CBRE

ALBERTA ACCOMMODATION OUTLOOK 2018

ALBERTA HOTEL & LODGING ASSOCIATION

APRIL 17, 2018

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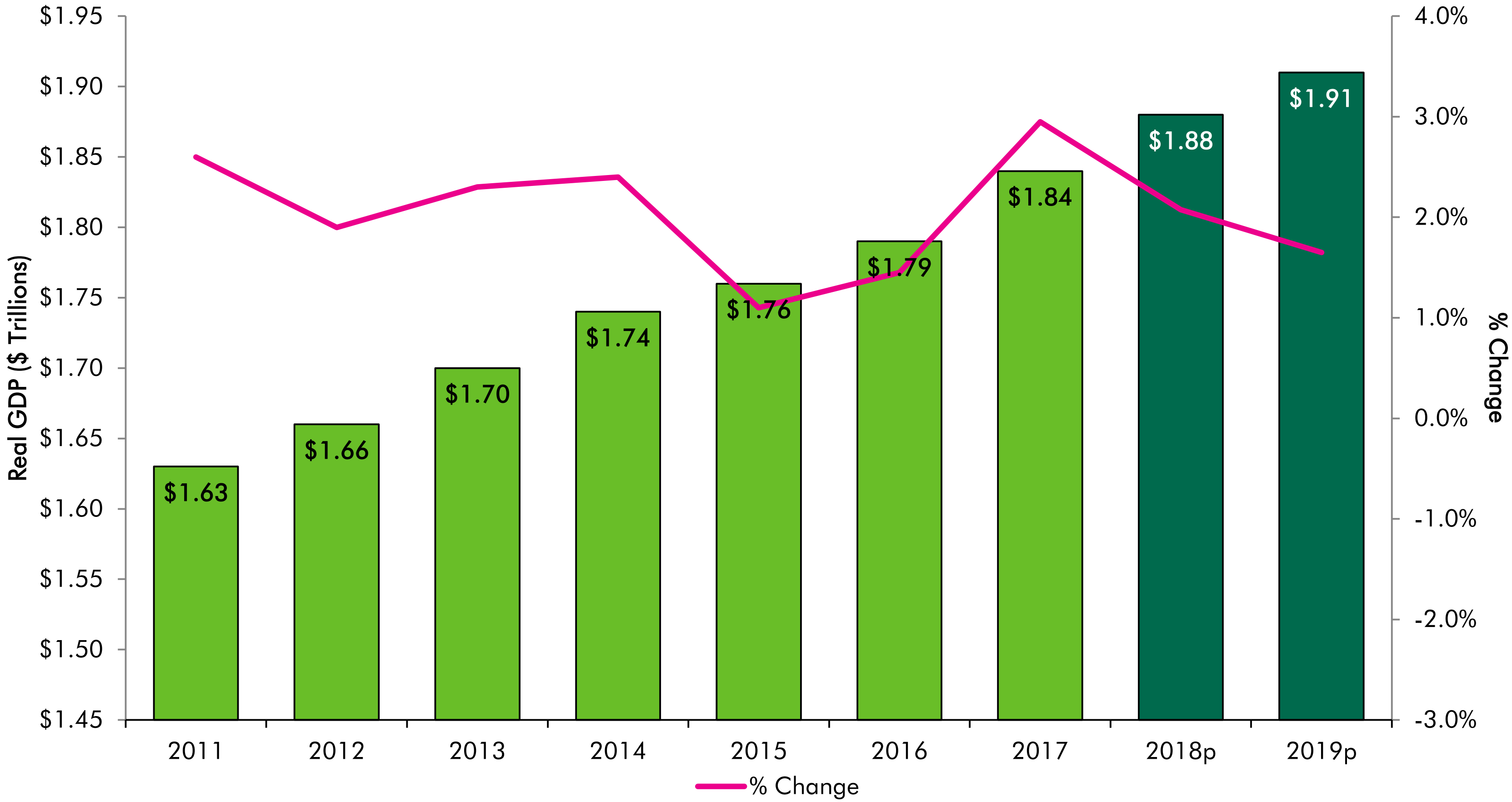
PRESENTATION OUTLINE

- National
- Western Canada
- Alberta
- Calgary & Edmonton
- Investment Trends
- Key Takeaways
- Questions

NATIONAL ECONOMIC & TRAVEL OUTLOOKS

NATIONAL REAL GDP OUTLOOK 2018/19



Source: Statistics Canada; Conference Board of Canada, Canadian Outlook Fall 2017; Scotiabank Group – Global Forecast Update January 2018; CIBC World Markets – Monthly FX Outlook, February 2018; RBC – Economic and Financial Market Outlook – 2017

Source: CBRE Hotels

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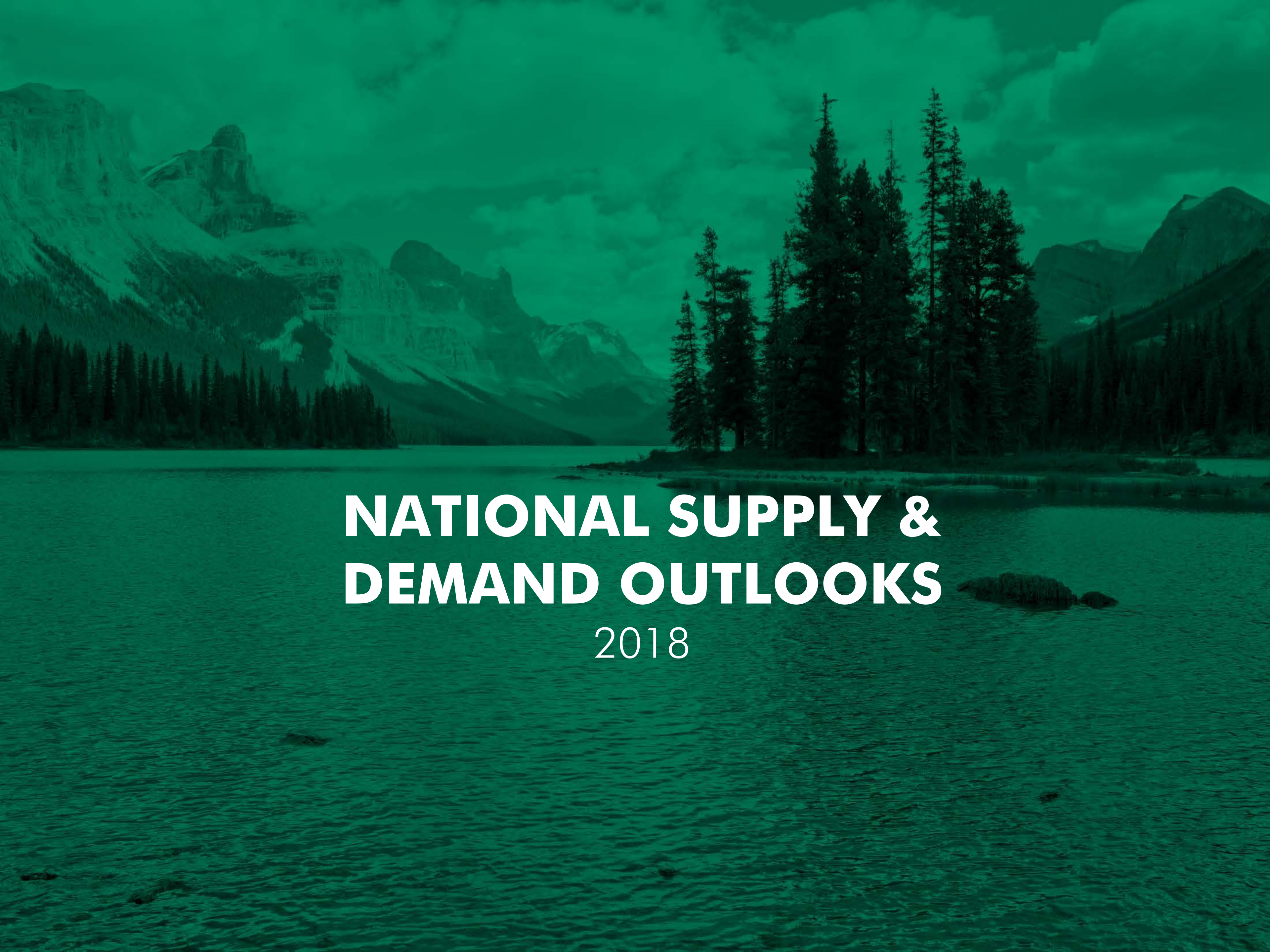
NATIONAL TRAVEL OUTLOOK

Overnight Travel	2016E	2017F	2018P	2019P
Business travel domestic	1.3%	2.2%	1.4%	1.4%
Pleasure travel domestic	2.1%	3.1%	2.2%	2.0%
Total domestic travel	1.9%	2.7%	1.8%	1.7%
U.S. Travel	9.4%	4.0%	2.8%	2.3%
Overseas travel	13.6%	10.4%	6.4%	5.7%
Total Overnight Travel	3.7%	3.3%	2.2%	2.0%
National accommodation demand growth	1.3%*	4.1%*	2.4%	—

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2017

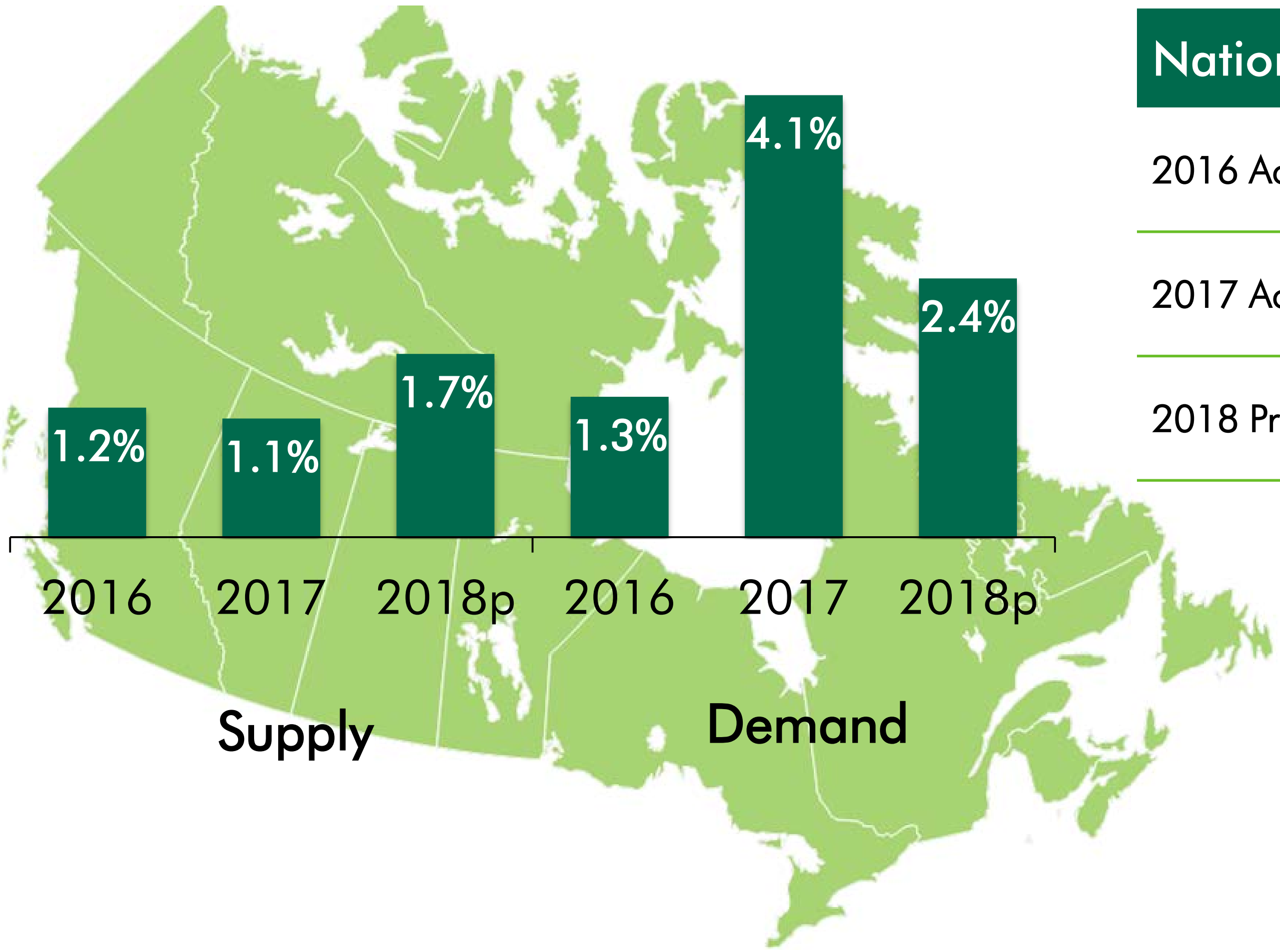
*Actual results, Source: CBRE Hotels



NATIONAL SUPPLY & DEMAND OUTLOOKS

2018

NATIONAL SUPPLY & DEMAND OUTLOOK

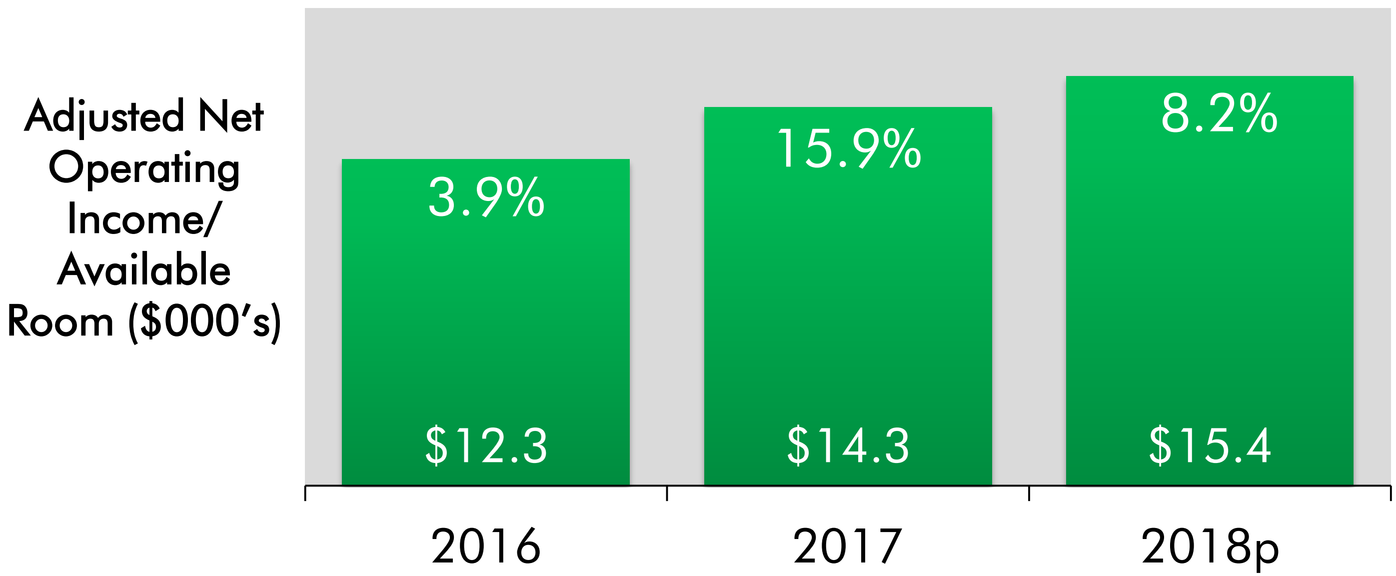


National Occupancy	
2016 Actual	64%
2017 Actual	66%
2018 Projection	66%

Source: CBRE Hotels

NATIONAL ADR, REVPAR & BOTTOM LINE OUTLOOK

	2015	Δ	2016	Δ	2017	Δ	2018P	Δ
Occupancy	64%	—	64%	*0 pts*	66%	*2 pts*	66%	*0 pts*
ADR	$144	—	$148	*2.9%*	$155	*4.8%*	$161	*4.0%*
RevPAR	$91	—	$94	*3.0%*	$102	*8.0%*	$107	*4.7%*



Source: CBRE Hotels

WESTERN CANADA OUTLOOKS

WESTERN CANADA SUPPLY & DEMAND OUTLOOK

Western Canada Occupancy	
2016 Actual	60%
2017 Actual	62%
2018 Projection	63%

Source: CBRE Hotels

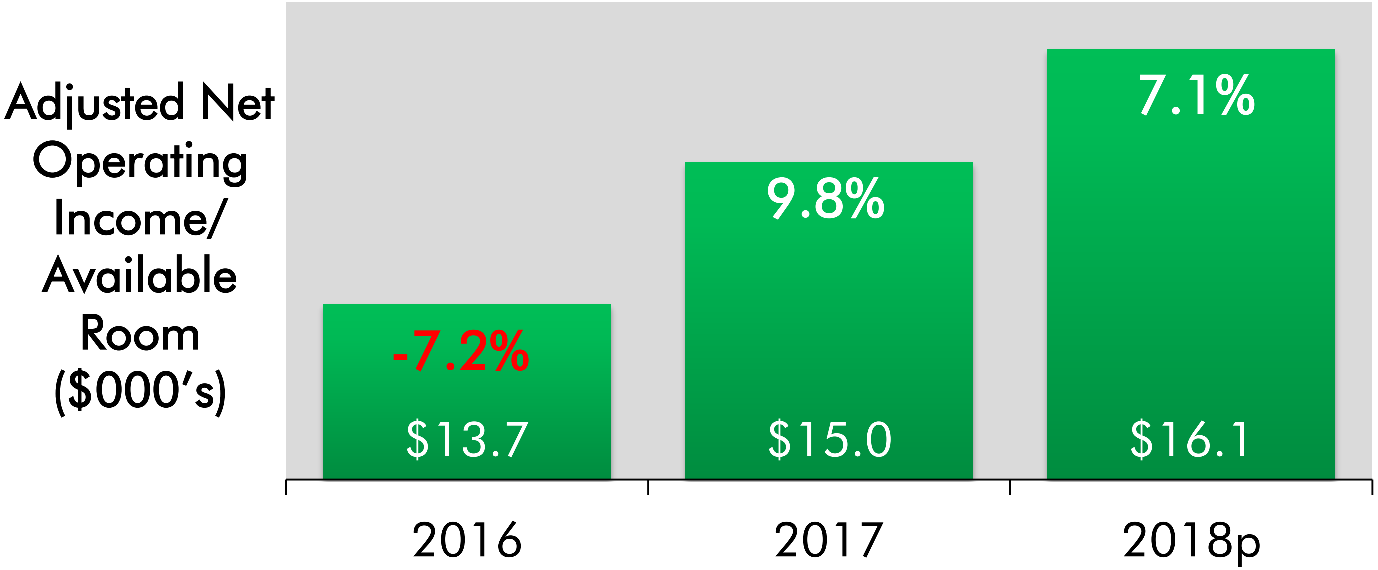
CANADIAN NATIONAL AND REGIONAL MARKET OUTLOOKS

Region		2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Forecast
Western Canada	Occ	65%	62%	60%	62%	63%
	ADR	$143	$148	$150	$155	$160
	RevPAR	$93	$92	$90	$96	$100
Central Canada	Occ	64%	66%	68%	70%	70%
	ADR	$134	$142	$149	$158	$165
	RevPAR	$87	$93	$101	$110	$115
Atlantic Canada	Occ	58%	59%	61%	63%	63%
	ADR	$123	$127	$129	$135	$140
	RevPAR	$72	$75	$79	$86	$88
National	Occ	64%	64%	64%	66%	66%
	ADR	$138	$144	$148	$155	$161
	RevPAR	$88	$91	$94	$102	$107

Source: CBRE Hotels

WESTERN CANADA ADR, REVPAR & BOTTOM LINE OUTLOOK

	2015	Δ	2016	Δ	2017	Δ	2018P	Δ
Occupancy	62%	—	60%	*-2 pts*	62%	*2 pts*	63%	*1 pt*
ADR	$148	—	$150	*1.3%*	$155	*3.2%*	$160	*3.3%*
RevPAR	$92	—	$90	*(2.1%)*	$96	*6.1%*	$100	*4.7%*



Source: CBRE Hotels

ALBERTA ECONOMIC & TOURISM OUTLOOKS

ALBERTA TOURISM INDICATORS 2017

AIRPORT PASSENGER VOLUMES

- Calgary (YYC) 3.8% ▲
- Edmonton (YEG) 5.0% ▲

NATIONAL PARKS ATTENDANCE*

- Banff 3.0% ▲
- Jasper -1.6% ▼
- Waterton Lakes 7.3%** ▲

FOOD SERVICES & DRINKING PLACES RECEIPTS

- 2.4% ▲

HISTORIC SITES & MUSEUM VISITS

- 3.8% ▲

*Excludes Group Tours as per Parks Canada definition
** Waterton Lakes National Park was closed to the public from September 8-20, 2017 due to a wildfire.
Source: Alberta Tourism Market Monitor, Alberta Culture and Tourism

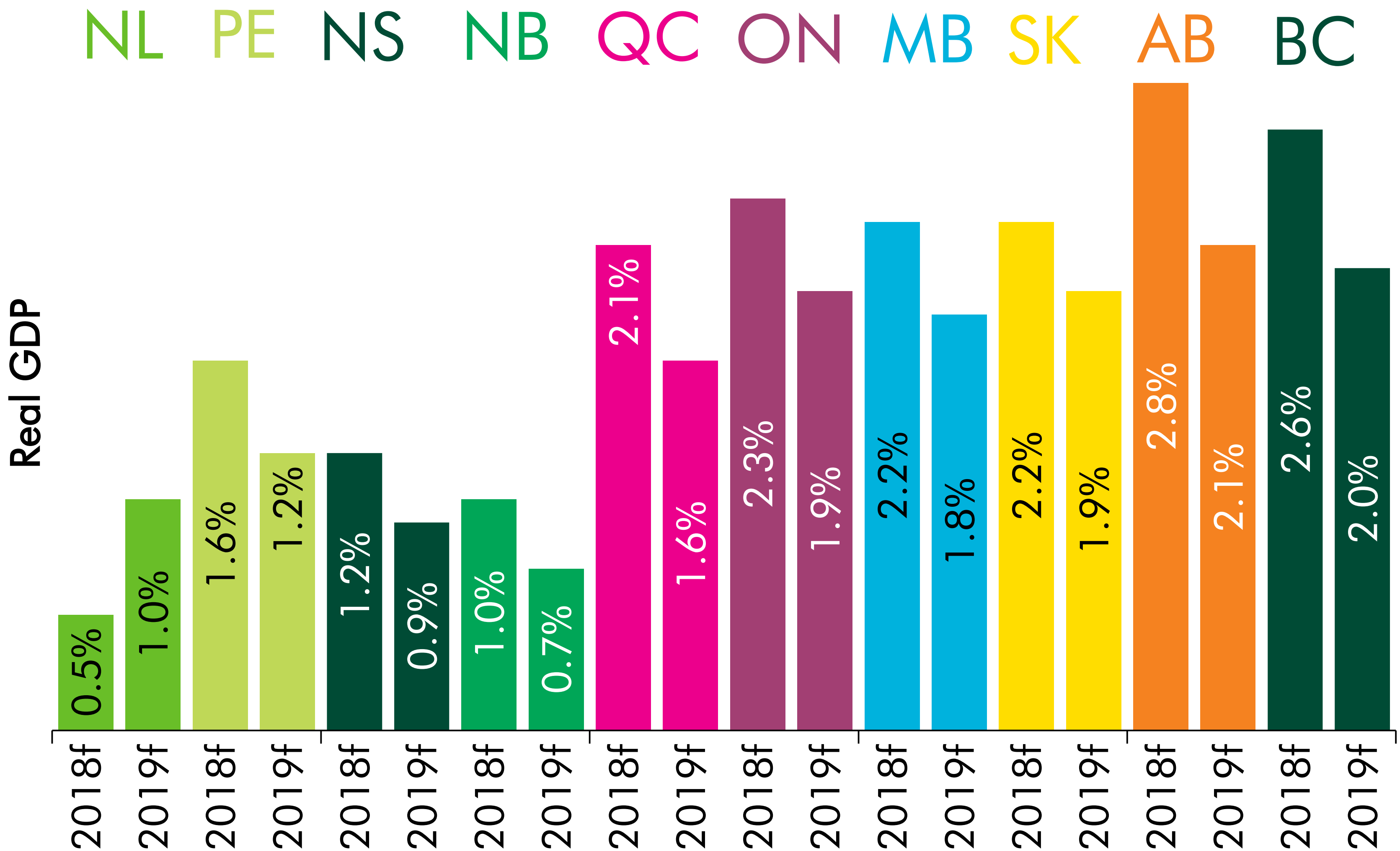
ALBERTA 2017-19 GDP GROWTH PROJECTIONS

	2017 Estimate	2018 Forecast	2019 Forecast
ATB Financial	3.9%	2.8%	2.2%
Scotiabank Group	3.0%	2.8%	1.9%
RBC Economics	4.2%	2.2%	2.0%
Conference Board of Canada	6.7%	2.1%	1.6%

Source: ATB Financial – Alberta Economic Outlook – February 2018
Scotiabank Group, Global Economics Forecast Tables, March 6, 2018
RBC Economic and Financial Provincial Outlook – Alberta – March 2018
Conference Board of Canada, Provincial Outlook Winter (February) 2018

2018-19F REAL GDP GROWTH BY PROVINCE

National
2018f 2.4%
2019f 1.9%



Source: Scotiabank Group, Global Forecast Update, March 6, 2018

ALBERTA TRAVEL OUTLOOK

Overnight Travel	2017 Estimate	2018 Forecast	2019 Forecast
Business Travel Overnight Domestic	2.6%	1.3%	1.3%
Pleasure Travel Overnight Domestic	3.9%	2.3%	1.9%
U.S. Overnight Travel	4.9%	3.3%	2.8%
Overseas Overnight Travel	9.1%	5.9%	5.3%
Total Overnight Travel	3.6%	2.3%	2.1%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Fall 2017

KEY ECONOMIC/TOURISM FACTORS

Oil and Gas Capital Investment –

Oil Sands

Conventional

Pipeline/Rail Capacity Issues

Low Natural Gas Prices

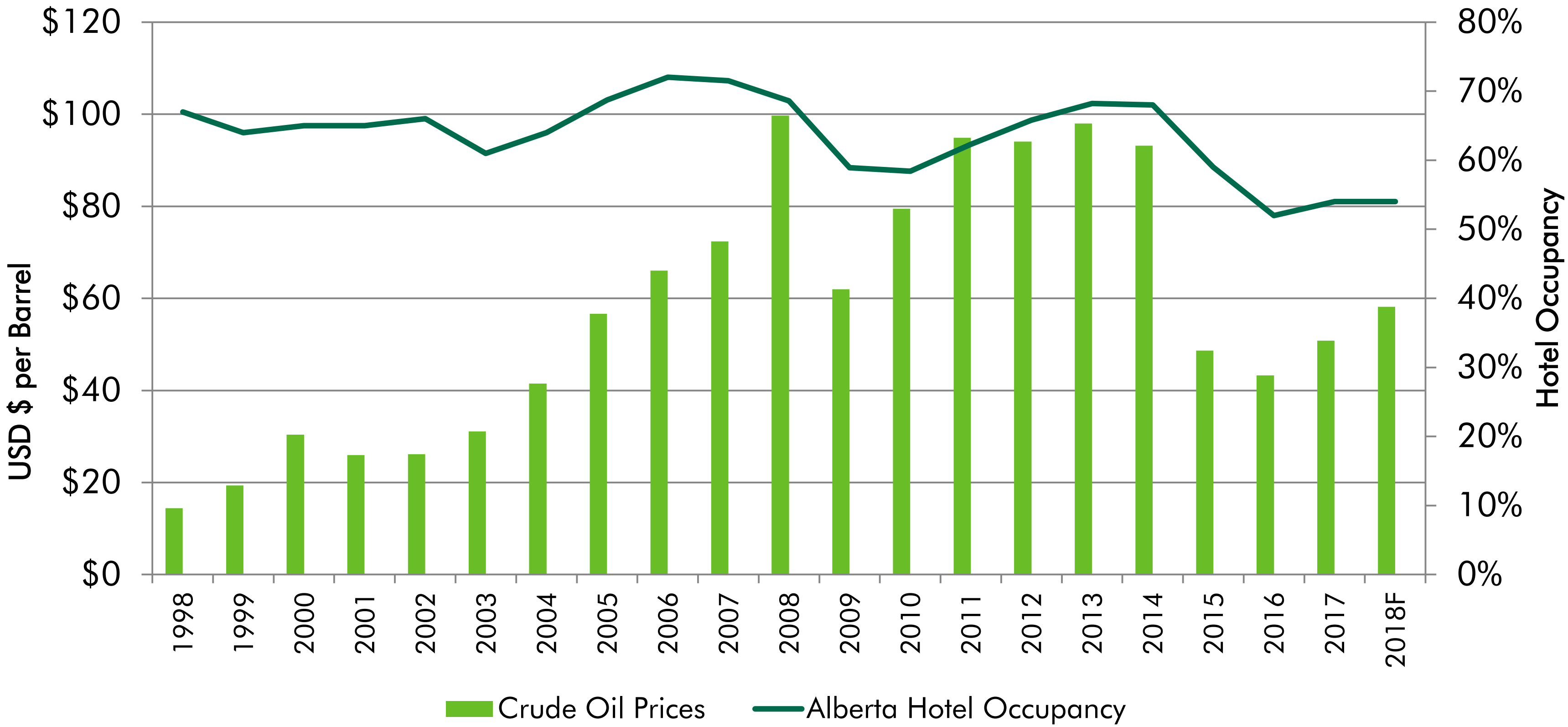
Business & Consumer Confidence Inconsistencies

Overnight Travel Growth Increases

Source: CBRE Hotels

WEST TEXAS INTERMEDIATE CRUDE OIL PRICES & HOTEL OCCUPANCY

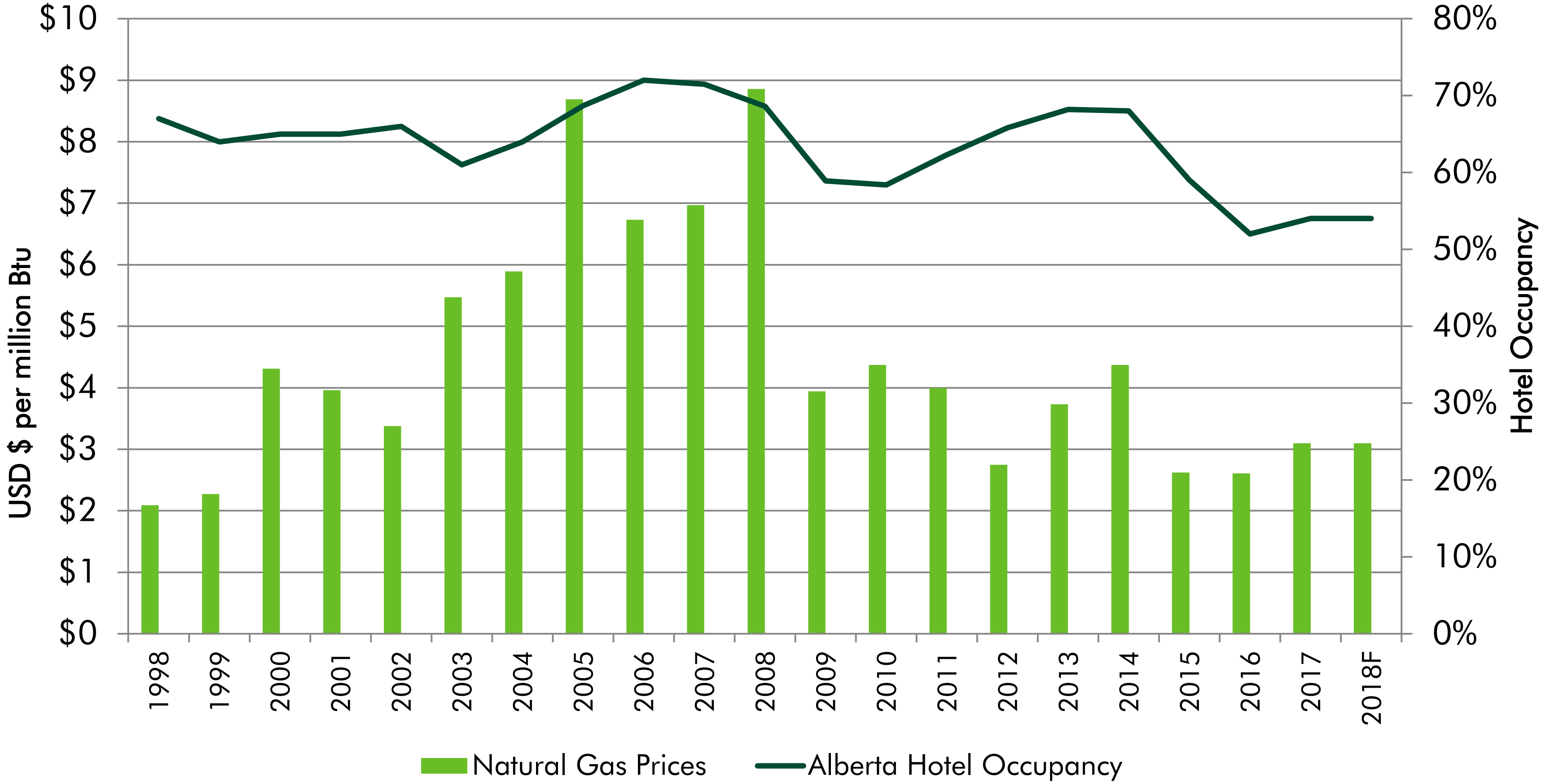
1998-2018F



Source: U.S. Energy Information Administration & CBRE Hotels' Trends in the Hotel Industry

HENRY HUB NATURAL GAS PRICES & HOTEL OCCUPANCY

1998-2018F



Source: U.S. Energy Information Administration & CBRE Hotels' Trends in the Hotel Industry

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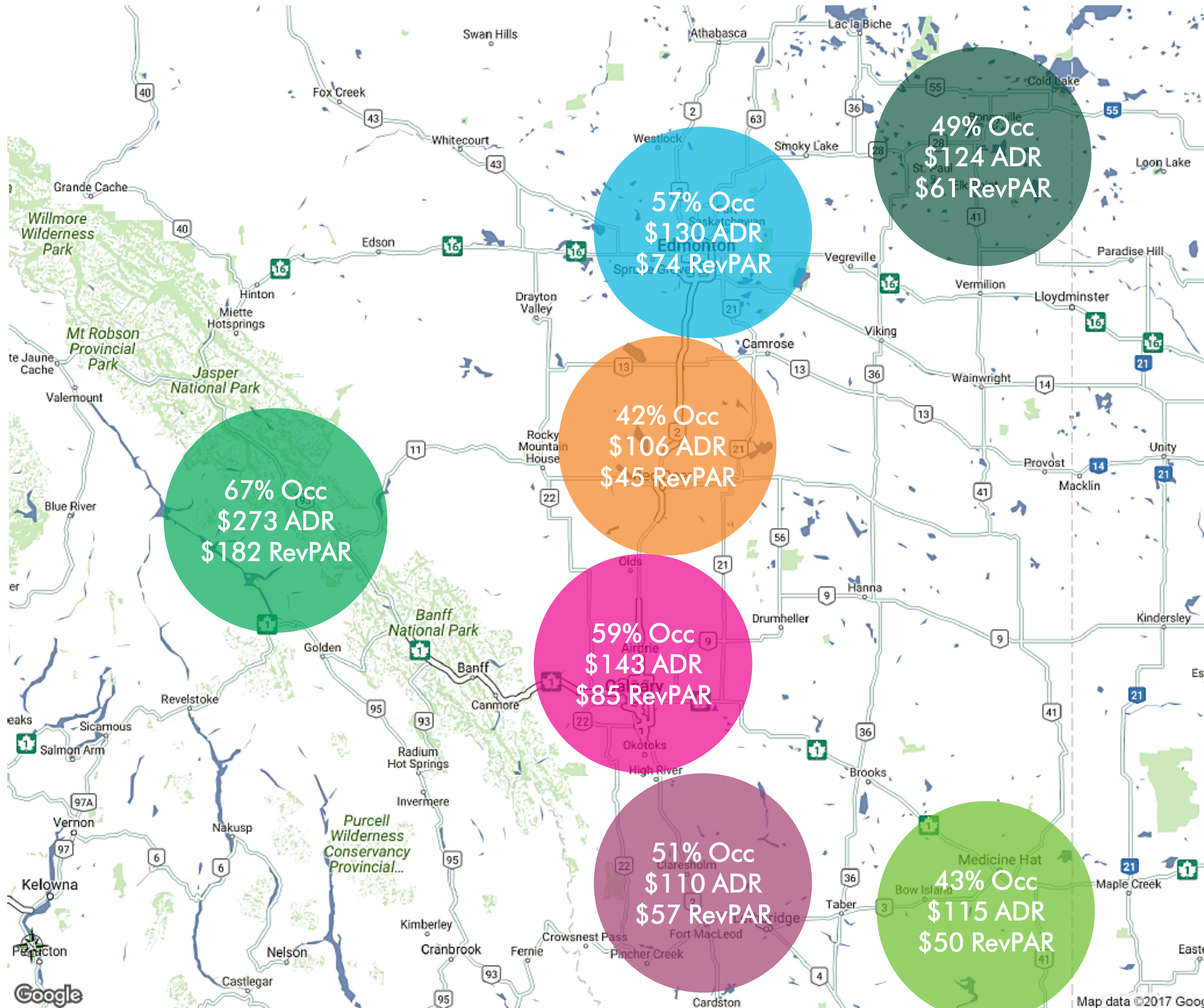
ALBERTA SUPPLY & DEMAND OUTLOOKS

2018

ALBERTA TOP LINE 2017 PERFORMANCE

- Edmonton
- Red Deer
- Calgary
- Lethbridge
- Alberta Resorts
- Other Alberta North*
- Other Alberta South**



Note:
*Properties in Communities located On or North of Highway 16
**Properties in Communities located South of Highway 16

ALBERTA HISTORIC "TOP LINE" RESULTS COMPARISON (YTD FEBRUARY)

		2016 Jan-Feb	2017 Jan-Feb	2018 Jan-Feb
Overall Alberta (excl.resorts)	Occ	45%	45%	47%
	ADR	$131	$127	$126
	RevPAR	$59	$57	$59
Red Deer	Occ	36%	36%	36%
	ADR	$111	$105	$108
	RevPAR	$40	$38	$40
Lethbridge	Occ	42%	40%	42%
	ADR	$109	$109	$111
	RevPAR	$46	$43	$47
Alberta Resorts	Occ	48%	48%	49%
	ADR	$189	$199	$210
	RevPAR	$91	$96	$103
Other Alberta	Occ	36%	40%	44%
	ADR	$127	$119	$121
	RevPAR	$46	$48	$54

Source: CBRE Hotels

ACCOMMODATION SUPPLY

2,000 new rooms in 2018

Majority in Calgary/ Edmonton

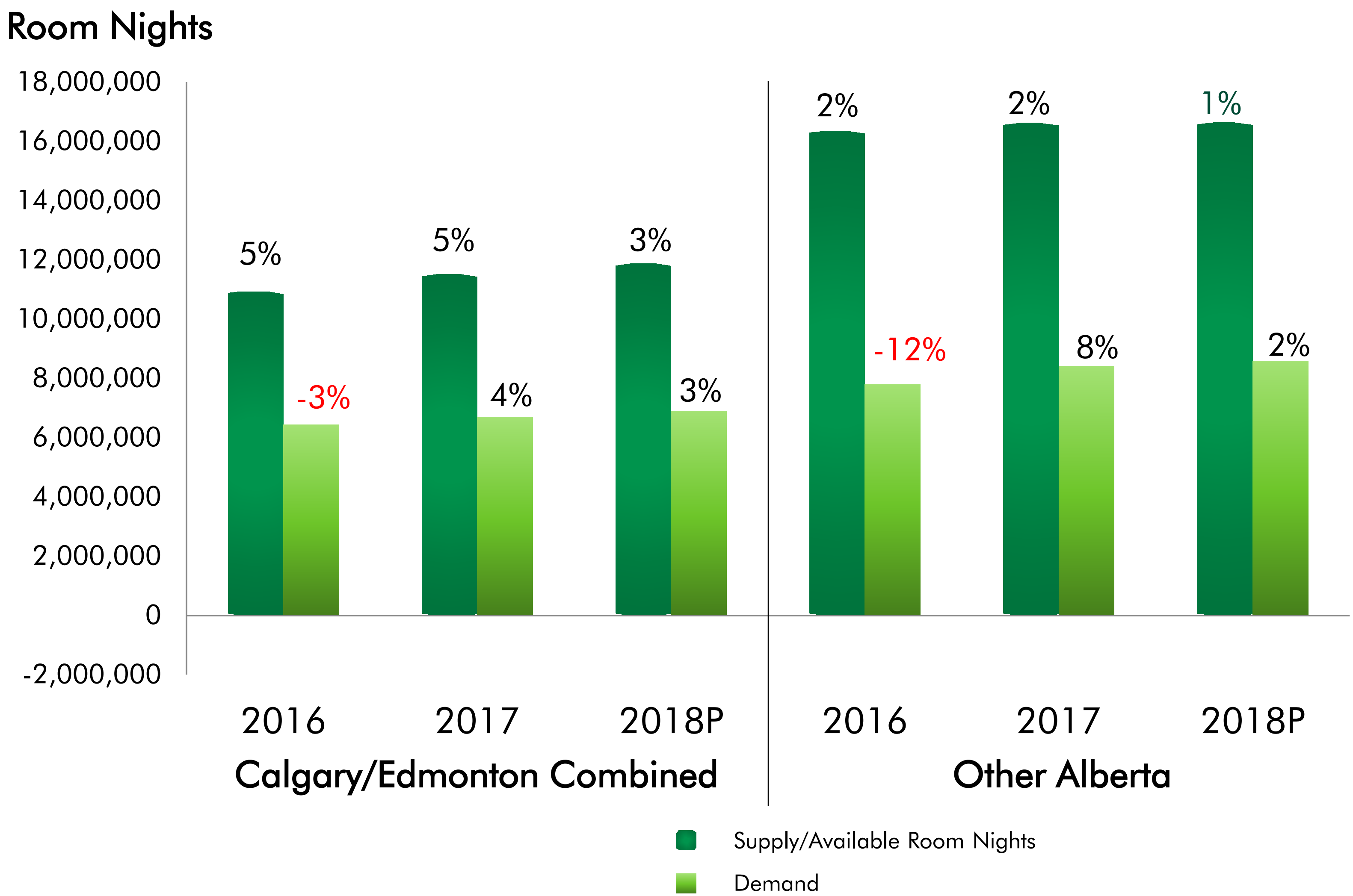
Modular Construction

Developers still looking

Project Financing?

Source: CBRE Hotels

ALBERTA SUPPLY & DEMAND OUTLOOK



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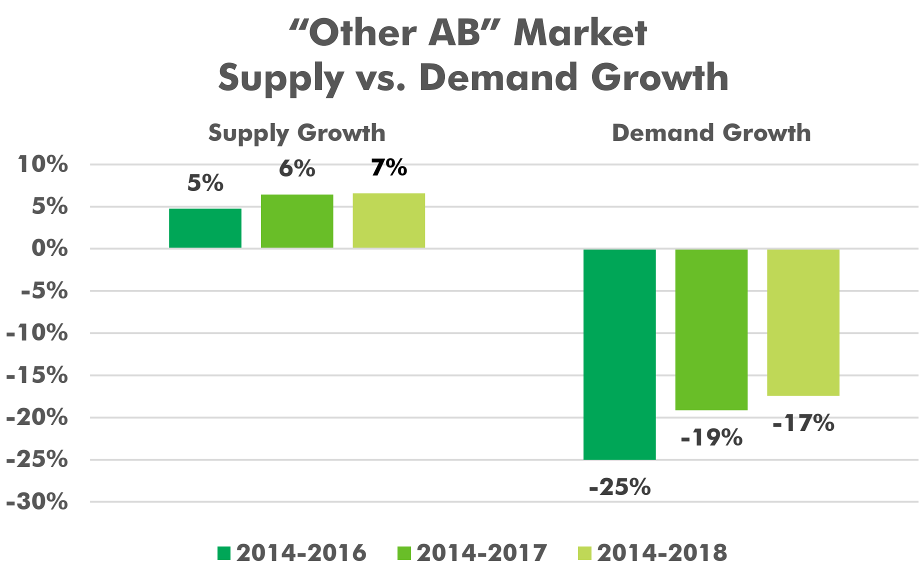
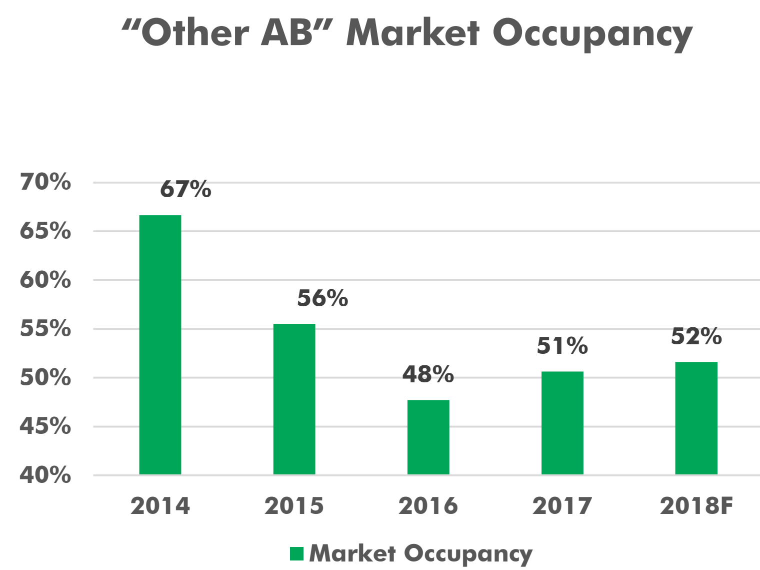
Source: CBRE Hotels

"OTHER ALBERTA" MARKET – DUAL IMPACTS OF ECONOMIC DOWNTURN AND NEW SUPPLY (2014 TO 2018)

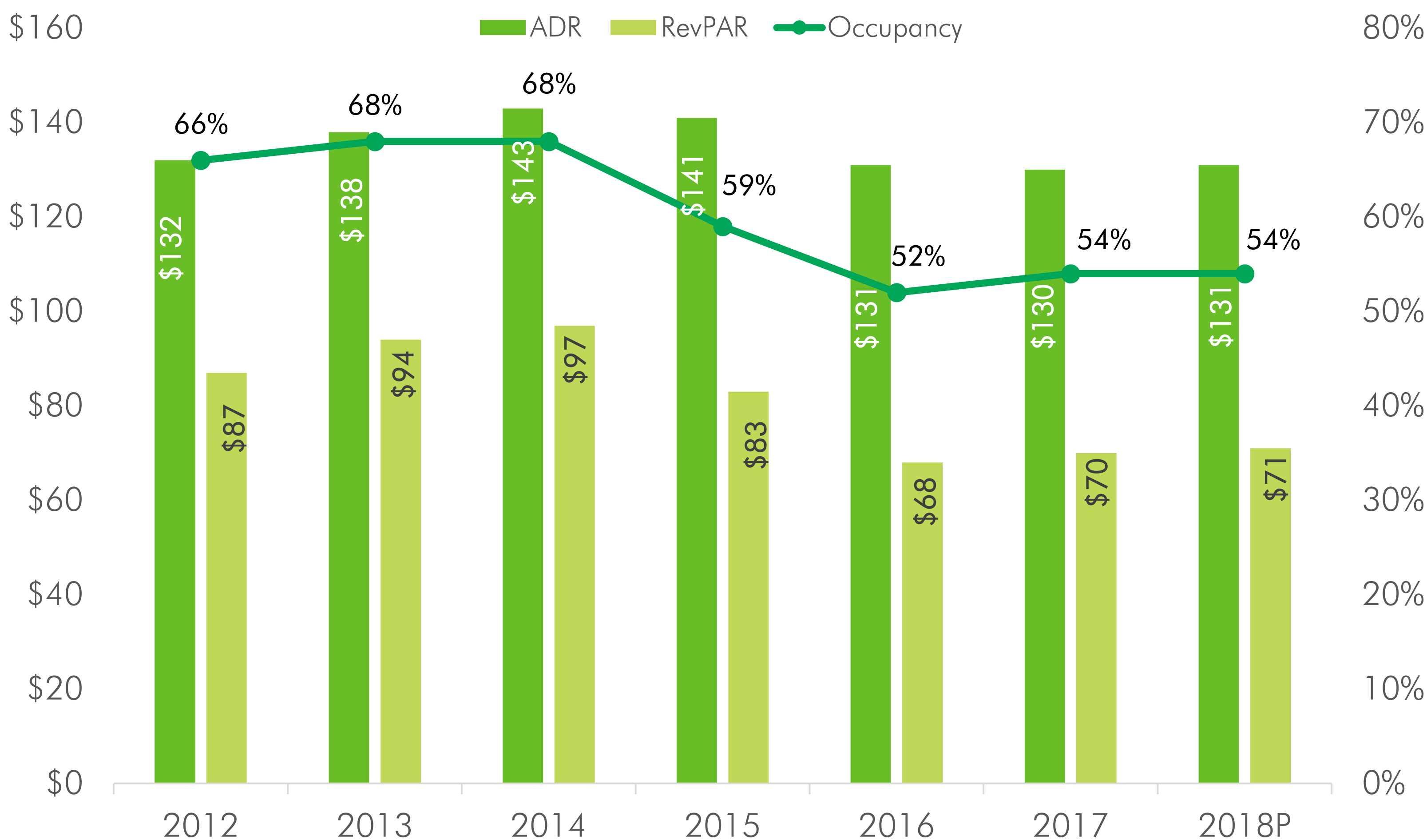




- Supply in Other Alberta (outside Calgary and Edmonton) increasing by 7% for 2014-2018
- Demand dropping 17% over the same period (2014-2018)
- The impact on market occupancy is a 15 point decline, from 67% in 2014 to 52% for 2018 for the "Other Alberta" market.

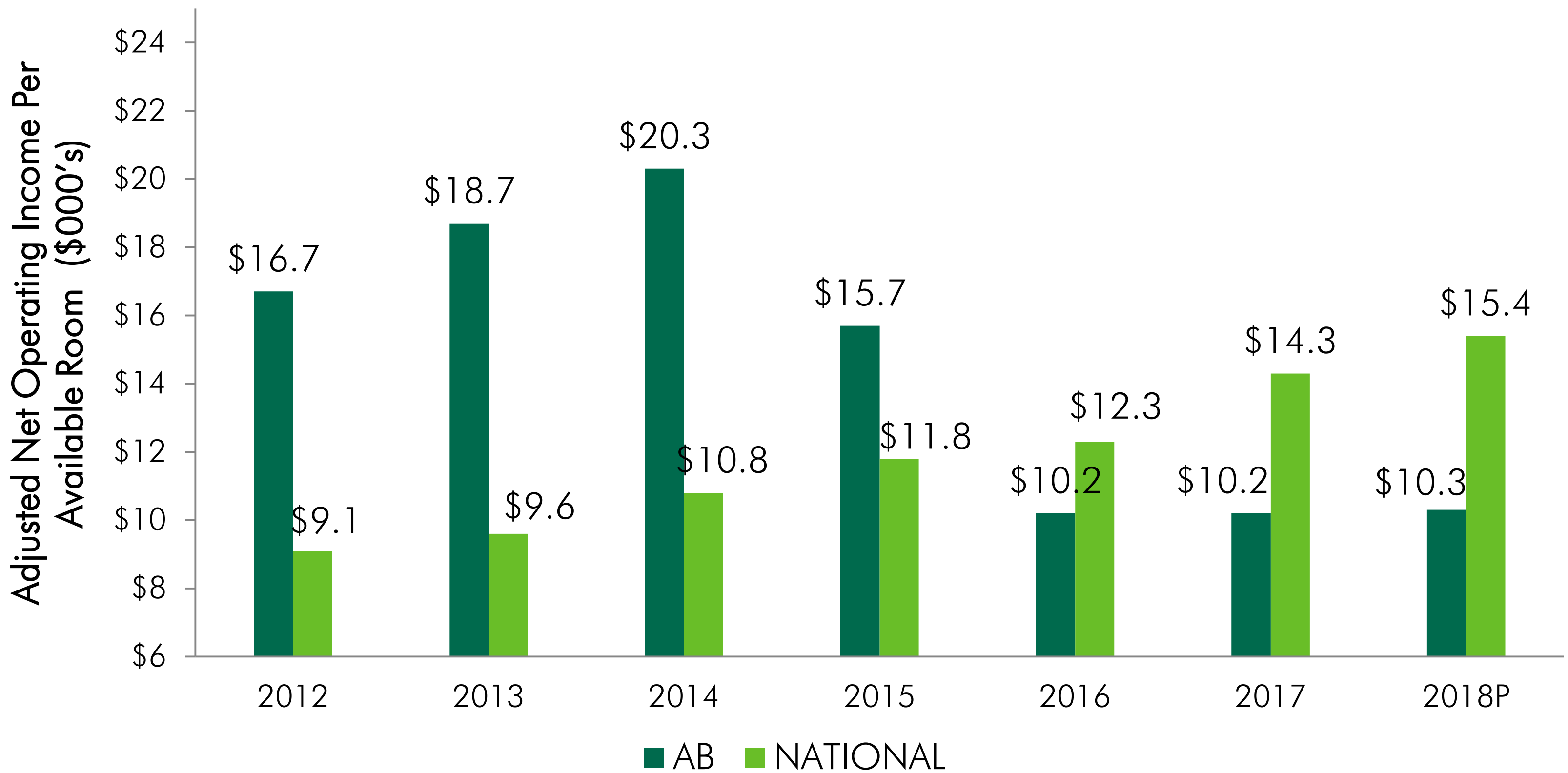
PROVINCIAL FORECAST

ALBERTA "TOP LINE" 2018 FORECAST



Source: CBRE Hotels

ALBERTA FINANCIAL FORECAST



NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.
Source: CBRE Hotels

HISTORIC EXPENSE RATIOS – ALBERTA FULL SERVICE

YEAR 2016

Departmental Expenses	$ Per Available Room	% of Dept Revenue
Rooms	**$8,032**	29.0%
Food & Beverage	**$11,063**	71.1%
Other Operated Departments*	**$1,310**	62.5%
Total Departmental Expenses	**$20,406**	44.1%
Undistributed Expenses	**$ Per Available Room**	**% of Total Revenue**
Administration & General	**$3,597**	7.8%
Information & Telecommunications Systems	**$873**	1.9%
Sales & Marketing	**$2,904**	6.3%
Property Op. & Maintenance	**$2,224**	4.8%
Utilities	**$1,846**	4.0%
Property and Other Taxes	**$1,739**	3.8%
Insurance	**$283**	0.6%
Total Undistributed Expenses	**$13,466**	29.2%

Source: CBRE Hotels

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HISTORIC EXPENSE RATIOS – ALBERTA LIMITED SERVICE

YEAR 2016

Departmental Expenses	$ Per Available Room	% of Dept Revenue
Rooms	$5,251	24.4%
Other Operated Departments*	$97	51.6%
Total Departmental Expenses	**$5,349**	23.9%
Undistributed Expenses	**$ Per Available Room**	**% of Total Revenue**
Administration & General	$2,159	9.6%
Information & Telecommunications Systems	$193	0.9%
Sales & Marketing	$1,032	4.6%
Property Op. & Maintenance	$1,667	7.4%
Utilities	$1,017	4.5%
Property and Other Taxes	$1,388	6.2%
Insurance	$90	0.4%
Total Undistributed Expenses	**$7,547**	33.6%

Source: CBRE Hotels

FINANCIAL CONCERNS

- Departmental expenses up in 2016 and 2017
- Labour shortages in many markets
- Legislative changes in benefit requirements affect labour costs
- Energy price increases (fuel, hydro)
- Assessments – time to appeal?
- Hotel brands increasing costs for program participation
- Higher vacancy rates of “other” rental spaces

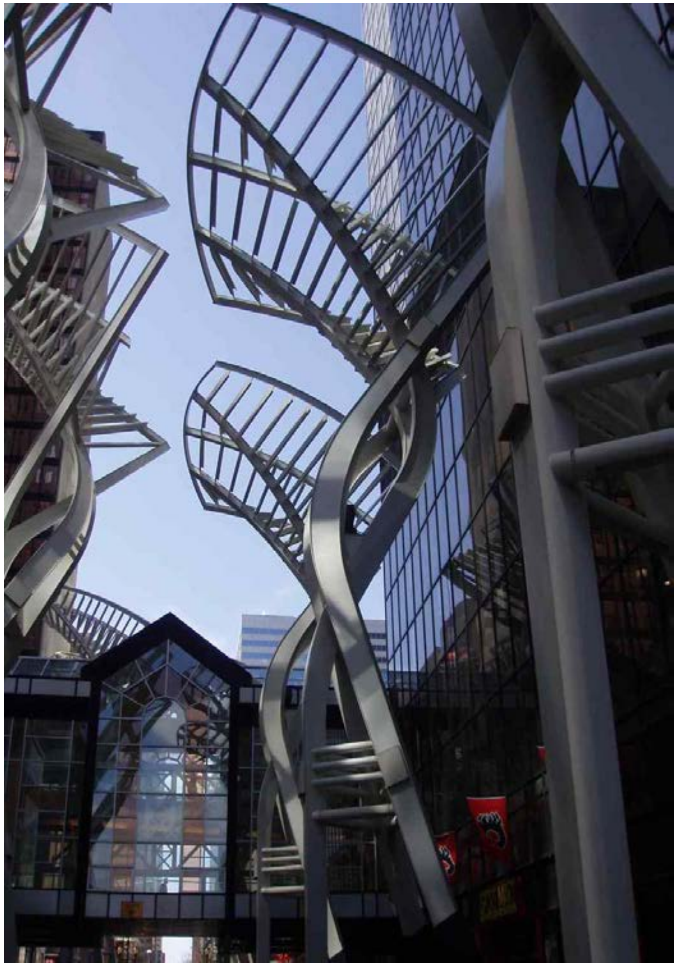
Source: CBRE Hotels

CALGARY & EDMONTON MARKET OUTLOOKS

CALGARY ECONOMIC OUTLOOK

	2015	2016	2017	2018 Forecast
GDP Growth (%)	(3.2)	(3.7)	6.9	2.5
Employment (% Change)	2.0	(1.5)	3.4	2.0
Unemployment Rate (%)	6.4	9.4	8.7	8.2
Housing Starts (annual, 000's of units)	13	9	11	11

Source: Conference Board of Canada – Metropolitan Outlook Winter 2018



CALGARY – PERFORMANCE INDICATORS

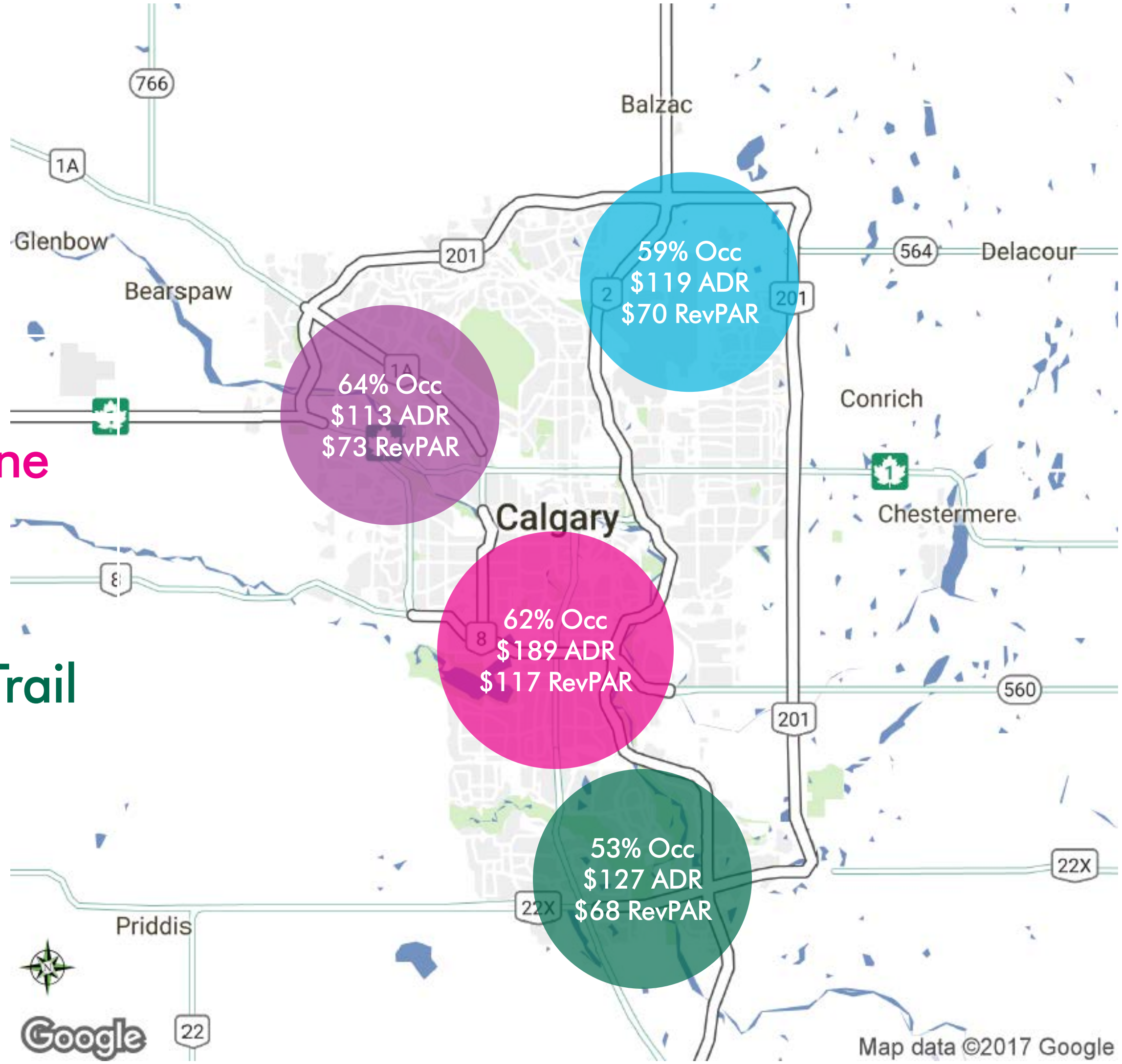
KEY POINTS FOR 2018

- Supply growth slightly ahead of demand growth in 2018
- ADR declines to continue, impacting RevPAR and Bottom Line
- Downtown hotels suffering ADR drop, lower F&B demand and revenue
- GDP growth projected for Calgary – concerns about spending in certain sectors
- International travel has positive impact on spending in Calgary
- Air passenger volumes continue to increase

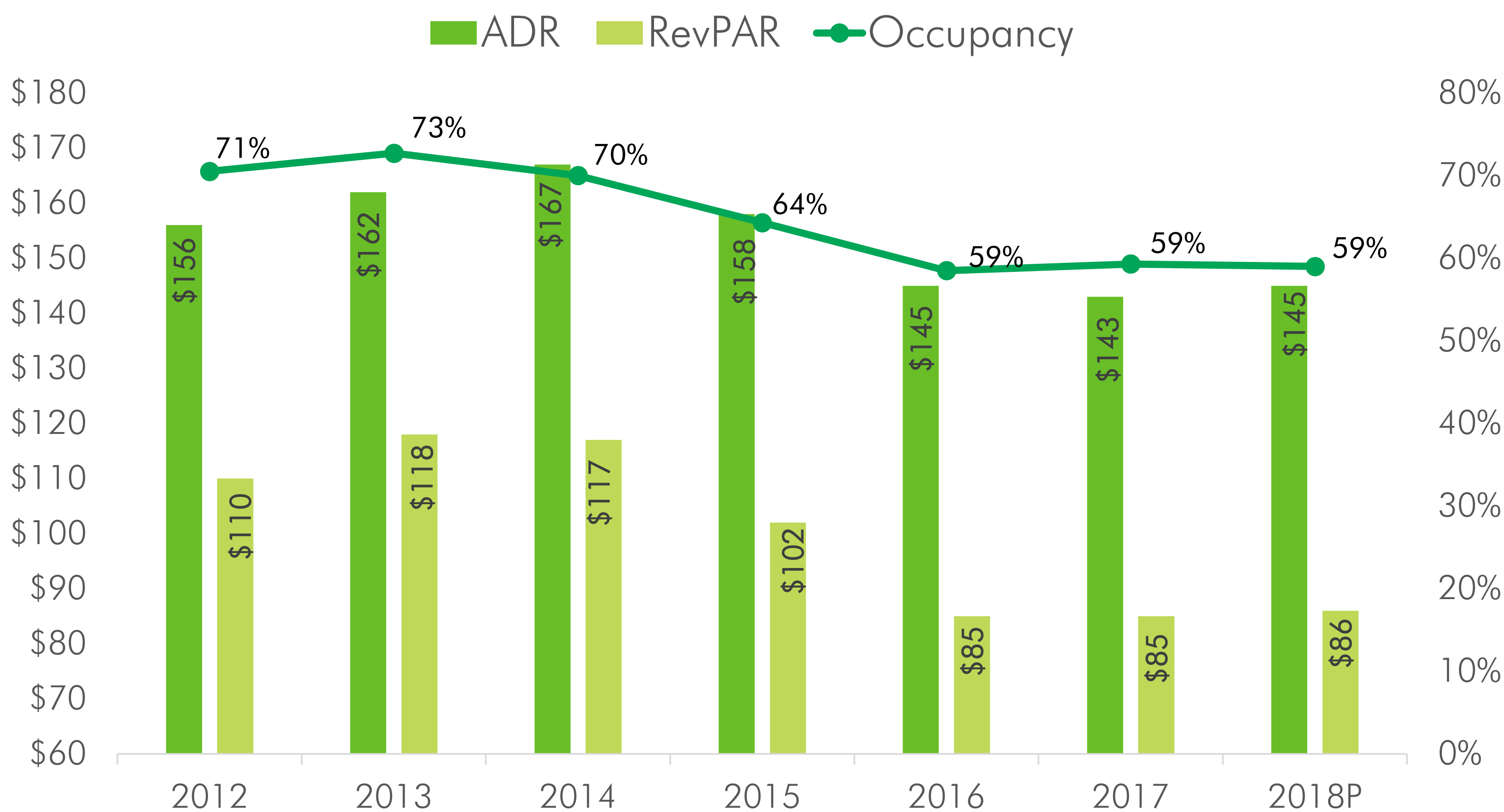
Source: CBRE Hotels

CALGARY TOP LINE 2017 PERFORMANCE BY SUB-MARKET

- Airport / NE
- Downtown / Beltline
- Northwest / Motel Village
- South / Macleod Trail

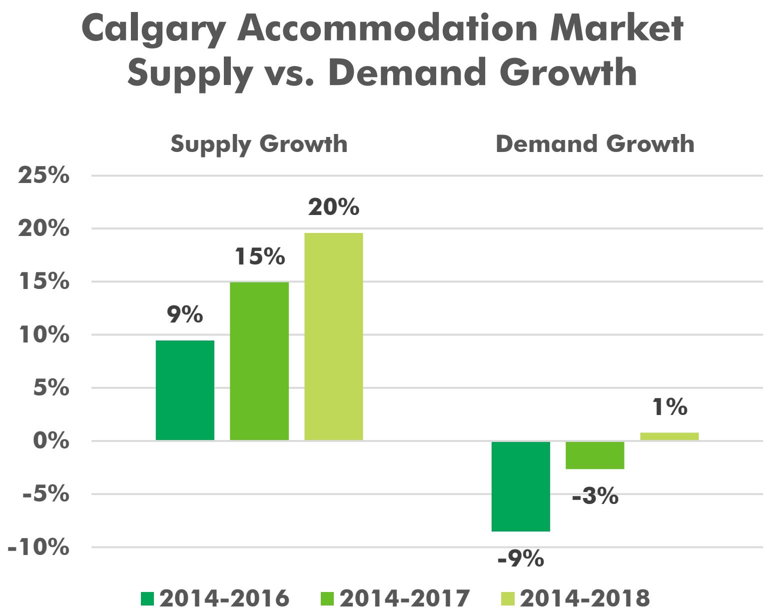


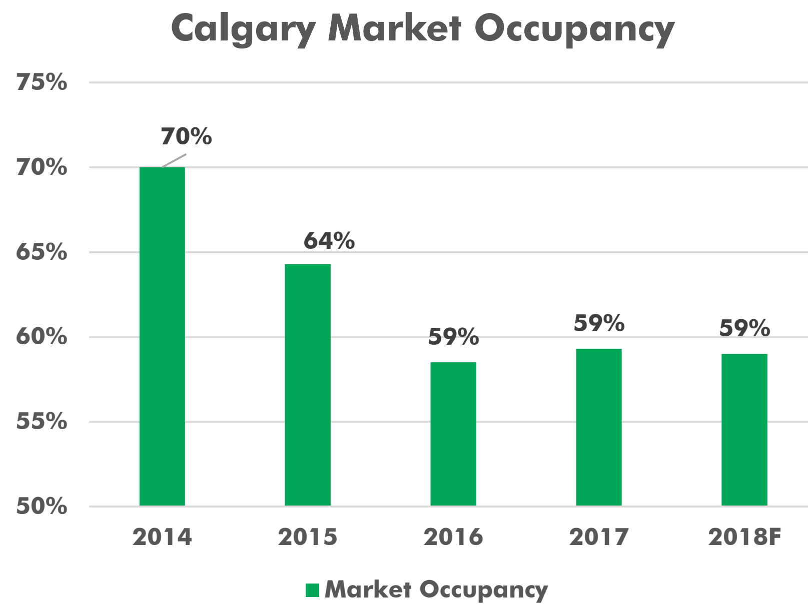
CALGARY ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

CALGARY – DUAL IMPACTS OF ECONOMIC DOWNTURN AND NEW SUPPLY (2014 TO 2018)





- Supply in Calgary increasing by 20% from 2014 to 2018
- Over the same 2014 to 2018 period, demand to improve by only net 1%
- As a result, market occupancy dropping from 70% in 2014 to forecast 59% in 2018 (11 points)

EDMONTON ECONOMIC OUTLOOK

	2015	2016	2017	2018 Forecast
GDP Growth (%)	(3.2)	(3.6)	5.2	2.2
Employment (% Change)	2.2	0.0	0.2	1.0
Unemployment Rate (%)	5.9	7.3	8.3	8.1
Housing Starts (annual, 000's of units)	17	10	12	11

Source: Conference Board of Canada – Metropolitan Outlook Winter 2018

EDMONTON – PERFORMANCE INDICATORS

KEY POINTS FOR 2018

- Supply and demand to grow at roughly same pace in 2018
- Operators must be diligent on ADR – YTD Feb 2018 is down
- Major infrastructure projection in Alberta's Industrial Heartland to have positive impact on Edmonton economy
- Key events including Cities and Climate Change Conference, Smart Airports and Regions Conference, Grey Cup
- Royal Alberta Museum to open

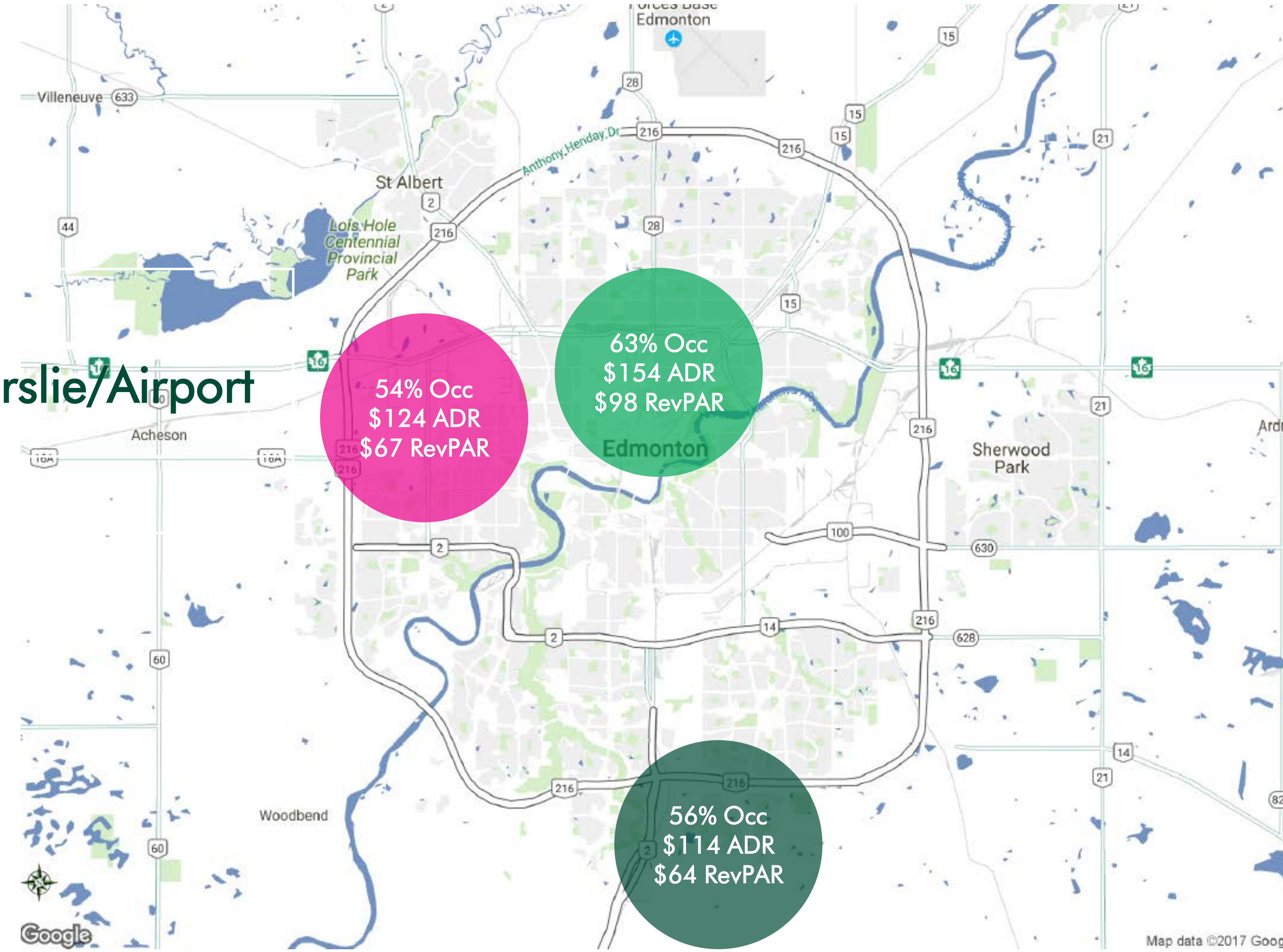
Source: CBRE Hotels

EDMONTON TOP LINE 2017 PERFORMANCE BY SUB-MARKET

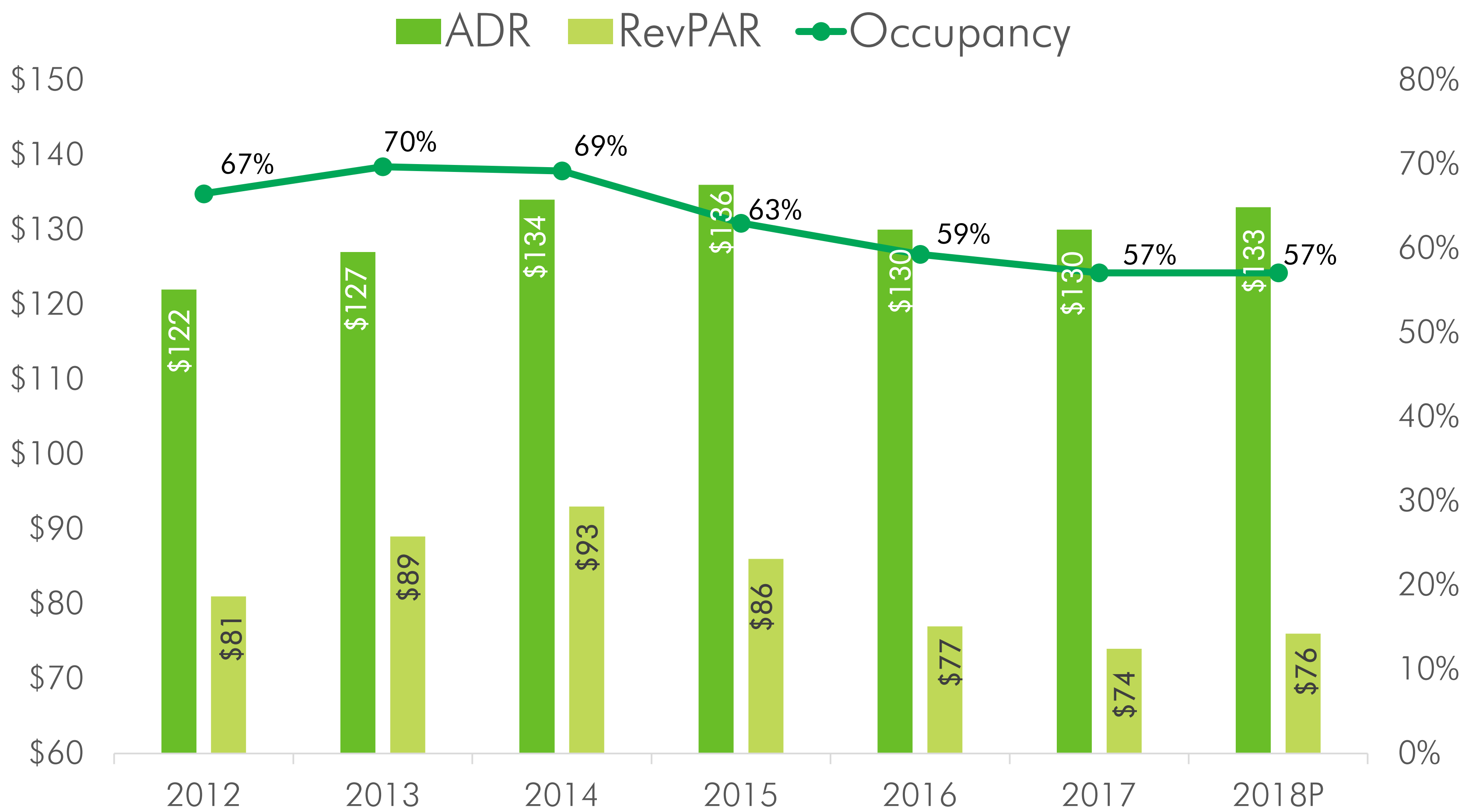
Downtown

South /Ellerslie/Airport

West

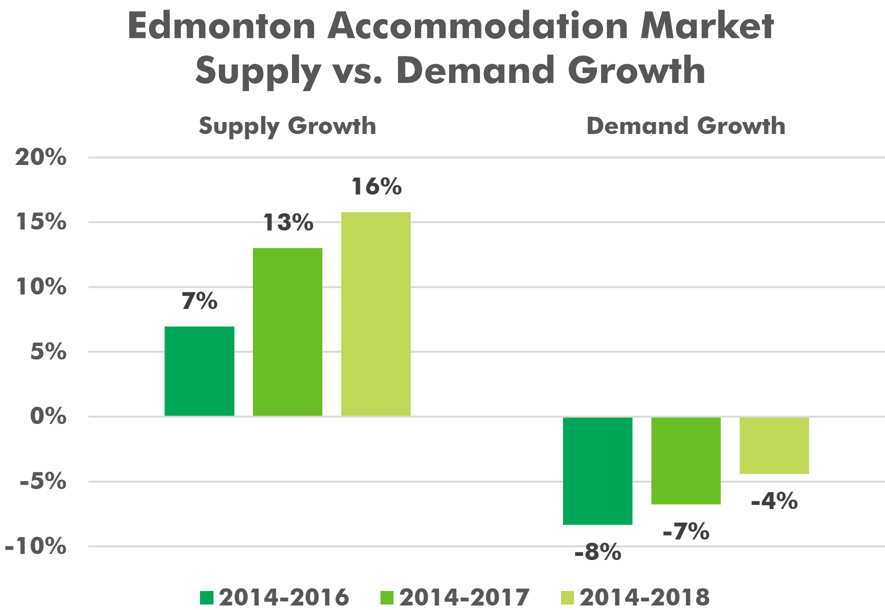


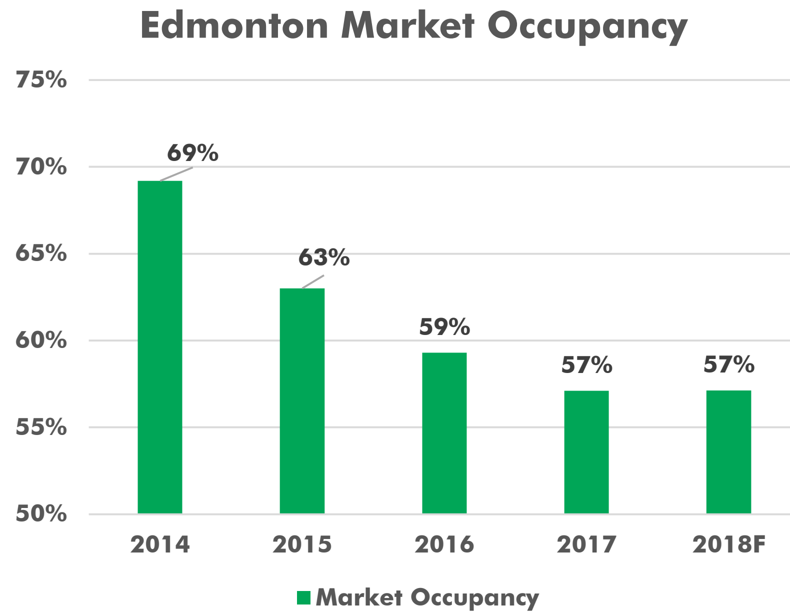
EDMONTON ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

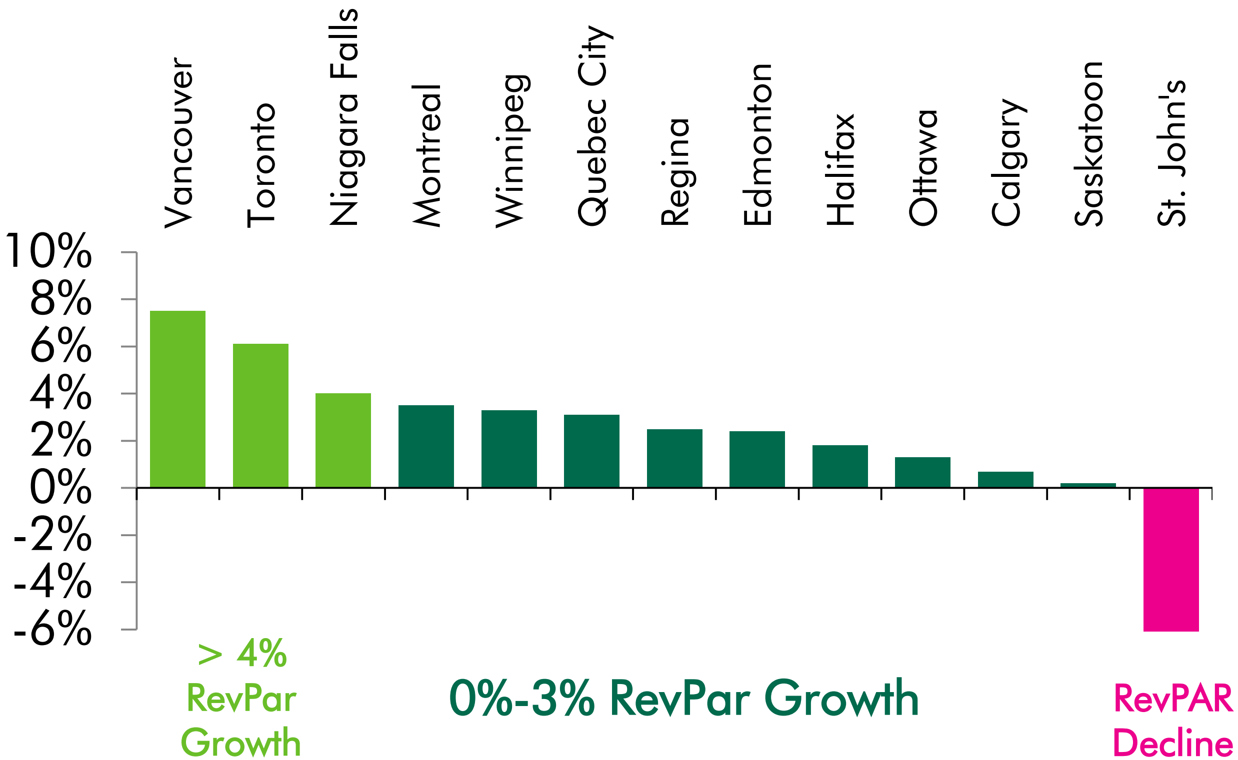
EDMONTON – DUAL IMPACTS OF ECONOMIC DOWNTURN AND NEW SUPPLY (2014 TO 2018)





- Edmonton supply will grow by 16% over the 2014 – 2018 period
- Room Demand will decline by net 4% over the 2014 – 2018 period
- The impact on market occupancy over the 4-year period is a projected 12 point decline, from 69% in 2014 to 57% in 2017 and 2018

MAJOR MARKET OUTLOOKS REVPAR PROJECTION - 2018



2018 RevPAR Ranking	
Vancouver	$161
Toronto	$138
Montreal	$136
Ottawa	$130
Quebec City	$117
Niagara Falls	$114
Halifax	$109
Winnipeg	$92
St. John's	$87
Calgary	**$86**
Edmonton	**$76**
Saskatoon	$75
Regina	$70

*"Major Markets" refer to Greater Metro Areas
Source: CBRE Hotels

INVESTMENT TRENDS

ALBERTA TRANSACTION OVERVIEW

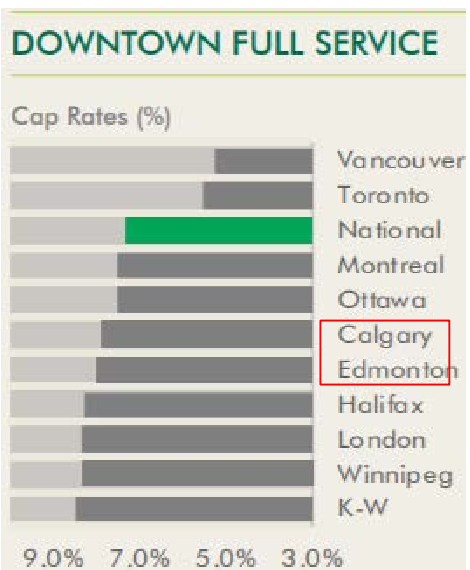
Canada	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Transactions	96	74	89	102	103	131	136	135	252	163
Volume ($Millions)	$1,090	$410	$730	$1,200	$1,090	$2,110	$1,400	$2,300	$4,100	$3,400

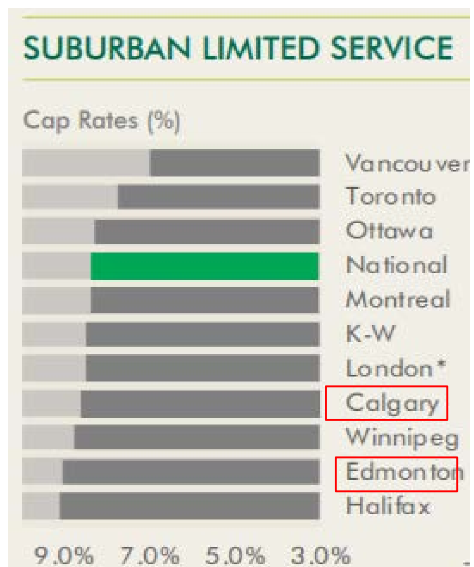
Alberta	2008	2009	2010	2011	2012	2013	2014	2015	2016*	2017**
Total Transactions	22	10	11	16	25	28	27	15	14	15
Volume ($Millions)	$344	$77	$111	$167	$335	$501	$293	$265	$110	$190
% Volume of Total	32%	19%	15%	14%	31%	24%	21%	12%	6%	8%

* Year 2016 Totals EXCLUDE assets that were within "Entity Level" transactions for which individual property acquisition prices were not disclosed. Specifically, the acquisition of the InnVest REIT portfolio and the acquisition of Coast Hotels & Resorts.
** Year 2017 Excludes M&A transactions
Source: CBRE

Q4 2017 CAP RATE SURVEY

Q4 2017 HOTEL CAP RATES						
	National		Calgary		Edmonton	
Downtown Full Service	7.28%	▼	7.00%-8.75%	▼	7.25%-8.75%	▼
Suburban Limited Service	8.36%	▼	8.00%-9.25%	▼	8.50%-9.50%	▼
Focused Service	8.05%	▼	7.50%-9.25%	▼	8.00%-9.50%	▼

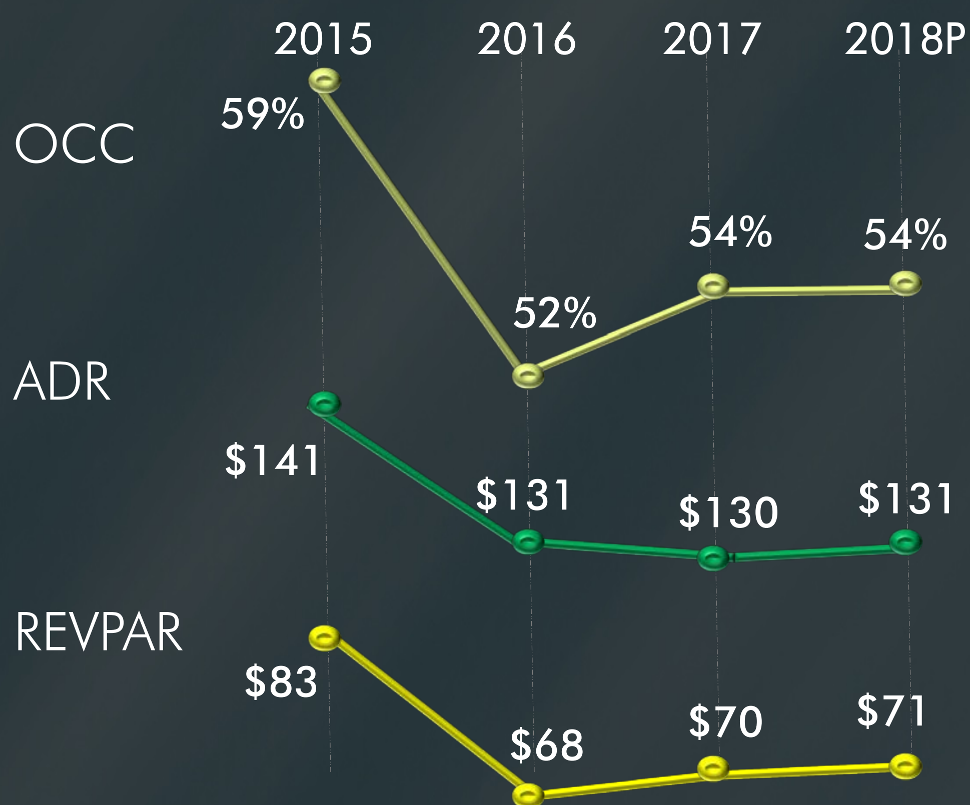


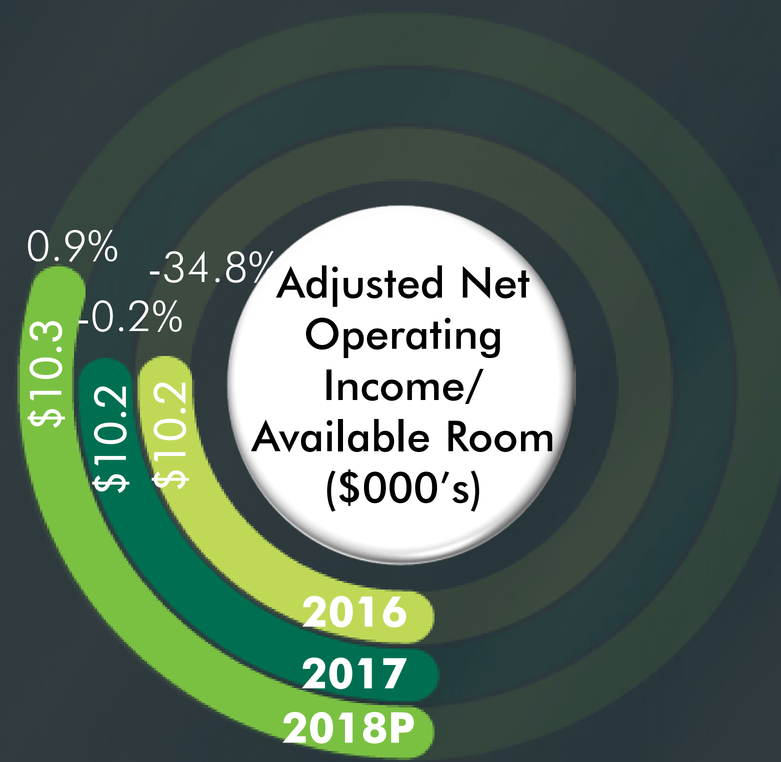


Source: CBRE Hotels

KEY TAKEAWAYS

ALBERTA TOP & BOTTOM LINE OUTLOOK





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KEY TAKEAWAYS

- Top line performance results in many areas of the Province improved in 2017 and will continue to so in 2018
- Weakness to continue in oil sands related markets due to lack of capital spending
- We need to grow ADR!!!
- Alberta Resorts market will continue to grow ADR
- Room construction continues despite economic conditions
- Bottom lines only slightly improved in 2018
- Growth on the horizon in many markets. Adjustments required to thrive under "New Normal" operating conditions

THANK YOU!!

Brokerage

Bill Stone
Greg Kwong
Deborah Borotsik
Scott Duff
Michael Beckley
Sylvia Occhiuzzi
Karina Saks
Ashley Kerr

Valuation & Advisory Services

David Larone
Brian Stanford
Fran Hohol
Erin O'Brien
David Ferguson
Rebecca Godfrey
Kirstin Hallett
Nicole Nguyen
Carol Lopes

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