

**2005 - 2006  
Canadian  
Accommodation  
Outlook Forum**

November 2005



# Presentation Outline

1. National/Regional Travel Outlooks
2. National/Regional Market Outlooks
3. Industry Segment and Investment Outlook

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# Canadian Travel Outlooks





# The Potential Impact of a Western Hemisphere Travel Initiative Passport Requirement on Canada's Tourism Industry

Source: Conference Board of Canada, Canadian Tourism Commission



# Passport Possession in the US and Canada

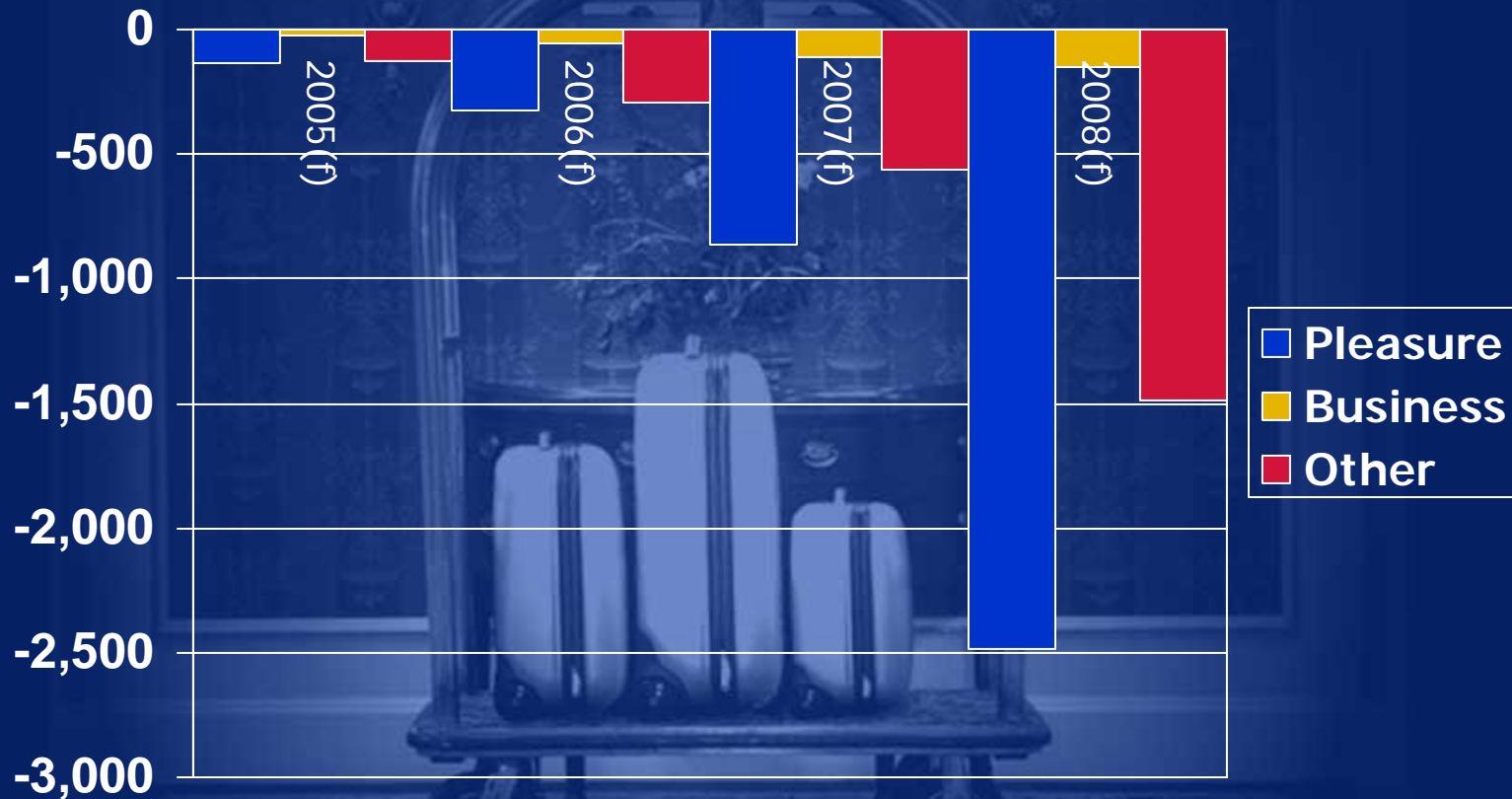
2005 Household Surveys (U.S. and Canada)	U.S.	Canada
General Adult Population	34%	41%
Same-Day Travellers (transborder)	44%	60%
Overnight auto travellers (transborder)	50%	70%
Overnight air travellers (transborder)	67%	75%

Source: Conference Board of Canada, Canadian Tourism Commission



# Net Impact of WHTI Passport Requirement

## 6.6 Million fewer trips by 2008



Source: Conference Board of Canada, Canadian Tourism Commission



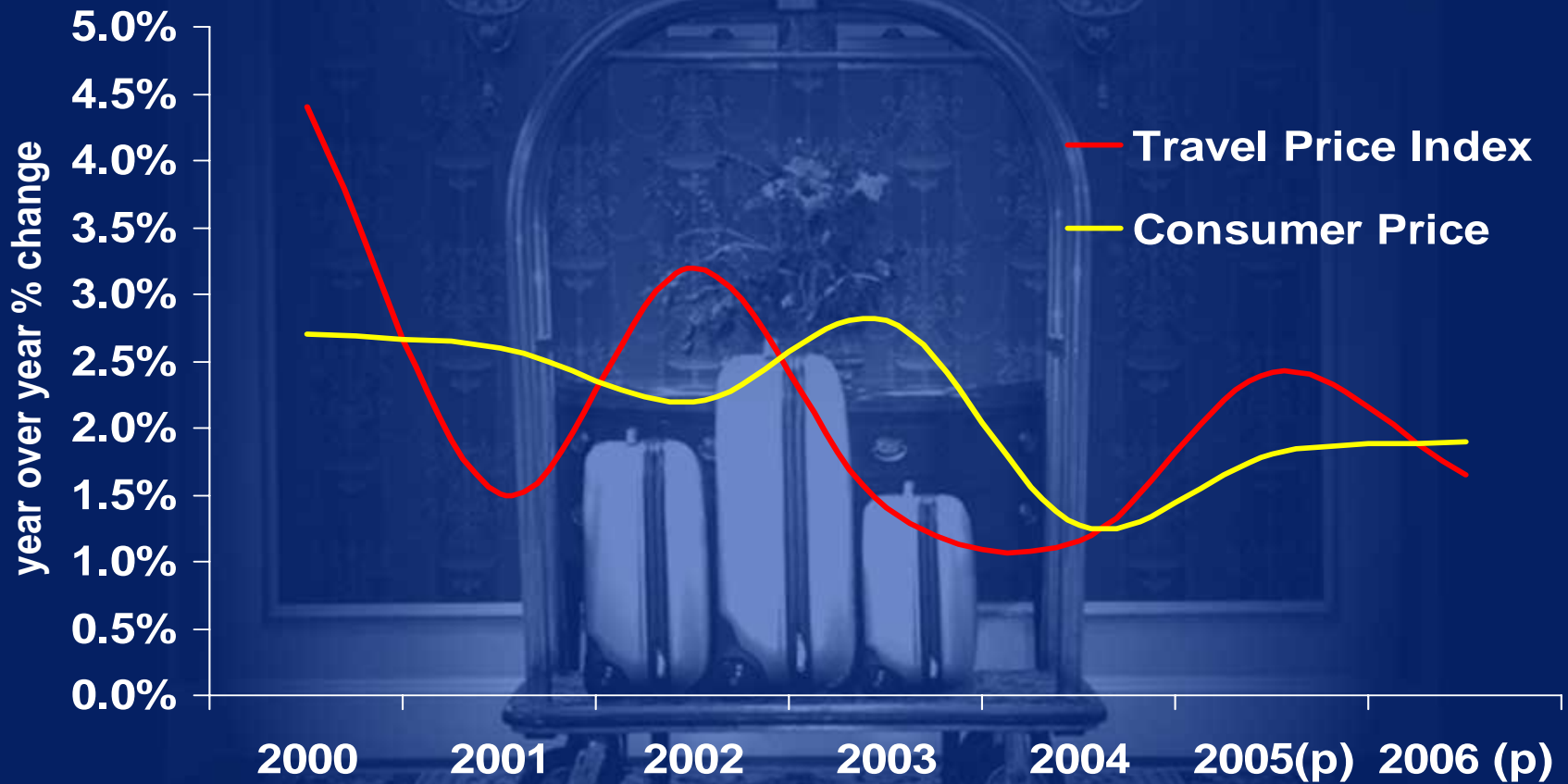
# National Economic/Travel Outlook

	2004 Actual	2005 Forecast	2006 Projection
GDP Growth National	2.9%	2.5%	2.9%
Business Travel Overnight Domestic	5.3%	4.4%	5.4%
Pleasure Travel Overnight Domestic	1.6%	4.0%	4.1%
U.S. Overnight Travel	6.3%	-3.1%	0.2%
Overseas Overnight Travel	27.3%	8.5%	6.3%

Source: Conference Board of Canada, October 2005



# Travel Price Index vs. Consumer Price Index



Source: Statistics Canada, Conference Board of Canada



# Business Travel Outlook

## 5% Growth in 2006

- ✓ Economic Growth
  - ✓ Tight Labour Market
  - ✓ Number of business trips are increasing
  - ✓ Increased use of low cost carriers
  - ✓ Improving Business Confidence
- 
- ✗ Loss in manufacturing jobs
  - ✗ Weak Export Market



# Meeting/Conference Outlook

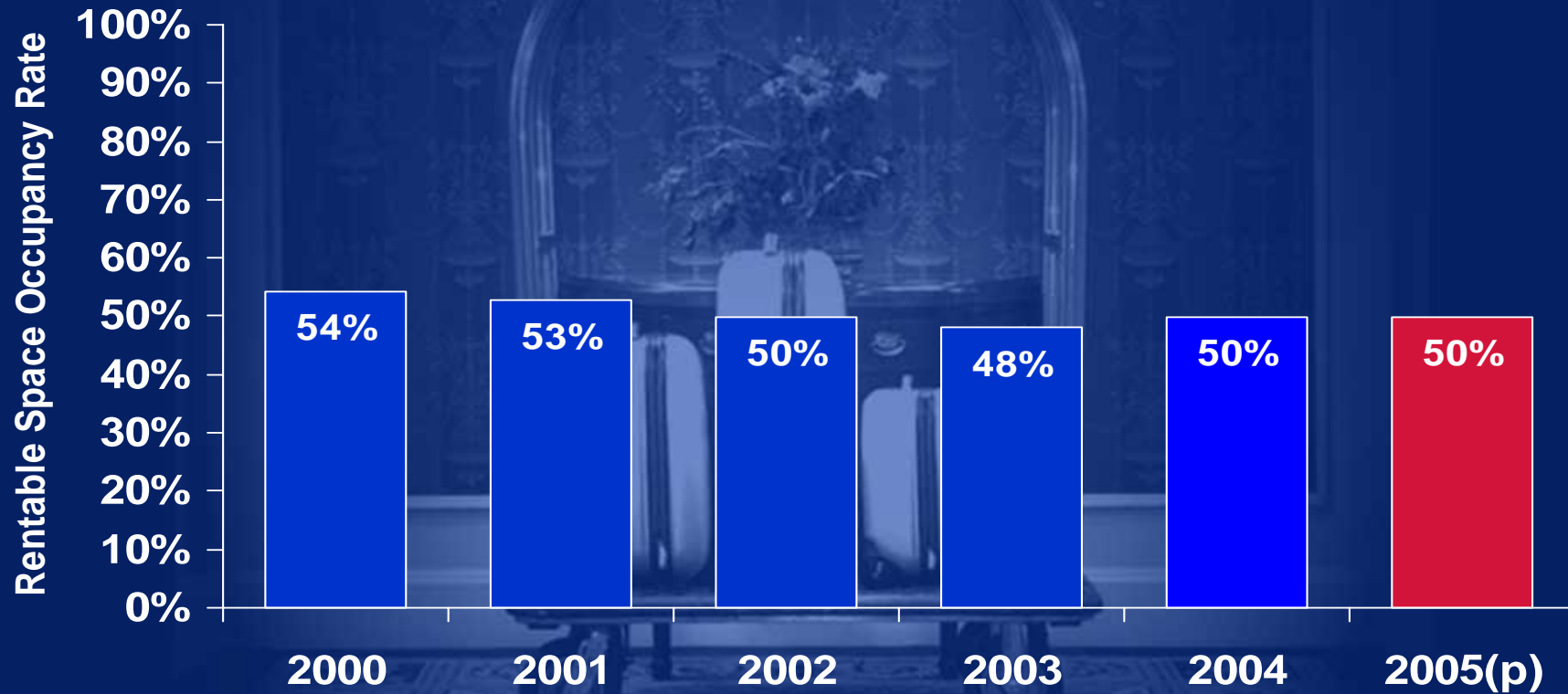
**4% Growth in 2006**

- ✓ Pent-up M&C Demand
- ✓ Upgrading and Expansion of Supply
- ✓ Need to Cement business relationships through face-to face meetings
  
- ✗ Aggressive U.S. Competition
- ✗ Competing with Alternative Venues



# Meeting/Conference Outlook

## Canadian Convention Centre Rentable Space Utilization



Source: PKF Consulting Annual Convention Centre Survey



# Leisure Travel Outlook

**3% Growth in 2006**

- ✓ Strong Consumer Confidence
- ✓ Personal Disposable Income
- ✓ Increase in air travel
- ✓ Overseas Inbound Travel
- ✓ Cdn Dollar should moderate
- ✓ Demographic Shifts



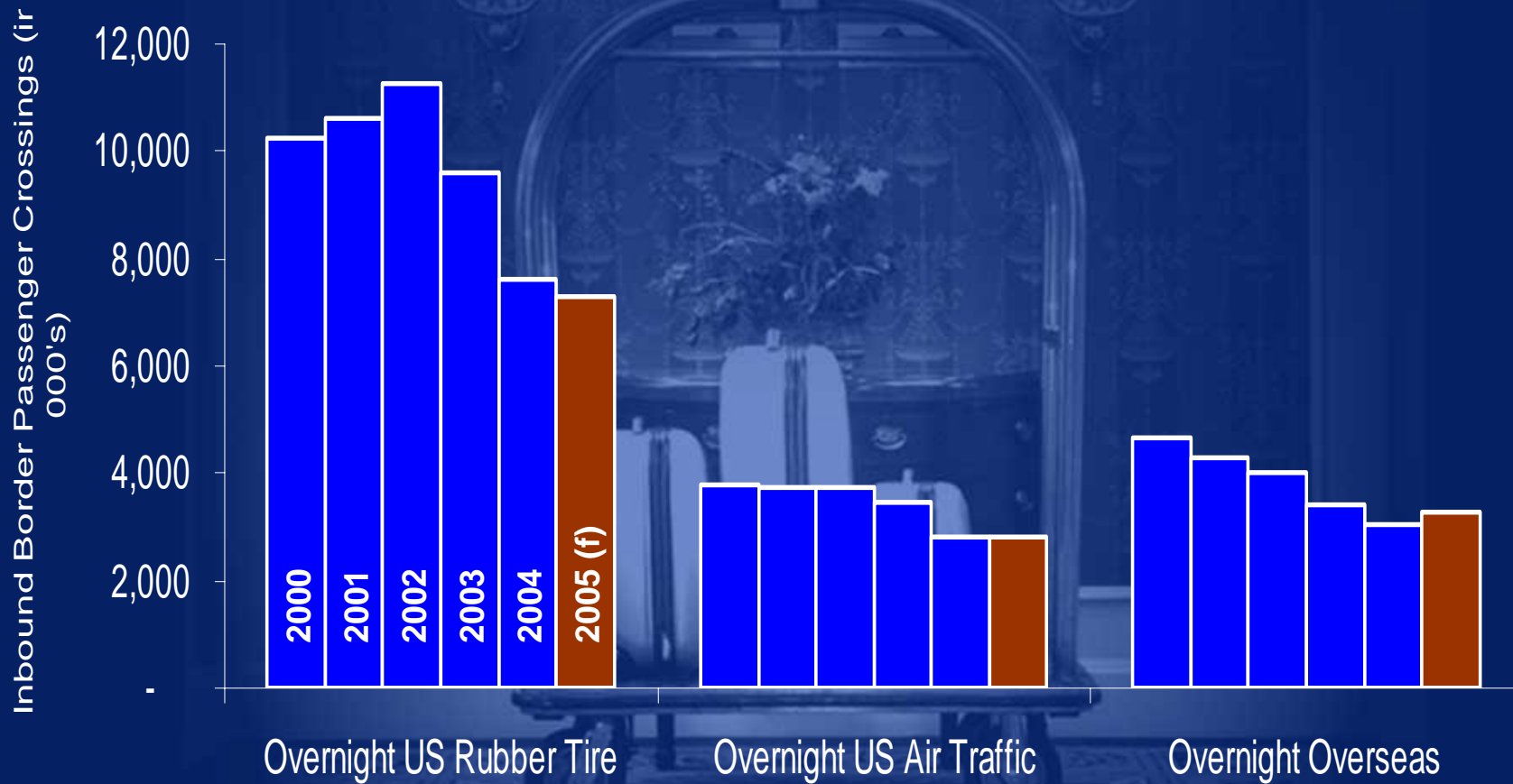
# Leisure Travel Outlook

**3% Growth in 2006**

- × Continual decline in US visitors
- × Fewer total trips by households
- × Rising Petroleum Prices
- × Rising Interest Rates –vs. Consumer Debt Load
- × Increased Competitive Destinations
- × “Flu Pandemic”



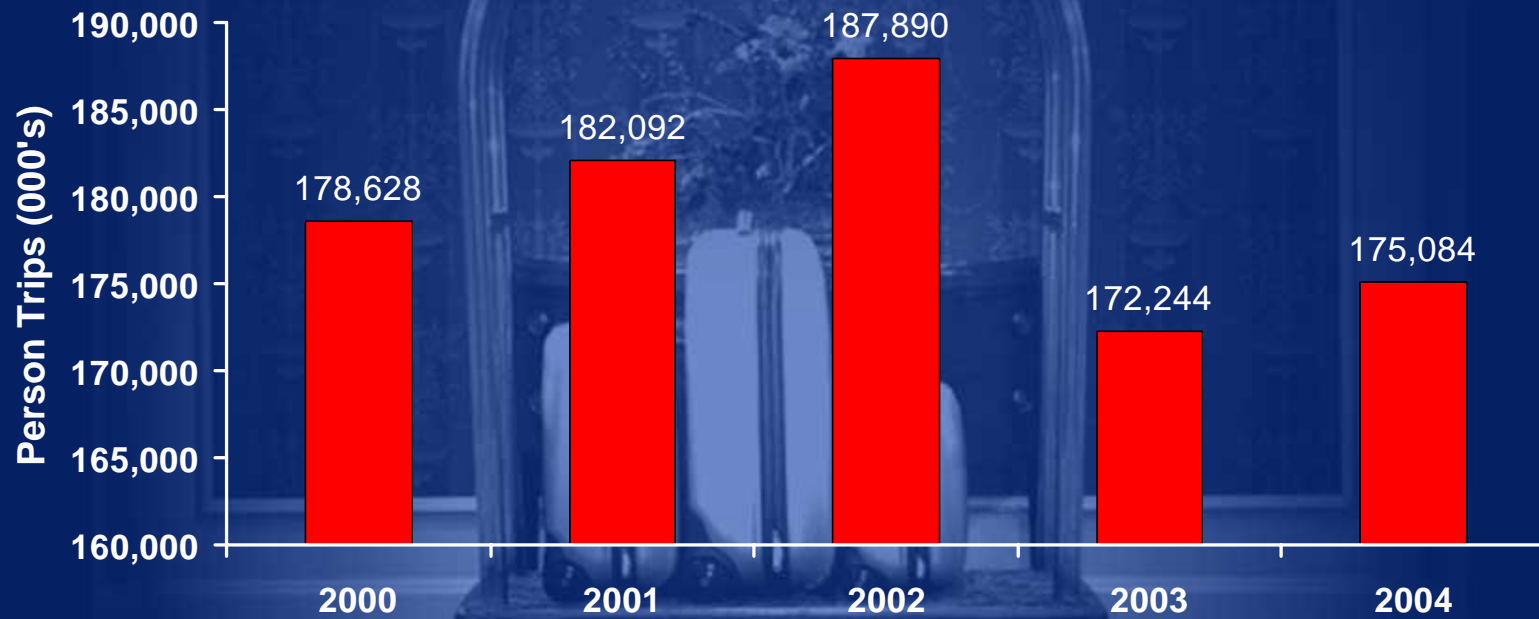
# Border Crossings - National



Source: Statistics Canada



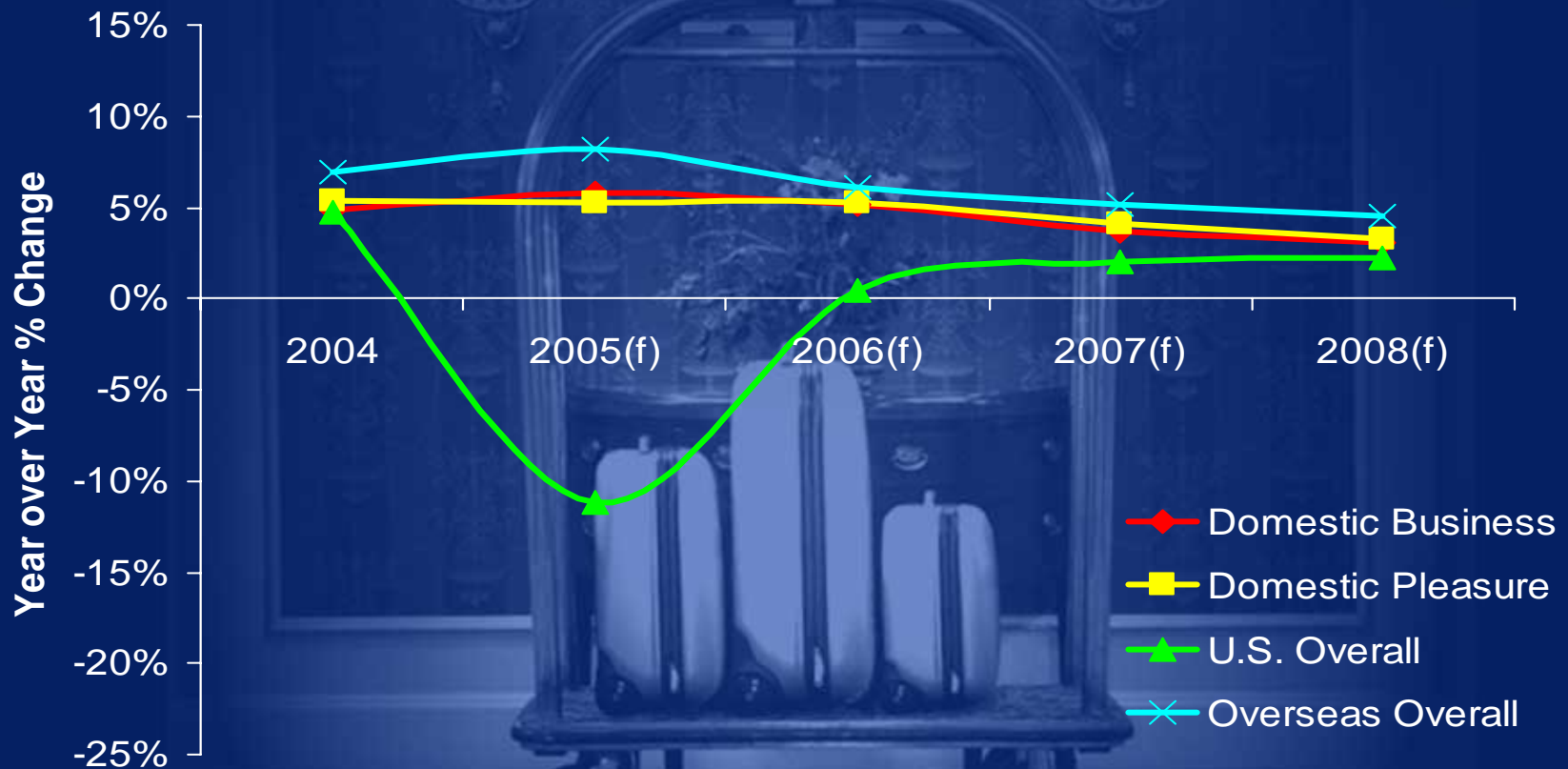
# Domestic Travel Within Canada



Source: Statistics Canada



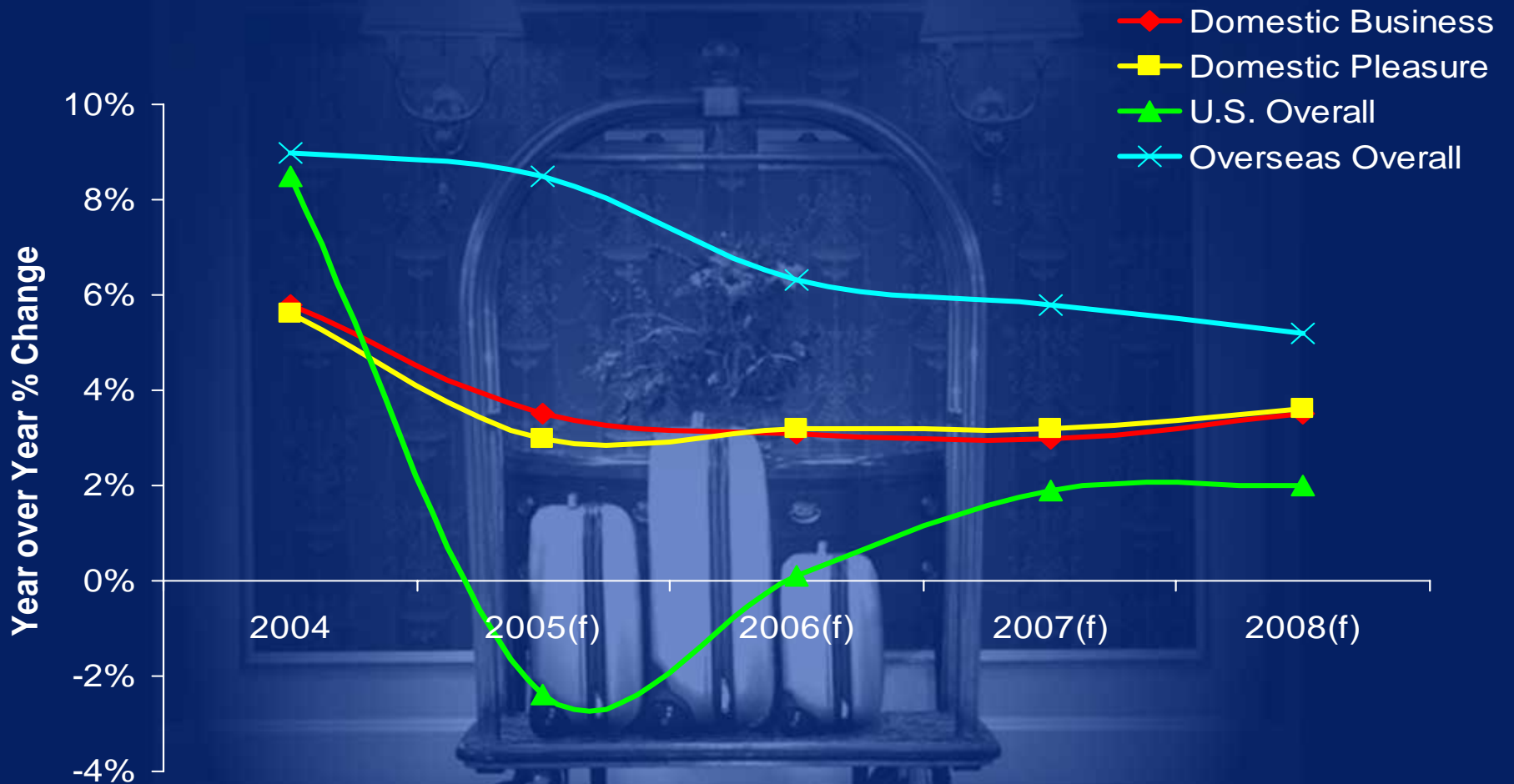
# Travel Outlook – Atlantic Canada



Source: Conference Board of Canada, October 2005



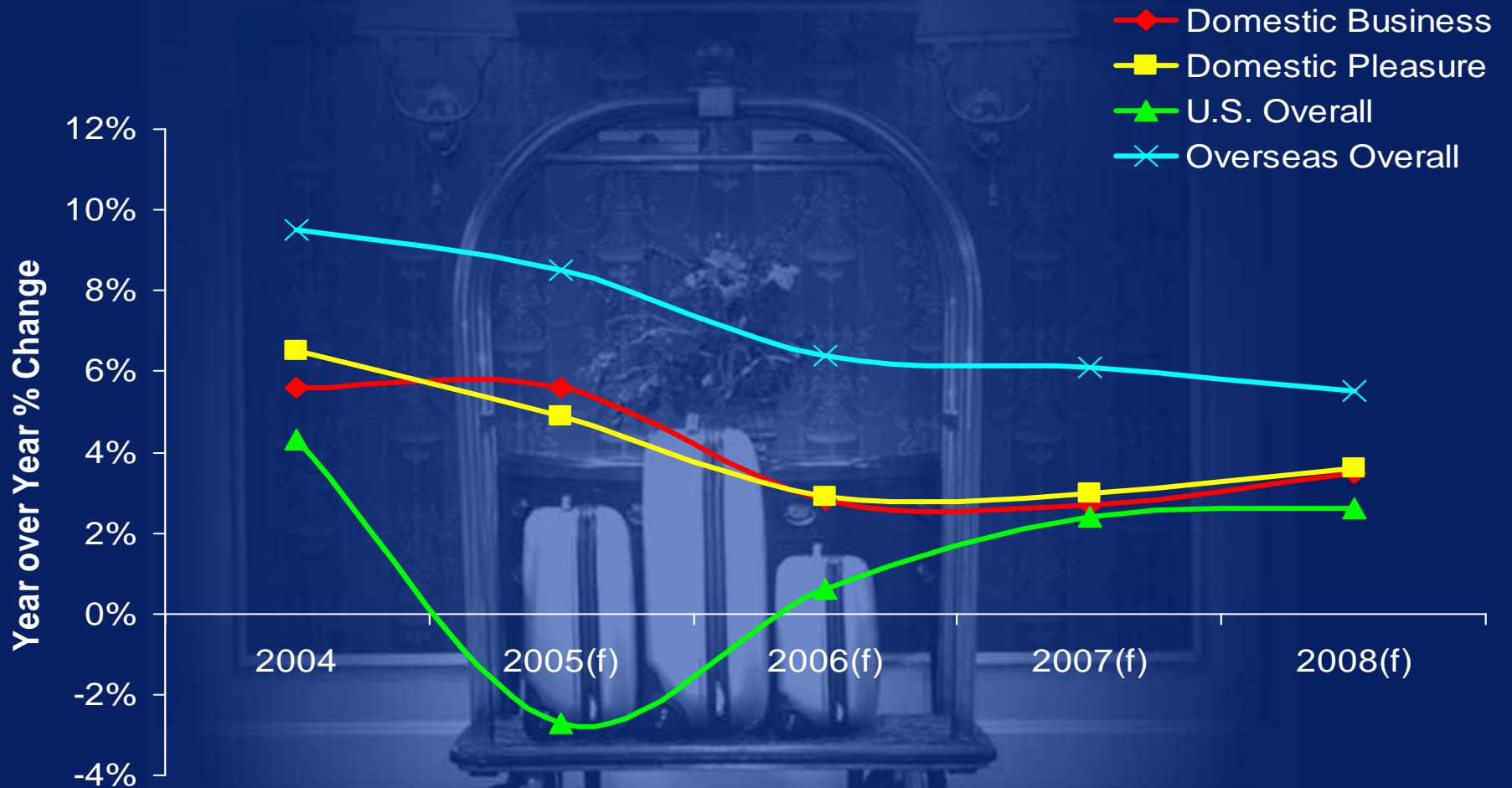
# Travel Outlook - Central Canada



Source: Conference Board of Canada, October 2005



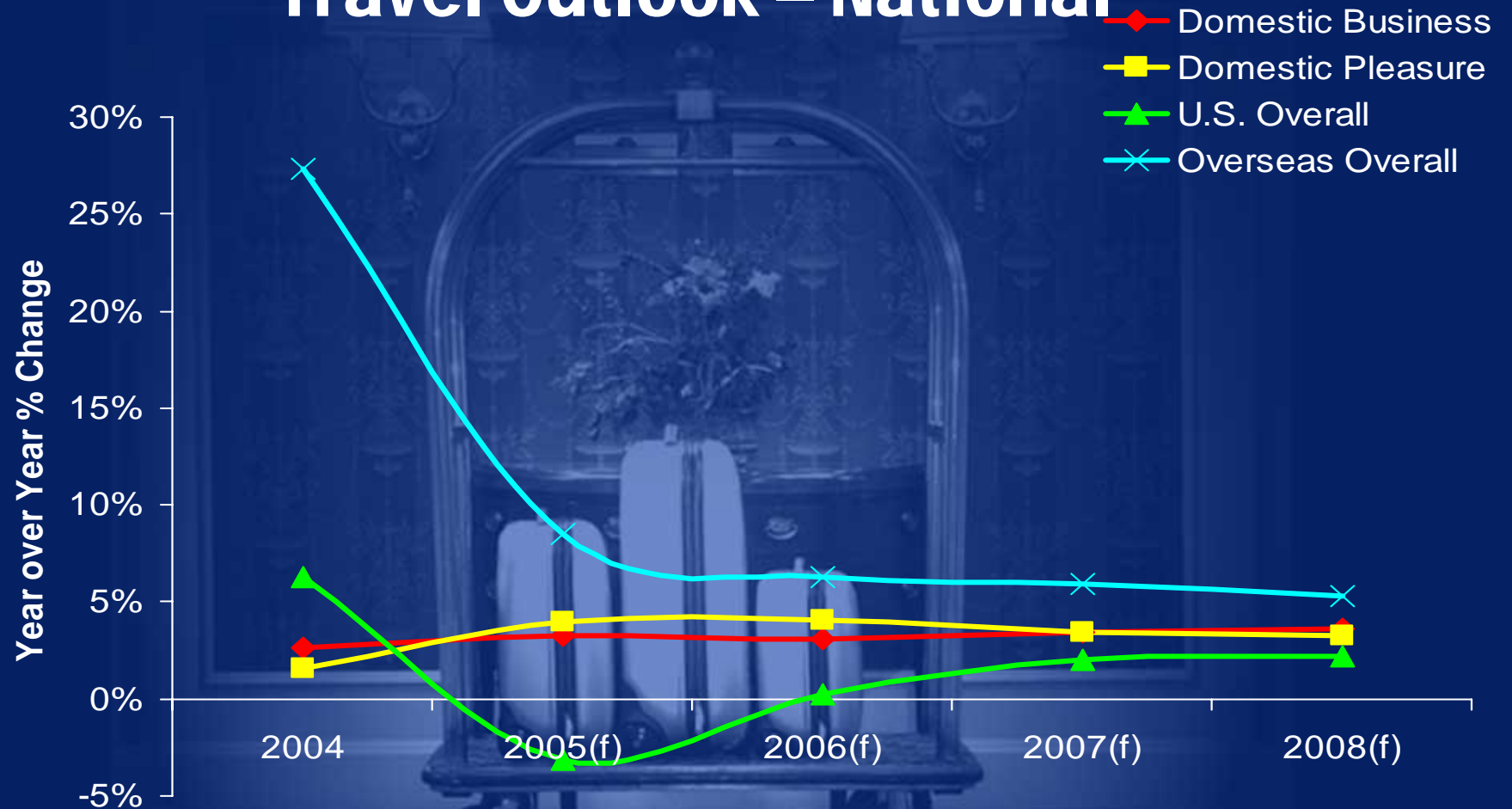
# Travel Outlook – Western Canada



Source: Conference Board of Canada, October 2005



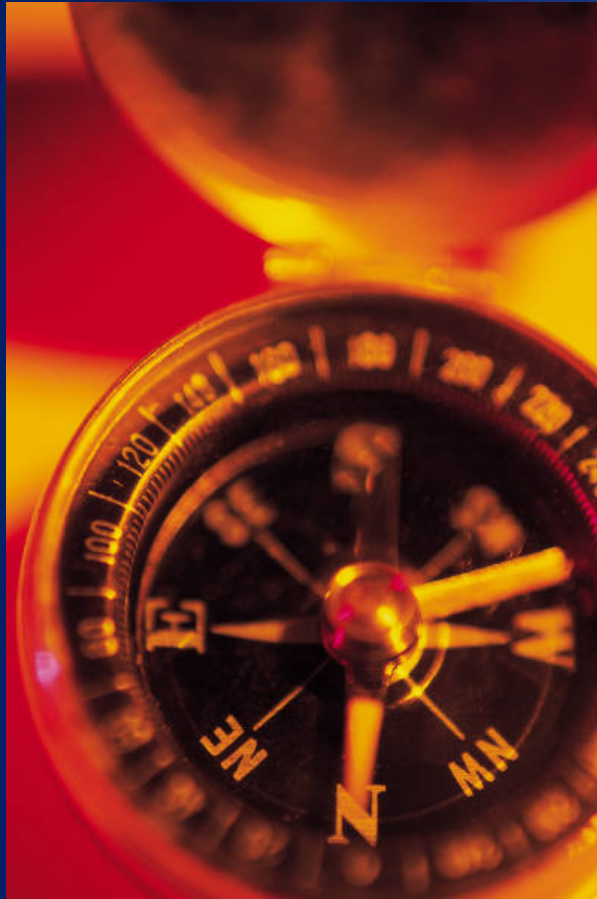
# Travel Outlook – National



Source: Conference Board of Canada, October 2005



# National & Regional Market Outlooks



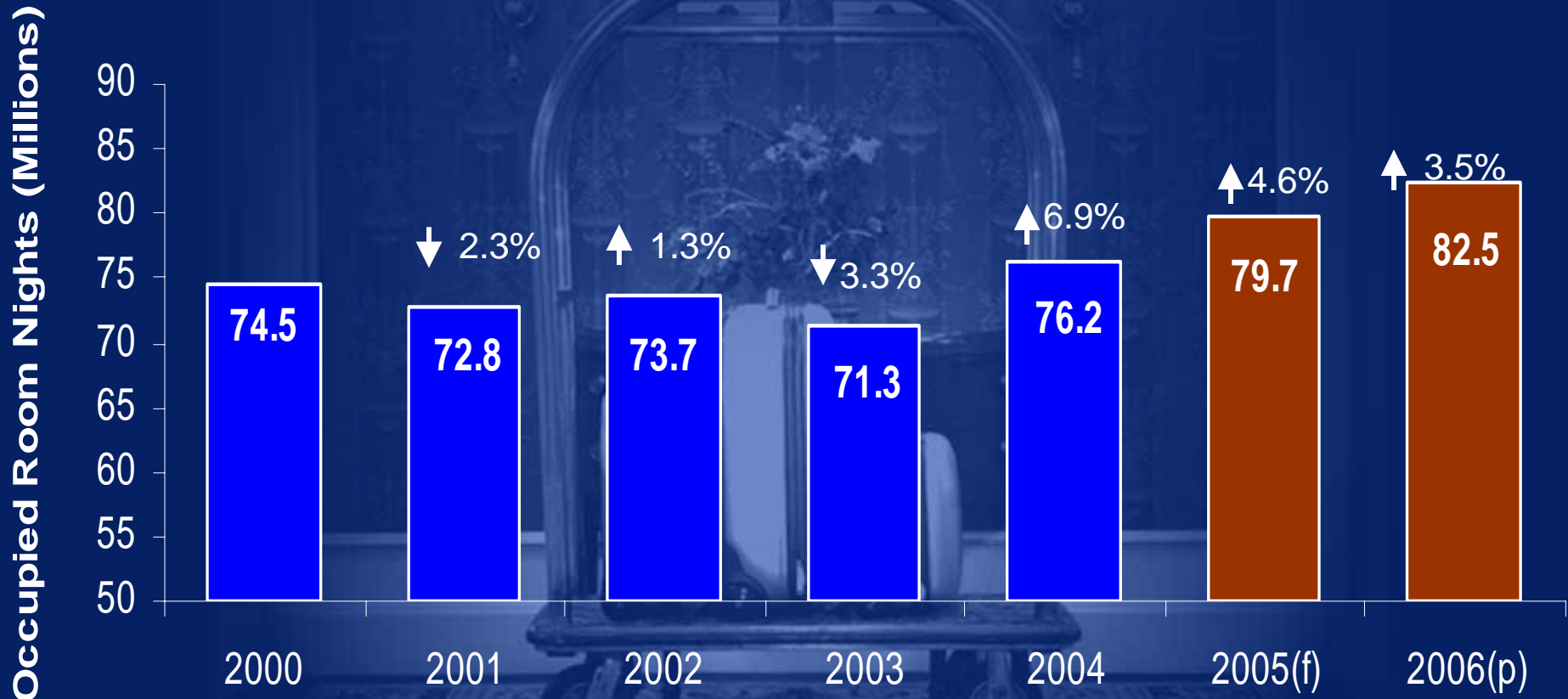


# From The Industry's Perspective: 2006 Top Line Outlook

National	RevPAR
Decline	8%
0 to 2 per cent growth	24%
<b>2 to 5 per cent growth</b>	<b>40%</b>
5 to 10 per cent growth	23%
Greater than 10 per cent growth	5%



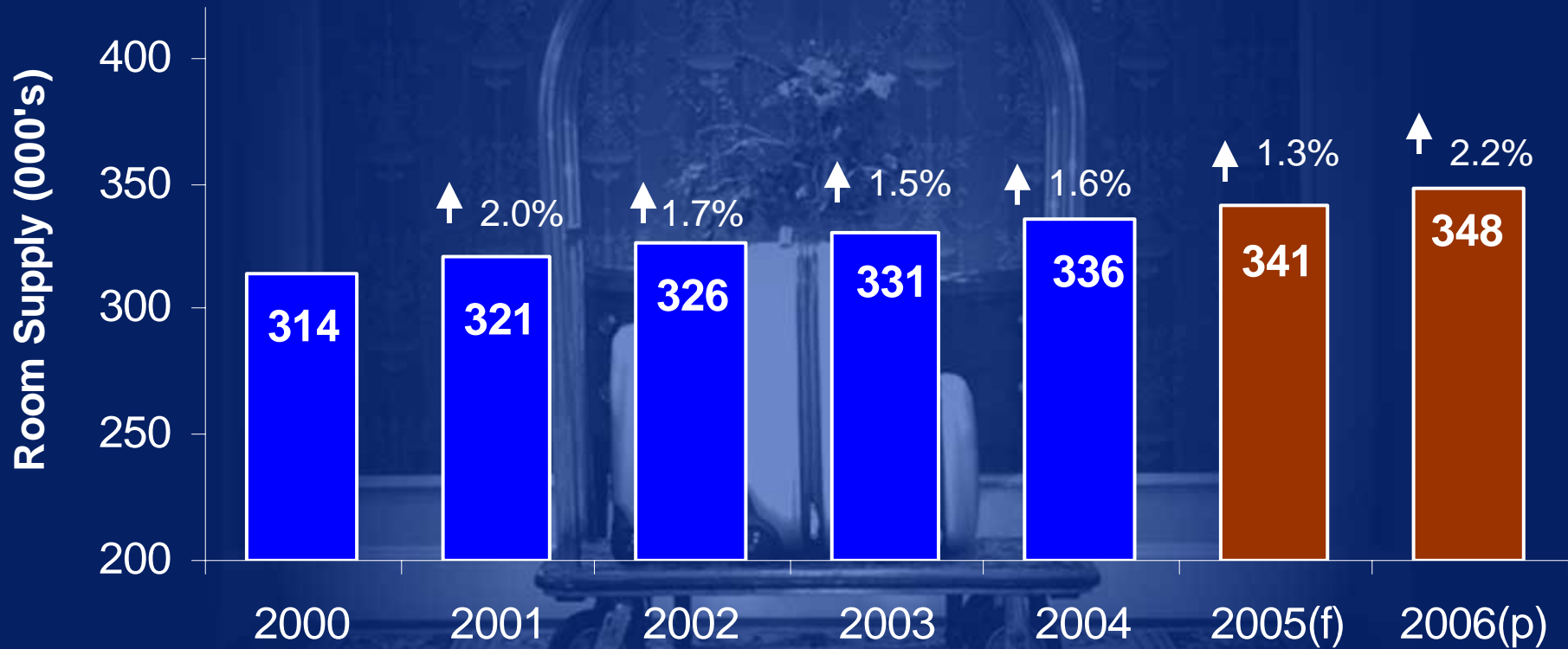
# National Accommodation Demand



Source: PKF Consulting



# National Room Supply



Source: PKF Consulting



# National Market Outlook

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Projection
Occupancy	65%	62%	62%	59%	62%	64%	65%
ADR	\$111	\$114	\$116	\$112	\$117	\$119	\$122
RevPAR	\$72	\$71	\$72	\$66	\$73	\$76	\$79

Source: PKF Consulting

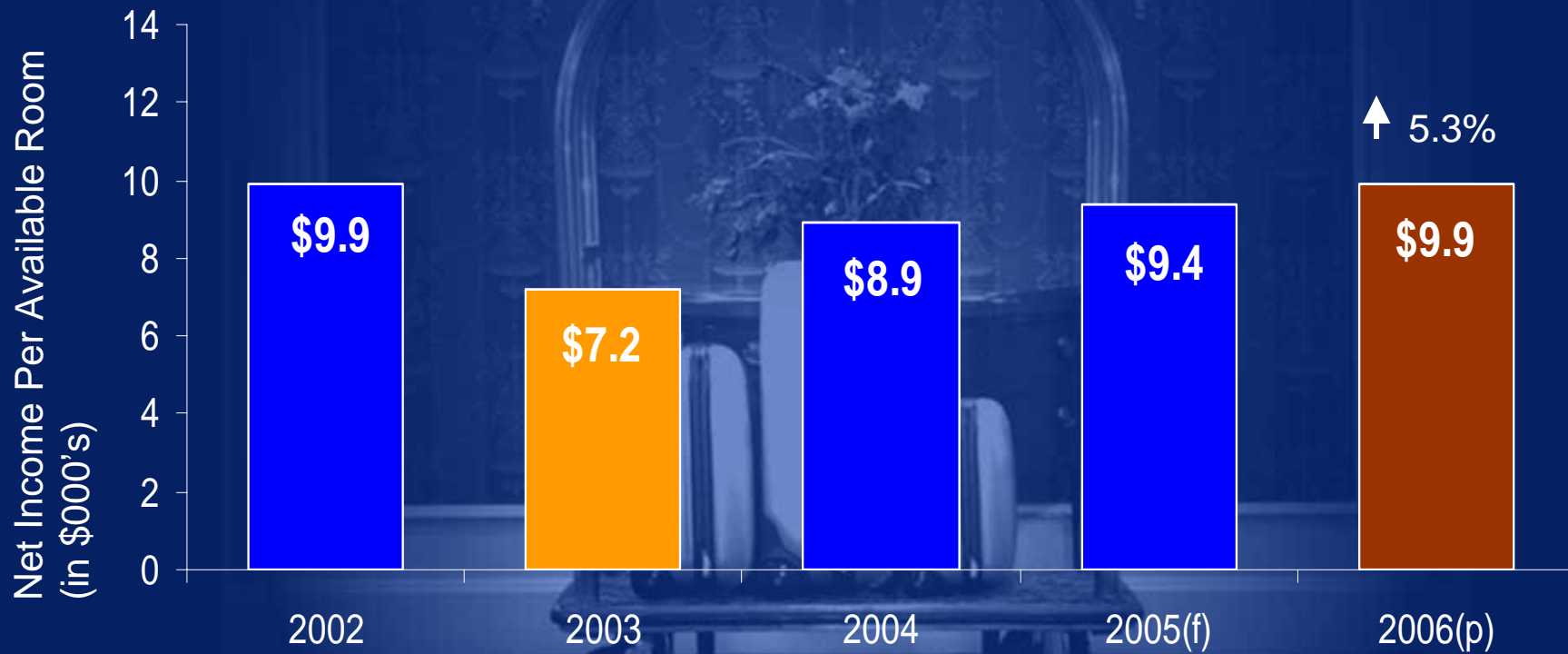


# From The Industry's Perspective: 2006 Bottom Line Outlook

National	Bottom Line
Decline	9%
0 to 2 per cent growth	26%
<b>2 to 5 per cent growth</b>	<b>30%</b>
5 to 10 per cent growth	23%
Greater than 10 per cent growth	12%



# National Financial Outlook (All Hotels)



Source: PKF Consulting

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# Western Canada



Source: Canadian Tourism Commission



# From The Industry's Perspective: 2006 Top Line Outlook

Western Canada

RevPAR

Decline

4%

0 to 2 per cent growth

20%

**2 to 5 per cent growth**

**48%**

5 to 10 per cent growth

22%

Greater than 10 per cent growth

6%



# WESTERN CANADA OUTLOOK

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Vancouver</b>	63%	62%	67%	69%	70%
	\$118	\$113	\$119	\$122	\$125
<b>Whistler</b>	55%	52%	53%	55%	56%
	\$208	\$202	\$199	\$202	\$207
<b>Western Canada</b>	61%	59%	62%	65%	66%
	\$110	\$109	\$113	\$114	\$117
<i>RevPAR</i>	<i>\$67</i>	<i>\$64</i>	<i>\$70</i>	<i>\$74</i>	<i>\$77</i>

Source: PKF Consulting



## WESTERN CANADA OUTLOOK (Cont.)

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Calgary</b>	64%	61%	65%	68%	68%
	\$107	\$105	\$110	\$113	\$116
<b>Edmonton</b>	72%	61%	69%	66%	67%
	\$91	\$95	\$99	\$101	\$104
<b>Alberta Resorts</b>	62%	57%	59%	63%	64%
	\$198	\$204	\$209	\$207	\$212
<b>Western Canada</b>	61%	59%	62%	65%	66%
	\$110	\$109	\$113	\$114	\$117
<i>RevPAR</i>	<i>\$67</i>	<i>\$64</i>	<i>\$70</i>	<i>\$74</i>	<i>\$77</i>

Source: PKF Consulting



# WESTERN CANADA OUTLOOK (Cont.)

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Winnipeg</b>	62%	60%	63%	63%	62%
	\$92	\$92	\$94	\$94	\$96
<b>Western Canada</b>	61%	59%	62%	65%	66%
	\$110	\$109	\$113	\$114	\$117
<i>RevPAR</i>	\$67	\$64	\$70	\$74	\$77

Source: PKF Consulting



# From The Industry's Perspective: 2006 Bottom Line Outlook

Western Canada

Bottom Line

Decline

9%

0 to 2 per cent growth

22%

**2 to 5 per cent growth**

**30%**

5 to 10 per cent growth

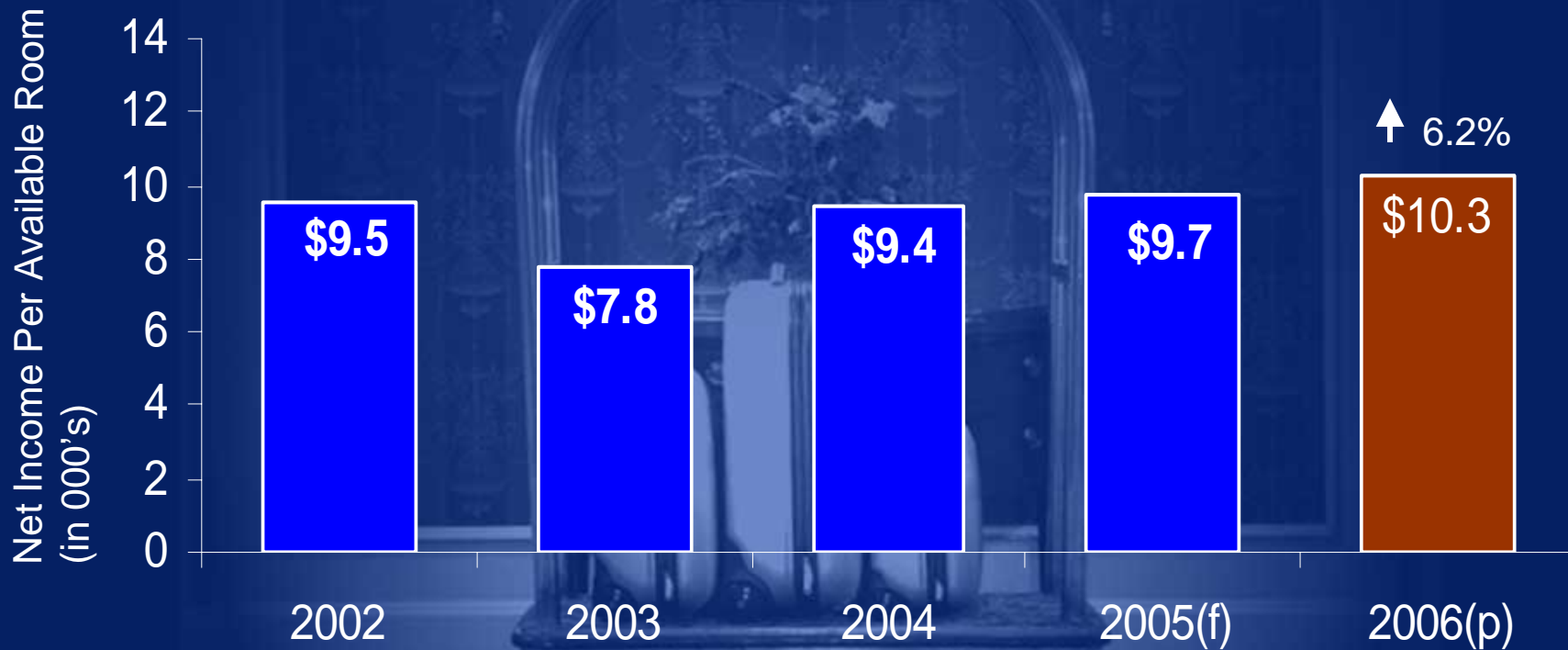
26%

Greater than 10 per cent growth

13%



# Western Financial Outlook (All Hotels)



Source: PKF Consulting

# Western Canada Issues

## First Tier Markets

- US Visitation declining – Volume and ADR Impact
- Rate Recovery lagging in most urban markets
- Convention Demand Weak – Pressure on ADR
- Pending Supply – Boutique and Luxury

# Western Canada Issues

## Second Tier Markets

- Pending or Actualized Supply Increases
- Impact of Strata & Recreational Real Estate Rental Pools

## Third Tier Markets

- Resource Industry building Camps to Control ADR
- Concentration of crews depressing ADR
- Resource Requirements displacing Tourism Capacity
- Market Reduction after Extraction Completion

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Source: Canadian Tourism Commission

# Central Canada





# From The Industry's Perspective: 2006 Top Line Outlook

Central Canada

RevPAR

Decline

9%

**0 to 2 per cent growth**

**31%**

2 to 5 per cent growth

29%

5 to 10 per cent growth

27%

Greater than 10 per cent growth

4%



# CENTRAL CANADA OUTLOOK

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Toronto</b>	64%	57%	66%	67%	66%
	\$130	\$118	\$128	\$132	\$136
<b>Ottawa</b>	65%	62%	64%	67%	67%
	\$125	\$124	\$125	\$128	\$131
<b>Central Canada</b>	63%	58%	62%	63%	64%
	\$123	\$116	\$123	\$126	\$129
<i>RevPAR</i>	<i>\$77</i>	<i>\$67</i>	<i>\$76</i>	<i>\$79</i>	<i>\$83</i>



## CENTRAL CANADA OUTLOOK (Cont.)

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Ontario Resorts</b>	58%	54%	47%	48%	49%
	\$164	\$165	\$174	\$178	\$182
<b>Niagara Falls</b>	57%	50%	55%	55%	55%
	\$131	\$120	\$138	\$142	\$146
<b>Central Canada</b>	63%	58%	62%	63%	64%
	\$123	\$116	\$123	\$126	\$129
<i>RevPAR</i>	<i>\$77</i>	<i>\$67</i>	<i>\$76</i>	<i>\$79</i>	<i>\$83</i>



## CENTRAL CANADA OUTLOOK (Cont.)

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Montreal</b>	68%	65%	67%	66%	66%
	\$138	\$136	\$137	\$140	\$143
<b>Quebec City</b>	65%	60%	63%	64%	65%
	\$145	\$139	\$142	\$143	\$146
<b>Central Canada</b>	63%	58%	62%	63%	64%
	\$123	\$116	\$123	\$126	\$129
<i>RevPAR</i>	<i>\$77</i>	<i>\$67</i>	<i>\$76</i>	<i>\$79</i>	<i>\$83</i>

Source: PKF Consulting



# From The Industry's Perspective: 2006 Bottom Line Outlook

Central Canada

Bottom Line

Decline

10%

0 to 2 per cent growth

33%

2 to 5 per cent growth

24%

5 to 10 per cent growth

20%

Greater than 10 per cent growth

13%



# Central Financial Outlook (All Hotels)



Source: PKF Consulting



# Industry Issues and Implications

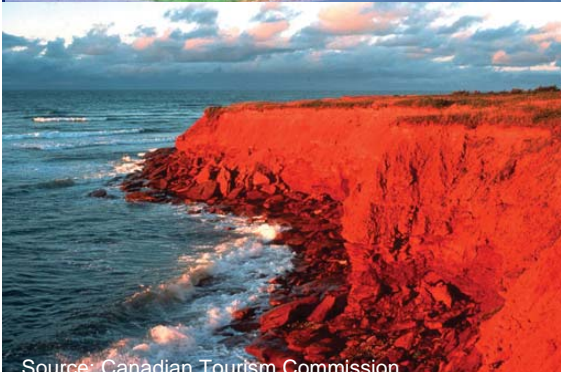
## Central Canada Issues

- Travel rebound-maybe
- New supply issues
- Rate weakness

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# Atlantic Canada



Source: Canadian Tourism Commission



# From The Industry's Perspective: 2006 Top Line Outlook

Atlantic Canada	RevPAR
Decline	16%
0 to 2 per cent growth	17%
<b>2 to 5 per cent growth</b>	<b>50%</b>
5 to 10 per cent growth	17%
Greater than 10 per cent growth	0%



# ATLANTIC CANADA OUTLOOK

	2002	2003	2004	2005 Forecast	2006 Projection
<b>Halifax</b>	73%	73%	71%	69%	70%
	\$114	\$119	\$121	\$123	\$126
<b>Atlantic Canada</b>	63%	62%	61%	61%	62%
	\$100	\$103	\$105	\$107	\$110
<i>RevPAR</i>	<i>\$63</i>	<i>\$64</i>	<i>\$64</i>	<i>\$65</i>	<i>\$68</i>

Source: PKF Consulting



# From The Industry's Perspective: 2006 Bottom Line Outlook

Atlantic Canada

Bottom Line

Decline

8%

0 to 2 per cent growth

17%

**2 to 5 per cent growth**

**50%**

5 to 10 per cent growth

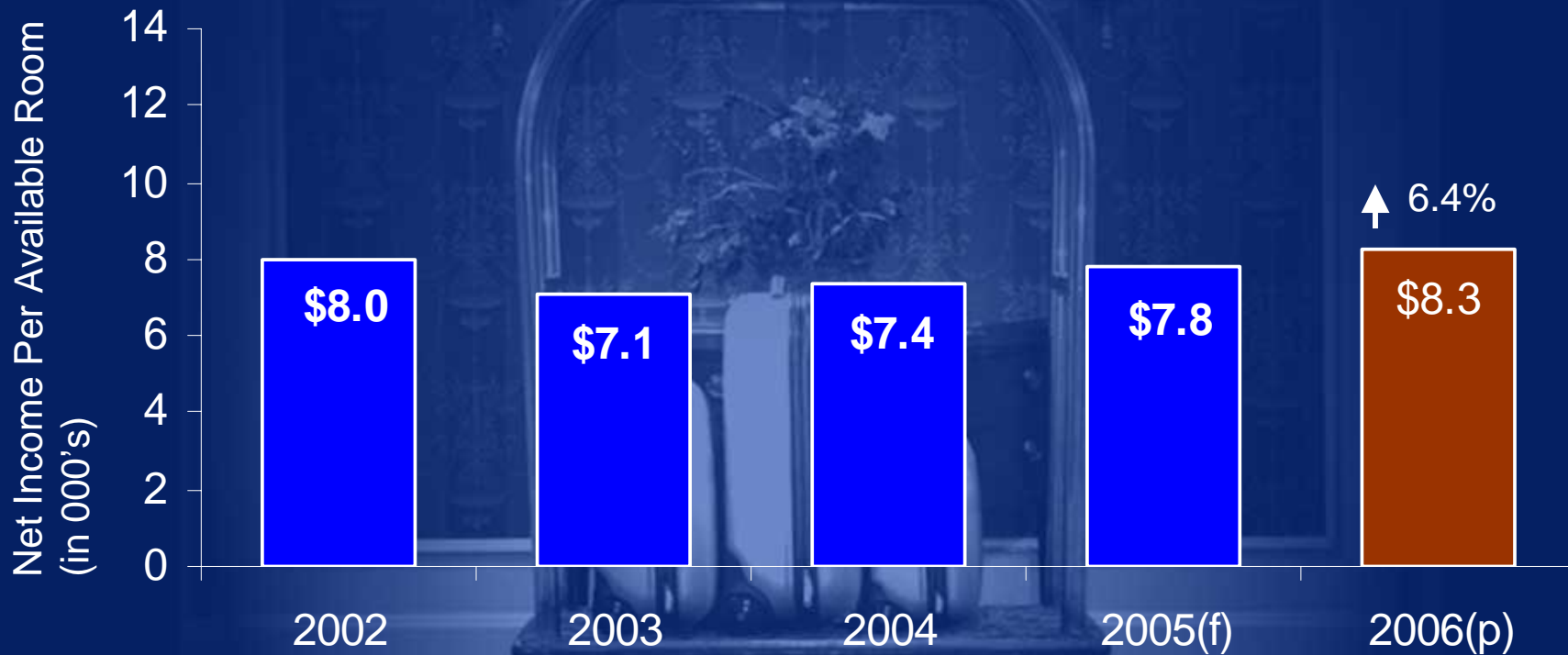
25%

Greater than 10 per cent growth

0%



# Atlantic Financial Outlook (All Hotels)



Source: PKF Consulting



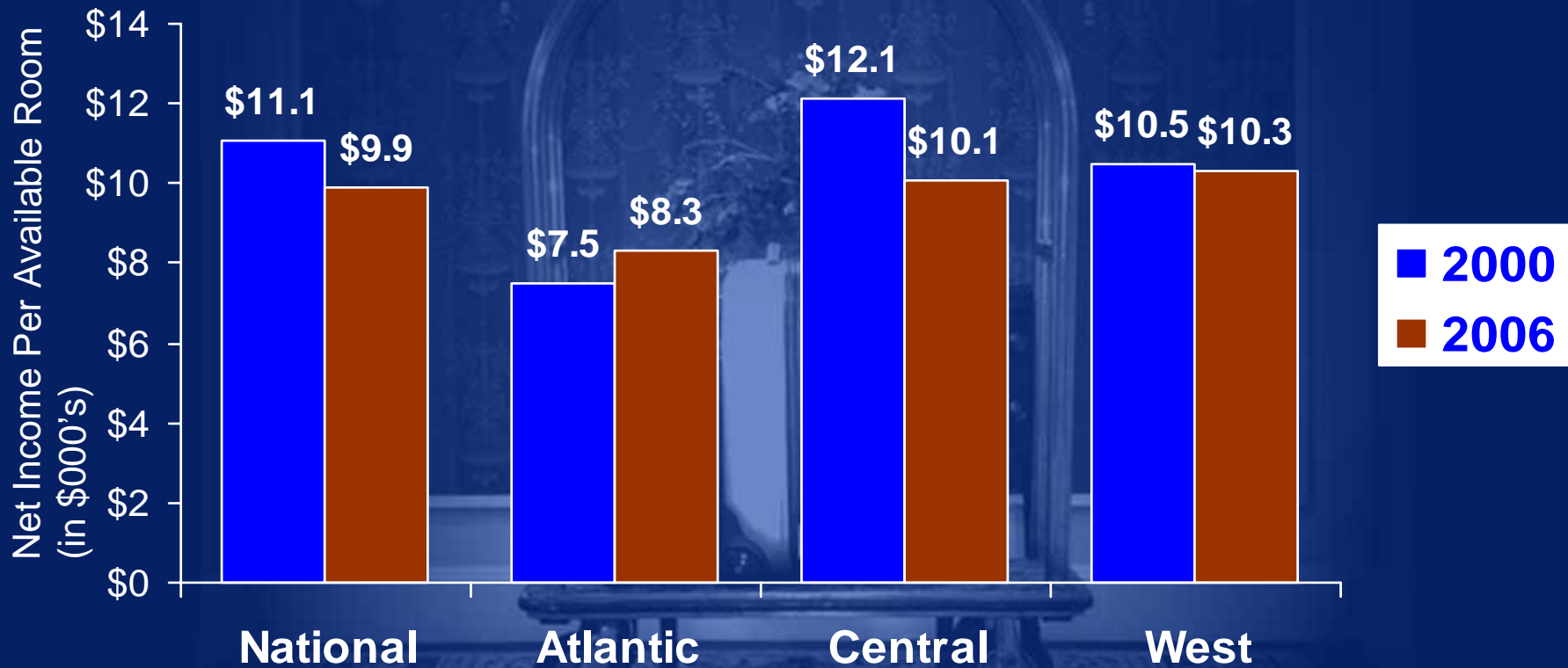
# Industry Issues and Implications

## Atlantic Canada Issues

- Travel issues
- Depth of markets
- Investment economics



# Regional Financial Outlook





# Industry Segment & Investment Outlooks





# Full Service Segment Outlook

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Projection
<b>Occupancy-</b> Full Service	68%	64%	63%	60%	64%	66%	67%
<b>ADR-</b> Full Service	\$117	\$121	\$122	\$117	\$122	\$125	\$128
<b>RevPAR-</b> Full Service	\$80	\$77	\$77	\$70	\$78	\$82	\$86



# Financial Outlook Full Service Hotels



Source: PKF Consulting



# Full Service Segment Issues

- Still the most vulnerable segment?
- Rates & operating economics
- Long is long term?



# Limited Service Segment Outlook

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Projection
<b>Occupancy-</b> Limited Service	60%	60%	59%	56%	59%	61%	62%
<b>ADR-</b> Limited Service	\$76	\$79	\$80	\$80	\$82	\$85	\$87
<b>RevPAR-</b> Limited Service	\$46	\$47	\$47	\$45	\$48	\$52	\$54



# Financial Outlook Limited Service Hotels



Source: PKF Consulting



# Limited Service Segment Issues

- Still broadest market appeal and strongest operating economics
- Re-defining the product
- Existing product liabilities



# All Suite & Extended Stay Outlook

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Projection
<b>Occupancy-</b> Suites/ES	65%	62%	66%	62%	66%	68%	69%
<b>ADR-</b> Suites/ES	\$122	\$122	\$117	\$115	\$119	\$119	\$122
<b>RevPAR-</b> Suites/ES	\$79	\$76	\$77	\$71	\$79	\$81	\$84



# Financial Outlook All Suite/Extended Stay



Source: PKF Consulting



# Industry Issues and Implications

## All Suite and Extended Stay Segments

- Combine broad market appeal with a consumer niche
- Strong operating economics
- They work, but can we build too many?



# Resort Segment Outlook

	2000 Actual	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Forecast	2006 Projection
<b>Occupancy-</b> Resorts	62%	58%	57%	54%	56%	58%	59%
<b>ADR-</b> Resorts	\$172	\$181	\$184	\$183	\$187	\$185	\$190
<b>RevPAR-</b> Resorts	\$107	\$105	\$106	\$98	\$105	\$107	\$112



# Financial Outlook Resorts



Source: PKF Consulting

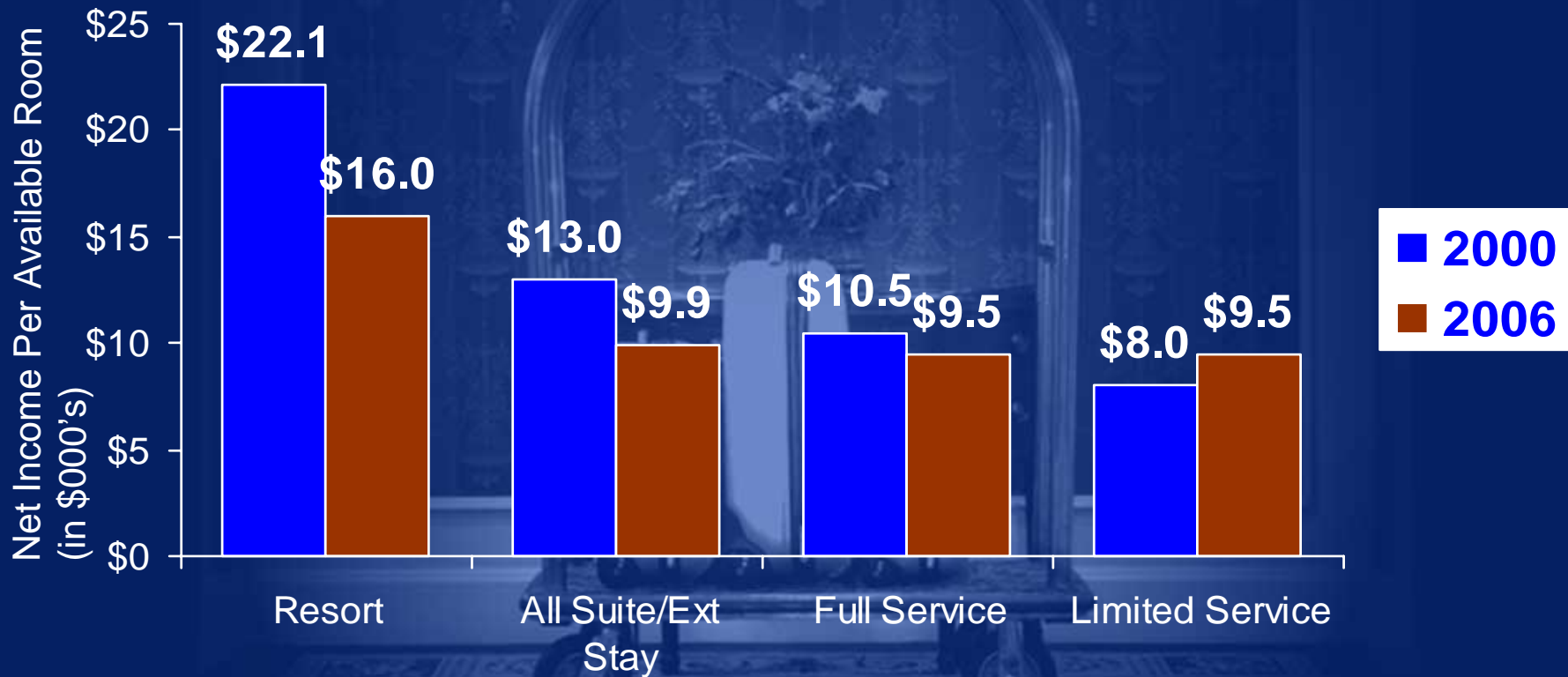


# Resort Segment Issues

- Negative Market Factors
- Non-traditional competitive threats
- Changing demographics
- The future of the independent resort?



# Property Type Financial Outlook





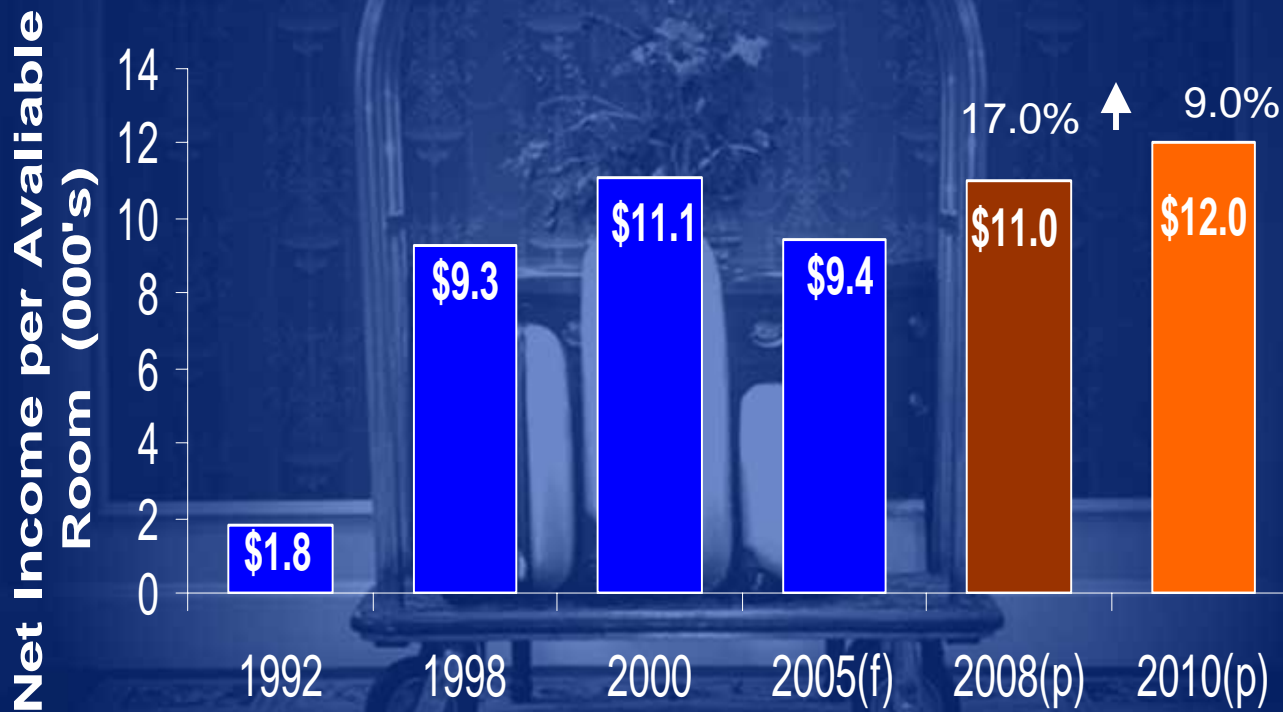
# Beyond 2005 - National

	Occupancy	ADR	RevPAR
2000 Actual	65%	\$111	\$72
2003 Actual	59%	\$112	\$66
2005 Forecast	64%	\$119	\$76
2008 Outlook	67%	\$129	\$86

Source: PKF Consulting



# National Financial Outlook Beyond 2005



Source: PKF Consulting



# Investment Outlook





# The Industry's Perspective

Will your company continue to look to acquire new assets in 2006?

	2005	2006
<b>Yes</b>	<b>90%</b>	<b>90%</b>
<b>No</b>	<b>10%</b>	<b>10%</b>



# The Industry's Perspective

In evaluating your rate of return, where do you put the greatest emphasis?

Trailing 12 months	18%
2005 Projection	18%
Normalized Year	27%
<b>3 to 5 Year Projections</b>	<b>37%</b>



# The Industry's Perspective

Have your investment criteria or expectations of return changed post 2004/2005?

	2005	2006
<b>Yes</b>	<b>20%</b>	<b>33%</b>
<b>No</b>	<b>80%</b>	<b>67%</b>



# The Industry's Perspective

What rate of return against invested capital do you require with respect to an acquisition?

	2005	2006
Less than 10 per cent	0%	0%
10 to 15 per cent	60%	50%
15 to 20 per cent	40%	20%
Greater than 20 per cent	0%	30%



# Industry Issues and Implications





# Industry Issues and Implications

## Key Development Issues

- New Brands
- Overbuilt Markets
- 3<sup>rd</sup> Tier Markets
- Condo Hotels and Mixed Use Projects

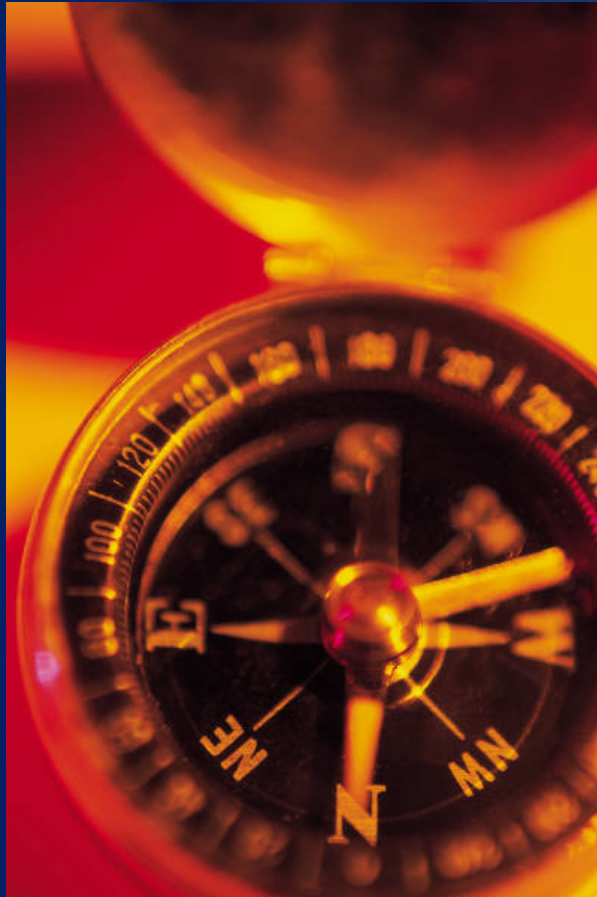


# Industry Issues and Implications

## Investment Issues

- Buyer/Seller Gap
- Profit Erosion/Value Retention
- Risk

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