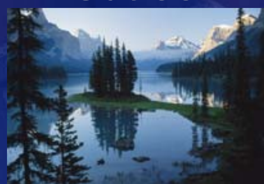
Alberta
Accommodation Outlook



April 7, 2009

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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.

Presentation Outline

1. Alberta Travel Outlook
2. Supply and Demand
3. Industry Investment & Industry Issues

Alberta Travel Outlook

2008 Alberta Tourism Highlights

- ✓ Yr End 2008 Direct Entries from U.S. residents decreased –1.8%
- ✓ Yr End 2008 Direct Entries from Other Countries up 1.6%
- ✓ Air Passenger Volumes up in Edmonton & Calgary
- ✓ Total Employment – Accommodation & Foodservice Sector down -2.4% (Year End 2008)
- ✓ Year End 2008 Attendance down in Banff (-2.5%) and Jasper (-3.5%) National Parks
- ✓ Year End 2008 Visitor Attendance at Historic Sites and Museums up 1.5%
- ✓ Year End 2008 Restaurant Receipts up 2.8%

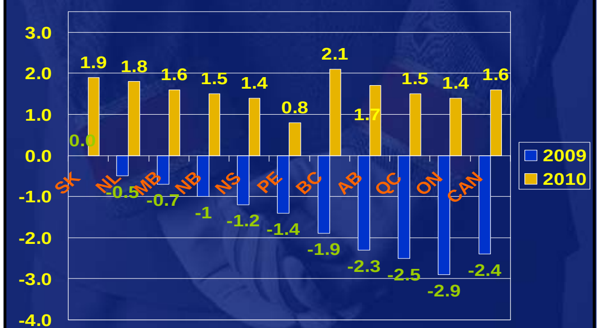
Source: Alberta Tourism, Parks and Recreation

Alberta Economic Outlook

	2000-2007 Average	2008	2009 Forecast	2010 Forecast
GDP Growth	4.0%	1.2%	-2.3%	1.7%
Employment (% Change)	3.0%	2.8%	-1.9%	0.6%
Unemployment Rate	4.4%	3.6%	6.1%	6.5%
Housing Starts (annual, 000's of units)	38	29	19	22

Source: Scotiabank Group, Global Forecast Update – March 5, 2009

2009/2010 Real GDP Growth by Province (%)



Source: Scotiabank Group, Global Forecast Update – March 5, 2009

Business Travel Outlook in Alberta

- ✓ Province still has among leading economies in Canada
- ✓ Domestic business trips from within Alberta, western Canada represent highest share of domestic volumes in 2009
- ✓ Despite current downturn, Oil and Gas related activity should rebound quicker than most other sectors (ie. Manufacturing, forestry, mining)
- ✓ Many U.S./International Oil and Gas firms on better financial ground than other sectors (ie. Banking)
- ✓ Lower Inflation, moderate increases in domestic airfares for some routes encourage domestic business travel

How quickly will domestic/global economies improve?

Will prolonged domestic downturn lead to fewer business trips/more teleconferencing?

Meeting/Conference Outlook in Alberta

- ✓ Increased direct air capacity to/from many International destinations
- ✓ Increased MC&IT sales efforts through Rooms Taxes and Convention Development Funds

- × Economic downturns frequently lead to cancellations, lower delegate volumes and/or lower revenues (rate sensitivities)
- × Hotels that do not renovate lose bookings
- × Increasing price competitiveness from other countries

Domestic Leisure Travel Outlook in Alberta

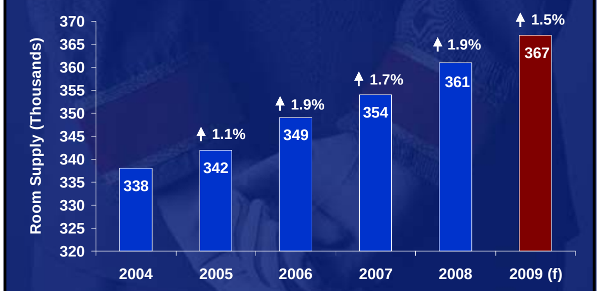
- ✓ Lower inflation influences discretionary spending
- ✓ Canadians still intend to travel in 2009, but less frequently and for shorter durations (HAC – 2009 Canadian Travel Intentions survey)
  - Domestic markets sensitive to changing economic conditions
  - Consumer confidence waning throughout Canada
  - International resort destinations offering significant discounts entices some domestic markets to continue to travel abroad
  - Will gas prices be lower in summer/fall 2009 than summer/fall 2008?

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
  - U.S. market to Canada still very weak, with slow recovery forecast
  - Key Asian markets also facing recessionary conditions
  - Competition for International travel increasing
  - Global leisure travel downturn

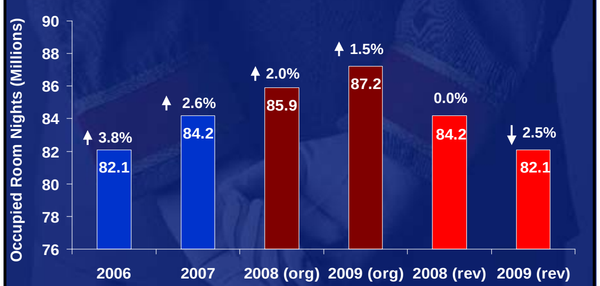
Supply & Demand Outlook

National Room Supply



Source: PKF Consulting

National Accommodation Demand



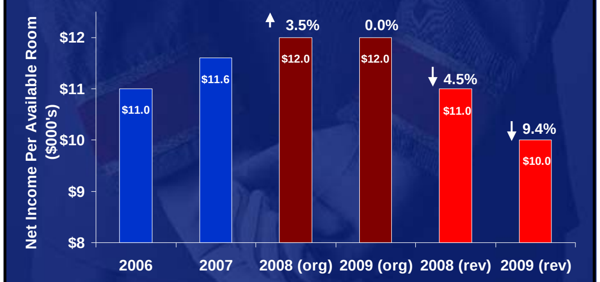
Source: PKF Consulting

National Market Outlook

	2006 Actual	2007 Actual	2008 Original Forecast	2009 Original Projection	2008 Revised Forecast	2009 Revised Projection
Occupancy	65%	65%	65%	65%	63%	61%
ADR	$124	$127	$132	$135	$131	$133
RevPAR	$80	$83	$86	$88	$83	$81

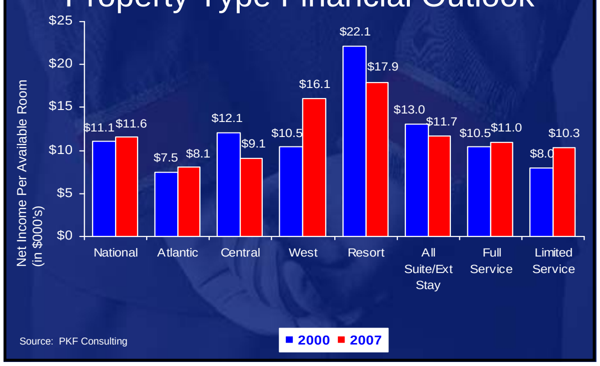
Source: PKF Consulting

National Financial Outlook



Source: PKF Consulting

Property Type Financial Outlook



Source: PKF Consulting

Western Canada Market Outlook

	2006 Actual	2007 Actual	2008 Original Forecast	2009 Original Projection	2008 Revised Forecast	2009 Revised Projection
Occupancy	67%	68%	68%	68%	66%	64%
ADR	$121	$128	$135	$140	$133	$138
RevPAR	$81	$87	$92	$95	$88	$89

Source: PKF Consulting

Western Canada Financial Outlook

Source: PKF Consulting

Other Western Urban Outlooks

	2006 Actual	2007 Actual	2008 Original	2009 Original	2008 Revised	2009 Revised
Vancouver	72%	74%	75%	75%	72%	68%
	$128	$133	$142	$149	$138	$141
RevPAR	$92	$98	$106	$112	$99	$96
Winnipeg	65%	68%	69%	68%	69%	68%
	$100	$103	$111	$118	$111	$115
RevPAR	$65	$70	$77	$81	$77	$78
Western Canada	67%	68%	68%	68%	66%	64%
	$121	$128	$135	$140	$133	$138
RevPAR	$81	$87	$92	$95	$88	$89

Source: PKF Consulting

Alberta Supply & Demand

Supply in Alberta

- 2,000+ rooms to open province wide in 2009
- New Construction opportunities still exist, but where to build?
- Development Costs – Will they drop?
- What products are being built?
- Thinking forward – past 2009

Demand

- ✓ Alberta Major Urban Centres
- ✓ Alberta Regional/Small Communities
- ✓ Alberta Resorts

ALBERTA OCCUPANCY & ADR

	2007 Actual OCC%	2008 Actual OCC%	2007 Actual ADR	2008 Actual ADR	Occupancy Point Change 2008/2007	ADR % Change 2008/2007
ALBERTA (excl. Resorts)	72%	69%	$126	$134	-3.3 ↓	7% ↑
Lethbridge	62%	61%	$94	$102	-1.0 ↓	9% ↑
Red Deer	57%	58%	$95	$99	0.9 ↑	4% ↑
Other Alberta	66%	62%	$118	$126	-4.6 ↓	7% ↑
Edmonton	75%	73%	$114	$122	-1.6 ↓	7% ↑
Calgary	74%	72%	$142	$151	-2.4 ↓	7% ↑

Source: PKF Consulting Trends in the Hotel Industry

MONTH TO MONTH COMPARISON
OVERALL ALBERTA - EXCLUDING RESORTS

	2007/08 Actual OCC%	2008/09 Actual OCC%	2007/08 Actual ADR	2008/09 Actual ADR	2007/08 Actual REVPAR	2008/09 Actual REVPAR
Aug '08	78%	75%	$139	$142	$112	$114
Sep '08	77%	76%	$129	$136	$100	$103
Oct '08	76%	72%	$128	$135	$98	$97
Nov '08	74%	69%	$126	$133	$94	$92
Dec '08	54%	51%	$121	$126	$65	$64
Jan '09	54%	58%	$128	$130	$69	$75
Feb '09	68.3%	61.5%	$130	$130	$89	$80

Source: PKF Consulting Trends in the Hotel Industry

Key Factors Affecting Demand for Alberta– Short Term

Oil and Gas Related

- 7 of 8 Upgrader projects suspended/cancelled
- Drilling activity down significantly throughout West for 2009 (Alberta forecast to be at lowest well counts since 1998)
- Current energy prices make continuation/startup of oilsands expansion uneconomic
- Global slowdown in drilling/exploration results in less demand for pipe, drilling supplies and other related infrastructure
- Less leisure travel to/through Alberta from those living in Alberta/BC/Sask/Territories as they curb leisure spending in oil/gas price downturns
- Fewer crew workers staying in hotels for training/certifications, in addition to drilling, seismic, etc.
- Fewer engineers/architects in hotels for oil/gas or other infrastructure projects

HISTORIC COMPARISON

	1998	2008
# of Wells Drilled	7,362	11,844
Oil Price Average (WTI $US/Barrel)	$14.43	$99.66
Gas ($Cdn/GJ)	$1.84	$7.35 (est)
Alberta – Occupancy %*	67.1%	68.5%
Alberta - ADR	$86.35	$133.79
Alberta - RevPar	$57.93	$91.61

Source: PKF Consulting, Alberta Economic Development

Key Factors Affecting Demand for Alberta– Short Term (Cont.)

- Forestry sector down in many areas
- Non petroleum related mining and exploration down

Alberta Major Urban Communities

Edmonton
Calgary

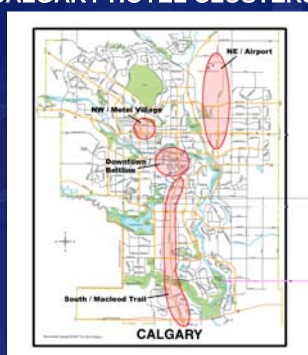
EDMONTON AND LEDUC/NISKU HOTEL CLUSTERS

MONTH TO MONTH COMPARISON
EDMONTON

	2007/08 Actual OCC%	2008/09 Actual OCC%	2007/08 Actual ADR	2008/09 Actual ADR	2007/08 Actual REVPAR	2008/09 Actual REVPAR
Aug '08	80%	76% ↓	$113	$119 ↑	$91	$91 →
Sep '08	80%	80% →	$116	$124 ↑	$93	$99 ↑
Oct '08	80%	77% ↓	$116	$126 ↑	$92	$97 ↑
Nov '08	81%	74% ↓	$117	$126 ↑	$95	$94 ↓
Dec '08	59%	56% ↓	$112	$117 ↑	$67	$65 ↓
Jan '09	61%	56% ↓	$117	$121 ↑	$71	$68 ↓
Feb '09	77%	71% ↓	$120	$123 ↑	$93	$87 ↓

Source: PKF Consulting Trends in the Hotel Industry

CALGARY HOTEL CLUSTERS



MONTH TO MONTH COMPARISON
CALGARY

	2007/08 Actual OCC%	2008/09 Actual OCC%	2007/08 Actual ADR	2008/09 Actual ADR	2007/08 Actual REVPAR	2008/09 Actual REVPAR
Aug '08	81%	80% ↓	$139	$142 ↑	$114	$112 ↓
Sep '08	84%	81% ↓	$145	$153 ↑	$121	$124 ↑
Oct '08	80%	73% ↓	$145	$151 ↑	$115	$111 ↓
Nov '08	73%	71% ↓	$140	$145 ↑	$102	$104 ↑
Dec '08	53%	53% →	$131	$137 ↑	$70	$73 ↑
Jan '09	58%	55% ↓	$141	$142 ↑	$83	$78 ↓
Feb '09	66%	64% ↓	$145	$142 ↓	$96	$91 ↓

Source: PKF Consulting Trends in the Hotel Industry

Calgary/Edmonton Outlook

	2006 Actual	2007 Actual	2008 Original	2009 Original	2008 Revised	2009 Revised
Calgary	74%	74%	73%	74%	72%	69%
	$127	$142	$156	$166	$151	$157
RevPAR	$94	$105	$114	$123	$109	$108
Edmonton	72%	75%	75%	75%	73%	71%
	$104	$113	$122	$132	$122	$126
RevPAR	$75	$85	$92	$99	$89	$88
Western Canada	67%	68%	68%	68%	66%	64%
	$121	$128	$135	$140	$133	$138
RevPAR	$81	$87	$92	$95	$88	$89

Source: PKF Consulting

Major Urban Markets Across Canada

RevPar	2007	2008	2009	'07 – '09 Change
Calgary	$105	$109	$108	2.8%
Vancouver	$98	$99	$96	-2.0%
Ottawa	$93	$97	$94	1.0%
Edmonton	$85	$89	$88	3.9%
Toronto	$92	$90	$87	-5.7%
Montreal	$92	$88	$85	-7.6%
Quebec City	$85	$106	$84	-1.1%
Halifax	$88	$85	$82	-6.8%
Winnipeg	$70	$77	$78	11.5%
Niagara Falls	$82	$77	$73	-10.7%

Alberta Regional Communities

MONTH TO MONTH COMPARISON

OTHER ALBERTA*

	2007/08 Actual OCC%	2008/09 Actual OCC%	2007/08 Actual ADR	2008/09 Actual ADR	2007/08 Actual REVPAR	2008/09 Actual REVPAR
Aug '08	72%	68%	$121	$127	$87	$112
Sep '08	69%	68%	$121	$128	$84	$87
Oct '08	68%	67%	$121	$125	$83	$83
Nov '08	69%	64%	$120	$127	$83	$81
Dec '08	50%	46%	$119	$123	$59	$57
Jan '09	55%	51%	$125	$128	$69	$64
Feb '09	63%	52%	$127	$127	$79	$67

* EXCLUDES ALBERTA RESORTS, CALGARY AND EDMONTON

Source: PKF Consulting Trends in the Hotel Industry

Alberta Resort Communities

MONTH TO MONTH COMPARISON

ALBERTA RESORTS

	2007/08 Actual OCC%	2008/09 Actual OCC%	2007/08 Actual ADR	2008/09 Actual ADR	2007/08 Actual REVPAR	2008/09 Actual REVPAR
Aug '08	86%	85%	$275	$278	$237	$236
Sep '08	80%	71%	$245	$244	$195	$173
Oct '08	61%	54%	$163	$180	$100	$96
Nov '08	52%	41%	$140	$159	$73	$66
Dec '08	51%	42%	$212	$225	$108	$95
Jan '09	46%	38%	$156	$173	$72	$66
Feb '09	52%	50%	$169	$176	$88	$88

Source: PKF Consulting Trends in the Hotel Industry

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Alberta Hotels Financial Analysis

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Historic Expense Ratios – Alberta Full Service Hotels

	2007 (Per Available Room)	2007 (% of Gross Revenue)
Rooms	**$9,206**	**26.9%**
F&B	**$12,687**	**64.2%**
Telecom	**$301**	**89.0%**
Other Departments	**$746**	**48.8%**

Source: PKF Consulting

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Historic Expense Ratios – Alberta Full Service Hotels

	2007 (Per Available Room)	2007 (% of Gross Revenue)
Admin/General	$4,802	8.4%
Marketing	$2,779	4.9%
Maintenance	$1,969	3.5%
Energy	$2,227	3.9%
Property Tax	$1,574	2.8%
Insurance	$223	0.4%

Source: PKF Consulting

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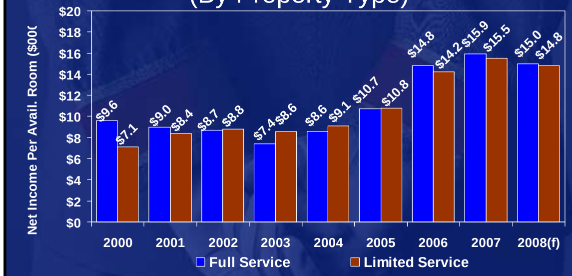
Financial Performance– Alberta (By Property Type)



Note: * BEFORE debt service, rent, income taxes, depreciation, amortization.

Source: PKF Consulting

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The Economic Downturn -National

1991-92	1989	1990	1991	1992	1989-92
Occupancy	66%	65%	59%	58%	(8%)
ADR	$81	$84	$84	$83	$2
NOI Per Room	$5,100	$4,400	$1,900	$1,800	(65%)
Supply	3%	4%	4%	2%	12%
Demand	1%	2%	(6%)	1%	(3%)
911/SARS	**2000**	**2001**	**2002**	**2003**	**2000-03**
Occupancy	65%	62%	62%	59%	(6%)
ADR	$111	$114	$116	$114	$3
NOI Per Room	$11,100	$9,800	$9,900	$7,200	(35%)
Supply	2%	2%	2%	2%	8%
Demand	1%	(2%)	1%	(6%)	(4%)
2007-10	**2007**	**2008**	**2009(f)**	**2010(f)**	**2007-10**
Occupancy	65%	63%	61%	63%	(2%)
ADR	$127	$131	$133	$136	$9
NOI Per Room	$11,600	$11,000	$10,000	$10,800	(7%)
Supply	2%	2%	1%	1%	6%
Demand	3%	(1%)	(2%)	3%	3%

Source: PKF Consulting

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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%
Demand	5%	3%	1%	(4%)	0%
2007-09	**2007**	**2008**	**2009(f)**		
Occupancy	74%	72%	69%		
ADR	$142	$151	$157		
Supply	1%	1%	3%		
Demand	1%	(3%)	(2%)		

Source: PKF Consulting

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%	9%
Demand	6%	10%	10%	(12%)	6%

2007-09	2007	2008	2009(f)
Occupancy	75%	73%	73%
ADR	$114	$122	$122
Supply	3%	3%	3%
Demand	7%	1%	(2%)

* 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

Industry Investment & Industry Issues

Overview of Investments in Hotels

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

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

NATIONAL TRANSACTION OVERVIEW

	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	2008
Transactions	110	115	150	73
Volume ($ Millions)	$1,660	$2,594	$4,423	$912
Price/Room ($ 000)	$104.1	$153.0	$156.8	$118.8
Yield (%)	9.70%	10.82%	9.78%	9.00%

Source: Colliers Investment Report; PKF Consulting

ALBERTA TRANSACTION OVERVIEW

National	2000	2006	2007	2008
Transactions	47	115	150	73
Volume ($ Millions)	$485	$2,594	$4,423	$912
Price/Room ($ 000)	$83.4	$153.0	$156.8	$118.8
Yield (%)	12.5%	10.8%	9.8%	9.0%
West	**2000***	**2006***	**2007****	**2008***
Transactions	28	54	58	26
Volume ($ Millions)	$324	$452	$780	$522
Price/Room ($ 000)	$100.9	$78.4	$141.6	$177.7
Yield (%)	12.1%	11.2%	10.4%	9.1%
Alberta	**2000***	**2006***	**2007****	**2008***
Transactions	10	32	43	14
Volume ($ Millions)	$46	$260	$549	$280
Price/Room ($ 000)	$46.2	$91.4	$147.9	$192.7
Yield (%)	12.7%	12.2%	10.6%	9.2%

Source: Colliers Investment Report; PKF Consulting

*Limited number of reporting cap rates

**Portfolio sales with undisclosed individual prices excluded

Back to the Basics

- ✓ Maintain Your Product
- ✓ Provide Good Value
- ✓ Never Give Up on Good Service – Re-evaluate
- ✓ Keep Operating Costs in Line – if affects your borrowing power
- ✓ Don't give it away – be respectful of the value of your offering

Thank you!

Alberta

Accommodation Outlook Forum

April 2009

Please visit our website at www.pkfcanada.com for a copy of this presentation.