

# Lodging Outlook



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## The Impact of Hosting Olympic Winter Games

By: Jason McKay - HVS International - Vancouver

**In** February 2002, Salt Lake City, Utah, welcomed the world when it hosted the XIX Olympic Winter Games. A roster of 78 events drew almost 2,400 athletes, 22,000 volunteers, 77 National Olympic Committees, and over 8,000 media representatives. Vancouver was just awarded the 2010 Winter Olympic Games in July of this year. What can Vancouver and Whistler area hoteliers expect when the world is at their doorstep?

The Winter Olympics are held over 16 days in February, every four years. Hosting the Winter Olympics is good news for hotels in the host city when, under normal circumstances, operating performance can be moderate at best during the month of February (mind you Whistler does extremely well already in February). For Salt Lake City, hosting the XIX Winter Olympic Games was a much-needed stimulus to a lodging market that was in decline. But exactly how much of an impact do the Winter Olympics have on an area's lodging market, and for how long?

Most host cities seem to experience a vacuum in activity just prior to and immediately following the 16 days of actual competition that make up the Winter Olympics. Salt Lake City was no different. In the late 1990s, operating performance, defined in terms of occupancy rates and average daily room rates (ADR), began to decline in Salt Lake City. This was a result of the tremendous amount of construction and improvements undertaken throughout the city to prepare for the Games. Some of the downtown streets and portions of Interstate Highways were entirely unusable for extended periods of time.

Occupancy and ADR declined 16% and 6% respectively in the month of January (one month prior to the February Olympics), bringing rooms revenue per available room (RevPAR) down 21% as compared to the same period in 2001. This drop can be attributed to the traveler sentiment that it is better to stay away from a city that is about to host the Winter Olympics, given the flurry of

activity involved in preparing the city.

However, in the following month (the month of the Games), the overall occupancy rate and ADR increased by 33% and 95% respectively over the same period in 2001, which jumped RevPAR to \$140.00 - a 158% increase as compared to February of the previous year!

In March, occupancy fell 34% from its high during the Games, which is a 25% decline from the same period in 2001. Again, the sudden drop year-over-year is indicative of the trademark vacuum of activity host cities experience before and after the 16 days of Olympic competition. Average daily rates also dropped by 51% from the time the Games were on, which is a decline of 7% over the same period in the previous year.

After March, the changes in occupancy and ADR are not as dramatic; however, they still provide some insight as to what future host cities can expect.

*(continue on back page)*

Month	2001		2002			
	Occupancy	ADR	Occupancy	% Change	ADR	% Change
January	56.7%	\$85.66	47.5%	-16%	\$80.91	-6%
February	63.5%	85.16	84.2%	33%	165.76	95%
March	74.7%	88.45	55.9%	-25%	81.92	-7%
April	56.5%	76.08	67.7%	20%	84.94	12%
May	55.6%	77.36	51.5%	-7%	89.09	15%
June	60.9%	76.99	59.1%	-3%	80.11	4%
July	61.8%	76.36	53.1%	-14%	79.52	4%
August	65.1%	81.40	59.3%	-9%	82.08	1%
September	52.1%	76.61	56.7%	9%	88.84	16%
October	43.8%	78.74	55.9%	27%	89.14	13%
November	39.5%	73.87	39.5%	0%	78.81	7%
December	41.6%	70.97	38.5%	-7%	73.54	4%
<b>Total</b>	<b>56.0%</b>	<b>\$78.97</b>	<b>55.7%</b>	<b>-0.4%</b>	<b>\$89.56</b>	<b>13%</b>



## CANADIAN LODGING OUTLOOK HVS INTERNATIONAL - CANADA

June 2003	Number of Rooms	Occupancy Rate (%)		Average Room Rates (\$)		RevPAR (\$)		Room Supply % change	Room Demand % change
		2003	2002	2003	2002	2003	2002		
Nova Scotia Area	1,693	66.3%	68.7%	\$86.04	\$86.26	\$57.04	\$59.26	0.8%	-2.7%
Halifax, NS	2,077	85.5%	87.1%	\$138.84	\$127.53	\$118.71	\$111.08	4.1%	2.2%
Montreal, QC	14,644	75.2%	80.4%	\$169.91	\$170.73	\$127.77	\$137.27	-0.3%	-6.7%
Quebec City, QC	3,804	73.1%	78.8%	\$152.33	\$156.77	\$111.35	\$123.53	0.0%	-7.2%
Quebec Area	3,381	60.1%	63.6%	\$97.55	\$98.14	\$58.63	\$62.42	0.0%	-5.4%
Toronto Downtown	11,418	54.7%	78.8%	\$149.08	\$187.04	\$81.55	\$147.39	-4.5%	-33.7%
Toronto North/East	6,582	49.0%	73.4%	\$109.96	\$110.01	\$53.88	\$80.75	6.3%	-29.1%
Toronto Airport/West	6,541	54.0%	68.5%	\$102.82	\$113.03	\$55.52	\$77.43	-1.1%	-22.0%
Ottawa, ON	8,270	71.6%	73.5%	\$128.82	\$130.49	\$92.24	\$95.91	0.0%	-2.6%
Ontario East	3,986	62.0%	68.4%	\$96.65	\$96.20	\$59.92	\$65.80	0.1%	-9.3%
Ontario Southwest	8,195	62.5%	66.9%	\$95.56	\$96.75	\$59.73	\$64.73	0.4%	-6.2%
Ontario North	5,095	64.3%	65.7%	\$96.90	\$104.67	\$62.31	\$68.77	0.3%	-1.8%
Niagara Falls, ON	7,049	63.2%	74.2%	\$112.89	\$127.80	\$71.35	\$94.83	0.6%	-14.4%
Ontario Central	7,875	60.2%	70.2%	\$98.75	\$100.78	\$59.45	\$70.75	2.3%	-12.2%
Winnipeg, MB	3,717	69.1%	70.9%	\$94.60	\$95.18	\$65.37	\$67.48	0.0%	-2.5%
Regina/Saskatoon, SK	3,863	62.5%	68.2%	\$87.93	\$85.28	\$54.96	\$58.16	0.0%	-8.3%
Calgary, AB	5,439	72.4%	81.1%	\$119.48	\$135.19	\$86.50	\$109.64	0.0%	-10.7%
Edmonton, AB	5,258	64.0%	80.2%	\$99.68	\$93.99	\$63.80	\$75.38	1.1%	-19.3%
Alberta Area	8,224	63.1%	68.2%	\$95.36	\$102.95	\$60.17	\$70.21	1.7%	-5.9%
Mountain Regions, AB	2,376	65.0%	74.5%	\$290.29	\$283.87	\$188.69	\$211.48	0.0%	-12.7%
Vancouver, BC	12,820	68.7%	75.4%	\$145.10	\$158.12	\$99.68	\$119.22	0.0%	-8.9%
British Columbia Area	7,648	49.9%	56.3%	\$101.25	\$111.64	\$50.52	\$62.85	1.2%	-10.3%
Victoria, BC	2,820	68.6%	70.3%	\$133.47	\$148.28	\$91.56	\$104.24	0.0%	-2.5%
<b>Provinces</b>									
Alberta	21,266	65.9%	75.1%	\$124.77	\$129.45	\$82.22	\$97.22	1.1%	-11.4%
British Columbia	24,372	61.7%	67.7%	\$129.96	\$141.33	\$80.19	\$95.68	0.6%	-8.3%
Manitoba	4,103	68.5%	69.8%	\$92.91	\$93.69	\$63.64	\$65.40	0.5%	-1.3%
New Brunswick	2,970	66.7%	69.8%	\$103.34	\$98.91	\$68.93	\$69.04	0.0%	-4.4%
Newfoundland	1,521	78.9%	78.0%	\$121.01	\$116.47	\$95.48	\$90.85	0.0%	1.1%
Nova Scotia	3,770	76.9%	79.1%	\$118.34	\$111.85	\$91.00	\$88.47	1.7%	-1.1%
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	64,049	60.0%	72.0%	\$113.24	\$126.83	\$67.94	\$91.32	0.3%	-16.5%
Prince Edward Island	889	70.3%	62.2%	\$119.42	\$107.88	\$83.95	\$67.10	0.0%	13.0%
Quebec	22,822	71.9%	76.9%	\$156.47	\$157.64	\$112.50	\$121.23	-0.1%	-6.6%
Saskatchewan	5,062	60.7%	63.5%	\$82.52	\$80.03	\$50.09	\$50.82	0.0%	-4.5%
Yukon Territory	579	66.4%	60.4%	\$97.31	\$94.39	\$64.61	\$57.01	0.0%	10.0%
Canada	151,403	61.0%	67.7%	\$111.63	\$116.04	\$68.09	\$78.56	0.4%	-9.6%

**CANADIAN LODGING OUTLOOK**  
**HVS INTERNATIONAL - CANADA**

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		2003	2002	2003	2002	2003	2002		
Nova Scotia Area	1,693	52.0%	54.2%	\$78.14	\$77.23	\$40.63	\$41.86	0.3%	-3.9%
Halifax, NS	2,077	66.7%	66.3%	\$117.53	\$110.95	\$78.39	\$73.56	4.7%	5.3%
Montreal, QC	14,644	60.8%	63.5%	\$136.11	\$138.44	\$82.75	\$87.91	0.1%	-4.1%
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Quebec Area	3,381	52.1%	51.5%	\$87.60	\$84.97	\$45.64	\$43.76	0.0%	1.2%
Toronto Downtown	11,418	52.1%	64.2%	\$141.30	\$162.58	\$73.62	\$104.38	-1.5%	-20.1%
Toronto North/East	6,582	46.4%	57.3%	\$105.75	\$108.86	\$49.07	\$62.38	6.7%	-13.7%
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Ontario North	5,095	53.6%	53.0%	\$88.28	\$88.62	\$47.32	\$46.97	0.3%	1.5%
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Ontario	64,049	53.7%	59.2%	\$109.32	\$116.75	\$58.70	\$69.12	0.7%	-8.6%
Prince Edward Island	889	42.2%	41.3%	\$84.63	\$80.96	\$35.71	\$33.44	0.0%	2.3%
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Canada	151,403	52.8%	56.2%	\$104.58	\$105.70	\$55.22	\$59.40	0.6%	-5.5%

## CANADIAN LODGING OUTLOOK

For the remainder of the year, occupancy returned to levels similar to those experienced before the Games, although there were some exceptions; in spring and fall, occupancy rates were 9% to 27% higher than in 2001. It should be noted, however, that comparing occupancy rates from the fall of 2002 to occupancy rates from the fall of 2001 isn't representative of normal market conditions because the effects of the terrorist attacks on September 11, 2001, skew the occupancy rates down for the fall of that year.

Occupancy rates adjusted themselves as the year moved forward, making the real impact of hosting the Winter Olympics more evident. Average daily rates skyrocketed during the time the Games

were on. From this high, ADR slowly eroded, but not as quickly as occupancy rates. Average daily rates maintained double digit growth (between 12% and 16%) in four of the nine months remaining in the year following the March lull, as compared to 2001. For the remaining five of the nine months, ADR still maintained growth, just not at a double digit pace. The prolonged buoyancy of ADR throughout the year helped keep RevPAR up year-over-year by 17% despite the rapid adjustment of occupancy to more normal levels.

If Salt Lake City is any indication of what the Vancouver and Whistler area hoteliers can expect, they should look for a dramatic swing in occupancy and ADR surrounding

the Games, including unprecedented highs during the 16 days of actual competition. Following the competition, occupancy will turn itself around quickly while ADR will continue to grow, which translates into the possibility of an inflated RevPAR for the year that the Games occur. By years end 2010, operations should be back to normal in Vancouver, with the prospect of future growth on everyone's mind.

### DEFINITIONS

Occupancy:	The ratio of total occupied rooms to total available rooms.
Average Room Rate:	Defined as room sales divided by the total number of rooms occupied.
RevPAR:	The application of a hotel's average occupancy to its average room rate and a true indicator of the property's ability to generate revenue. It is calculated by multiplying the occupancy by the average room rate.
Number of Rooms:	The total number of sample rooms that participated for the month



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