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2015 CANADIAN
HOTEL VALUATION INDEX

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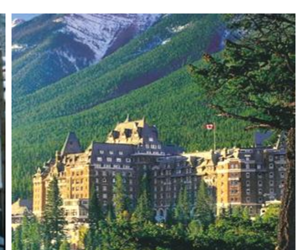


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The Canadian Hotel Market

The Canadian lodging market is expected to show positive growth in 2015. The average daily rate (ADR) and the revenue per available room (RevPAR) of the Canadian market overall, as well as many of the individual major hotel markets in the country, are expected to reach record-breaking levels this year.

The slide in oil prices and the resulting weakening of the Canadian dollar have created lean times for some areas of the country but stimulated growth in others. At the national level, however, overall lodging market performance is projected to be strong for 2015 and 2016. This is due largely to the projected increase in tourism—domestic and international—brought on by the weaker Canadian dollar, the strengthening economic conditions in Canada and the United States, and a more competitive global banking environment.

Despite the constraints that low oil prices are putting on some components of the national economy, Canada's GDP is projected to expand 1.7% this year and a further 2.4% in 2016, setting the Canadian lodging market on a trajectory to reach new heights in 2016 over and above the healthy RevPAR growth of 4.2% that is forecast nationally for 2015. The Conference Board of Canada projects the national economy to fare better in 2016 given that lower oil prices are further stimulating the already strengthening US economy.

Canada has realized positive growth in lodging demand in recent years, but the market is poised for more substantial gains in supply in the near term, which will affect occupancy performance. In 2014, lodging demand increased 3.0% year over year, and it is projected to again increase in 2015, albeit at a much more constrained rate of 0.6%. Against the tepid demand growth that is expected in 2015, the national room supply is projected to increase by 0.9% (or 3,980 rooms) in 2015, which is nearly double the rate of growth recorded in 2014; this will cause a slight downtick in the national occupancy rate, as the increase in supply is projected to slightly outpace demand growth. Low interest rates and the increased availability of debt are contributing to the increase in the number of hotel projects going forward.

Among the major Canadian markets, Toronto Downtown will see the biggest increase in supply in 2015 at 2.2%, supported by the late-2014 opening of the 567-room Delta Toronto. In contrast, the Ottawa-Gatineau market will see the greatest supply decrease in 2015; the guestroom inventory is projected to shrink 2.2% with the repurposing of nearly 230 rooms.

With regard to ADR, Canada is projected to see a robust increase of 4.5% in 2015, bringing the national ADR up to $143.63—a new record for the country. Among the major markets, Vancouver Downtown is projected to see the strongest ADR growth in 2015 with a increase of 15.0%. Toronto Downtown and Niagara Falls are projected to follow, both with ADR growth of 8.0%. Other markets are projected to fare less well in ADR in 2015, particularly Regina, which is projected to see the most severe decline in ADR of any major market in the country with a drop of 4.0%, and Calgary, which is in line for a 2.5% decrease.

The national RevPAR is projected to increase to $93 for the year—well above the previous record of $89 set in 2014. Moreover, the national market performance in 2015 will likely set the foundation for continued positive growth in 2016.

What does 2016 hold?

The national RevPAR is projected to again see strong growth in 2016, when Canada is poised to break records in both occupancy and rate. According to RBC and TD Economics, the provinces of British Columbia, Manitoba, and Ontario are set to record GDP growth above the national average of 2.4% in 2016. As these three provinces together hold more than half of Canada's hotel room inventory, their economic success will give a substantial boost to the performance indicators for the national lodging market.

In 2016, the national room supply is projected to increase 1.7% (or by 7,566 rooms), more than in any previous year. As the new supply is absorbed into the market, occupancy will be subjected to downward pressure, particularly in the major markets of Calgary, Edmonton, Saskatoon, and Regina. The national occupancy level is nevertheless projected to be slightly higher in 2016 than in 2015, as stronger demand growth is also projected for 2016 than in 2015. In addition, the national ADR is projected to grow 3.0% to almost $148. With these projected levels of performance growth, the national RevPAR is expected to reach a record-high of $96, a three-dollar increase from 2015.

Strong operating performance is fuelling transaction activity

Canada had a very strong year for transaction activity in 2014—one of the strongest since the previous peak in 2007. Moreover, 2014 marked the fourth consecutive year that hotel investment in Canada surpassed $1 billion, the total for the year being $1.46 billion.

Foreign investors, particularly those from Mainland China, accounted for a significant percentage of buyer activity. With the increased availability of debt, many financiers were eager to finance acquisitions, particularly for high-quality and ideally located properties in Canada.

The transaction activity in 2014 included several large transactions, such as the sale of the Hyatt Regency Vancouver, which sold for $140 million to InnVest REIT, and the sale of the Park Hyatt Toronto, which the Oxford Properties Group bought for $105 million.

Year-to-date through June 2015, transaction volume in Canada was up 60% relative to the same period in 2014. These transactions represent a total investment value of $915 million, indicating that the $1-billion mark will again be surpassed this year, with ease.

The demand for discounted assets, the strengthening of RevPAR fundamentals, the low Loonie, and the continuation of low interest rates all contribute to a positive outlook for hotel transaction activity in Canada. Unforeseen challenges may of course arise at any time, but all indicators show the overall outlook for hotel transaction activity in Canada to be extremely favourable.

2015 HVI Highlights

The Hotel Valuation Index (HVI) is a metric used for tracking hotel values for 19 markets across Canada, including Canada as a whole. It is based on market performance and overall hotel profitability margins, as well as the current lending environment.

According to the HVI, the Canadian lodging market saw a strong 9.9% increase in hotel value in 2014, and a further increase of 5.4% is projected for 2015. Over the next three years, the national per-room value is projected to sustain consistent growth.

In 2014, Eastern Canadian markets generally outperformed Western Canadian markets in transaction volume. Through the second quarter of 2015, 60% of transaction volume took place in Eastern Canada, versus only 40% in 2014. This represents a significant shift in buyer interest within the Canadian hotel market.

Of all the markets in 2014, Montreal Downtown achieved the highest growth in hotel value at 23.0%, followed by Quebec City, in second place with growth of 15.1%. At the other end of the spectrum, Regina suffered the largest decrease in hotel value in 2014 with a drop of 10.9%; this stands in contrast to 2013, when Regina attained the highest value growth at 13.6%. Edmonton also experienced a significant shift in 2014, going from per-room-value growth of 12.0% in 2013 to a marginal increase of 0.2% in 2014, moving from the third-highest value growth to the fourteenth-highest in 2014.

The HVI for 2015 indicates a shift in the markets that are leading the country in value growth. The new projected growth leader is Vancouver Downtown, where robust increases in demand and ADR of 4.0% and 15.0%, respectively, will send the RevPAR soaring to new heights. In comparison to the projected national growth of 5.4%, the year-over-year increase in per-room hotel value for Vancouver Downtown is projected at 20.7% for 2015, pushing the value to $230,342 per room—the highest per-room value ever for this market.

TABLE 1 — CANADIAN VALUE TREND (2006–2018P)

Year	Value Per Room	Percent Change
2006	$116,900	18.7 %
2007	121,400	3.8
2008	113,600	(6.4)
2009	76,600	(32.5)
2010	90,100	17.6
2011	85,400	(5.2)
2012	92,100	7.9
2013	99,100	7.6
2014	108,900	9.9
2015F	*114,800*	*5.4*
2016P	*120,900*	*5.3*
2017P	*127,100*	*5.2*
2018P	*130,800*	*2.9*

Source: HVS

TABLE 2 — VALUE PER ROOM RANKINGS (2014 TO 2018)

	2014	Value	2018	Value
Calgary	**1**	$198,200	**4**	$158,800
Vancouver Downtown	**2**	190,800	**1**	262,300
Saskatoon	**3**	155,900	**7**	140,200
Toronto Downtown	**4**	156,900	**2**	189,800
Edmonton	**5**	155,500	**9**	137,900
Regina	**6**	134,600	**13**	122,500
Newfoundland	**7**	141,500	**5**	154,700
Ottawa-Gatineau	**8**	116,900	**6**	141,600
Vancouver Airport	**9**	117,600	**3**	163,300
Winnipeg	**10**	115,600	**11**	129,100
Canada	**11**	**108,900**	**8**	**130,800**
Victoria	**12**	108,200	**10**	138,700
Halifax	**13**	100,300	**14**	120,000
Montreal Downtown	**14**	97,300	**12**	123,900
Quebec City	**15**	92,100	**15**	110,500
Niagara Falls	**16**	86,500	**17**	106,100
Toronto Airport	**17**	84,500	**16**	107,200
Montreal Airport	**18**	75,000	**18**	87,500
New Brunswick	**19**	69,400	**19**	75,400

Source: HVS

TABLE 3 — PER ROOM VALUE TREND FOR AVERAGE CANADIAN HOTEL (2006–2018P)

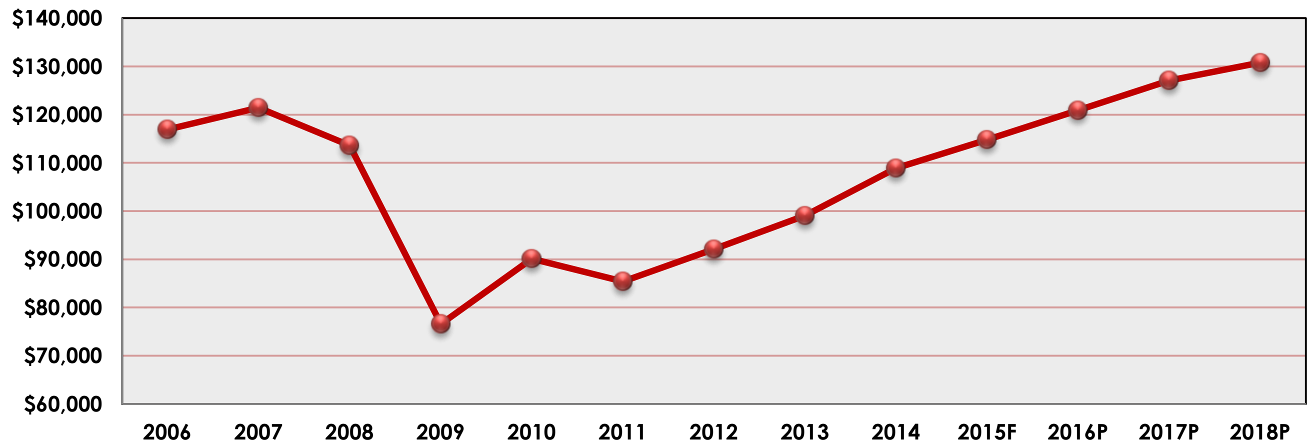

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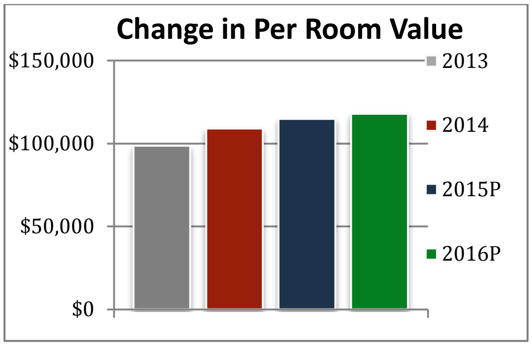
TABLE 4 — CANADA HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$121,351	$113,558	$76,607	$90,100	$85,388	$92,127	$99,140	$108,936
y/y % Change	3.8%	(6.4%)	(32.5%)	17.6%	(5.2%)	7.9%	7.6%	9.8%
Index	1.23	1.15	0.78	0.91	0.87	0.94	1.01	1.11

TABLE 5 — CANADA FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$114,770	$120,853	$127,107	$130,830
y/y % Change	5.4%	5.3%	5.2%	2.9%
Index	1.17	1.23	1.29	1.33



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The **CALGARY** hotel market benefits from the region's vigorous energy and financial-services sectors. However, Alberta's economy has contracted as a result of the rapid drop in oil prices. RBC is forecasting provincial GDP growth to slow to 1.0% in 2015. As the market continues to absorb the fallout from the steep drop in oil prices, a decline of 7.3% in hotel RevPAR is expected for Calgary in 2015.

The Calgary market has always had favourable investor appeal, which historically resulted in solid trading activity. In 2013, Calgary had the highest per-room value of any Canadian city at $202,241, and it remained in top place with a slightly lower per-room value of $198,150 in 2014.

Lodging demand in Calgary is expected to drop 2.0% in 2015 as the city's economy processes the effects of the decline in oil prices. By 2017, demand is expected to begin to regain strength; however, Calgary will have to deal not only with strong demand contraction from the weakened oil industry, but also with absorbing the greatest percentage of new supply in the country; the city's room supply is projected to increase by 23.5% (or 2,995 rooms) from 2015 to 2018.

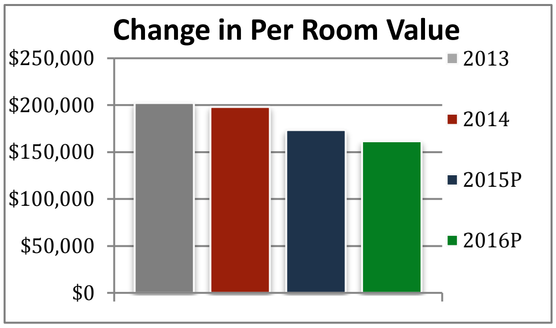
In 2015, the market is projected to see a drop in occupancy because of the increase in supply and the 2.0% decrease in room demand, while the ADR is expected to drop from $164.52 in 2014 to $160.41. Given the impact of the new supply on occupancy in the city, the Calgary hotel market is projected to experience a decline in hotel value over the next two years, resuming a gradual upward climb in 2018. The per-room value is projected to reach a low of $156,761 per key in 2017 before climbing to $158,801 in 2018. Nonetheless, Calgary is projected to attain a fourth-place ranking in per-room value in 2018.

TABLE 6 — CALGARY HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
PER ROOM VALUE	$223,544	$217,849	$153,371	$143,436	$156,180	$184,030	$202,241	$198,150
y/y % Change	6.2%	(2.5%)	(29.6%)	(6.5%)	8.9%	17.8%	9.9%	(2.0%)
Index	2.27	2.21	1.56	1.46	1.59	1.87	2.05	2.01

TABLE 7 — CALGARY FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$173,292	$161,436	$156,761	$158,801
y/y % Change	(12.5%)	(6.8%)	(2.9%)	1.3%
Index	1.76	1.64	1.59	1.61



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EDMONTON serves not only as the provincial capital but also as the major supply and service centre for Northwestern Canada. The city's hotel market benefits from the oil and gas sector and the high level of demand from the federal and provincial governments. According to the Conference Board of Canada, Edmonton's GDP increased 5.6% in 2014, but more modest growth of 1.9% is projected for 2015.

In 2014, 368 new rooms entered the Edmonton lodging market. The occupancy decreased slightly by 0.5 points, but the ADR increased 3.9% to $134.30, leading to RevPAR growth of 3.2%. The value per-room in Edmonton increased 0.2% to $155,536 in 2014, which was the fifth-highest value among the major markets in Canada that year.

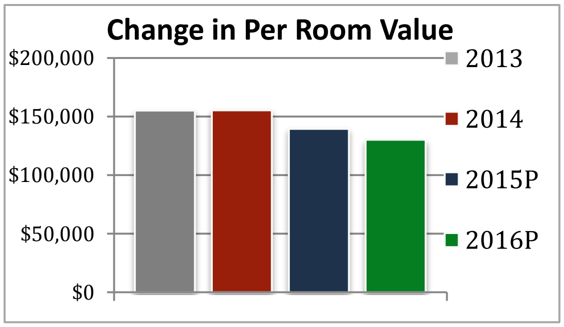
From 2015 to 2018, Edmonton is expected to see a 13.8% increase in room supply, representing approximately 2,187 rooms in total. With this additional room supply, coupled with weaker demand, the RevPAR is projected to fall sharply in 2015 and 2016, after which positive growth should again resume. The market is expected to slowly absorb the new supply, curbing occupancy growth briefly in 2016 when the largest influx of new supply will enter the market. The city's value per room is projected to fall 10.2% in 2015 and a further 3.8% in 2016 before value growth resumes in 2017. In 2018, the per-room value is projected to reach $137,937, giving the city the ninth-highest ranking in the country that year.

TABLE 8 — EDMONTON HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$188,001	$183,327	$127,180	$117,752	$122,243	$138,560	$155,204	$155,536
y/y % Change	8.1%	(2.5%)	(30.6%)	(7.4%)	3.8%	13.3%	12.0%	0.2%
Index	1.91	1.86	1.29	1.20	1.24	1.58	1.58	1.58

TABLE 9 — EDMONTON FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$139,660	$130,211	$134,781	$137,937
y/y % Change	(10.2%)	(3.8%)	3.5%	2.3%
Index	1.42	1.32	1.37	1.40



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The **HALIFAX** hotel market benefits from the offshore energy sector and the city's role as a transportation hub. According to RBC, Nova Scotia's economy grew 2.2% in 2014, which 2015 is expected to mirror, and the real GDP is projected to increase at a comparable rate of 2.1% in 2016.

In 2014, the Halifax hotel market sustained a 4.2% increase in demand, but the supply also increased 5.4% with the opening of the 138-room Homewood Suites Halifax Downtown and the 181-room Hampton Inn Halifax Downtown. The ADR increased 2.5% at the same time, leading to a 1.3% increase in the market-wide RevPAR. With the absorption of the new guestrooms into the market, the market-wide RevPAR is projected to grow at a stronger rate of 3.0% in 2015.

Over the next four years, the outlook for the Halifax market is positive given the $25-billion federal shipbuilding contract that is set to begin in the last quarter of 2015, in combination with an expected increase in offshore oil drilling. Although Halifax is poised for an 4.1% increase in the room supply through 2018, demand growth is expected to exceed the rate of supply growth, leading to slow but steady occupancy increases.

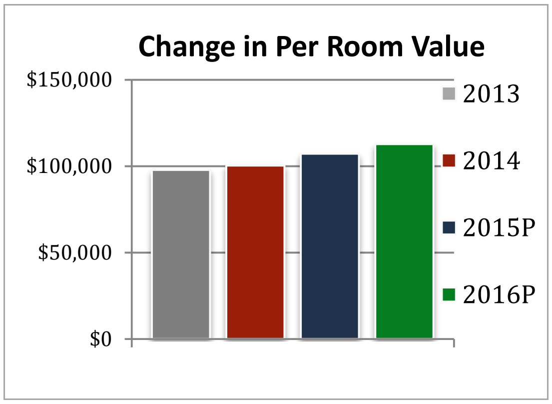
In 2014, Halifax ranked thirteenth in the country based on per-room value, but it is projected to drop slightly to fourteenth position by 2018.

TABLE 10 — HALIFAX HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$120,773	$109,153	$88,036	$97,874	$95,758	$98,757	$97,858	$100,338
y/y % Change	12.3%	(9.6%)	(19.3%)	11.2%	(2.2%)	3.1%	(0.9%)	2.5%
Index	1.23	1.11	0.89	0.99	0.97	1.00	0.99	1.02

TABLE 11 — HALIFAX FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$104,553	$112,875	$115,986	$119,984
y/y % Change	64.2%	8.0%	2.8%	3.4%
Index	1.06	1.15	1.18	1.22



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In addition to airport demand, the **MONTREAL AIRPORT** market serves local demand from pharmaceutical, aerospace, telecommunication, and information technology companies.

In 2014, the Montreal Airport market achieved a record-breaking RevPAR of $78.29, up 4.5% from 2013, with a 3.6% increase in room demand.

Montreal is set to host various events that will stimulate demand growth in this market, including the city's 375th anniversary in 2017 and the World Short Track Speed Skating Championships in 2018. In addition, the Montreal Airport market is expected to receive approximately 275 new rooms over the next four years, which represents a 4.0% increase in the guestroom inventory. Based on these factors, the Montreal Airport market is projected to sustain healthy increases in RevPAR from 2015 to 2018, seeing growth of 5.7% in 2015 and 1.3% in 2016.

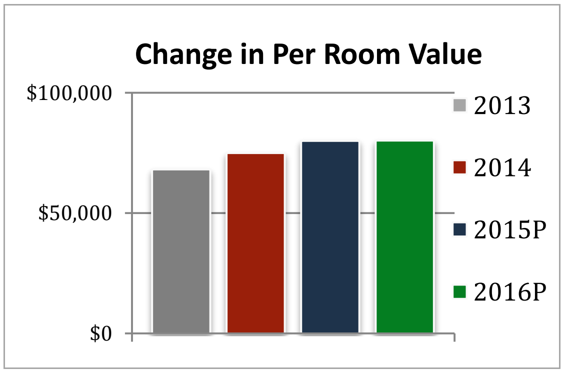
In 2015, the per-room value for the market is projected to arrive at $80,104. Value growth is projected to continue through 2018, reaching $87,532 per key that year. This market ranks second lowest on a per-room-value basis out of all the major markets in Canada, just above New Brunswick.

TABLE 12 — MONTREAL AIRPORT HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$80,244	$72,868	$50,917	$50,234	$58,265	$63,852	$68,234	$74,987
y/y % Change	1.1%	(9.2%)	(30.1%)	(1.3%)	16%	9.6%	6.9%	9.9%
Index	0.81	0.74	0.52	0.51	0.59	0.65	0.69	0.76

TABLE 13 — MONTREAL AIRPORT FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$80,104	$80,266	$85,890	$87,532
y/y % Change	6.8%	0.2%	7.0%	1.9%
Index	0.81	0.81	0.87	0.89



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In 2014, the **MONTREAL DOWNTOWN** hotel market attained a substantial RevPAR increase of 13.7%. This performance was due in part to the recent closure of a number of downtown hotel assets, which contributed to strong increases in occupancy and ADR of 6.4% and 6.9%, respectively.

The room supply in the market decreased 8.3% in 2014, or by nearly 800 rooms. With the removal of the underperforming assets from the market, the overall per-room value for the market grew by 23.0% to $97,277 in 2014.

In 2015, the market is projected to see RevPAR growth of 8.6%. Strong demand and a smaller supply base will help to elevate the occupancy level. In this context, the per-room value for hotels in the Montreal Downtown market is projected to grow 9.8% in 2015.

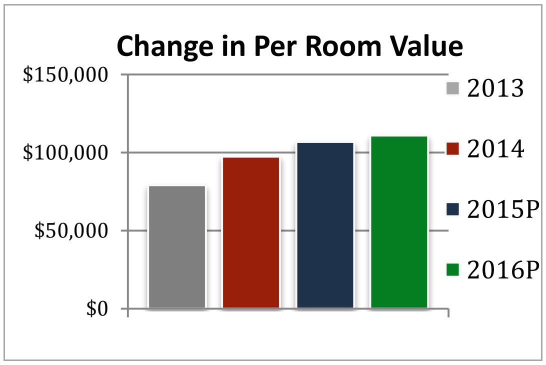
Over the next four years, the market-wide room supply is projected to increase 5.4%. Strong value growth is projected to continue over this period, and the per-room value is projected to reach $123,940 in 2018. From 2014 to 2018, this market is projected to move up two position points, from fourteenth to twelfth place in per-room value.

TABLE 14 — MONTREAL DOWNTOWN HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$102,608	$95,012	$73,804	$68,632	$72,728	$70,166	$79,069	$97,277
y/y % Change	(4.6%)	(7.4%)	(22.3%)	(7%)	6.0%	(3.5%)	12.7%	23.0%
Index	1.04	0.96	0.75	0.70	0.74	0.71	0.80	0.99

TABLE 15 — MONTREAL DOWNTOWN FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$106,781	$110,756	$119,230	$123,940
y/y % Change	9.8%	3.7%	7.7%	4.0%
Index	1.08	1.12	1.21	1.26



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The **NEW BRUNSWICK** lodging market benefits largely from the province's mining and lumber export sectors. In 2014, New Brunswick realized only marginal GDP growth of 0.2%; however, RBC is forecasting stronger GDP growth of 1.6% in 2015, based upon an expected resurgence in the mining sector. Production at the new $2.2-billion potash mine in Sussex is expected to intensify in 2015, and the Caribou zinc-lead-silver-gold mine is expected to start production soon.

In 2014, the room supply in the New Brunswick lodging market increased 2.4% over 2013 at the same time that the ADR increased 2.8% to $111.57, resulting in the highest RevPAR growth since 2007. In this more favourable operating environment, the per-room value for the province grew 3.2% in 2014 to $69,435, the highest value since 2010.

In 2015, the New Brunswick market is projected to see RevPAR growth of 1.9%. The room supply will expand by 270 rooms that year, and the market will see the addition of a further 225 rooms by 2018. The various mining projects that are set to stimulate the provincial economy will help support RevPAR growth, and the per-room hotel value for New Brunswick is projected to increase 3.0% to $71,518 in 2015.

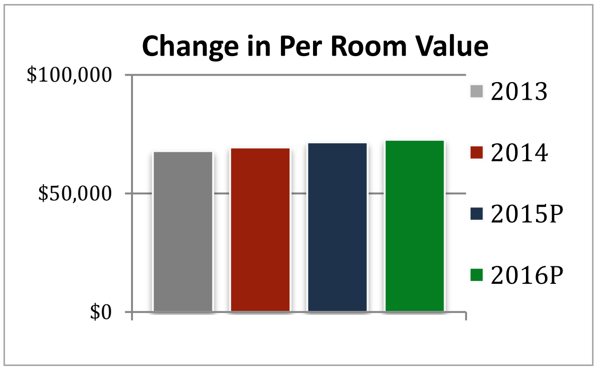
More moderate value growth is anticipated for 2016 through 2018, and this market is projected to maintain the lowest per-room value in the country.

TABLE 16 — NEW BRUNSWICK HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$88,694	$78,944	$67,038	$74,246	$68,032	$64,079	$67,275	$69,435
y/y % Change	11.0%	(11.0%)	(15.1%)	10.8%	(8.4%)	(5.8%)	5.0%	3.2%
Index	0.90	0.80	0.68	0.75	0.69	0.65	0.69	0.70

TABLE 17 — NEW BRUNSWICK FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$71,518	$72,622	$73,888	$75,433
y/y % Change	3.0%	1.5%	1.7%	2.1%
Index	0.74	0.74	0.75	0.77



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The **NEWFOUNDLAND & LABRADOR** hotel market relies heavily upon the province's offshore oil and gas industry, as well as the marine-biotechnology and mining sectors. The province's real GDP decreased 2.6% in 2014, which put negative pressure on RevPAR—the province-wide RevPAR fell 2.7% that year. Contributing to this lower RevPAR was the 2.8% increase in the market-wide room supply, for which the opening of the 88-room Steele Hotel JAG St. John's was partly responsible.

Declines in demand, occupancy, and RevPAR resulted in a 4.2% decrease in the value per room in 2014, causing the province to drop from sixth-highest per-room value to seventh. In 2014, the per-room value for the Newfoundland and Labrador hotel market was $141,462.

As the province's mining sector navigates through low commodity prices, production and employment losses have already occurred in 2015, made worse by the closure of a copper-zinc mine in Central Newfoundland. According to RBC, however, overall oil production will likely remain stable over the next two years.

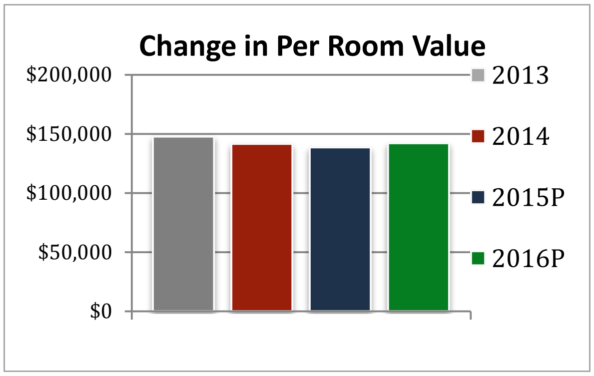
Over the next four years, the room supply is projected to increase 10.3%, representing approximately 646 new rooms. The market's per-room hotel value is projected to decline 2.0% to $138,582 in 2015 but then increase 2.6% to $142,142 in 2016. By 2018, the province's per-room hotel value is projected to reach a new high of $154,666, the fifth highest in the country in that year.

TABLE 18 — NEWFOUNDLAND HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$107,316	$112,595	$105,617	$118,937	$127,652	$138,540	$147,623	$141,462
y/y % Change	14.5%	4.9%	(6.2%)	12.6%	7.3%	8.5%	6.6%	(4.2%)
Index	1.09	1.14	1.07	1.21	1.30	1.41	1.50	1.44

TABLE 19 — NEWFOUNDLAND FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$138,582	$142,142	$154,384	$154,666
y/y % Change	(2.0%)	2.6%	8.6%	0.2%
Index	1.41	1.44	1.57	1.57



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The **NIAGARA FALLS** hotel market is tourism driven. Approximately 12 million tourists visit the city annually to see the waterfalls and the surrounding attractions.

In 2014, the Niagara Falls lodging market achieved record-breaking RevPAR growth of 8.9%. This strong market performance led to a robust 11.8% increase in the per-room hotel value that year, to $86,509.

As the lower Canadian dollar and the strengthening US economy continue to enhance demand, the outlook for the Niagara Falls lodging market is positive for 2015. Increases in both occupancy and ADR are expected to result in RevPAR growth of 11.4% in 2015. With this strong performance, coupled with the absence of any new supply entering the market, the per-room hotel value is projected to reach $100,418 in 2015, up 16.1% from 2014.

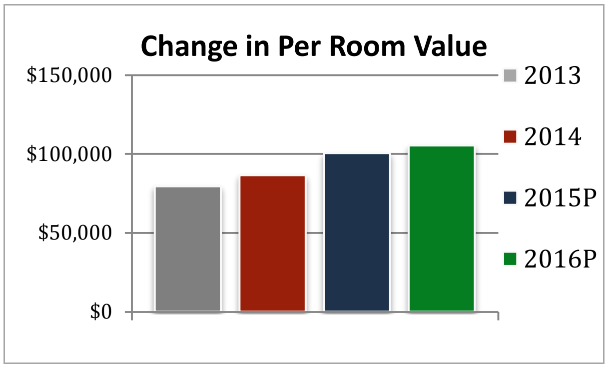
With limited new supply in the pipeline until 2018, hotel values in this market are projected to continue on an upward trajectory until the new rooms enter the market in 2018. For 2018, the per-room value for the market is projected at $106,081, down slightly from the previous year, putting Niagara Falls in seventeenth position for per-room value, behind the Toronto Airport market.

TABLE 20 — NIAGARA FALLS HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$103,460	$91,953	$63,973	$77,859	$72,790	$75,647	$77,410	$86,509
y/y % Change	3.9%	(11.1%)	(30.4%)	21.7%	(6.5%)	3.9%	2.3%	11.8%
Index	1.05	0.93	0.65	0.79	0.74	0.77	0.79	0.88

TABLE 21 — NIAGARA FALLS FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$100,418	$105,355	$107,970	$106,081
y/y % Change	16.1%	4.9%	2.5%	(1.8%)
Index	1.02	1.07	1.10	1.08



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As Ottawa is Canada's capital city, the **OTTAWA-GATINEAU** lodging market is highly dependent on government demand. In 2014, however, the market sustained strong growth in convention, leisure, and group demand; a particularly strong fourth quarter helped to drive the occupancy and RevPAR for the year beyond 2013 levels. The market saw the occupancy and RevPAR increase 1.6 points and 6.2%, respectively, in 2014. This growth was supported by a 6.4% decrease in supply. With the improvement in market performance, the per-room value grew by 5.0% in 2014 to $116,949.

In 2015, the market is projected to see a 2.2% drop in the room supply. The federal election typically has a negative impact on demand in the city, but year-to-date demand is proving otherwise. The RevPAR for 2015 is projected to increase 7.4% to $108.57, a record high for the Ottawa-Gatineau market. This strong performance will help drive the per-room hotel value to a projected $122,696 in 2015, a 4.9% increase over 2014.

The market is poised for additional growth over the next three years because, in addition to the festivities surrounding Canada's 150th anniversary in 2017, Tourism Ottawa has secured numerous events that will take place during this period.

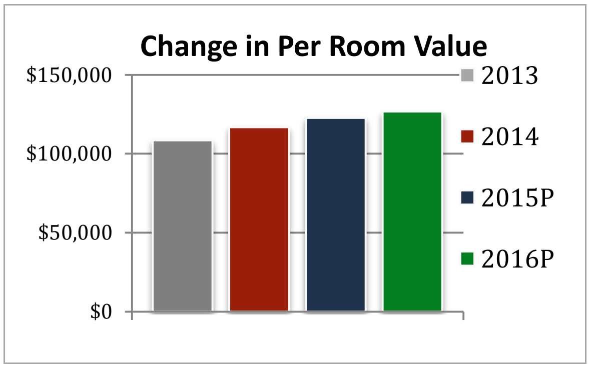
Strong market performance is expected to drive growth in the per-room hotel value for this market, which is projected to reach $141,552 in 2018. This will be the highest per-room value that the Ottawa-Gatineau lodging market has ever seen—and the sixth highest in the country that year.

TABLE 22 — OTTAWA-GATINEAU HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$127,730	$117,764	$82,673	$102,069	$110,195	$112,539	$111,334	$116,949
y/y % Change	9.2%	(7.8%)	(29.8%)	23.5%	8.0%	2.1%	(1.1%)	5.0%
Index	1.30	1.20	0.84	1.04	1.12	1.12	1.13	1.19

TABLE 23 — OTTAWA-GATINEAU FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$122,696	$126,817	$137,350	$141,552
y/y % Change	4.9%	3.4%	8.3%	3.1%
Index	1.25	1.29	1.39	1.44



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The **QUEBEC CITY** hotel market is largely fuelled by provincial government demand. In 2014, the city's real GDP increased 1.7% over 2013.

In 2014, market-wide demand increased by 5.4%, the highest level of growth since 2008, supported by the brief closure of the Le Concorde Hotel and a sharp rise in the number of visits from cruise-ship passengers to the Port of Quebec. In that year, the RevPAR increased 11.9%. This strong market performance was supported by the completion of the $75-million renovation to the Fairmont Chateau Frontenac; the premium charged on the renewed product helped to drive rate growth in the city. The per-room hotel value for the market reached $92,065 in 2014, a 15.1% increase over 2013.

Positive market performance is anticipated for 2015; RevPAR growth is projected at 3.9%. Numerous investment projects are expected to stimulate growth in tourism visits to Quebec City over the next few years. Were Quebec City to acquire an NHL franchise for its new $500-million Videotron Centre, the outlook for the market would be even stronger. Moreover, the lower Canadian dollar and the drop in gasoline prices have had a positive effect on the number of travellers to the city in 2015.

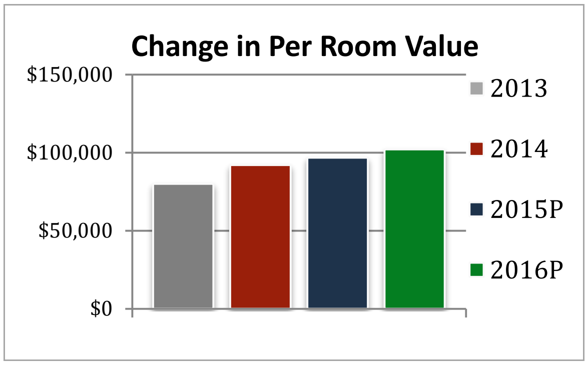
Over the next four years, Quebec City's per-room hotel value is projected to increase from $96,674 in 2015 to $110,546 in 2018, which would surpass the previous record of $110,304 set in 2008, when the city's 400th anniversary was celebrated. This will leave this market with the fifteenth-highest per-room value in the country, which is where it was in 2014.

TABLE 24 — QUEBEC CITY HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$91,528	$110,304	$73,847	$76,082	$80,755	$82,942	$79,958	$92,065
y/y % Change	(1.5%)	20.5%	(33.1%)	3.0%	6.1%	2.7%	(3.6%)	15.1%
Index	0.93	1.12	0.75	0.77	0.82	0.84	0.81	0.93

TABLE 25 — QUEBEC CITY FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$96,674	$101,994	$105,261	$110,546
y/y % Change	5.0%	5.5%	3.2%	5.0%
Index	0.98	1.04	1.07	1.12



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The **REGINA** hotel market benefits largely from the city's involvement in the oil and gas sector. The provincial economy has taken a hit from the drop in oil prices, and Saskatchewan's real GDP growth slowed significantly from a rate of 5.0% in 2013 to 1.4% in 2014. RBC and TD Economics both project that Saskatchewan will see a minor increase in real GDP of 1.6% in 2015, followed by a 1.9% increase in 2016. The Regina hotel market benefits not only from the energy sector, but also from government demand, which will help to offset the decline in demand stemming from the slowdown in oil and gas activity.

In 2014, the market-wide RevPAR suffered a sharp drop of 10.4%, largely because of a 7.6-point decrease in hotel occupancy brought on by a 13.5% increase in the room supply. In this context, the per-room value for the market dropped to $134,616, down 10.9% from 2013.

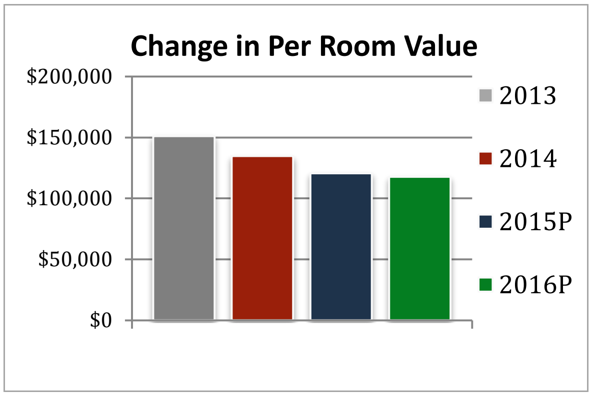
In 2015, the market-wide RevPAR is projected to fall another 10.3% as the market struggles to absorb the large influx of new rooms. Over the next four years, the room supply is projected to grow by 16.1%; approximately 650 rooms are expected to enter the market in this period. Given the weak market performance and the surge in the room supply, the per-room value for the market is projected to erode, falling from $134,616 in 2014 to a low of $117,742 in 2016; however, growth is projected to resume in 2017, putting the per-room value back at $122,549 in 2018, which is nevertheless below the peak of $151,012 attained in 2015. This will move the market down from sixth highest in per-room value in 2014 to thirteenth in 2018.

TABLE 26 — REGINA HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$101,449	$109,674	$105,003	$112,124	$125,976	$132,881	$151,012	$134,616
y/y % Change	11.7%	8.1%	(4.3%)	6.8%	12.4%	5.5%	13.6%	(10.9%)
Index	1.03	1.11	1.07	1.14	1.28	1.35	1.53	1.37

TABLE 27 — REGINA FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$120,577	$117,742	$119,050	$122,549
y/y % Change	(10.4%)	(2.4%)	1.1%	2.9%
Index	1.22	1.20	1.21	1.24



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The **SASKATOON** lodging market relies on a mix of resource-driven industries, government demand, and healthcare demand.

In 2014, the market remained largely stable; the RevPAR increased only 0.6%. However, the per-room value decreased 2.4% to $155,897 that year, bringing to a halt to the steady growth that had been realized in each year since 2010. Even with this small drop, Saskatoon captured the third-highest per-room value in the country in 2014.

In 2015, Saskatoon's RevPAR is projected to decrease 9.2%, mainly as a result of a 7.9% increase in supply combined with a 2.0% decrease in demand. This negative market performance is expected to put downward pressure on the per-room hotel value for the Saskatoon market, which is expected to fall to $144,243 in 2015, down 7.5% from 2014.

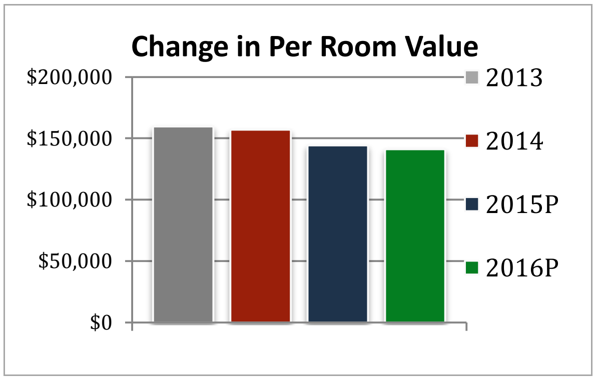
From 2015 to 2018, Saskatoon is expected to see a significant increase in the room supply with the addition of approximately 1,140 rooms; this represents a supply increase of 25.8% over the four years. In this environment, the per-room value is projected to erode slightly from 2015 through 2017. In 2018, Saskatoon's per-room value is projected to edge back up to $140,197, signifying the return of positive growth to the market. This would position Saskatoon with the seventh-highest per-room value in the country that year.

TABLE 28 — SASKATOON HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$116,306	$133,017	$127,013	$138,545	$140,253	$150,457	$159,780	$155,897
y/y % Change	20.8%	14.4%	(4.5%)	9.1%	1.2%	7.3%	6.2%	(2.4%)
Index	1.18	1.35	1.29	1.41	1.42	1.53	1.62	1.58

TABLE 29 — SASKATOON FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$144,243	$141,291	$138,831	$140,197
y/y % Change	(7.5%)	(2.0%)	(1.7%)	1.0%
Index	1.46	1.43	1.41	1.42



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In 2014, the **TORONTO AIRPORT** market saw a 2.3-point increase in occupancy and a 3.4% rise in the ADR to $108.58, resulting in a strong increase in RevPAR of 6.9%. With nearly 2.5 million additional passengers at Toronto Pearson International Airport and no additions to the room supply, hotel room demand increased 3.3% in the Toronto Airport market in 2014. This resulted in the first double-digit increase in the market-wide per-room value in four years. The per-room value for the year was $84,473, up 13.9% from 2013.

The Toronto Airport market is projected to see strong RevPAR growth of 7.1% in 2015, driven by an increase in demand from events such as Pan Am and Parapan Am Games, combined with the lack of new supply entering the market. In the context of this strong performance, the Toronto Airport market's per-room value is projected to increase by another 13.8% in 2015, to $96,163.

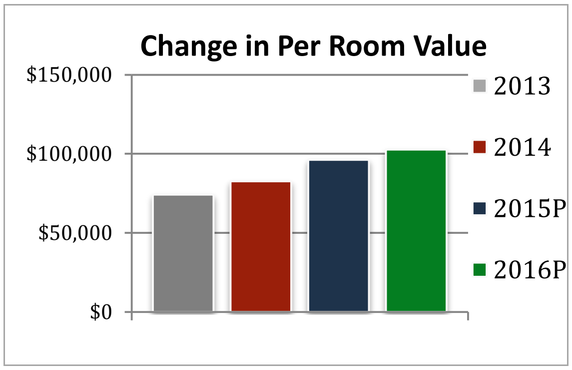
From 2015 to 2018, supply growth in the airport market is projected to be modest at 3.2%, which strong increases in demand will help to absorb. The impact that the new Union Pearson Express rail line will have on demand within the Toronto Airport hotel market has yet to be determined. With minimal new supply and gradual increases in demand and ADR, the market-wide per-room value is projected to grow at an average annual rate of 6.2% from 2015 to 2018, reaching $107,202 in the last-named year. This will move the market into sixteenth position in the country for per-room value, up from seventeenth in 2014.

TABLE 30 — TORONTO AIRPORT HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$104,923	$94,019	$57,516	$76,073	$72,358	$71,612	$74,178	$84,473
y/y % Change	6.3%	(10.4%)	(38.8%)	32.3%	(4.9%)	(1.0%)	3.6%	13.9%
Index	1.07	0.95	0.58	0.77	0.73	0.73	0.75	0.86

TABLE 31 — TORONTO AIRPORT FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$96,163	$102,735	$104,955	$107,202
y/y % Change	13.8%	6.8%	2.2%	2.1%
Index	0.98	1.04	1.07	1.09



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In 2014, the **TORONTO DOWNTOWN** lodging market experienced healthy increases in ADR and occupancy, resulting in RevPAR growth of 5.0%. In this positive operating environment, the per-room value for Toronto Downtown increased by 9.2% in 2014 to $156,909.

Even with no demand growth forecasted for 2015, the market-wide RevPAR is projected to grow by 5.6% that year because of strong ADR growth. Demand growth is projected to regain momentum in 2016, when Toronto's GDP is projected to increase from 2.6% in 2015 to 2.8% in 2016.

From 2015 to 2018, approximately 1,230 new rooms are projected to enter the downtown market. It should be noted that there are current repurposing rumblings of some major older Downtown Toronto hotels. This is a potential trend that we have already witnessed in Montreal and Ottawa and as a result, Downtown Toronto may in fact see a decrease in supply over the next 4 years.

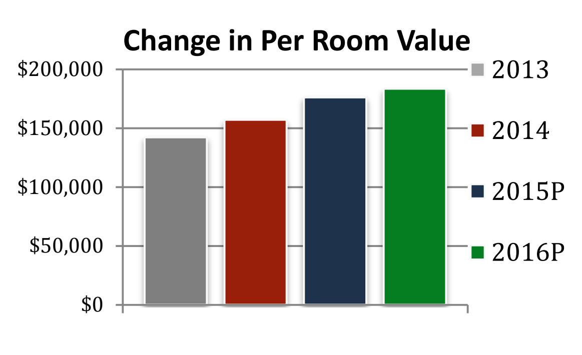
With the modest increases in demand from 2016 onwards, the market is expected to be slow to absorb the new room supply. Nevertheless, the market-wide per-room value is projected to reach $189,764 in 2018, the second-highest in the country that year. The strongest increase in value is projected for 2015, when the market will see its highest ADR and RevPAR to date.

TABLE 32 — TORONTO DOWNTOWN HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$164,023	$148,449	$91,388	$129,552	$120,787	$130,197	$143,708	$156,909
y/y % Change	6.0%	(9.5%)	(38.4%)	41.8%	(6.8%)	7.8%	10.4%	9.2%
Index	1.67	1.51	0.93	1.32	1.23	1.32	1.46	1.59

TABLE 33 — TORONTO DOWNTOWN FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$176,098	$183,215	$187,800	$189,764
y/y % Change	12.2%	4.0%	2.5%	1.0%
Index	1.79	1.86	1.91	1.93



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In 2014, the **VANCOUVER AIRPORT** lodging market realized an increase in demand at the same time that the room supply increased only modestly. Additionally, Vancouver International Airport saw nearly 1.4 million more passengers than in 2013, further supporting a stronger increase in lodging demand. The vigorous growth in occupancy and ADR resulted in substantial RevPAR growth of 10.2% in 2014.

In this context, the value per room for the Vancouver Airport market increased by 11.6% over the previous year and reached $117,586 in 2014. The market also retained the highest value per room among the three airport markets in Canada tracked in the HVI, by a considerable margin.

The market outlook is positive. Airport passenger traffic is on the rise, and no new rooms are expected to enter the market from 2015 to 2018. Consequently, the RevPAR is projected to increase by a robust 12.9% in 2015 and a further 5.0% in 2016.

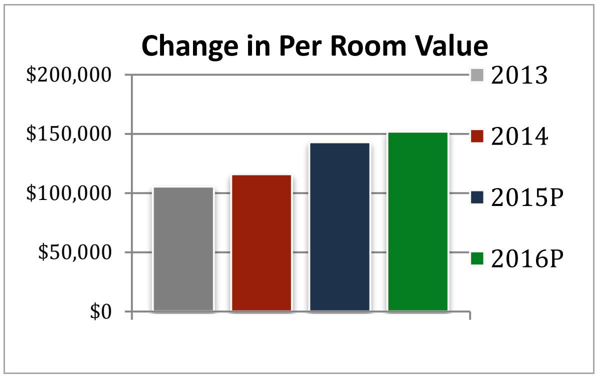
The $1.8-billion expansion to Vancouver International Airport is expected to support market-wide demand growth over the next few years. In 2015, the Vancouver Airport market is projected to realize the second-highest increase in per-room value in the country at 18.6%. Strong growth in the per-room value is projected to continue from 2016 through 2018 at an average annual rate of 5.4%. This will move the market up from ninth highest in per-room value in 2014 into third place, which is notable for an airport market.

TABLE 34 — VANCOUVER AIRPORT HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$138,155	$130,882	$93,435	$122,168	$98,722	$97,523	$105,373	$117,586
y/y % Change	10.6%	(5.3%)	(28.6%)	30.8%	(19.2%)	(1.2%)	8.0%	11.6%
Index	1.40	1.33	0.95	1.24	1.00	0.99	1.07	1.19

TABLE 35 — VANCOUVER AIRPORT FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$139,479	$148,249	$157,482	$163,315
y/y % Change	18.6%	6.3%	6.2%	3.7%
Index	1.42	1.51	1.60	1.66



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In 2014, the **VANCOUVER DOWNTOWN** hotel market realized strong RevPAR growth, which came from healthy growth in both demand and rate. The value per-room increased to $190,802 in 2014, which was the second-highest value in the country at that time.

In 2015, the strong growth experienced in 2014 is expected to continue. The occupancy and ADR are both projected to reach new heights, pushing the RevPAR up 19.1% to a record-breaking high of $156.83. New room supply is expected to enter the market in 2016 and 2017 with the opening of the 147-room Trump Tower condo-hotel (2016), the 2015-room Autograph Hotel (2017), and the 350-room JW Marriott Vancouver (2017). Although a 5.3% increase in the room supply is projected for the period from 2015 through 2018, the market is expected to handily absorb the new rooms—the occupancy is projected to remain strong throughout this period. Moreover, the barriers to entry for additional hotels remain significant in 2015.

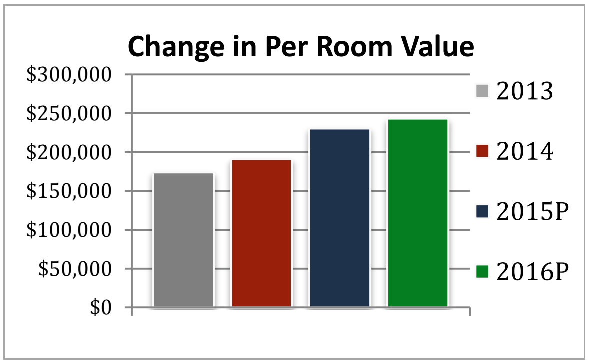
In 2015, the per-room value for the Vancouver Downtown market is projected to increase 20.7% to $230,342. The low Canadian dollar and increased hotel demand from Asia are fuelling the overall strength of the market. In addition, major construction projects are expected to contribute to strong market growth over the next four years. In this supportive setting, the per-room value for the hotel market is projected to reach $262,320 in 2018, the highest ever for any market in the country. This will move the market up from second highest in per-room value in 2014 to highest in 2018, supplanting Calgary.

TABLE 36 — VANCOUVER DOWNTOWN HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$197,703	$205,773	$130,475	$176,599	$172,060	$166,844	$173,901	$190,802
y/y % Change	3.5%	4.1%	(36.6%)	35.4%	(2.6%)	(3.0%)	4.2%	9.7%
Index	2.01	2.09	1.32	1.79	1.75	1.69	1.77	1.94

TABLE 37 — VANCOUVER DOWNTOWN FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$230,342	$243,327	$252,973	$262,320
y/y % Change	20.7%	5.6%	4.0%	3.7%
Index	2.24	2.47	2.57	2.66



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Following the recovery of the **VICTORIA** hotel market in 2013, the market saw its strongest RevPAR performance since 2007 the next year. With growth of 10.2%, the RevPAR reached $88.98 in 2014. Contributing to the hotel market's strong performance was a healthy increase in foreign visitors, the weaker Canadian dollar, and the decrease in room supply with the closure of the Executive House Hotel for one year (as of January 2014) for re-branding as a DoubleTree. With the strength of the market, the per-room hotel value increased 11.4% to $108,197 in 2014, which was nonetheless well below the values supported prior to the recession.

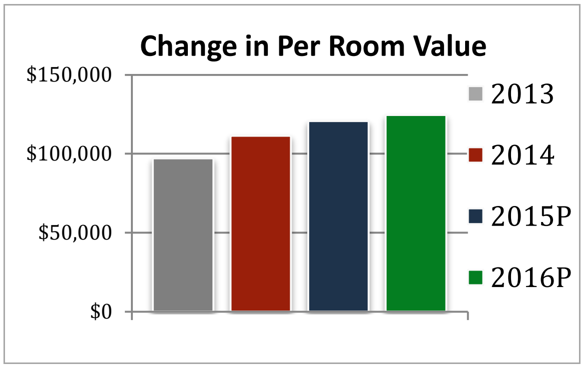
The market outlook for Victoria is positive for 2015. The real GDP is projected to continue increasing at a slow but steady rate. Lodging demand is projected to increase 4.5% in 2015, and, coupled with the anticipated opening of the 180-room DoubleTree Hotel in October, the RevPAR is projected to increase 12.0%. No additional room supply is expected to enter the market from 2016 to 2018. The per-room value is projected to increase at an average annual rate of 6.5% from 2015 to 2018, reaching an all-time high of $138,700 in 2018, repositioning this market in tenth place in the country, up from twelfth in 2014.

TABLE 38 — VICTORIA HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$131,204	$120,412	$80,437	$99,143	$90,156	$88,852	$97,111	$108,197
y/y % Change	7.5%	(8.2%)	(33.2%)	23.3%	(9.1%)	(1.4%)	9.3%	11.4%
Index	1.33	1.22	0.82	1.01	0.92	0.90	0.99	1.10

TABLE 39 — VICTORIA FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$120,750	$130,864	$134,634	$138,700
y/y % Change	11.6%	8.4%	2.9%	3.0%
Index	1.23	1.33	1.37	1.41



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As Manitoba produces little oil, **WINNIPEG**'s economy will remain largely undisturbed by the decline in oil prices. In 2014, the Winnipeg lodging market saw a strong increase in demand, resulting in a 0.9% increase in the market-wide RevPAR; the 5.5% increase in the room supply that year suppressed RevPAR growth in the market. With the new rooms undermining market performance, the per-room value increased a modest 2.0% to $115,589 in 2014.

The market-wide RevPAR is projected to grow 3.9% in 2015, driven by increases in both occupancy and ADR. With the strong market performance anticipated for 2015, the per-room hotel value is projected to reach $121,486, an increase of 5.1% from 2014.

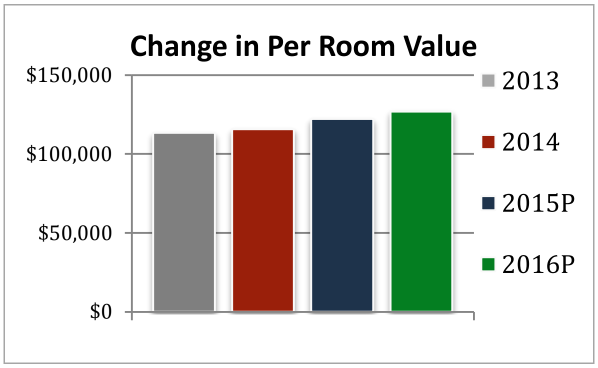
Over the next four years, the room supply in the Winnipeg hotel market is projected to increase by 9.0%, but demand growth is projected to outpace the rate of supply growth, allowing hotel values to increase even as the new supply is absorbed. Winnipeg's per-room value is projected to reach its highest-ever level of $129,119 in 2018. Despite the growth, the Winnipeg market is expected to go from having the tenth-highest per-room value in the country in 2014 to eleventh highest in 2018.

TABLE 40 — WINNIPEG HISTORICAL VALUES (2007–2014)

	2007	2008	2009	2010	2011	2012	2013	2014
Per Room Value	$102,590	$112,439	$98,255	$111,007	$118,591	$117,303	$113,346	$115,589
y/y % Change	7.5%	9.6%	(12.6%)	13.0%	6.8%	(1.1%)	(3.4%)	2.0%
Index	1.04	1.14	1.00	1.13	1.20	1.19	1.15	1.17

TABLE 41 — WINNIPEG FORECASTED VALUES (2015–2018)

	2015P	2016P	2017P	2018P
Per Room Value	$121,486	$126,221	$127,340	$129,119
y/y % Change	5.1%	3.9%	0.9%	1.4%
Index	1.23	1.28	1.29	1.10



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Hotel Value Forecast

By the end of the forecast period in 2018, most markets in Canada are expected to achieve higher values than at their peak in 2006/07. Notably, the markets with the highest growth in value across the country in 2014 were in Eastern Canada; Montreal Downtown was the highest, with Quebec City and Niagara Falls following close behind. The markets with the highest projected rate of growth in value in 2018 will be led by Quebec City followed by Montreal Downtown, while the two Vancouver markets will be tied for third highest in rate of growth in the country that year. By 2018, Vancouver Downtown is projected to overtake Calgary with the highest per-room value in the country, while New Brunswick will retain the lowest per-room-value position.

Consistent with the effects that the drop in the Canadian dollar and oil prices are expected to have on Canada's resource markets, Calgary, Edmonton, and Saskatoon are projected to see lower hotel values through 2018. The Halifax and New Brunswick markets are also projected to remain below their peak value levels in 2018; low room night demand is holding down the growth in values these markets, and also preventing any significant growth in the room supply.

Outlook

Eastern Canada is catching the attention of many investors and developers, as is evident from the west-to-east shift in transaction volume within the country. At the moment, Eastern Canada offers a somewhat more stable economic outlook than Western Canada, which is still reeling from the fallout in the oil sector.

As the Canadian economy and the Canadian lodging market absorb the drop in the Canadian dollar, the demand for hotel assets is expected to increase. In particular, the low Loonie is stimulating international investment interest. Based on our discussions with hotel investors, lenders, and brokers, the recent trends in occupancy and ADR, and the generally low level of supply in the development pipeline, we anticipate a marked improvement in NOI in most non-resource lodging markets. As RevPAR growth outpaces inflation, the Canadian lodging industry will attain new heights in value.

The value of a hotel room in Canada peaked in 2007 at $121,400. The low point during the recent downturn occurred in 2009, when the value dropped to $76,600 per room. Since then, the room value has slowly risen, reaching $108,900 per room in 2014. The per-room value for the Canadian lodging market is projected to increase to $114,800 in 2015 and reach $130,800 in 2018, for the second time exceeding the peak set in 2007 (the per-room value is projected to reach $127,100 in 2017). The Canadian lodging industry is poised to continue in a very positive stage of its lifecycle, although the growth in 2015 is expected to be a little more cautious than in 2014 given the low price of oil, the fragility of the Chinese economy, and the unrest in the Middle East.

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Understanding the HVI

The Hotel Valuation Index (HVI) tracks hotel values in 19 major markets, including Canada as a whole. Derived from an income capitalization approach, the HVI utilizes market area data provided by STR combined with historical operational information from HVS's extensive global experience in hotel feasibility studies and valuations. The data are then aggregated to produce a pro-forma performance for a typical hotel in each respective Canadian market. Based upon our experience of real-life hotel financing structures gained from valuing hundreds of hotels each year, we then apply appropriate valuation parameters for each market, including loan-to-value ratios, real interest rates, and equity return expectations. These market-specific valuation parameters are applied to the net operating income for a typical full-service hotel in each city.

The HVI is an indexed value that uses the 2005 value of a typical Canadian hotel (2005 = 1.0000) as a base. Each market area is then indexed off this base with a number showing the value relationship of that market area to the base. For example, the index for the Toronto Downtown market in 2005 was 1.41, which means that the value of a hotel located in downtown Toronto was approximately 40% higher than that of a similar hotel in Canada as a whole in 2005.

The HVI allows one to not only compare the value of hotels in local markets against the national market, but also value differences between hotels in two different Canadian cities. For example, say that a hotel in Ottawa, Ontario, sold in 2008 for $100,000 per room. If a similar hotel were situated in Calgary, Alberta, it would probably have sold for $184,990 per room in 2008. This figure is calculated by taking the 2008 HVI for Calgary and dividing it by the 2008 HVI for Ottawa to determine the value adjustment.

$$\frac{\textbf{2008 HVI Calgary (2.2118)}}{\textbf{2008 HVI Ottawa (1.1956)}} \quad \mathbf{=1.8499}$$

The 2008 sale price of $100,000 per room is then multiplied by the amount of the previously calculated factor of 1.8499, yielding the estimated 2008 sale price per room for Calgary.

$100,000 x 1.8499 = $184,990

The HVI can also be used to determine the percentage change in value in the same market over time. To calculate, divide the HVI for the last year by the HVI for the first year and then subtract 1 from this calculation. For example, the HVI for Edmonton was 1.7657 in 2006 and 1.8613 in 2008. To calculate the estimated percentage change in value for a typical Edmonton hotel from 2006 to 2008, divide the 2008 HVI for Edmonton by the 2006 HVI and then subtract 1 to get an approximate 5% increase in value from 2006 to 2008.

(1.8613/1.7657) - 1 = 0.0541, or roundly 5%

Interpreting the HVI

HVS routinely receives numerous inquiries as to how the Hotel Valuation Index data can be interpreted by hotel owners, investors, and lenders considering their own assets and investment strategies. The Canadian HVI tracks hotel values in Canada as a whole, as well as for 18 lodging markets. It is calculated using occupancy and average rate data provided by STR for each of the markets reviewed. These market data represent the aggregate performance of the vast majority of hotels within the defined geographic market.

The HVI is an index, a statistical concept reflecting a measure of the difference in the magnitude of a group of related variables compared with a base period. As such, it is a measure of broad market trends rather than a conclusion as to the specific value of any asset, and it cannot be applied to an individual asset. A good comparison is the Consumer Price Index. While this index provides a reliable measure of the overall rate of inflation in a region, it does not indicate how the price of milk has changed at one grocery store.

In any market, the aggregate nature of the STR occupancy and average rate data limits its comparability to an individual asset. In the case of the STR data used in developing the HVI, the breadth of the sample included in the report is a material factor. The sample for each market area includes virtually all the hotels in the defined market, ranging from economy to luxury properties; limited-service to full-service operations; assets in poor to excellent condition; and a wide array of locations, from Tier 1 urban settings to peripheral locations in tertiary submarkets. The resulting data, while an excellent measure of the overall trends in the market as a whole, cannot be applied to any individual submarket or asset group, much less any one hotel. For example, the addition of new supply, or a change in the performance of an individual submarket within the broader market, can cause that submarket to have significantly different results than the market as a whole.

Numerous factors influence the value of an individual asset, including the property's age, condition, location, amenities and services, brand, management expertise, and reputation. These factors must all be considered in the context of the hotel's specific competitive market, including the nature, strength, and trends in demand generators, the character and competitive posture of the existing hotels, and the potential addition of any new properties. The value of any individual asset can only be concluded after a thorough investigation of all these factors. That conclusion will invariably differ, often materially, from the index indicated by the HVI.

How, then, can the HVI be of use to an individual investor? Although the HVI cannot tell you what a particular hotel is worth, it does provide excellent "big picture" data, indicating which market areas are experiencing positive trends and may thus present good investment opportunities. The HVI for Canada is a measure of the strength of the lodging industry as a whole and, specifically, the hospitality investment market. The HVI for the various identified markets can provide a basis to evaluate and compare different geographic regions for investment purposes.

About HVS

HVS the world's leading consulting and services organization focused on the hotel, mixed-use, shared ownership, gaming, and leisure industries, celebrates its 35th anniversary this year. Established in 1980, the company performs 4,500+ assignments each year for hotel and real estate owners, operators, and developers worldwide. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 35 offices and more than 500 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. **HVS.com**.

Superior Results through Unrivalled Hospitality Intelligence.
Everywhere.

HVS Canada performs major portfolio appraisals and single-asset consulting assignments and valuations from coast to coast. Our professional team is expert in appraisal work, feasibility studies, market studies, portfolio valuation, strategic business planning, and litigation support. The managing partners in both the Toronto and Vancouver practices have their AACI, MAI, and MRICS/FRICS appraisal designations, and all associates are candidate members of the Appraisal Institute of Canada. HVS partners and associates are also members of the Appraisal Institutes of Alberta, New Brunswick, and Nova Scotia. Our bilingual associates enable us to work in French, which is of utmost importance in the provinces of Quebec and New Brunswick.

About Authors

Monique Rosszell is the Managing Director of HVS Toronto. Upon attaining a bachelor's degree in economics from Queen's University, she subsequently enrolled in the Master's program in Hotel and Restaurant Management at the Ecole Hôtelière de Lausanne and then attained both her AACI and her MRICS appraisal designations in Canada. Monique has completed hundreds of valuations and feasibility studies, including transaction and portfolio valuations throughout Canada. She also offers litigation and expert witness support, speaks at numerous conferences, and is a trusted advisor within the lodging industry.

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