

Canadian Lodging Outlook

December 2006



SMITH TRAVEL RESEARCH

The Lowdown on Canada's Hotel Construction High

By: Monique Rosszell - HVS International - Canada

The new supply in the Canadian construction pipeline is at a record-high level. According to The Dodge Construction Pipeline for Canada, published by Smith Travel Research, 277 new construction projects were in the Canadian pipeline at the end of 2006. This reflects a remarkable 65% increase from year-end of 2005, when 168 projects were in the pipeline. The pipeline contained 24,923 new guestrooms at the end of 2006, up 55% from the end of 2005. The Canadian hotel market has never before sustained such supply growth.

Mid-scale properties without food and beverage operations have seen the most dramatic growth. At year-end 2006, 69 such properties were in the pipeline as opposed to only 8 at year-end 2005. Mid-scale properties with food and beverage operations and economy brands saw the next highest levels of growth. There were

Projects in Pipeline from 2007-2009 by Brand

Company	Number of Hotels	Types of Developments
Hilton	15	Homewood Suites, Hampton Inn, Hilton Garden Inn, Hilton
InterContinental Hotels	46	Indigo, Holiday Inn, Holiday Inn Express, Staybridge Suites
Marriott	24	Residence Inn, JW Resort, Ritz Carlton*, Marriott Hotel, Courtyard, Fairfield, Springhill Suites, Towneplace Suites
Starwood	15	Aloft, Element, Four Points by Sheraton, Westin
Superior Lodging	46	Super 8 and Wingate
*2010 Total	146	

Source: Hilton, InterContinental, Marriott, Starwood and Superior Lodging Development Divisions

12 mid-scale properties with food and beverage operations in the pipeline at the end of 2006, up from 3 at the end of 2005, and there were 49 economy brand properties in the pipeline at the end of 2006, up from 13 at the end of 2005.

How long the building boom will endure is uncertain. Large supply increases can put downward pressure on RevPAR growth until the new supply is absorbed. When RevPAR growth stagnates, developers look for new markets in which to build, which creates increased construction activity in secondary and tertiary markets. When these secondary and tertiary markets also become saturated with new supply, suppressing RevPAR growth, the number of projects in the pipeline begins to decline.

At the end of 2006, there were actually fewer projects in the pre-planning stage than there were at the end of 2005. The number of projects in the pre-planning stage was down 3.0%, and the number of

guestrooms in the pre-planning stage was down 5.0%. This drop may indicate that construction has peaked, but it does not mean that the Canadian hotel market is saturated with new supply.

The number of projects in the pre-planning stage may be down slightly, but RevPAR growth is at an all time high. In Western Canada, for example, demand is growing at a faster rate than the guestroom inventory, so the surge in new supply has had no negative impact on average room rates or RevPAR. In this environment, developers will continue to find opportunities to build new hotels.

Given this record-breaking RevPAR growth and the favourable lending environment at present, developers will go on building new lodging facilities in Canada until market conditions change or high construction costs make these projects unfeasible. ❖

Projects from 2006-2009 by Province

Province	Opened in 2006	In Pipeline	Pre-Planning*
Alberta	12	46	2
British Columbia	7	59	5
New Brunswick	1	6	2
Newfoundland	-	-	-
Northwest Territories	-	-	-
Nova Scotia	-	13	-
Ontario	19	110	34
Prince Edward Island	-	-	1
Quebec	7	27	22
Saskatchewan	-	10	-
Yukon Territory	-	-	-
Total	46	277	66

* Pre-planning indicates no architect has been selected

Source: Smith Travel Research

CANADIAN LODGING OUTLOOK
HVS INTERNATIONAL - CANADA

December 2006	Number of Rooms	Occupancy Rate (%)		Average Room Rates (in \$CAD)		RevPAR (in \$CAD)		Room Supply % chg	Room Demand % chg
		2006	2005	2006	2005	2006	2005		
Nova Scotia Area	1,350	34.7%	31.0%	\$90.73	\$77.76	\$31.48	\$24.11	0.0%	12.0%
Halifax, NS	3,162	41.8%	51.9%	\$107.82	\$109.78	\$45.07	\$56.98	-2.8%	-21.7%
Montreal Downtown	9,845	47.2%	49.1%	\$132.43	\$136.83	\$62.51	\$67.18	2.7%	-1.4%
Montreal Area	5,273	51.3%	53.1%	\$101.83	\$100.66	\$52.24	\$53.45	1.4%	-2.2%
Quebec City, QC	3,833	44.2%	44.4%	\$114.97	\$109.60	\$50.82	\$48.66	0.8%	0.4%
Quebec Area	5,661	45.2%	43.3%	\$133.53	\$125.62	\$60.36	\$54.39	0.6%	4.8%
Toronto Downtown	13,133	48.3%	48.7%	\$147.34	\$139.51	\$71.17	\$67.94	0.0%	-0.8%
Toronto North/East	6,279	47.3%	44.9%	\$113.17	\$110.33	\$53.53	\$49.54	0.8%	6.4%
Toronto Airport/West	8,061	51.5%	52.5%	\$106.65	\$105.48	\$54.92	\$55.38	1.1%	-0.9%
Ottawa, ON	6,434	50.6%	47.0%	\$126.93	\$123.63	\$64.23	\$58.11	0.0%	7.6%
Ontario East	4,033	38.1%	41.9%	\$93.97	\$88.19	\$35.80	\$36.95	0.3%	-8.9%
Windsor/ Ontario SW	2,997	42.2%	41.5%	\$97.45	\$96.82	\$41.12	\$40.18	1.1%	2.8%
London/ Kitchener	6,313	44.0%	44.3%	\$99.20	\$93.22	\$43.65	\$41.30	1.9%	1.2%
Ontario North/ Thunder Bay	1,783	48.7%	49.0%	\$88.05	\$78.23	\$42.88	\$38.33	0.0%	-0.6%
Ontario NC/ Sudbury	4,114	39.2%	41.0%	\$95.58	\$91.43	\$37.47	\$37.49	1.8%	-2.8%
Niagara Falls, ON	9,286	40.1%	37.1%	\$137.51	\$120.79	\$55.14	\$44.81	3.2%	11.6%
Ontario Central	3,095	43.4%	45.5%	\$108.79	\$99.13	\$47.21	\$45.10	4.2%	-0.6%
Mississauga, ON	5,733	44.2%	44.9%	\$105.74	\$101.65	\$46.74	\$45.64	5.2%	3.6%
Winnipeg, MB	3,792	51.5%	45.4%	\$96.80	\$89.48	\$49.85	\$40.62	0.0%	13.3%
Regina/Saskatoon, SK	4,344	51.2%	49.2%	\$97.01	\$90.31	\$49.67	\$44.43	0.0%	4.2%
Calgary, AB	8,832	55.4%	52.4%	\$118.38	\$107.99	\$65.58	\$56.59	3.2%	9.2%
Edmonton, AB	7,207	58.9%	54.1%	\$110.72	\$100.10	\$65.21	\$54.15	1.5%	10.6%
Alberta North Area	2,888	58.5%	59.2%	\$136.38	\$119.84	\$79.78	\$70.95	1.6%	0.5%
Alberta South Area	6,628	52.6%	52.0%	\$138.39	\$122.38	\$72.79	\$63.64	1.7%	2.8%
Vancouver Downtown	7,833	53.5%	52.6%	\$124.09	\$120.15	\$66.39	\$63.20	0.0%	1.7%
Vancouver/ Burnaby Area	2,289	55.8%	50.5%	\$90.30	\$92.80	\$50.39	\$46.86	0.0%	10.5%
Richmond-Surrey/ East Area	5,627	52.9%	55.5%	\$94.87	\$88.03	\$50.19	\$48.86	1.0%	-3.6%
British Columbia Area	5,224	52.1%	52.8%	\$225.17	\$203.07	\$117.31	\$107.22	0.7%	-0.7%
Kamloops/ Kelowna Area	4,251	35.4%	35.7%	\$85.35	\$81.54	\$30.21	\$29.11	1.8%	1.0%
Vancouver Island	3,551	47.1%	49.9%	\$97.30	\$91.90	\$45.83	\$45.86	0.8%	-5.0%
Provinces									
Alberta	25,555	56.1%	53.7%	\$123.00	\$111.02	\$69.00	\$59.62	1.9%	6.5%
British Columbia	28,475	50.0%	50.2%	\$127.03	\$120.10	\$63.52	\$60.29	0.9%	0.4%
Manitoba	4,624	50.1%	44.6%	\$96.58	\$86.58	\$48.39	\$38.61	0.0%	12.3%
New Brunswick	3,710	42.0%	40.1%	\$94.81	\$90.96	\$39.82	\$36.47	0.9%	5.7%
Newfoundland	1,839	38.7%	38.3%	\$103.66	\$103.29	\$40.12	\$39.56	1.1%	2.1%
Nova Scotia	4,512	39.7%	45.8%	\$103.34	\$103.44	\$41.03	\$47.38	-1.1%	-14.3%
Northwest Territories	66	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	71,261	45.4%	45.3%	\$118.28	\$111.88	\$53.70	\$50.68	1.6%	1.9%
Prince Edward Island	889	29.6%	27.2%	\$67.10	\$61.58	\$19.86	\$16.75	0.0%	8.8%
Quebec	24,612	47.1%	47.9%	\$123.02	\$122.20	\$57.94	\$58.53	1.1%	-0.4%
Saskatchewan	5,990	50.0%	47.3%	\$93.26	\$85.89	\$46.63	\$40.63	0.3%	6.0%
Yukon Territory	234	INS	INS	INS	INS	INS	INS	INS	INS
Canada	171,767	43.8%	43.6%	\$106.60	\$97.81	\$46.69	\$42.65	1.2%	1.5%

CANADIAN LODGING OUTLOOK
HVS INTERNATIONAL - CANADA

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Halifax, NS	3,162	67.9%	69.4%	\$123.71	\$121.54	\$84.00	\$84.35	0.6%	-1.4%
Montreal Downtown	9,845	67.2%	66.0%	\$153.54	\$153.56	\$103.18	\$101.35	1.2%	3.0%
Montreal Area	5,273	65.0%	65.9%	\$105.88	\$103.54	\$68.82	\$68.23	1.7%	0.3%
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Quebec Area	5,661	56.4%	57.1%	\$121.33	\$117.70	\$68.43	\$67.21	0.7%	-0.6%
Toronto Downtown	13,133	69.2%	69.9%	\$171.16	\$160.37	\$118.44	\$112.10	2.5%	1.6%
Toronto North/East	6,279	64.3%	63.0%	\$116.48	\$112.42	\$74.90	\$70.82	0.5%	2.6%
Toronto Airport/West	8,061	67.5%	68.1%	\$113.02	\$110.39	\$76.29	\$75.18	6.3%	5.4%
Ottawa, ON	6,434	68.6%	65.7%	\$131.06	\$128.60	\$89.91	\$84.49	0.0%	4.4%
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London/ Kitchener	6,313	61.1%	59.8%	\$101.16	\$98.59	\$61.81	\$58.96	1.5%	3.7%
Ontario North/ Thunder Bay	1,783	66.7%	65.3%	\$84.80	\$80.58	\$56.56	\$52.62	0.0%	2.2%
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**CANADIAN LODGING OUTLOOK
HVS INTERNATIONAL - CANADA**

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).

*If you have any questions regarding this publication please send a message to bmacdonald@hvsinternational.com
Web Site: <http://www.hvsinternational.com>*

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Vancouver Office
Suite 400 - 145 West 17th Street
North Vancouver, BC
Canada BC V7M 3G4
(604) 988-9743
(604) 988-4625 fax

Toronto Office
6 Victoria Street
Toronto, ON
Canada M5E 1L4
(416) 686-2260
(416) 686-2264 fax

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OFFICE:
735 E. Main St.,
Hendersonville, TN 37075
(615) 824-8664



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OFFICE:
Anthony Pollard,
1206-130 Albert Street,
Ottawa, Ontario K1P 5G4
(613) 237-7149