

# Canadian February 2006 Lodging Outlook



SMITH TRAVEL RESEARCH

## HVS International Forecasts 2006 With Continued Activity

### 2005 Proved Banner Year for the Global Hospitality Firm - The Year of the Portfolio Transaction!

By: Leora Lanz - HVS International - New York

**S**teve Rushmore, President and Founder of HVS International, the leading global hospitality services and consulting firm proudly announces that 2005 proved a record-breaking year for the company internationally. Worldwide, the firm was engaged in approximately 3,000 assignments that nearly doubles the business generated in 2004.

"In the New York office alone," Rushmore explains, "We were engaged in nearly 650 consulting and services assignments, which exceeds 2004's total of just under 500, and is the largest number of assignments for us since 1997."

"There were two underlying forces which guided the activity of last year. First, there was a large number of actual sales of hotels, the most we've seen since 1996 or 1997 when the REIT's were in major acquisition mode. And there was much more buying and selling of multiple hotels at one time. Second, clients who were not buying or selling hotels were refinancing thanks to the favorable interest rates. So the need for our consulting and services was very much in demand."

#### Record Breaking Year

In the United States, HVS was involved in every major portfolio transaction - from four premier resorts worth more than \$1 billion, to a collection of 650-limited service hotels. HVS participated in the highest per room hotel transaction of 2005, and appraised the two largest ski resorts in the US. The internal due diligence for Turnberry Associates with regard to the acquisition of the famed Fountainebleau Hotel on Miami Beach, as well as appraisals for other marquee properties such as La Costa, Meadowood Resort and The St. Regis Monarch Beach were also conducted by HVS.

#### New Geographical and Academic Areas of Expertise - We Cover the World!

- ◆ The three largest transactions in Canada were appraised by HVS;

- ◆ HVS' European offices consulted for and served hotel and hospitality clients involved in many of the landmark transactions during the year, greatly increasing our penetration in Russia and Croatia, and strengthening our lead as the provider of hotel valuation and advisory services throughout Europe;
- ◆ The volume of our work in the Middle East doubled during the year. Middle East and Africa advisory work included the US\$ 10 billion Blue City development in Oman and the latest proposed 'seven-star' Trump Hotel on Palm Island in Dubai. The team has also successfully closed various operator search deals in the region.
- ◆ HVS Hodges Ward Elliott, the firm's European hotel brokerage and investment banking firm, was involved in a number of significant transactions including the highest ever price sale of any hotel in Russia;
- ◆ The firm's Convention, Sports and Entertainment Facilities consulting practice participated in engagements in Egypt, Switzerland and China;
- ◆ The São Paulo office was largely responsible for the establishment of the tourism destination and infrastructure of the Itacaré region in Bahia;
- ◆ HVS' Gaming Consulting team performed appraisal work for the existing Sands Macao and the proposed 10 million square foot Venetian Macau;
- ◆ Timeshare Consulting conducted a study of fractional developments in the Caribbean in order to assist a client with his development of the Dellis Cay Island which he purchased in Turks & Caicos;
- ◆ In Australia and New Zealand, HVS was involved in the valuation of the IHG portfolio, the largest transaction in Australia in 2005; The Sydney office also consulted for and

## CANADIAN LODGING OUTLOOK HVS INTERNATIONAL - CANADA

valued projects in French Polynesia, New Caledonia and Vanuatu as well as about a dozen projects in Fiji;

- ◆ The San Francisco office developed a model for valuing condominium hotels and performed such studies in several major resort destinations, including Carmel, Cabo San Lucas, Kauai, Palm Springs and San Diego;
- ◆ Food & Beverage Consulting Services continues to bring its expertise to the redevelopment of historic hotels and restaurants;

### **We are the Industry Leaders - in Worldwide Hospitality Investment Conferences:**

- ◆ The Singapore office has pioneered the China Hotel Investment Summit in Shanghai, successfully networking more than 300 attendees from 16 countries;
- ◆ New Delhi's office coordinated the first Hotel Investment Conference for South Asia (HICSA) in the Spring of 2005, and plans are already underway for the second annual meeting.

### **HVS Has the Expertise:**

- ◆ HVS was selected by the Village of Schaumburg, Illinois to provide comprehensive asset management services related to the 500-room Renaissance Hotel and 140,000 square foot Convention Center that is scheduled to open in mid-2006;
- ◆ The Marketing Communications service handled the public relations efforts for New York's famed Paramount Hotel as well as for convention bureaus and hospitality companies, while assembling the sales and marketing plans for Six Flags' indoor water park hotel in Lake George, the Hampton Inn & Suites in Richmond, Virginia, the Radisson in New Rochelle, NY and André Balazs' Hotel QT in Times Square;
- ◆ HVS' Restaurant Management & Advisory Services was engaged by Cereality Operators, Inc. to oversee all company-owned retail foodservice operations and to assist the emerging concept for franchise expansion;
- ◆ The Timeshare Consulting practice was active in the ever-changing landscape of Ft. Lauderdale Beach - providing services and advice for the W Hotel and Condo Residences and the potential structuring of the planned St. Regis as a condo-hotel;
- ◆ HVSCompass Interior Design collaborated on two Hilton Garden Inns in Boston, the Crowne Plaza Ravinia in Atlanta and a Sheraton in Ocean City, Maryland;

- ◆ The Executive Search team completed a number of corporate governance counseling assignments for some of the industry's top public companies;
- ◆ HVS Technology Strategies launched two new products for hospitality - "Technology Master Plans" and "Outsourced CIO Services;"
- ◆ Golf Services appraised a portfolio of 35 courses and several of the trophy golf resorts in the United States, including La Quinta, PGA West, The Club at Cordillera, Doral, as well as a renowned resort which recently hosted a US Open;
- ◆ HVS/The Ference Group developed a program entitled "Business Health-Growing Profits and Developing Human Capital" which focuses on operational reviews of systems and processes in order to improve efficiencies and develop managerial effectiveness. Its "Vertical Dashboard" tool gains real time feedback on employee performance levels with regard to ten critical management skills;
- ◆ HVS/Ultimate Hotel Parking Solutions completed its first year of parking asset management for Starwood, improving parking profitability at select Starwood properties by 20%, with certain assets enjoying as much as a 65% increase.

### **25 Years and Still Growing Strong**

Steve Rushmore celebrated 2005 as HVS International's 25th year in business. "From our humble beginnings on (coincidentally) Hilton Avenue, in Garden City, Long Island to an organization of 23 offices in 10 countries, offering expertise in a myriad of hospitality consulting services, I am pleased that HVS has earned the respect of our industry worldwide," Rushmore says. HVS enjoyed 25th Anniversary galas in New York, Toronto, London, Berlin, Dubai, Monaco, among other cities.

Established in 1980, HVS International's experts literally wrote the book on how to value hotels, timeshares, restaurants and more. Hotel owners, operators, lenders, banks, and management companies all turn to HVS as the respected authority on hospitality. We possess detailed knowledge and experience in the markets where we have a presence and regions in between. Whatever the real estate or consulting need, HVS associates possess experience in a wide range of hospitality and operational disciplines. Our entrepreneurial mindset and company-wide philosophy allows us to think as if we were owners and operators ourselves. We know this best suits our clients' needs.

**CANADIAN LODGING OUTLOOK  
HVS INTERNATIONAL - CANADA**

February 2006	Number of Rooms	Occupancy Rate (%)		Average Room Rates (\$)		RevPAR (\$)		Room Supply % chg	Room Demand % chg
		2006	2005	2006	2005	2006	2005		
Nova Scotia Area	1,084	47.2%	46.5%	\$87.88	\$79.13	\$41.48	\$36.80	2.0%	3.4%
Halifax, NS	3,213	57.2%	57.5%	\$106.13	\$105.25	\$60.71	\$60.52	2.4%	1.8%
Montreal Downtown	8,901	54.1%	50.8%	\$137.60	\$134.01	\$74.44	\$68.08	0.1%	6.7%
Montreal Area	4,622	61.4%	59.9%	\$106.23	\$103.37	\$65.23	\$61.92	1.4%	4.0%
Quebec City, QC	3,701	65.6%	64.8%	\$127.63	\$121.55	\$83.73	\$78.76	1.1%	2.3%
Quebec Area	4,046	57.3%	61.6%	\$133.50	\$126.22	\$76.50	\$77.75	0.7%	-6.5%
Toronto Downtown	12,708	59.2%	59.5%	\$150.37	\$147.22	\$89.02	\$87.60	4.2%	3.6%
Toronto North/East	6,369	55.8%	53.3%	\$114.26	\$111.71	\$63.76	\$59.54	-4.3%	0.1%
Toronto Airport/West	7,589	71.2%	72.4%	\$118.30	\$113.95	\$84.23	\$82.50	9.5%	7.7%
Ottawa, ON	7,286	68.5%	69.0%	\$133.72	\$129.90	\$91.60	\$89.63	0.0%	-0.8%
Ontario East	3,836	49.8%	47.8%	\$94.19	\$89.13	\$46.91	\$42.60	0.9%	5.2%
Windsor/ Ontario SW	2,978	50.4%	46.9%	\$132.12	\$97.09	\$66.59	\$45.54	0.0%	7.5%
London/ Kitchener	6,052	57.5%	54.7%	\$99.17	\$96.71	\$57.02	\$52.90	0.8%	6.1%
Ontario North/ Thunder Bay	1,744	61.4%	64.0%	\$78.39	\$76.35	\$48.13	\$48.86	0.0%	-4.0%
Ontario NC/ Sudbury	3,967	54.0%	53.9%	\$92.44	\$89.53	\$49.92	\$48.26	1.9%	2.2%
Niagara Falls, ON	7,648	40.1%	37.9%	\$112.41	\$104.57	\$45.08	\$39.63	0.7%	6.7%
Ontario Central	2,856	54.2%	56.4%	\$107.43	\$95.00	\$58.23	\$53.58	1.4%	-2.5%
Mississauga, ON	5,647	52.2%	55.2%	\$106.19	\$105.20	\$55.43	\$58.07	8.2%	2.3%
Winnipeg, MB	3,602	62.4%	59.1%	\$97.00	\$91.37	\$60.53	\$54.00	0.0%	5.5%
Regina/Saskatoon, SK	4,251	60.7%	59.3%	\$95.51	\$90.39	\$57.97	\$53.60	0.0%	2.4%
Calgary, AB	7,545	66.3%	60.0%	\$121.88	\$109.66	\$80.81	\$65.80	-0.5%	10.0%
Edmonton, AB	6,908	70.7%	64.8%	\$99.95	\$94.86	\$70.66	\$61.47	2.6%	11.8%
Alberta North Area	2,132	79.3%	73.9%	\$119.61	\$101.87	\$94.85	\$75.28	1.0%	8.3%
Alberta South Area	6,172	59.7%	58.4%	\$121.84	\$111.24	\$72.74	\$64.96	3.1%	5.4%
Vancouver Downtown	7,792	61.5%	59.4%	\$127.71	\$124.90	\$78.54	\$74.19	0.0%	3.4%
Vancouver/ Burnaby Area	2,355	55.1%	57.7%	\$94.41	\$91.30	\$52.02	\$52.68	0.0%	-4.5%
Richmond-Surrey/ East Area	5,132	61.3%	57.1%	\$94.53	\$87.83	\$57.95	\$50.15	-1.0%	6.3%
British Columbia Area	5,623	64.4%	62.4%	\$198.16	\$201.87	\$127.62	\$125.97	1.4%	4.6%
Kamloops/ Kelowna Area	4,467	43.1%	42.8%	\$83.04	\$83.85	\$35.79	\$35.89	0.1%	0.9%
Vancouver Island	3,553	57.1%	57.4%	\$91.14	\$88.46	\$52.04	\$50.78	0.0%	-0.5%
<b>Provinces</b>									
Alberta	22,757	67.0%	62.7%	\$114.60	\$104.57	\$76.78	\$65.57	1.8%	8.9%
British Columbia	28,675	58.1%	56.6%	\$124.82	\$122.26	\$72.52	\$69.20	0.4%	3.1%
Manitoba	4,490	59.8%	57.5%	\$93.84	\$88.65	\$56.12	\$50.97	0.3%	4.3%
New Brunswick	3,344	57.0%	54.7%	\$97.86	\$91.28	\$55.78	\$49.93	2.1%	6.3%
Newfoundland	1,726	49.2%	59.6%	\$105.24	\$109.15	\$51.78	\$65.05	4.1%	-14.2%
Nova Scotia	4,297	54.7%	54.7%	\$102.16	\$99.51	\$55.88	\$54.43	2.1%	2.2%
Northwest Territories	66	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	67,718	56.9%	56.3%	\$119.36	\$114.24	\$67.92	\$64.32	1.9%	3.0%
Prince Edward Island	889	50.7%	36.5%	\$78.44	\$70.45	\$39.77	\$25.71	0.0%	39.0%
Quebec	22,232	58.7%	57.5%	\$127.89	\$122.98	\$75.07	\$70.71	0.7%	2.8%
Saskatchewan	5,743	55.6%	55.1%	\$90.29	\$85.98	\$50.20	\$47.37	0.1%	0.9%
Yukon Territory	181	INS	INS	INS	INS	INS	INS	INS	INS
Canada	162,118	54.3%	53.6%	\$102.77	\$98.08	\$55.80	\$52.57	1.3%	2.5%

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Quebec City, QC	3,701	54.1%	55.2%	\$119.02	\$118.16	\$64.39	\$65.22	1.1%	-0.8%
Quebec Area	4,046	50.6%	54.9%	\$126.53	\$122.94	\$64.02	\$67.49	0.7%	-7.1%
Toronto Downtown	12,708	54.8%	54.4%	\$145.88	\$142.45	\$79.94	\$77.49	4.2%	5.0%
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Toronto Airport/West	7,589	68.4%	70.5%	\$117.49	\$114.09	\$80.36	\$80.43	9.5%	6.1%
Ottawa, ON	7,286	60.0%	57.6%	\$129.33	\$127.18	\$77.60	\$73.26	0.0%	4.2%
Ontario East	3,836	45.6%	44.9%	\$92.72	\$88.38	\$42.28	\$39.68	0.9%	2.4%
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Quebec	22,232	51.6%	51.1%	\$123.73	\$120.70	\$63.84	\$61.68	0.7%	1.8%
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### DEFINITIONS

Occupancy:	Rooms sold divided by rooms available.
Room Revenue:	Total room revenue generated from the sale or rental of rooms.
Average Daily Rate (ADR):	Room revenue divided by rooms sold.
Room Revenue Per Available Room (RevPAR):	Room revenue divided by rooms available (occupancy times average room rate will closely approximate RevPAR).

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**HVS** is the leading consulting and appraisal firm specializing solely in the hospitality industry. **HVS** personnel have university degrees in Hotel Administration, or actual hotel work experience, and are taking further courses of study to obtain recognized real estate designations. **HVS** has consulted for over 10,000 hotels in 55 countries.

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**HOTEL ASSOCIATION OF CANADA INC.**

The Hotel Association of Canada is a federation of provincial and territorial associations, hotel chains and suppliers with a mandate to represent members nationally and internationally and to provide cost-effective services that stimulate and encourage a free market accommodation industry.

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