

TRENDS

IN THE HOTEL INDUSTRY

CANADIAN EDITION – 2016

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TRENDS IN THE HOTEL INDUSTRY – Canadian Edition is a statistical review of operating and financial information voluntarily contributed by hotels, motels and resorts from across Canada. CBRE Hotels' Trends® Database contains more than 600 properties representing over 11,000 rooms. The 2016 edition reflects the results of 2014 and 2015, weighted to a same-on-sample sample of approximately 485 properties representing 90,000 rooms. Market data is presented regionally for approximately 10,000 rooms. Financial information is displayed nationally and regionally using operating results from the same-on-sample sample.

The 2016 edition offers readers a summary of the national accommodation market performance for the year ending December 31, 2015, in addition to a complete comparative analysis of 2014 and 2015 operating results. All financial information is expressed in Canadian dollars. We offer our sincere appreciation to the many owners and operators who contribute to our Canadian Trends program, and without whose support this publication would not be possible.

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2015 Industry Overview

Market Outlook

In 2015, the Canadian accommodation industry was negatively impacted by the decline in the natural resource sector. The oil and gas, mining, and natural resource industries had a significant impact on a number of Canadian markets and regions. With the decline in prices for these resources corporate demand in some of these markets has declined, followed by loss of employment and subsequently consumer confidence. This trend is expected to continue through 2016. Accommodation sector performance is expected to continue to see performance disparity between resource dependent markets and the rest of the country in 2016.

NATIONAL MARKET OUTLOOK					
	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 CBRE (F)
Occupancy	62%	62%	64%	64%	63%
ADR	\$129	\$133	\$144	\$147	\$147
RevPAR	\$80	\$83	\$93	\$93	\$93

Nationally, RevPAR increased by 3.5% in 2015 with demand growth basically flat, holding occupancy at 64%. Despite muted demand growth, ADR grew by 4.7% in 2015, the strongest growth seen since 2001.

The natural resource sector is not expected to begin recovery until 2017, further declines are expected for the remainder of 2016. Nationally, supply is outpacing demand while ADR is showing modest growth. These trends are expected to continue throughout the latter half of the year and lead to a year-end occupancy of 63%. Moderate rate growth will result in a year-end increase in RevPAR of 2%.

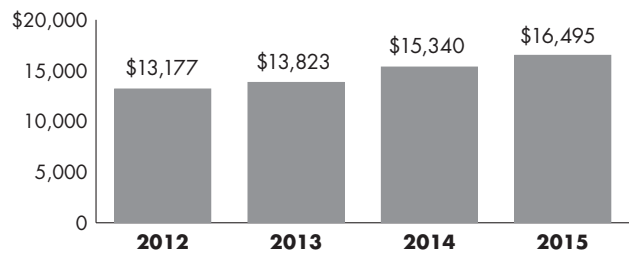
Financial Performance

Over the last few years, the Canadian accommodation industry has posted steady gains in profitability that have allowed it to make progress towards reaching pre-recession NOI levels. In 2012 and 2013, slow occupancy growth and rate growth generally in line with inflation slowed this progress, with NOI increasing by 4.9% in 2013. However, in recent years the inability of many markets to drive rates has hampered its progress. In 2014, NOI increased by 11.0%, reaching \$15,340 per available room as a result of much stronger rate growth and subsequently strong gains in revenues nationally.

In 2015, occupancy remained flat as demand growth was hampered by limited performance in many resource reliant markets such as Calgary, Edmonton, and St. John's. Supply increases slightly outpaced demand in 2015. Despite this, strong rate growth was still achieved in 2015, and as a result NOI increased by 7.5% in this year. The Canadian accommodation industry has shown profitability growth in the last few years, and in 2015 it surpassed 2008 profitability levels of \$16,108.

NATIONAL FINANCIAL PERFORMANCE

Net Operating Income ⁽¹⁾



(1) For the purposes of this analysis, **Net Operating Income** is defined as income after property taxes, insurance, and franchise fees; but before management fees, capital reserves, rent, interest, income taxes, depreciation and amortization.

Operational and Financial Analysis

2014 2015

Consolidated Operating Results

REGION • 6

National, West, Central, Atlantic

PROVINCE • 8

British Columbia, Alberta, Ontario, Quebec

PROPERTY TYPE - NATIONAL • 10

Full Service, Suite, Limited Service, Resort

PROPERTY TYPE - REGIONAL & PROVINCIAL • 12

Full Service, Limited Service

Consolidated Operating Results

BY REGION



	NATIONAL				WEST			
	2014		2015		2014		2015	
Average Size (Rooms)	184		181		181		180	
Percentage of Occupancy	67.1%		65.5%		67.1%		64.9%	
Average Daily Rate per Occupied Room	\$152.34		\$159.17		\$162.34		\$168.77	
Average Daily Rate per Available Room	\$102.30		\$105.89		\$110.29		\$109.62	
	\$ PER AVL. RM	%	\$ PER AVL. RM	%	\$ PER AVL. RM	%	\$ PER AVL. RM	%
Revenues								
Rooms	37,299	66.4	38,705	66.4	40,222	64.2	39,976	63.9
Food and Beverage	15,396	27.5	16,021	27.5	17,862	28.5	18,068	28.9
Other Operated Departments	2,276	4.1	2,794	4.8	2,765	4.4	3,454	5.5
Miscellaneous Income	1,236	2.2	1,760	1.3	1,793	2.9	1,090	1.7
Total Operating Revenue	56,207	100.0	58,285	100.0	62,642	100.0	62,588	100.0
Departmental Expenses								
Rooms	11,432	20.2	11,653	20.2	11,703	19.0	11,747	19.0
Food and Beverage	9,953	17.7	12,408	21.3	13,520	21.6	13,967	22.3
Other Operated Departments	1,166	2.1	1,675	2.9	1,827	2.9	1,871	3.0
Total Departmental Expenses	24,551	43.7	25,736	44.2	27,050	43.2	27,585	44.1
Total Departmental Profit	31,656	55.7	32,448	55.8	35,592	56.8	35,003	55.9
Undistributed Operating Expenses								
Administrative and General	4,004	7.1	3,851	6.6	4,427	7.1	4,188	6.7
Information and Telecommunications Systems	747	1.3	767	1.3	741	1.2	737	1.2
Sales and Marketing	3,435	6.1	3,572	6.1	3,571	5.7	3,714	5.9
Property Operations and Maintenance	2,617	4.7	2,731	4.7	2,825	4.5	2,865	4.6
Utilities	2,458	4.4	2,360	4.1	2,308	3.7	1,994	3.2
Undistributed Expenses	13,260	23.6	13,281	22.8	13,872	22.1	13,497	21.6
Income Before Non-Operating Expenses	18,036	32.1	19,167	32.9	21,720	34.7	21,506	34.4
Non-Operating Expenses								
Property and Other Taxes	2,406	4.3	2,368	4.1	1,883	3.0	1,786	2.9
Insurance	290	0.5	304	0.5	304	0.5	314	0.5
Total Non-Operating Expenses	2,696	4.8	2,672	4.6	2,187	3.5	2,100	3.4
Net Operating Income	15,340	27.3	16,495	28.3	19,533	31.2	19,406	31.0

*Excludes Basic Management Fees and Franchise Royalty Fees

Operational and Financial Analysis

2014 2015

Departmental Analysis

REGION • 20

National, West, Central, Atlantic

PROVINCE • 22

British Columbia, Alberta, Ontario, Quebec

Departmental Analysis

BY REGION



DEPARTMENT	NATIONAL		WEST		WEST		WEST	
	2014	2015	2014	2015	2014	2015	2014	2015
	\$ PER AVL. RM	RATIO TO REVENUE	\$ PER AVL. RM	RATIO TO REVENUE	\$ PER AVL. RM	RATIO TO REVENUE	\$ PER AVL. RM	RATIO TO REVENUE
Rooms								
Total Labour Costs & Related Expenses	7,327	11.0%	7,344	11.0%	7,190	17.9%	7,018	17.6%
Other Expenses	4,105	11.0%	4,309	11.2%	4,513	11.2%	4,729	11.8%
Total Departmental Expenses	11,432	30.7%	11,653	30.2%	11,703	29.1%	11,747	29.4%
Food and Beverage								
Total Labour Costs & Related Expenses	6,903	44.8%	7,351	45.9%	7,726	43.3%	8,167	45.2%
Other Expenses	5,050	13.8%	5,157	13.6%	5,794	14.4%	5,800	14.1%
Total Departmental Expenses	11,953	77.6%	12,508	77.4%	13,520	75.7%	13,967	77.3%
Administrative and General								
Total Labour Costs & Related Expenses	1,972	3.5%	2,212	3.8%	2,161	3.4%	2,339	3.7%
Other Expenses	2,044	3.6%	1,639	2.8%	2,318	3.7%	1,849	3.0%
Total Departmental Expenses	4,016	7.2%	3,851	6.6%	4,479	7.2%	4,188	6.7%
Sales and Marketing								
Total Labour Costs & Related Expenses	1,350	2.4%	1,500	2.6%	1,231	2.0%	1,314	2.1%
Other Expenses	2,085	3.7%	2,072	3.6%	2,340	3.7%	2,400	3.8%
Total Departmental Expenses	3,435	6.1%	3,572	6.1%	3,571	5.7%	3,714	5.9%
Property and Maintenance								
Total Labour Costs & Related Expenses	1,301	2.3%	1,331	2.3%	1,402	2.2%	1,406	2.2%
Other Expenses	1,316	2.3%	1,400	2.4%	1,423	2.3%	1,459	2.3%
Total Departmental Expenses	2,617	4.7%	2,731	4.7%	2,825	4.5%	2,865	4.6%