



ALBERTA HOTEL & LODGING ASSOCIATION ACCOMMODATION OUTLOOK

2019

CBRE HOTELS

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PRESENTATION OUTLINE

CBRE HOTELS

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National Outlook

Alberta Outlook

Calgary & Edmonton

Investment Trends

Key Takeaways

Q & Eh?

CBRE HOTELS - CANADA

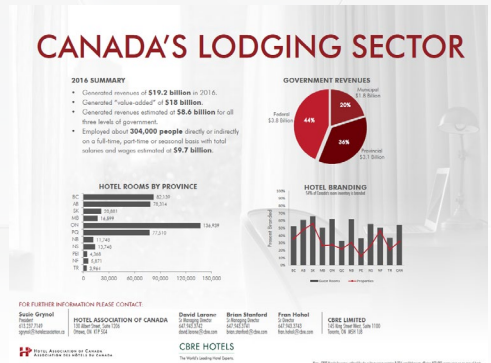
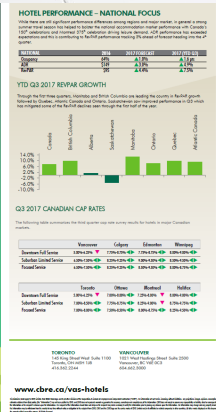
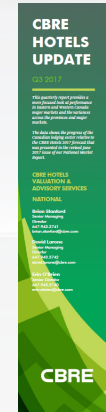
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TRENDS IN THE CANADIAN HOTEL INDUSTRY

REPORT OF ROOM OPERATIONS BY CATEGORY

Location	Category	Q3 2017 RevPAR	Q3 2017 Occupancy	Q3 2017 ADR	Q3 2017 RevPAR Index	Q3 2017 Occupancy Index	Q3 2017 ADR Index	Q3 2017 RevPAR % Change
ATLANTIC CANADA								
Hotel A	Hotel B	100.00	100.00	100.00	100.00	100.00	100.00	0.00%
QUEBEC								
Hotel C	Hotel D	100.00	100.00	100.00	100.00	100.00	100.00	0.00%
WESTERN CANADA								
Hotel E	Hotel F	100.00	100.00	100.00	100.00	100.00	100.00	0.00%
CENTRAL CANADA								
Hotel G	Hotel H	100.00	100.00	100.00	100.00	100.00	100.00	0.00%
CBRE								
Hotel I	Hotel J	100.00	100.00	100.00	100.00	100.00	100.00	0.00%

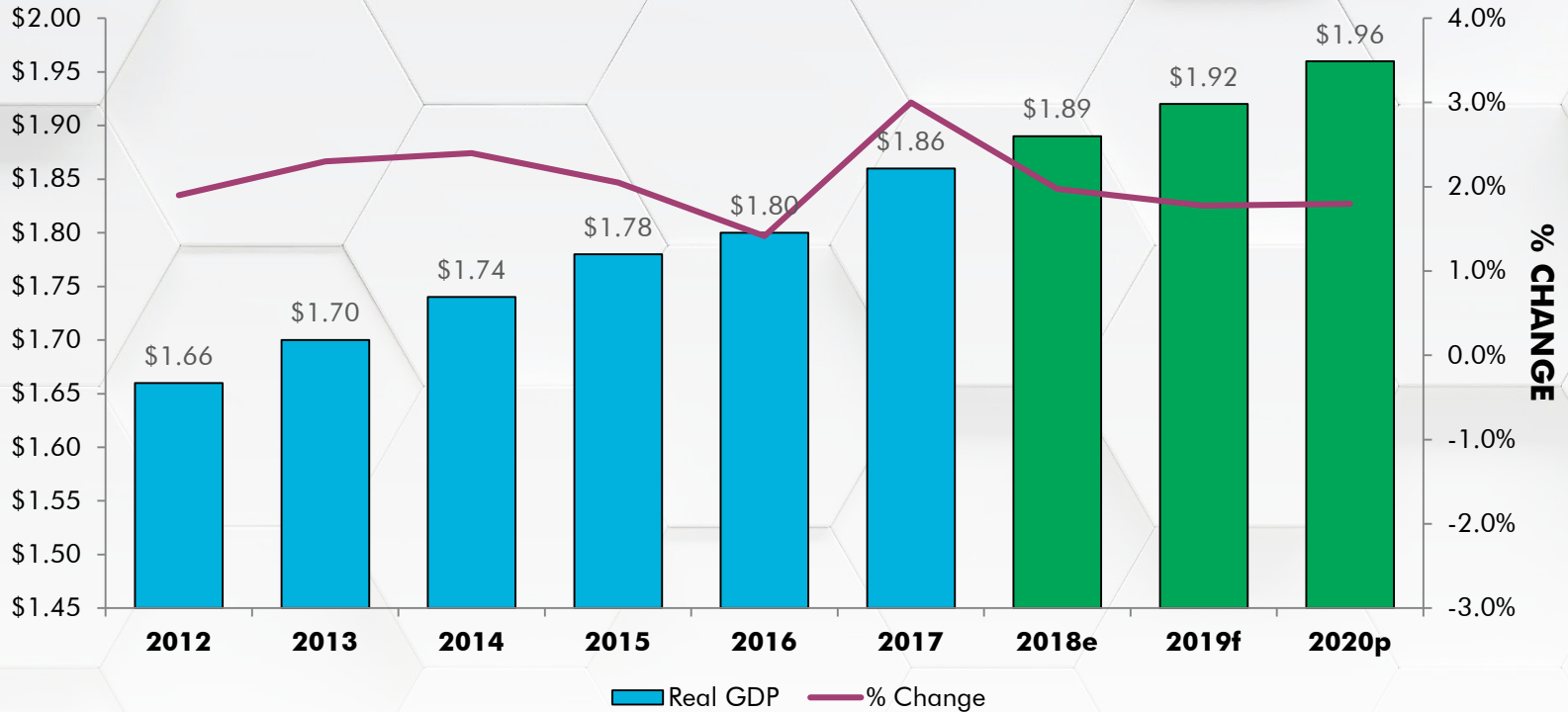


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A woman in a dark jacket and light-colored pants is walking towards the right, carrying a large black suitcase and a black handbag. In the background, a man in a suit is standing near a counter, and another person is partially visible. The scene is dimly lit with a teal tint.

**NATIONAL ECONOMIC &
TRAVEL OUTLOOKS**

NATIONAL ECONOMIC OUTLOOK 2019-2020



Source: CBRE Hotels, Statistics Canada, Conference Board of Canada, Canadian Outlook Autumn 2018, Scotiabank Group – Global Forecast Update January 2019; CIBC Economic Insights February 2019; RBC – Economic and Financial Market Outlook – January 2019

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NATIONAL TRAVEL OUTLOOK

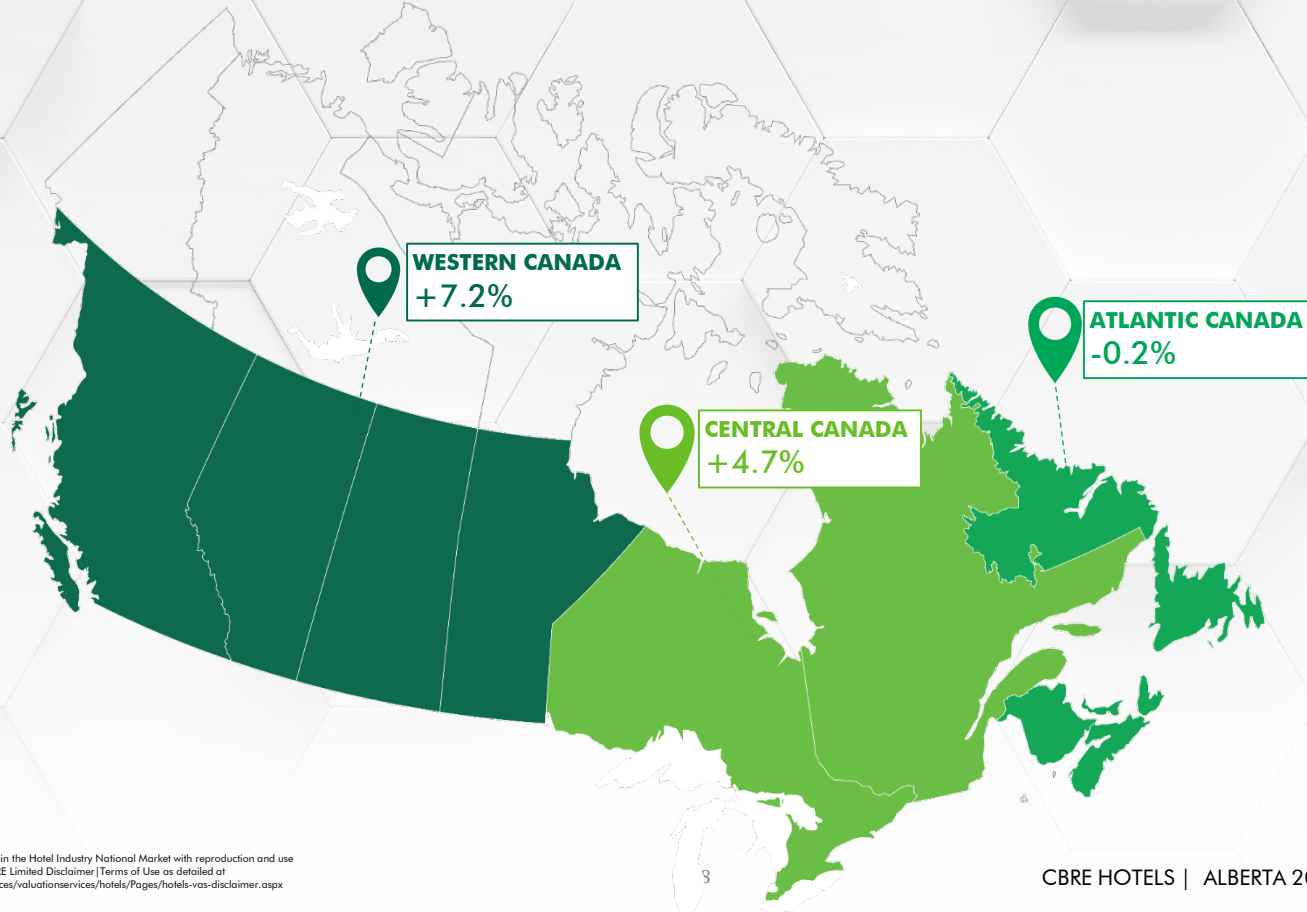
OVERNIGHT TRAVEL	2018 F	2019 P	2020 P
Business travel domestic	1.8%	2.1%	2.1%
Pleasure travel domestic	1.8%	1.9%	1.6%
Total domestic travel	1.6%	1.6%	1.5%
U.S. Travel	3.2%	2.5%	2.4%
Overseas travel	4.7%	4.8%	5.4%
TOTAL OVERNIGHT TRAVEL	1.6%	2.0%	1.8%
National Accommodation Demand Growth	2.0%	2.2%	-

Source: CBRE Hotels, Canadian Tourism Research Institute, Conference Board of Canada, Autumn 2018/Winter 2019

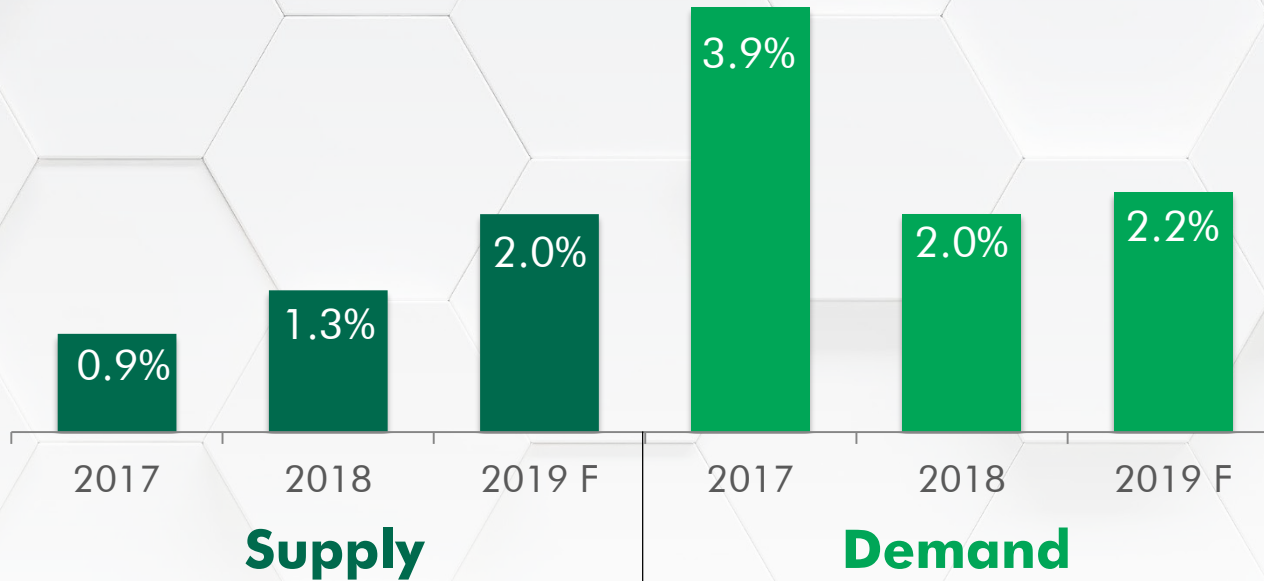


**NATIONAL SUPPLY &
DEMAND OUTLOOKS**

2018 REGIONAL REVPAR GROWTH



NATIONAL SUPPLY AND DEMAND OUTLOOK



Source: CBRE Hotels

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NATIONAL ADR, REVPAR OUTLOOK

Demand GROWTH

2017 Actual	3.9%
2018 Actual	2.0%
2019 Forecast	2.2%

ADR GROWTH

2017 Actual	5.9%
2018 Actual	4.5%
2019 Forecast	3.9%

RevPAR GROWTH

2017 Actual	9.0%
2018 Actual	5.2%
2019 Forecast	4.0%

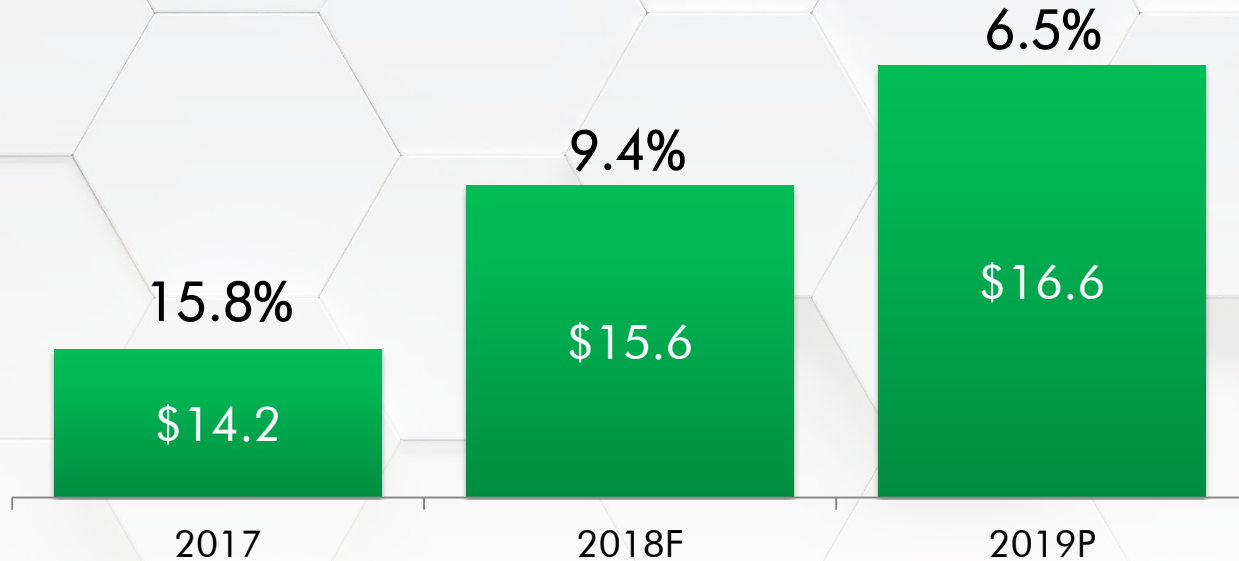
	2016	2017	2018	2019 F
Occupancy	64%	66%	66%	66%
ADR	\$146	\$155	\$162	\$168
RevPAR	\$94	\$102	\$107	\$112

Source: CBRE Hotels

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NATIONAL BOTTOM LINE OUTLOOK

Adjusted Net
Operating Income/
Available Room
(\$000's)



Source: CBRE Hotels

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A scenic landscape featuring a calm lake in the foreground, a dense forest of evergreen trees in the middle ground, and rugged mountains in the background. The entire image is overlaid with a semi-transparent teal color. The text is centered in the middle of the image.

ALBERTA ECONOMIC & TOURISM OUTLOOKS

ALBERTA TOURISM INDICATORS 2018



AIRPORT PASSENGER VOLUMES

- ▲ Calgary (YYC) 7.0%
- ▲ Edmonton (YEG) 6.5%



NATIONAL PARKS ATTENDANCE*

- ▼ Banff -3.1%
- ▼ Jasper -0.5%
- ▼ Waterton Lakes -29.6%**



FOOD SERVICES & DRINKING PLACES RECEIPTS

- ▲ 1.9%



HISTORIC SITES & MUSEUM VISITS

- ▲ 2.2%

*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. Some sites in the park remain closed to date.

Source: Alberta Tourism Market Monitor, Alberta Culture and Tourism

ALBERTA 2018-19 GDP GROWTH PROJECTIONS

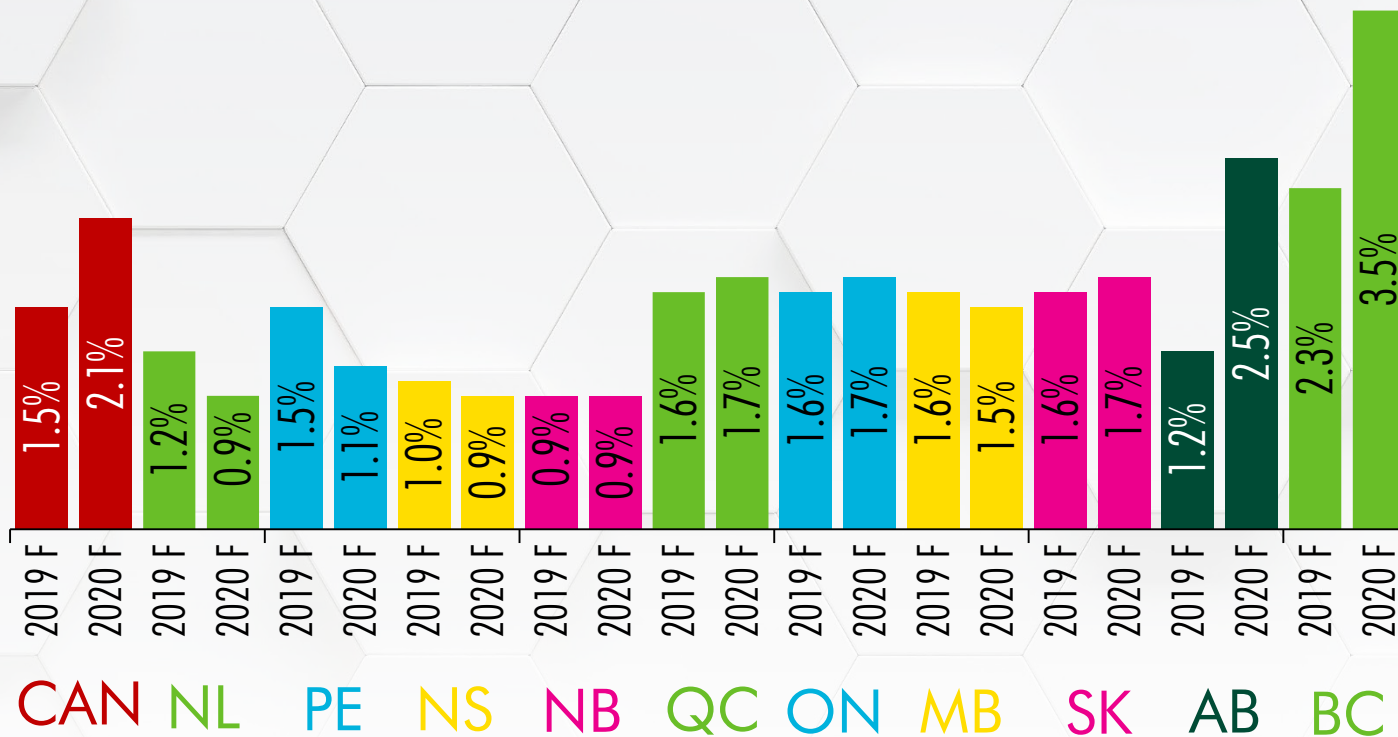
GDP Growth (%)	2018E	2019F	2020F
ATB Financial	2.3	1.4	1.7
Scotiabank Group	2.1	1.2	2.5
RBC Economics	1.7	1.3	2.6
Conference Board of Canada	2.5	1.3	3.5

Source: ATB Financial – Alberta Economic Outlook – March 2019; Scotiabank Group, Global Economics Forecast Tables, The Provinces, March 7, 2019; RBC Economic and Financial Provincial Outlook – Alberta – March 2019; Conference Board of Canada, Provincial Outlook Winter 2019

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2019-2020 REAL GDP GROWTH BY PROVINCE

Real GDP



Source: Scotiabank Group, Global Forecast Update, March 2019

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ALBERTA TRAVEL OUTLOOK

OVERNIGHT TRAVEL (% Growth)	2018 E	2019 F	2020 F
Business travel domestic	2.3	2.2	2.2
Pleasure travel domestic	2.1	2.0	1.7
Total domestic travel	2.0	1.7	1.7
U.S. Travel	1.6	3.6	3.2
Overseas travel	0.4	5.0	4.5
TOTAL OVERNIGHT TRAVEL	1.9	2.0	2.0
Alberta Accommodation Demand Growth (%)*	4.9	3.0	1.5

Source: Conference Board of Canada, Travel Markets Outlook: National Focus, Autumn 2018/Winter 2019

* Accommodation Demand Growth Projections prepared by CBRE Hotels

KEY DEMAND FACTORS



**Pipeline/Rail
Capacity Issues**



STR's Impacts



**Domestic Capital
Spending**
Energy/Other

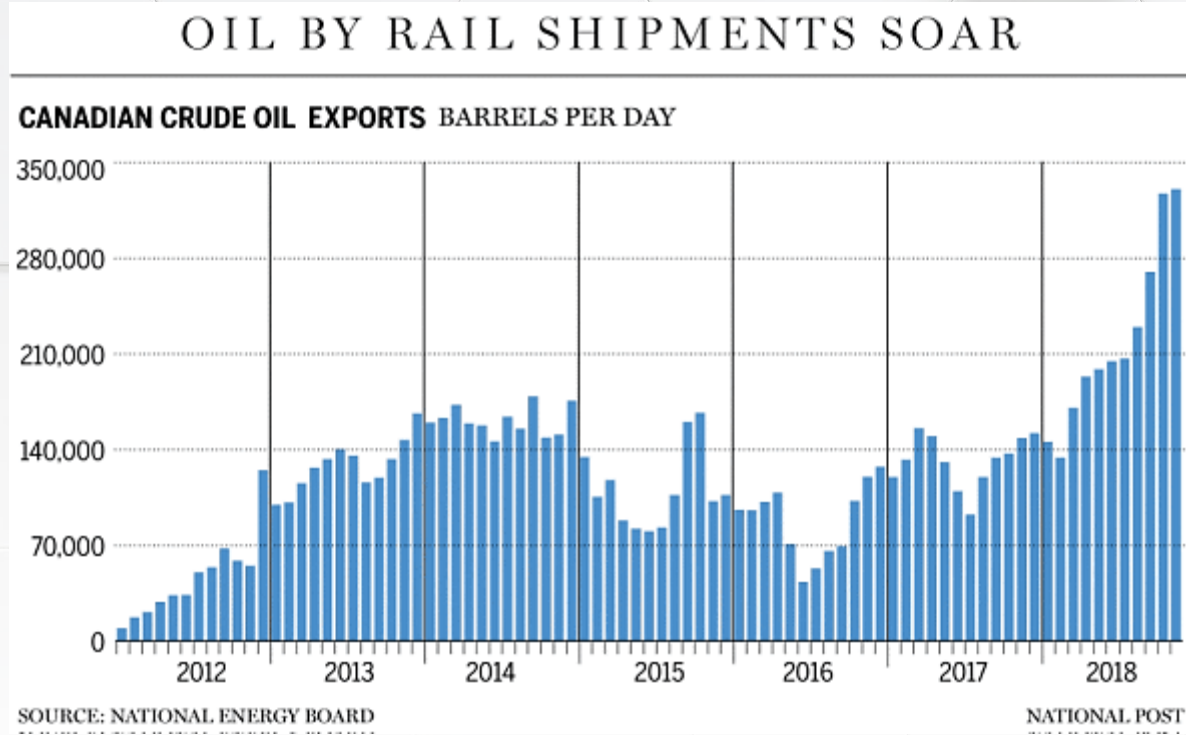


**Domestic/International
Economic/Travel
Outlooks**



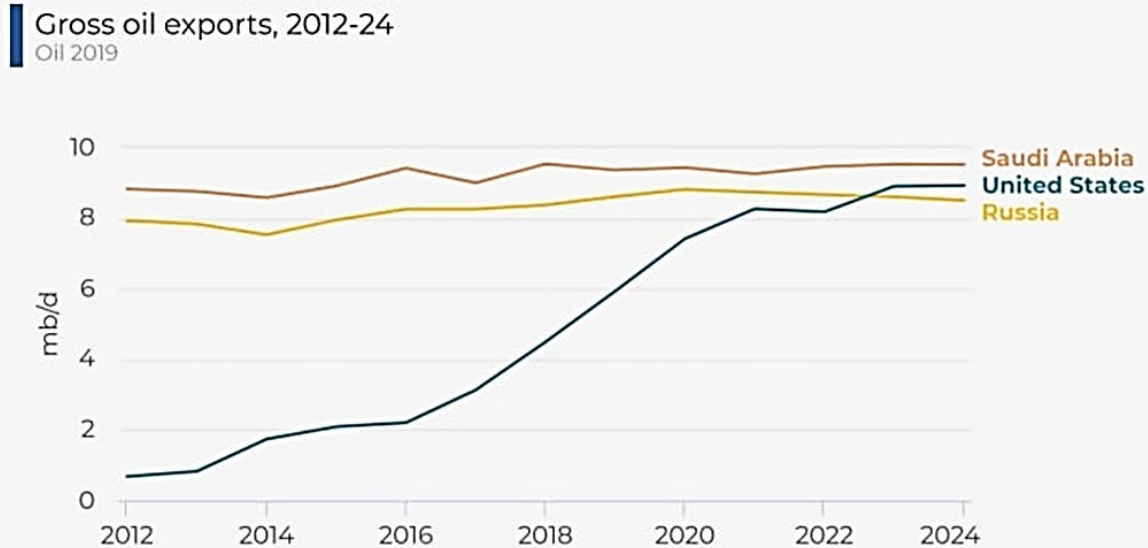
**US Oil & Gas
Production**

OIL EXPORTS



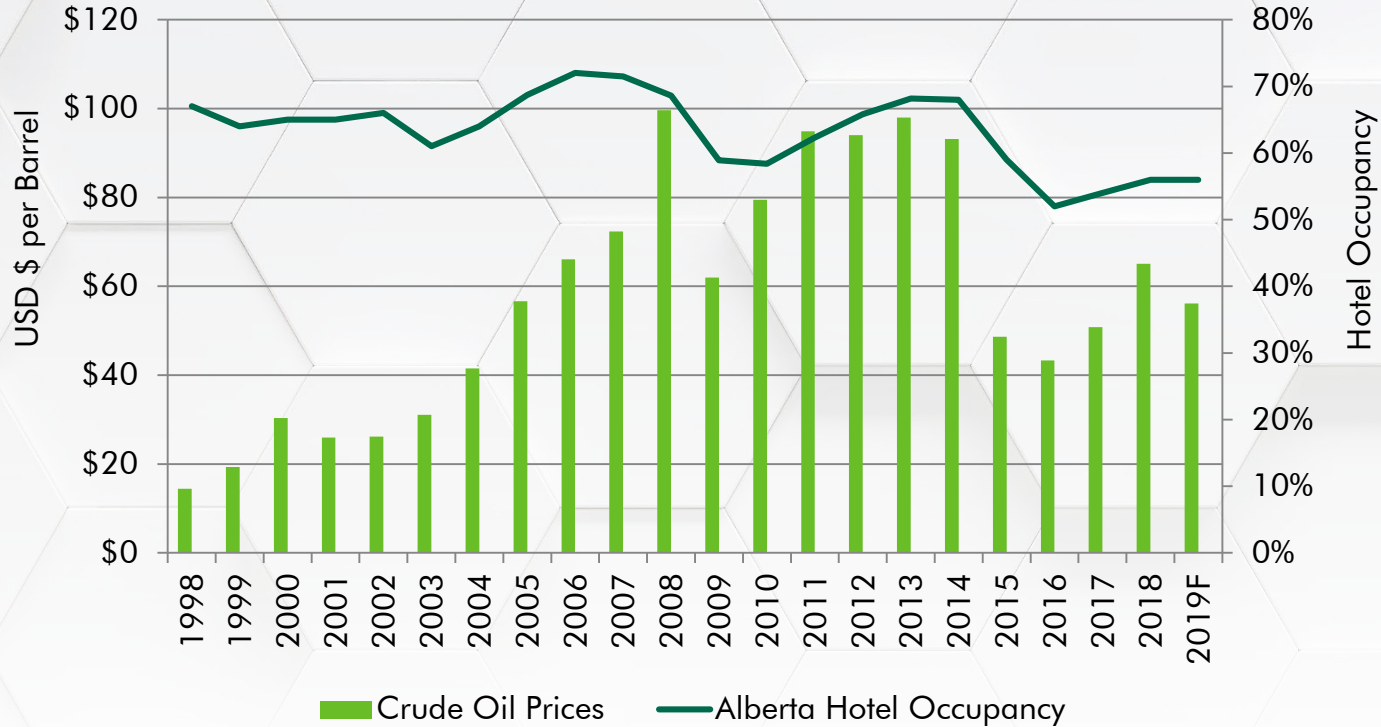
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PROJECTED GROSS OIL EXPORTS



Source: International Energy Agency

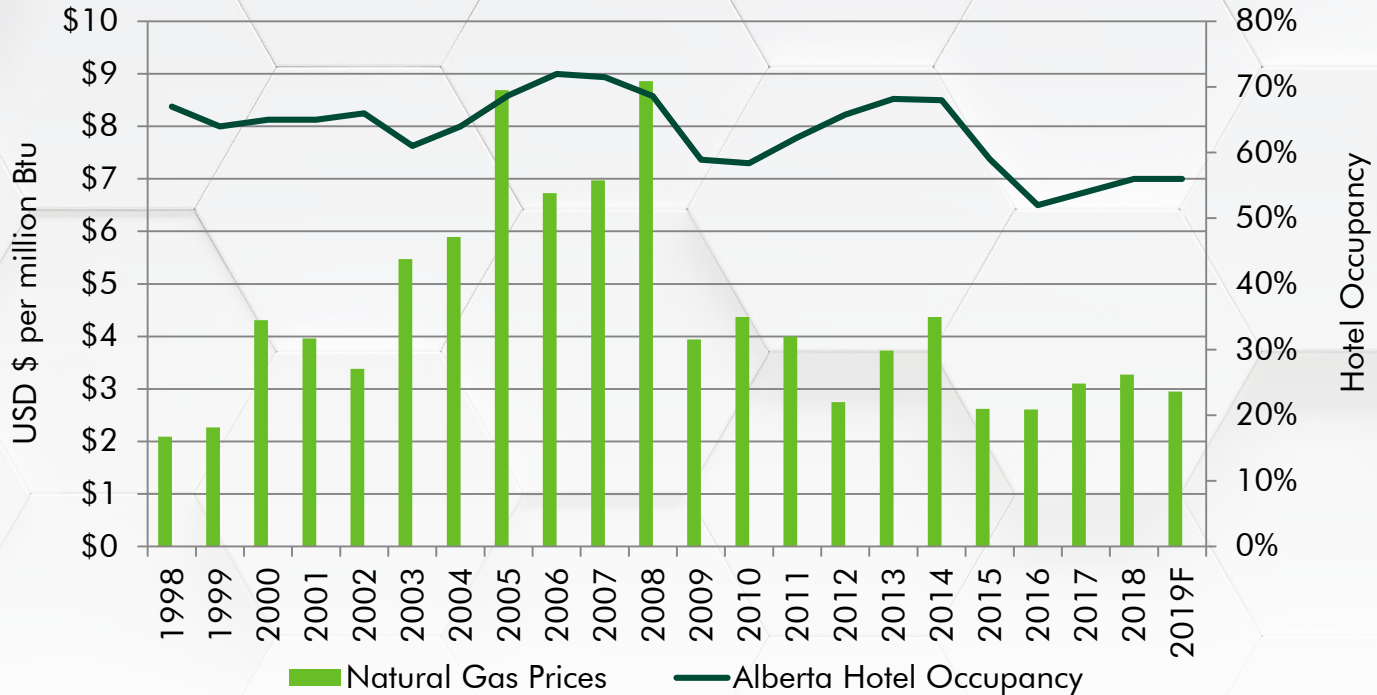
WEST TEXAS INTERMEDIATE CRUDE OIL PRICES & ALBERTA HOTEL OCCUPANCY 1998-2019F



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

Source: CBRE Hotels' Trends in the Hotel Industry National Market with reproduction and use of information subject to CBRE Limited Disclaimer | Terms of Use as detailed at <http://www.cbre.ca/EN/services/valuationservices/hotels/Pages/hotels-vas-disclaimer.aspx>

HENRY HUB NATURAL GAS PRICES & ALBERTA HOTEL OCCUPANCY 1998-2019F



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

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A photograph of a desk setup, including a laptop, a telephone, a water bottle, and a lamp, all under a teal color overlay. The text 'ALBERTA SUPPLY & DEMAND OUTLOOKS' is centered over the laptop screen.

**ALBERTA SUPPLY &
DEMAND OUTLOOKS**

ALBERTA TOP LINE 2018 PERFORMANCE

CBRE HOTELS

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OTHER ALBERTA NORTH*

Occ	51%
ADR	\$125
RevPAR	\$63 Up 3.5%

ALBERTA RESORTS

Occ	67%
ADR	\$300
RevPAR	\$201 Up 10.1%

OTHER ALBERTA SOUTH**

Occ	46%
ADR	\$116
RevPAR	\$53 Up 6.9%

EDMONTON

Occ	59%
ADR	\$129
RevPAR	\$75 Up 1.4%

RED DEER

Occ	45%
ADR	\$109
RevPAR	\$49 Up 10.9%

CALGARY

Occ	63%
ADR	\$146
RevPAR	\$92 Up 7.5%

LETHBRIDGE

Occ	54%
ADR	\$110
RevPAR	\$60 Up 6.0%

*Other North Includes all communities on or north of Highway 16, excluding Edmonton

**Other South Includes all communities south of Highway 16, excluding Calgary, Red Deer, Lethbridge

ACCOMMODATION SUPPLY

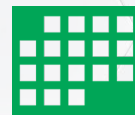


Still Building!!!

Over 2,000 rooms
(annualized) opening in
2019



Majority in Calgary and Edmonton



Repurposing ???



Who is building?



Where are the opportunities?

Source: CBRE Hotels

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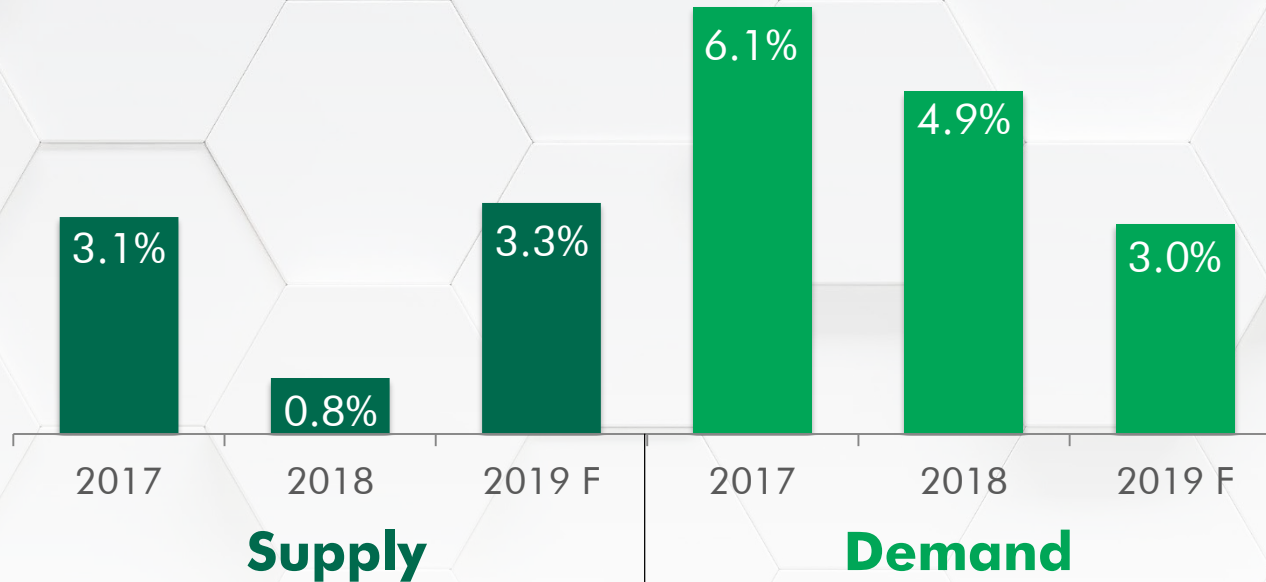
ALBERTA TOP LINE RESULTS - YTD FEBRUARY

		YTD 2017	YTD 2018	YTD 2019
ALBERTA (excl. resorts)	Occupancy	45%	47%	48%
	ADR	\$127	\$126	\$126
	RevPAR	\$57	\$60	\$61
RED DEER	Occupancy	36%	37%	45%
	ADR	\$105	\$108	\$116
	RevPAR	\$38	\$40	\$52
LETHBRIDGE	Occupancy	40%	42%	53%
	ADR	\$109	\$111	\$110
	RevPAR	\$43	\$47	\$58
ALBERTA RESORTS	Occupancy	48%	37%	45%
	ADR	\$199	\$108	\$116
	RevPAR	\$96	\$40	\$52
OTHER ALBERTA	Occupancy	40%	44%	43%
	ADR	\$119	\$121	\$118
	RevPAR	\$48	\$53	\$51

Source: CBRE Hotels

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ALBERTA SUPPLY AND DEMAND OUTLOOK



Source: CBRE Hotels

A woman in a dark jacket and light-colored pants is walking towards the right in a hotel lobby. She is carrying a large black handbag and a black rolling suitcase. In the background, a man in a suit is standing near a reception desk, and another person is partially visible. The entire scene is overlaid with a teal color filter.

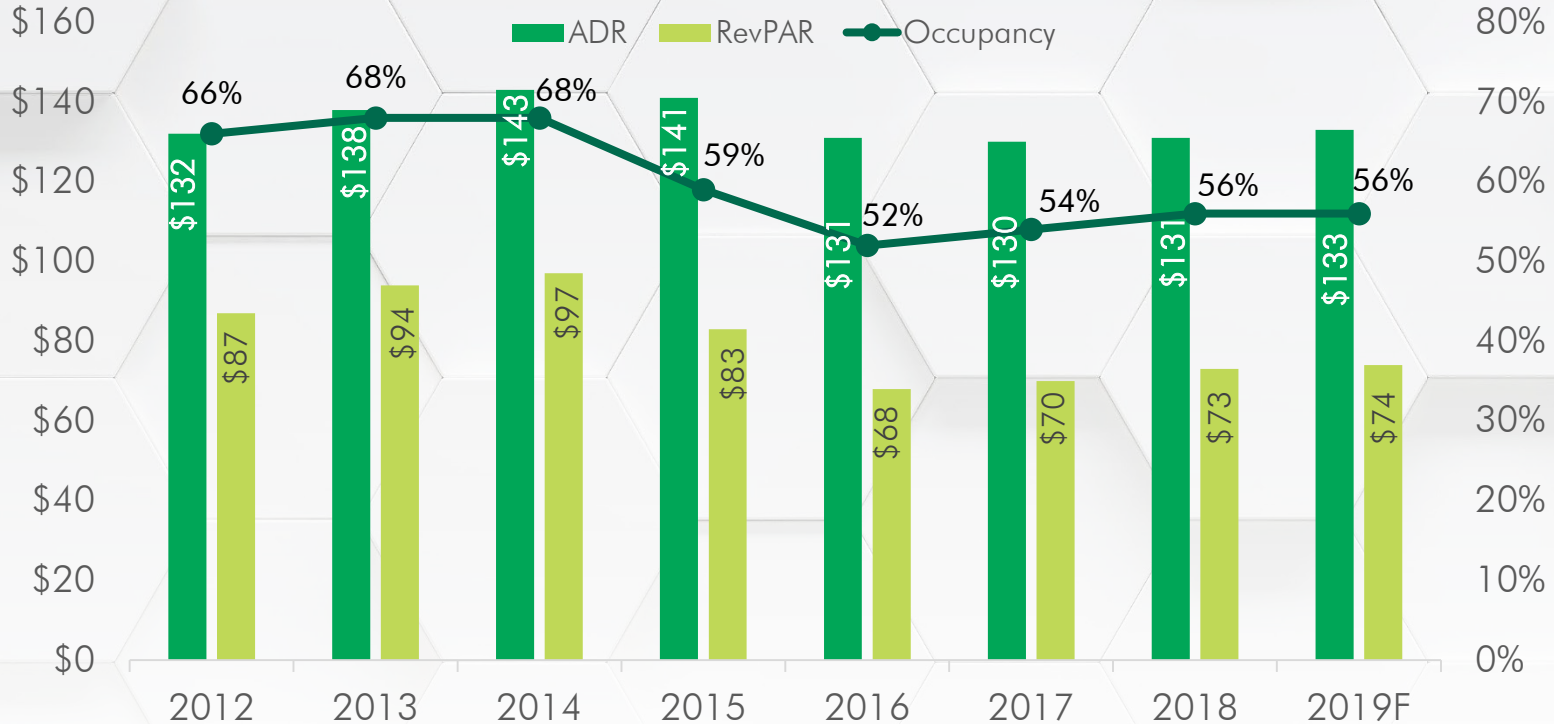
PROVINCIAL FORECAST

ALBERTA HISTORIC TOP LINE PERFORMANCE

		1978	1988	1998	2008	2018
ALBERTA (Excl. Resorts)	Occupancy	74.7%	64.8%	67.1%	68.5%	55.9%
	ADR	\$33.53	\$61.47	\$86.35	\$133.79	\$130.91
	RevPAR	\$25.05	\$39.83	\$57.93	\$91.61	\$73.20
CALGARY	Occupancy	76.2%	64.9%	72.6%	71.8%	62.6%
	ADR	\$33.26	\$65.63	\$101.34	\$151.38	\$146.28
	RevPAR	\$25.34	\$42.59	\$73.59	\$108.69	\$91.61
EDMONTON	Occupancy	76.1%	66.1%	62.9%	73.4%	58.6%
	ADR	\$27.01	\$64.14	\$79.21	\$121.92	\$128.60
	RevPAR	\$20.55	\$42.40	\$49.81	\$89.51	\$75.35

Source: CBRE Hotels

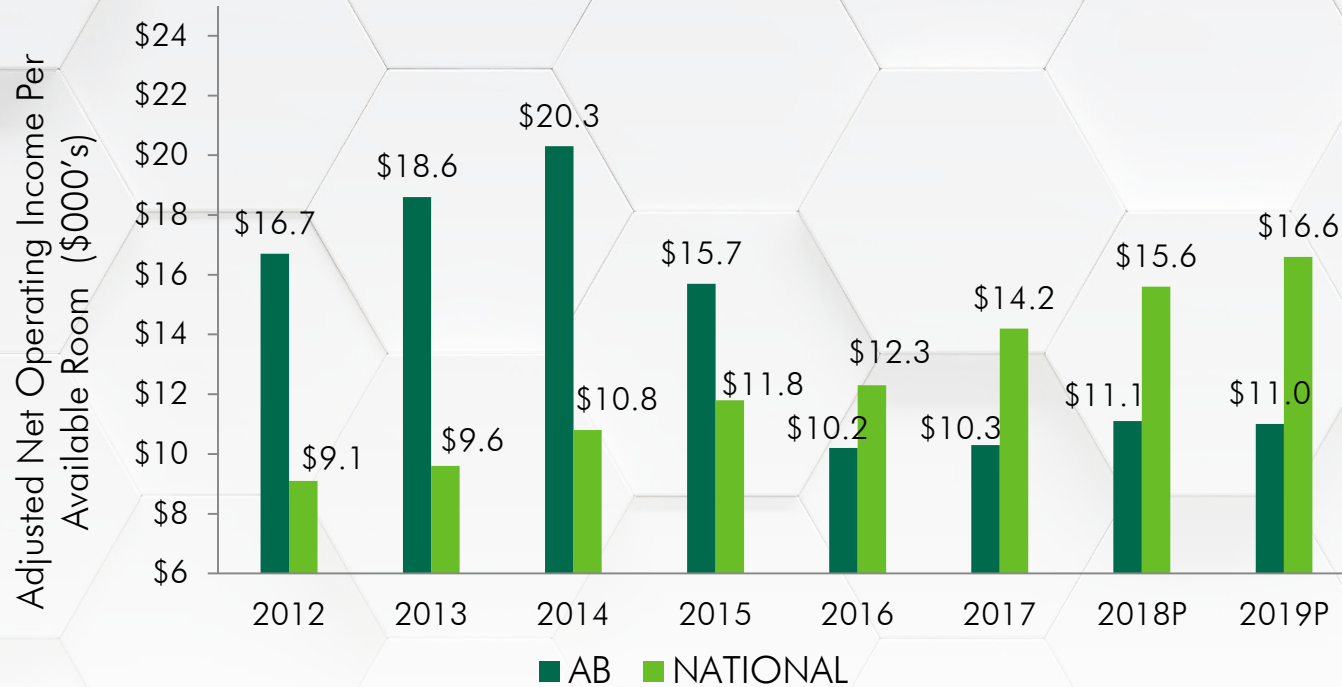
ALBERTA TOP LINE 2019 FORECAST



Source: CBRE Hotels

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ALBERTA FINANCIAL FORECAST

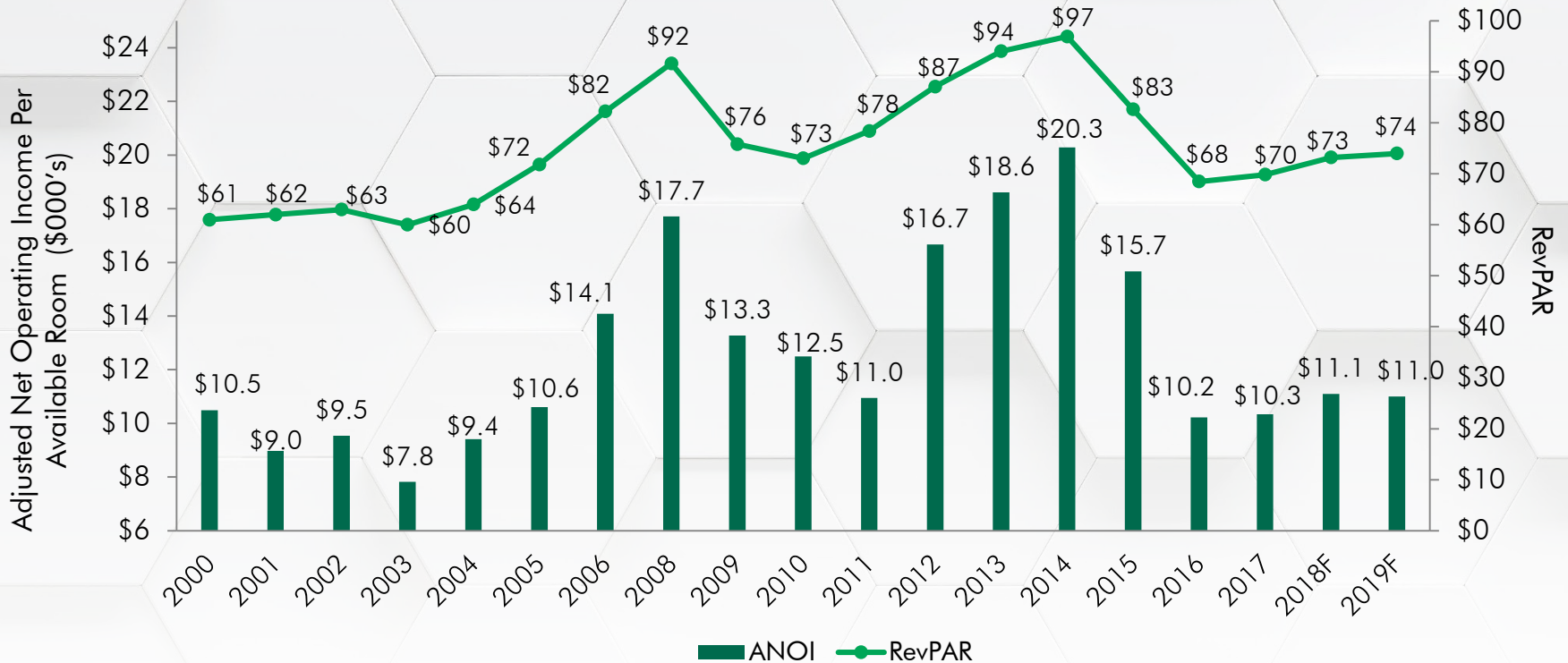


NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.

Source: CBRE Hotels

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ALBERTA HISTORIC FINANCIAL PERFORMANCE & 2018 - 2019 FORECAST



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NATIONAL FINANCIAL OUTLOOK



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.

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2017 EXPENSE RATIOS – ALBERTA FULL SERVICE

Departmental Expenses	\$ Per Available Room	% of Dept Revenue
Rooms	\$8,126	28.6%
Food & Beverage	\$11,060	70.8%
Other Operated Departments	\$1,301	54.9%
Total Departmental Expenses	\$20,487	43.6%
Undistributed Expenses	\$ Per Available Room	% of Total Revenue
Administration & General	\$3,733	7.9%
Information & Telecommunications Systems	\$1,030	2.2%
Sales & Marketing	\$3,055	6.5%
Property Op. & Maintenance	\$2,146	4.6%
Utilities	\$2,013	4.3%
Property and Other Taxes	\$1,659	3.5%
Insurance	\$257	0.5%
Total Undistributed Expenses	\$13,894	29.6%

Source: CBRE Hotels

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2017 EXPENSE RATIOS – ALBERTA LIMITED SERVICE

Departmental Expenses	\$ Per Available Room	% of Dept Revenue
Rooms	\$5,170	23.3%
Other Operated Departments	\$85	51.1%
Total Departmental Expenses	\$5,255	22.4%
Undistributed Expenses	\$ Per Available Room	% of Total Revenue
Administration & General	\$2,375	10.1%
Information & Telecommunications Systems	\$240	1.0%
Sales & Marketing	\$1,333	5.7%
Property Op. & Maintenance	\$1,714	7.3%
Utilities	\$1,176	5.0%
Property and Other Taxes	\$1,298	5.5%
Insurance	\$84	0.4%
Total Undistributed Expenses	\$8,220	35.0%

Source: CBRE Hotels

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**CALGARY MARKET
OUTLOOKS**

CALGARY TOP LINE 2018 PERFORMANCE

Airport/Northeast

Occ 62%
ADR \$120
RevPAR \$74 Up 5.6%

Northwest/Motel Village

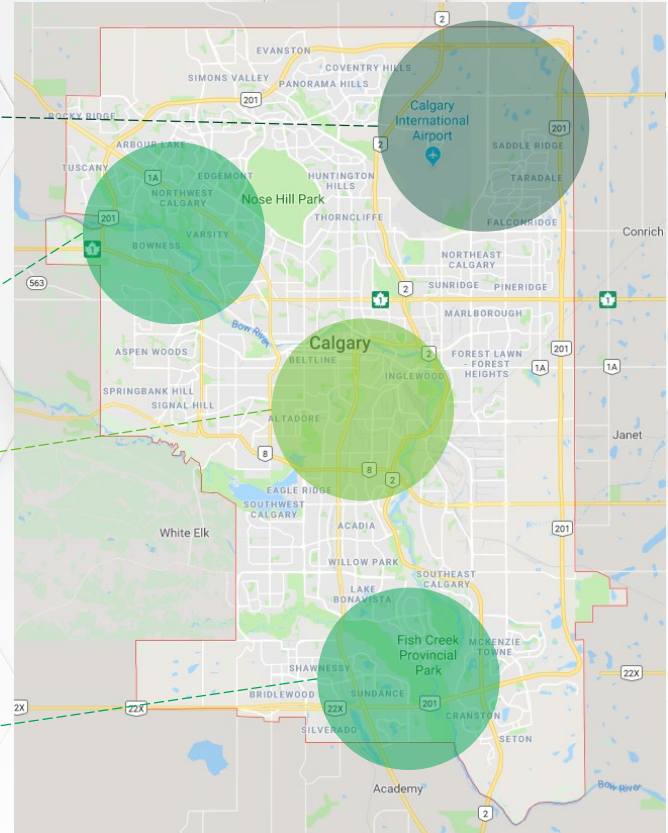
Occ 64%
ADR \$118
RevPAR \$75 Up 2.9%

Downtown/Beltline

Occ 65%
ADR \$194
RevPAR \$125 Up 6.5%

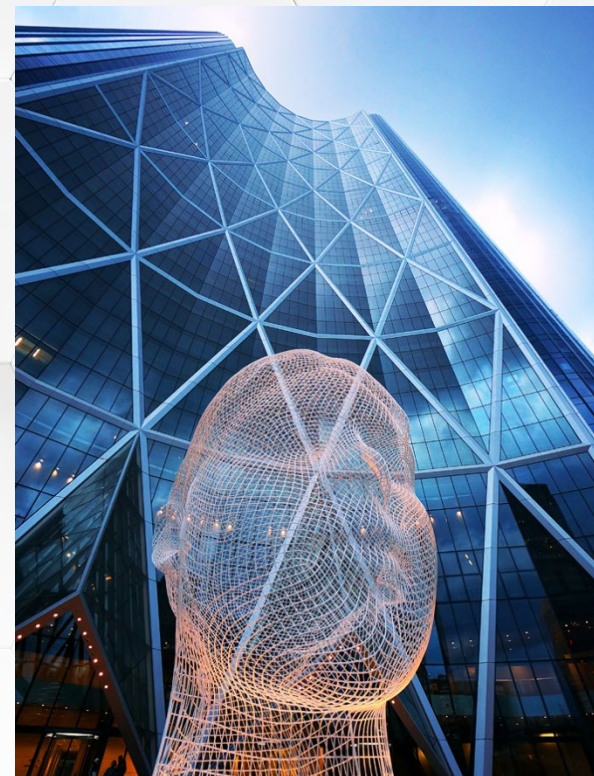
South/Macleod Trail

Occ 61%
ADR \$132
RevPAR \$80 Up 17.8%



CALGARY ECONOMIC OUTLOOK

	2016	2017	2018F	2019 F
GDP (Growth %)	-3.4	4.9	2.5	2.3
Employment (% Change)	-1.5	3.3	1.0	1.0
Unemployment Rate (%)	9.4	8.5	7.9	7.3
Housing Starts (annual, 000s of units)	9.2	11.5	11.8	12.0



Source: Conference Board of Canada – Metropolitan Outlook Autumn 2018

Image Source: Flickr

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CALGARY KEY PERFORMANCE INDICATORS

1

Supply growth will outpace demand growth

2

Downtown continues to deal with high office vacancies, low # of daily commuters into core

3

Grey Cup



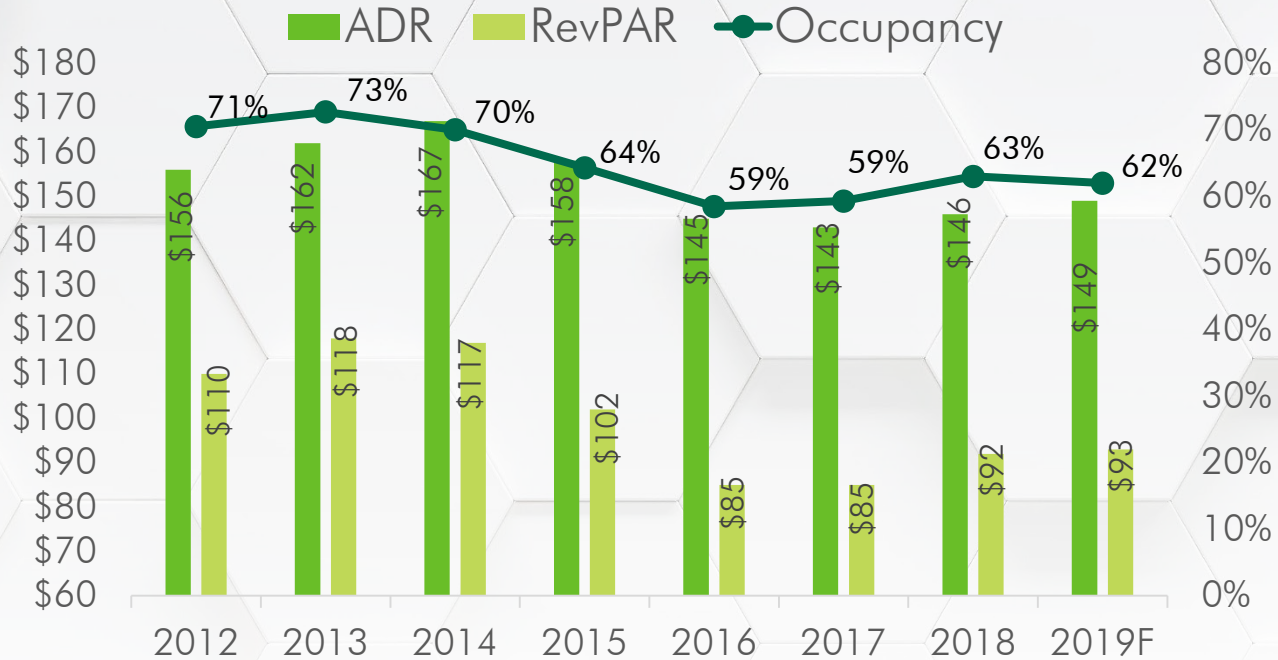
4

Air passenger volumes surged higher in 2018/YTD 2019

5

Strong travel volumes to the Alberta Rockies

CALGARY ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

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A photograph of a desk setup, including a laptop, a telephone, a water bottle, and a lamp, all under a teal color overlay. The text 'EDMONTON MARKET OUTLOOKS' is centered over the laptop screen.

**EDMONTON MARKET
OUTLOOKS**

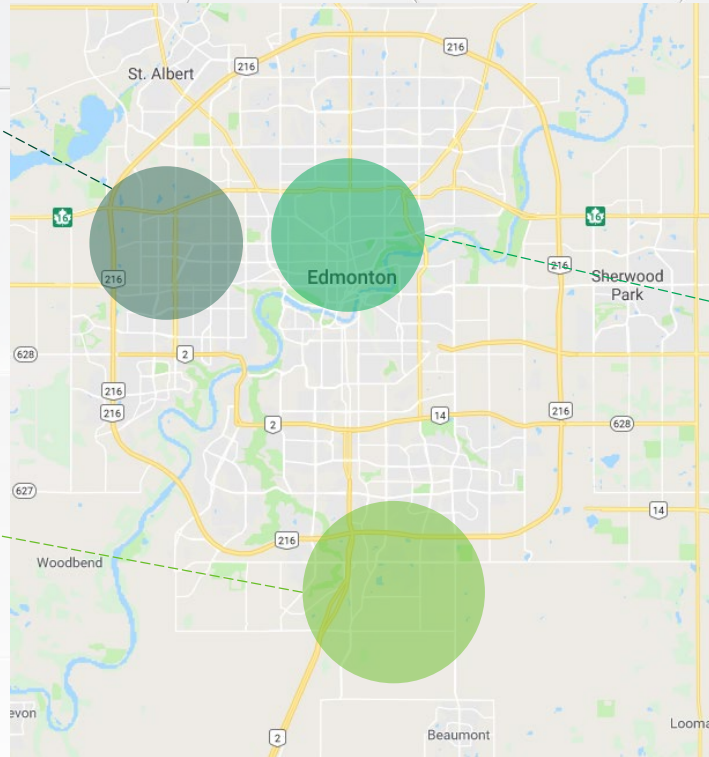
EDMONTON TOP LINE 2018 PERFORMANCE

West Edmonton

Occ 54%
ADR \$121
RevPAR \$65 Down 2.9%

South/Airport/Sherwood

Occ 58%
ADR \$113
RevPAR \$66 Up 3.8%



Downtown

Occ 65%
ADR \$155
RevPAR \$101 Up 3.3%

EDMONTON ECONOMIC OUTLOOK

	2016	2017	2018F	2019 F
GDP (Growth %)	-3.7	3.1	2.3	2.3
Employment (% Change)	0.0	0.4	1.3	2.1
Unemployment Rate (%)	7.4	8.0	6.5	6.5
Housing Starts (annual, 000s of units)	10.0	11.4	11.0	12.4

Source: Conference Board of Canada – Metropolitan Outlook Autumn 2018

Image Source: Explore Edmonton

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EDMONTON KEY PERFORMANCE INDICATORS

1

Supply growth to outpace demand growth

4

ADR Growth?

2

JW Marriott impact

5

Office/Industrial Performance

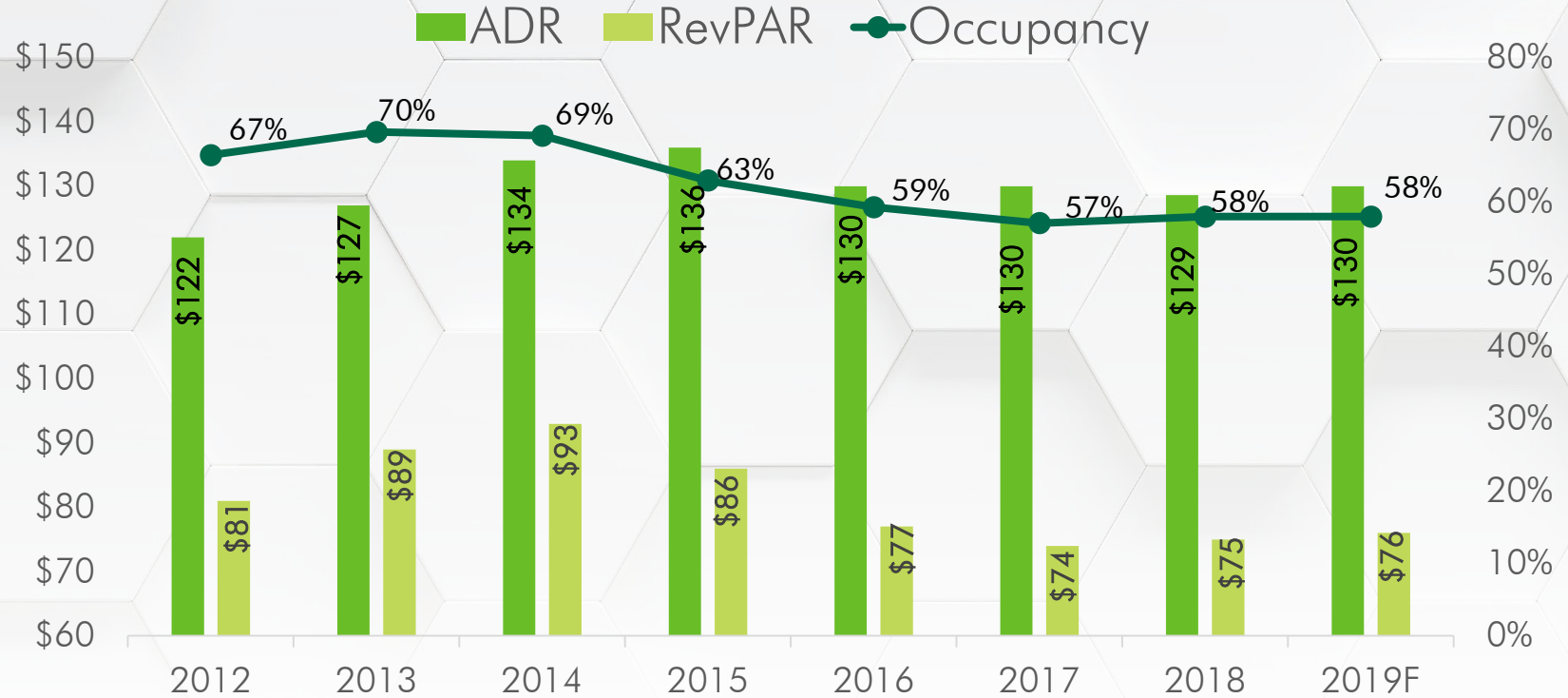
3

West Edmonton struggles

6

Mega Projects?

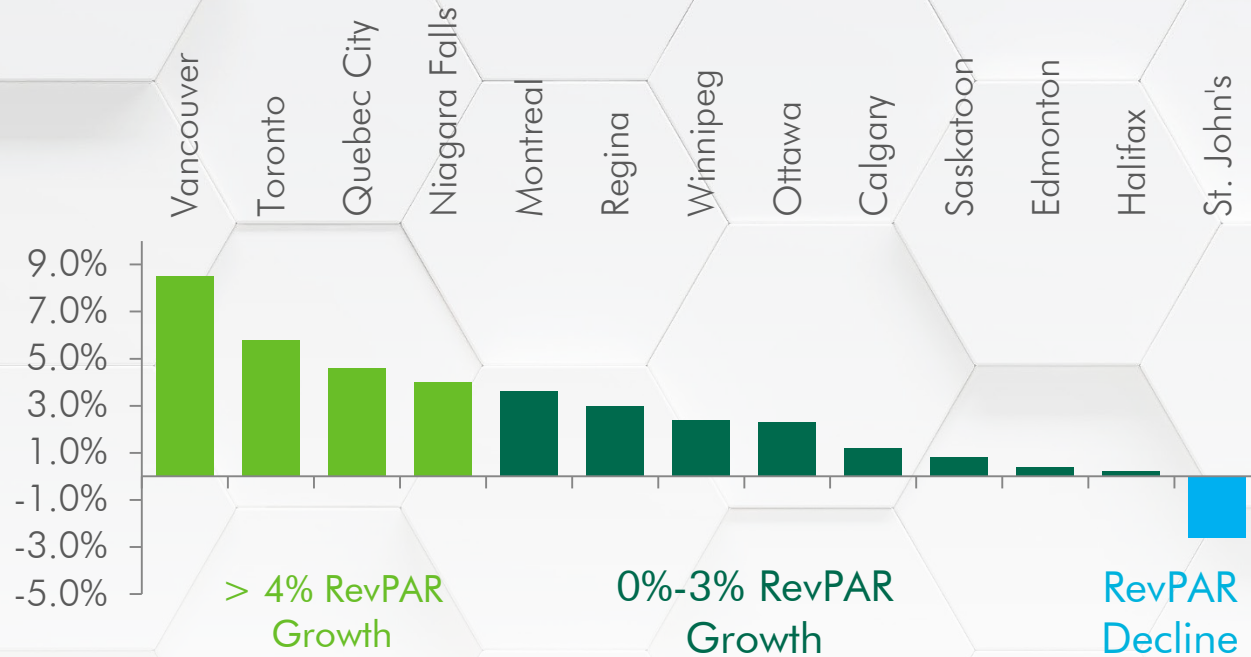
EDMONTON ACCOMMODATION MARKET PERFORMANCE



Source: CBRE Hotels

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MAJOR MARKET OUTLOOKS REVPAR PROJECTION 2019



2019 RevPAR Ranking	
Vancouver	\$184
Toronto	\$147
Montreal	\$135
Quebec City	\$128
Ottawa	\$127
Niagara Falls	\$117
Halifax	\$111
Calgary	\$93
Winnipeg	\$92
Edmonton	\$76
Saskatoon	\$76
Regina	\$74
St. John's	\$73

*"Major Markets" refer to Greater Metro Areas

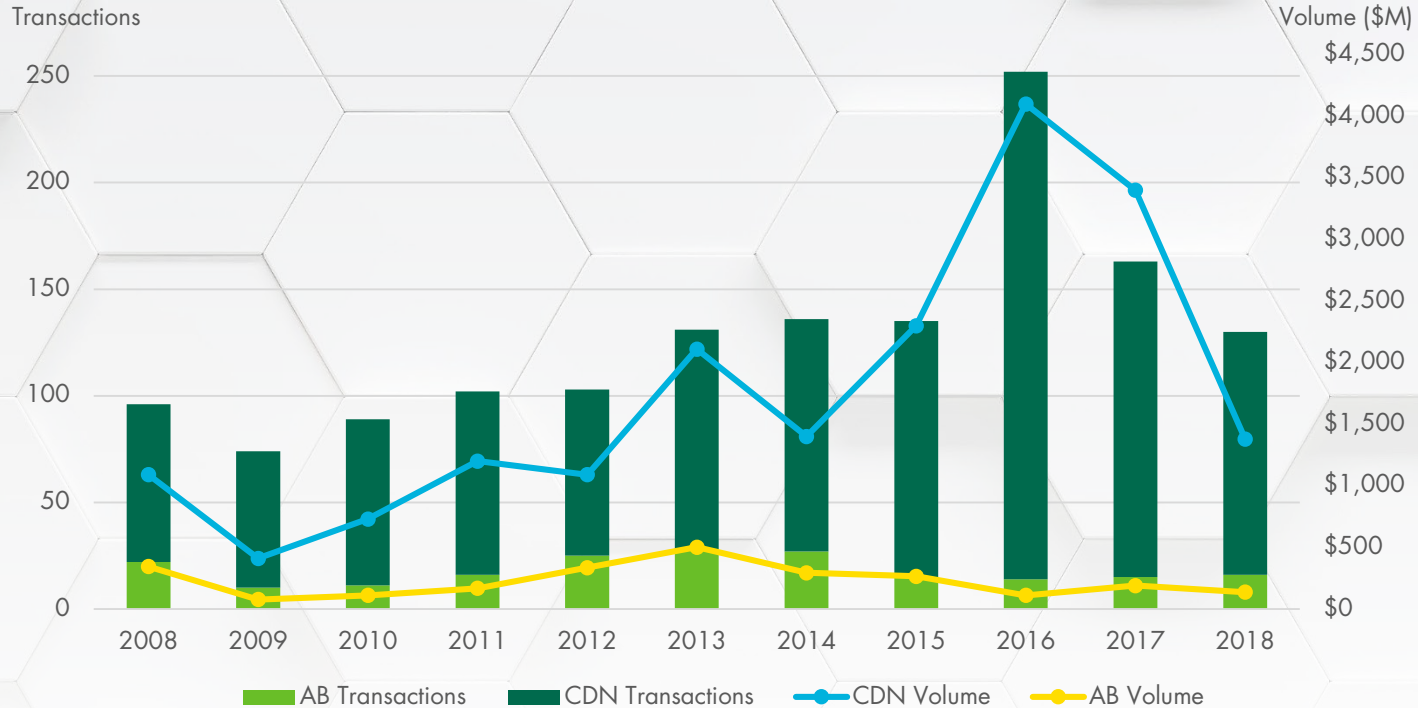
Source: CBRE Hotels

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INVESTMENT TRENDS

ALBERTA TRANSACTION OVERVIEW



* 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.

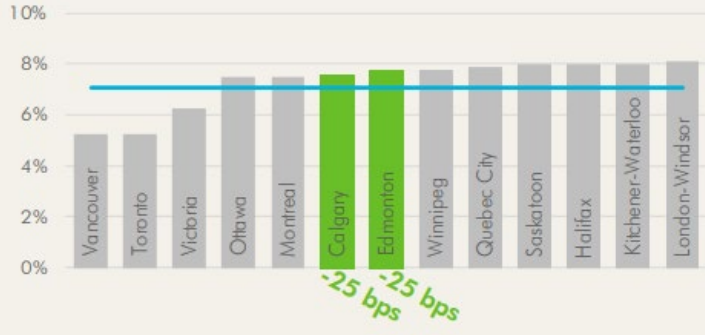
** Year 2017 Excludes M&A transactions

Source: CBRE

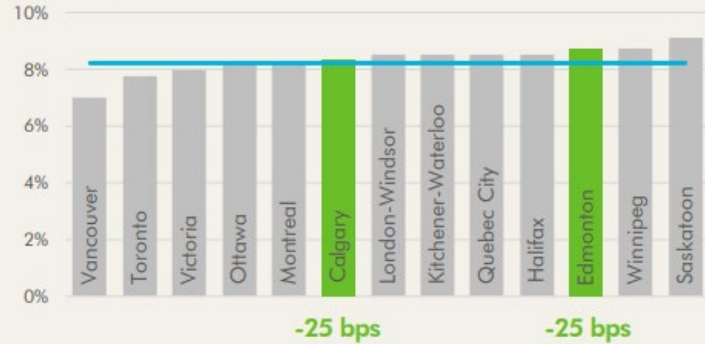
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Q4 2018 HOTEL CAP RATES

DOWNTOWN FULL SERVICE



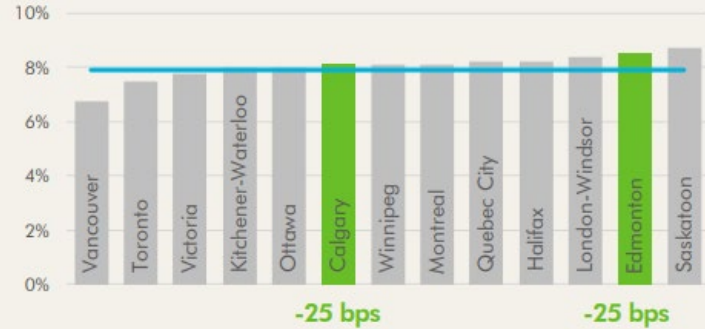
SUBURBAN LIMITED SERVICE



Q4 2018 Cap Rates

	Calgary	Edmonton
Downtown Full Service (%)	▼ 6.75-8.50	▼ 7.00-8.50
Suburban Limited Service (%)	▼ 7.75-9.00	▼ 8.25-9.25
Focused Service (%)	▼ 7.25-9.00	▼ 7.75-9.25

FOCUSED SERVICE



Source: CBRE Hotels

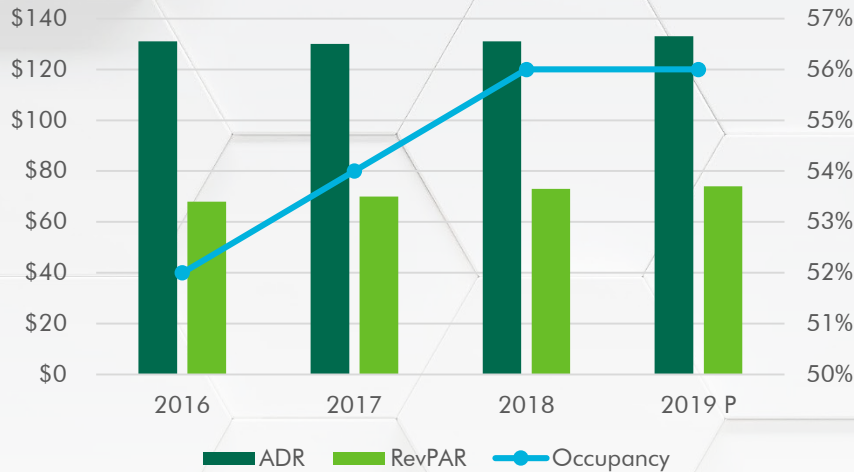
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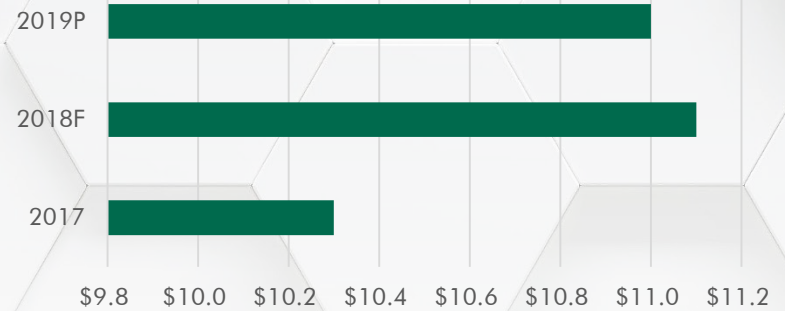
KEY TAKEAWAYS

ALBERTA TOP & BOTTOM LINE OUTLOOK

Alberta Top Line Outlook



Adjusted Net Operating Income/Available Room (\$000's)



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ALBERTA 2019 ADR, REVPAR OUTLOOK (EXCL RESORTS)

Demand GROWTH

2017 Actual	6.1%
2018 Actual	4.9%
2019 Forecast	3.0%

ADR GROWTH

2017 Actual	-0.9%
2018 Actual	0.7%
2019 Forecast	1.5%

RevPAR GROWTH

2017 Actual	2.0%
2018 Actual	4.8%
2019 Forecast	1.2%

	2016	2017	2018	2019 P
Occupancy	52%	54%	56%	56%
ADR	\$131	\$130	\$131	\$133
RevPAR	\$68	\$70	\$73	\$74

Source: CBRE Hotels

KEY TAKEAWAYS

1

Energy sector challenges impacting the accommodation sector

2

Significant volumes of new supply opening in Calgary and Edmonton

3

RevPar improved in 2018, but not at volumes that return many assets to profitability

4

ADR growth is still a challenge for many operators

5

Modest RevPar improvement for 2019

6

Bottom lines will decline slightly

HOTEL



THANK YOU!!

Brokerage

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