changes in formatting – 10th Edition:
 - Telecommunications moved into Other Operated Departments
 - Franchise fees reallocated (Rooms and Sales & Marketing)
 - Room Attrition and cancellation fees moved to Rentals and Other Income from Rooms Department Revenue
 - FF&E Reserve – Not Included in Fixed Charges
 - Guest Shuttle Expenses now reported in Rooms Department (previously typically under Admin & General and/or Maintenance)

Source: Uniform System of Accounts for the Lodging Industry – Tenth Edition



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46

Operating Issues/Concerns

- HOW TO IMPROVE PERFORMANCE WITHOUT CREW DEMAND?
- COSTS & REQUIREMENTS TO STAY RELEVANT IN TECHNOLOGY
- CREEPING PROPERTY TAX INCREASES
- UNCERTAINTY RE FUTURE INTEREST RATES
- LABOUR AVAILABILITY
- LAGGING PROPERTY IMPROVEMENTS
- ARE YOU PROVIDING A GOOD NIGHT'S SLEEP?



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47

BUSINESS TRAVELLER'S MOST IMPORTANT REASONS FOR CHOOSING A HOTEL (HAC 2011 TRAVEL SURVEY)

- 1. Friendly service 68%
- 2. Complimentary breakfast 64%
- 3. Free wireless in room 59%
- 4. Free parking 57%
- 5. Soundproof rooms 56%
- 6. Smoke-free hotel 52%
- 7. Easy access to outlets 52%
- 8. Restaurant/bar 50%
- 9. Well-lit room 47%
- 10. Large workspace 45%
- 11. Coffee maker in room 43%
- 12. Refrigerator in room 42%
- 13. Easy to use TV remote 42%
- 14. Upgrades for frequent guests 37%
- 15. Large, flat screen TV 35%
- 16. Business centre 35%

Source: Hotel Association of Canada, Canadian Lodging News

48

Investment Implications

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National Transaction Overview Canada

	2006	2007	2008	2009	2010*
Total Transactions	115	150	73	74	86
Volume (\$ Millions)	\$2,594	\$4,423	\$912	\$392	\$717
Yield (%)	10.8%	9.8%	9.0%	10.2%	7.8%

*Yield of 7.8% is generally lower than in other years and is not representative as only 17 of the total 86 transactions in 2010 reported the yield.

Source: Colliers Investment Report; PKF Consulting Inc.

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50

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ALBERTA TRANSACTION OVERVIEW

National	2006	2007	2008	2009	2010
Transactions	115	150	73	69	86
Volume (\$ Millions)	\$2,594	\$4,423	\$912	\$383	\$717
Yield (%)	10.8%	9.8%	9.0%	10.4%	7.8%

Alberta	2006*	2007**	2008*	2009*	2010*
Transactions	32	43	14	9	14
Volume (\$ Millions)	\$260	\$549	\$280	\$66	\$114
Yield (%)	12.2%	10.6%	9.2%	11.1%	N/A*

*Limited number of reporting yield rates in 2006 to 2010 for Alberta. Nationally, yield of 7.8% for 2010 is generally lower than in other years and is not representative as only 17 of the total 86 transactions in 2010 reported the yield.

**Portfolio sales with undisclosed individual prices excluded

Source: Colliers Investment Report; PKF Consulting

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