

2022 MARKET OUTLOOK

Alberta Hotel & Lodging
Association

September 2021



CBRE ANNUAL FINANCIAL TRENDS

CBRE HOTELS

The World's Leading Hotel Experts.



“Data provided by the industry; in support of the industry”

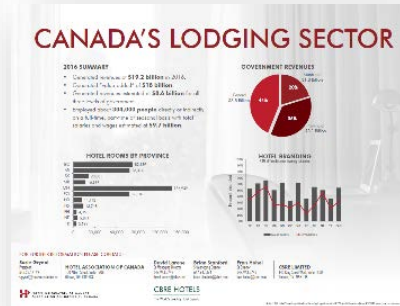
BENCHMARKER INCOME STATEMENT

REVENUES AND EXPENSES

AVERAGE OF 4 BENCHMARK PROPERTIES

| | AVERAGE OF 4 BENCHMARK PROPERTIES | | | | SUBJECT PROPERTY | | | |
|--|-----------------------------------|-------------|----------------|---------------|------------------|-------------|----------------|---------------|
| | Year End 2019 | Ratio To | Per Available | Per Occupied | Year End 2019 | Ratio To | Per Available | Per Occupied |
| | (\$) | Revenue (%) | Room/Year (\$) | Room/Day (\$) | (\$) | Revenue (%) | Room/Year (\$) | Room/Day (\$) |
| Revenues | | | | | | | | |
| Rooms | 16,663,614 | 71.0 | 34,404 | 201.31 | 12,796,911 | 48.2 | 64,631 | 245.64 |
| Food and Beverage | 7,348,036 | 18.9 | 9,145 | 88.77 | 12,133,365 | 45.7 | 61,280 | 232.90 |
| Other Operated Departments | 752,392 | 9.7 | 4,700 | 9.09 | 1,321,069 | 5.0 | 6,672 | 25.36 |
| Miscellaneous Income | 86,744 | 0.4 | 210 | 1.05 | 272,161 | 1.0 | 1,375 | 5.22 |
| Total Operating Revenue | 24,850,786 | 100.0 | 48,459 | 300.22 | 26,523,506 | 100.0 | 133,957 | 509.12 |
| Departmental Expenses | | | | | | | | |
| Rooms | 4,714,844 | 31.0 | 10,664 | 56.96 | 4,059,856 | 31.7 | 20,504 | 77.93 |
| Food and Beverage | 5,191,519 | 96.2 | 8,796 | 62.72 | 7,863,960 | 64.8 | 39,717 | 150.95 |
| Other Operated Departments | 256,412 | 30.0 | 1,412 | 3.10 | 755,763 | 57.2 | 3,817 | 14.51 |
| Total Departmental Expenses | 10,162,775 | 43.1 | 20,872 | 122.77 | 12,679,579 | 47.8 | 64,038 | 243.38 |
| Total Departmental Profit | 14,688,011 | 56.9 | 27,587 | 177.44 | 13,843,927 | 52.2 | 69,919 | 265.73 |
| Undistributed Operating Expenses | | | | | | | | |
| Administrative and General | 2,140,644 | 9.3 | 4,494 | 25.86 | 2,599,248 | 9.8 | 13,128 | 49.89 |
| Information and Telecommunications Systems | 432,491 | 1.7 | 846 | 5.22 | 0 | 0.0 | 0 | 0.00 |
| Sales & Marketing (Includes Franchise Fees & Loyalty Programs) | 1,978,717 | 8.2 | 3,989 | 23.90 | 1,862,736 | 7.0 | 9,408 | 35.76 |
| Property Operation and Maintenance | 898,508 | 5.7 | 2,747 | 10.85 | 844,400 | 3.2 | 4,265 | 16.21 |
| Utilities | 753,007 | 4.6 | 2,224 | 9.10 | 721,553 | 2.7 | 3,644 | 13.85 |
| Total Undistributed Expenses | 6,203,367 | 29.5 | 14,300 | 74.94 | 6,027,937 | 22.7 | 30,444 | 115.71 |
| Income Before Fixed Charges | 8,484,644 | 27.4 | 13,287 | 102.50 | 7,815,990 | 29.5 | 39,475 | 150.03 |
| Non-Operating Expenses | | | | | | | | |
| Management Fees | 780,853 | 2.7 | 1,288 | 9.43 | 1,220,517 | 4.6 | 6,164 | 23.43 |
| Property and Other Taxes | 1,143,932 | 4.0 | 1,960 | 13.82 | 765,662 | 2.9 | 3,867 | 14.70 |
| Insurance | 107,233 | 0.7 | 318 | 1.30 | 199,930 | 0.8 | 1,010 | 3.84 |
| Total Non-Operating Expenses | 2,032,018 | 7.4 | 3,566 | 24.55 | 2,186,109 | 8.2 | 11,041 | 41.96 |
| Net Operating Income | 6,452,626 | 20.1 | 9,721 | 77.95 | 5,629,881 | 21.2 | 28,434 | 108.07 |
| Average Daily Rooms Available | 271 | | | | 198 | | | |
| Percentage of Occupancy | 58.8% | | | | 72.1% | | | |
| Average Daily Rate per Occupied Room** | \$160.37 | | | | \$245.64 | | | |
| Rooms RevPAR | \$94.26 | | | | \$177.07 | | | |

**Excluding complimentary rooms



UNDERLYING ASSUMPTIONS



As of mid-August 2021



4th wave is managed without widespread lockdowns or significant restrictions.



Canada remains open to fully vaccinated international & US travelers.



Global vaccination progresses. The vaccines remain effective against variants. Vaccine “passports” allow for freer movement of people.



Meeting & Conference, Corporate & Government travel activity starts to ramp up in late Q1/early Q2 2022.

OPPORTUNITIES & THREATS TO RECOVERY

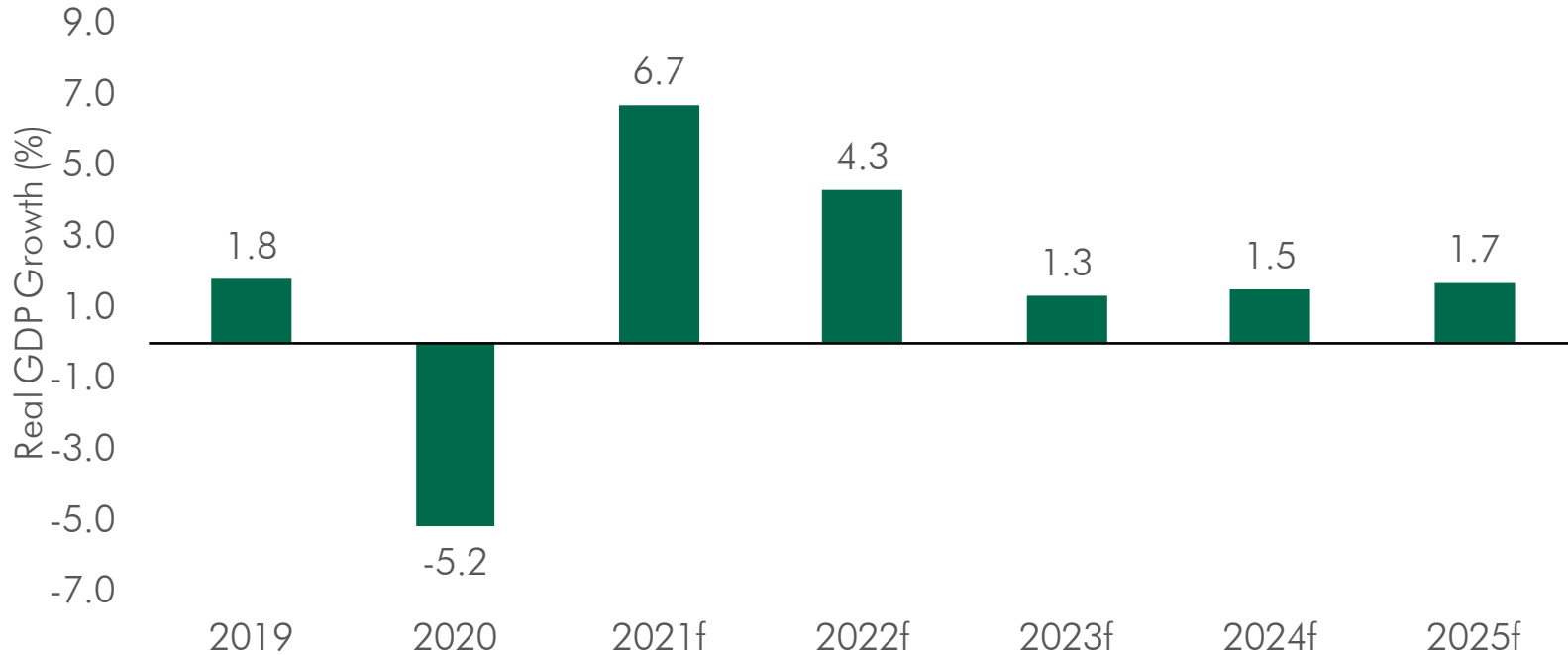
- ▼ Additional lockdowns/infection waves
- ▼ Reimplementation of border restrictions
- ▼ ADR discounting
- ▼ Significant labour shortages
- ▼ Poor Group/Conference pick up
- ▼ New variants which vaccines aren't effective against
- ▼ Global vaccination may not be achieved until 2026
- ▼ Economic recession
- ▼ Rapid inflation
- ▲ Corporate & Government travel returns more quickly than expected
- ▲ Canadian travelers continue to stay within the country for the bulk of their travel
- ▲ Occupancy compression drives higher ADR yield
- ▲ Reduction or removal of gathering limitations driving larger groups



NATIONAL VISITATION & ECONOMIC TRENDS



Canadian GDP Growth Forecast



Source: Conference Board of Canada, August 2021

NATIONAL TRAVEL MARKET OUTLOOK

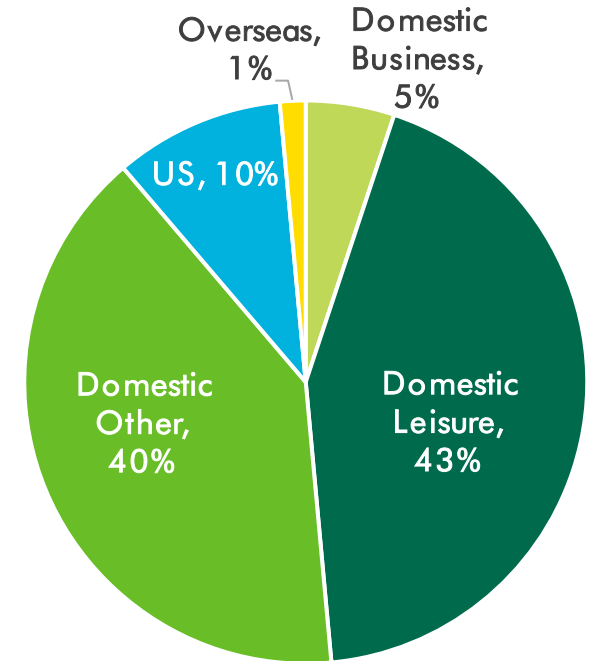
National Overnight Visits, 2021-2024F (000s)

| | 2019 | 2020E | 2021F | 2022F | 2023F | 2024F |
|-------------------------------|----------------|---------------|---------------|----------------|----------------|----------------|
| Domestic – Business | 8,479 | 3,902 | 4,632 | 6,684 | 7,691 | 7,925 |
| | | -54.0% | 18.7% | 44.3% | 15.1% | 3.0% |
| Domestic – Leisure | 37,975 | 34,717 | 39,514 | 42,143 | 42,345 | 43,262 |
| | | -8.6% | 13.8% | 6.7% | 0.5% | 2.2% |
| Domestic – Other | 48,961 | 29,327 | 36,575 | 45,141 | 50,195 | 51,375 |
| | | -40.1% | 24.7% | 23.4% | 11.2% | 2.3% |
| US | 16,577 | 2,105 | 8,875 | 13,842 | 16,622 | 17,143 |
| | | -87.3% | 321.5% | 56.0% | 20.1% | 3.1% |
| Overseas | 9,407 | 1,361 | 1,343 | 4,569 | 8,293 | 9,437 |
| | | -85.5% | -1.3% | 240.2% | 81.5% | 13.8% |
| Total Overnight Visits | 121,399 | 71,412 | 90,938 | 112,378 | 125,146 | 129,142 |
| | | -41.2% | 27.3% | 23.6% | 11.4% | 3.2% |

Source: Conference Board of Canada, July/August 2021

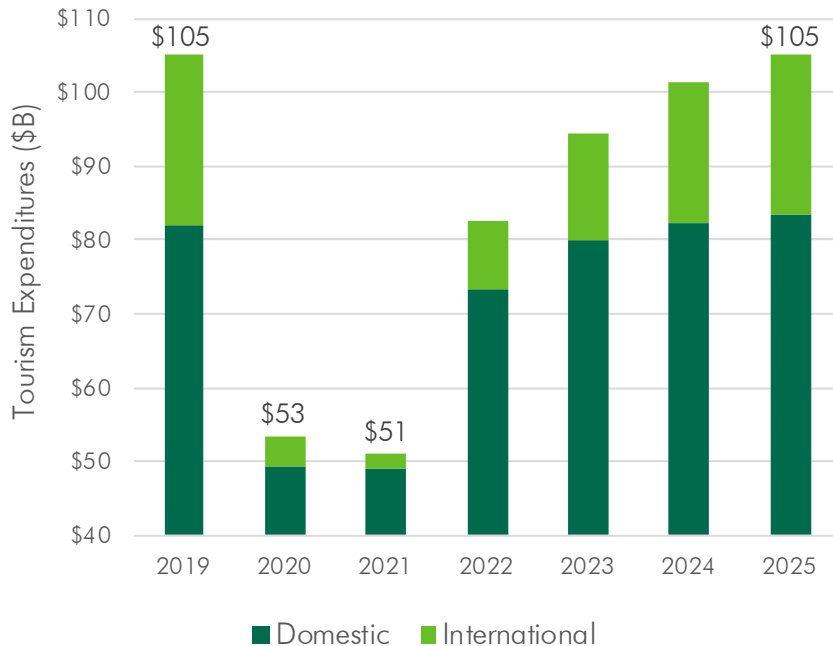
Source: CBRE Hotels' Trends in the Hotel Industry National Market with reproduction and use of information subject to CBRE Limited Disclaimer | Terms of Use as detailed at <https://www.cbre.ca/en/real-estate-services/business-lines/valuation-and-advisory-services/hotels-valuation-and-advisory-services/disclaimer>

Overnights Visits to Canada by Origin - 2021F

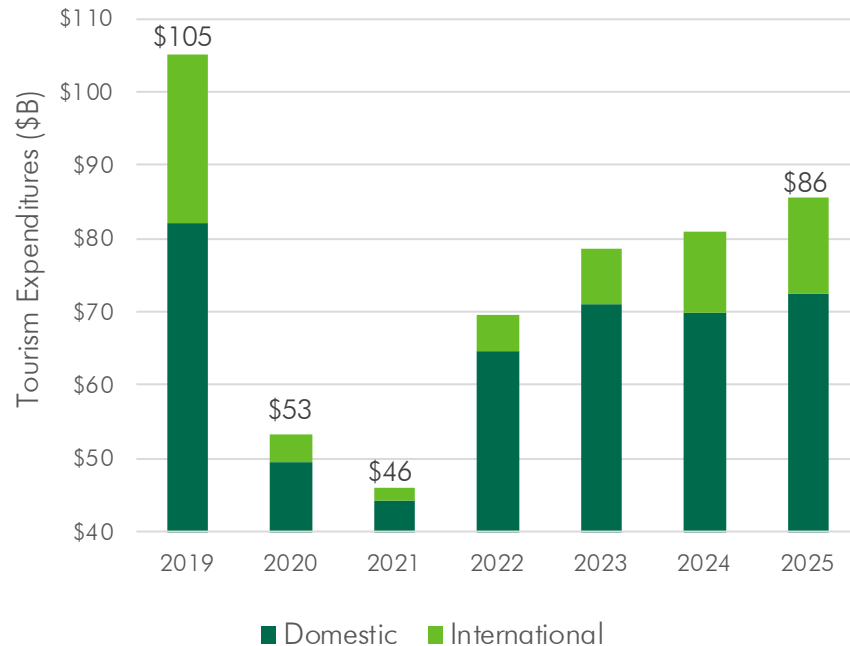


CANADIAN TOURISM REVENUE RECOVERY FORECAST

Total Tourism Expenditures Forecast (\$B)
Current Conditions



Total Tourism Expenditures Forecast (\$B)
Poor Conditions

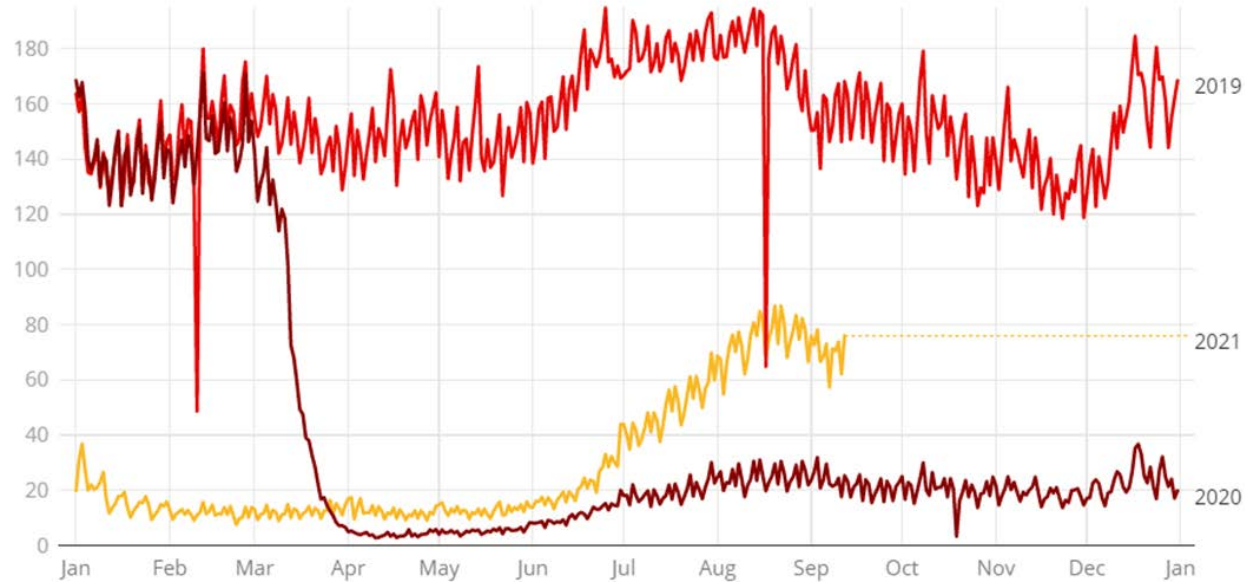


Source: Destination Canada Research, May 2021

AIR PASSENGER TRAFFIC 2019 – YTD 2021

CANADA'S 8 LARGEST AIRPORTS (COMBINED. INCLUDES YYC AND YEG)

Air Passenger Traffic



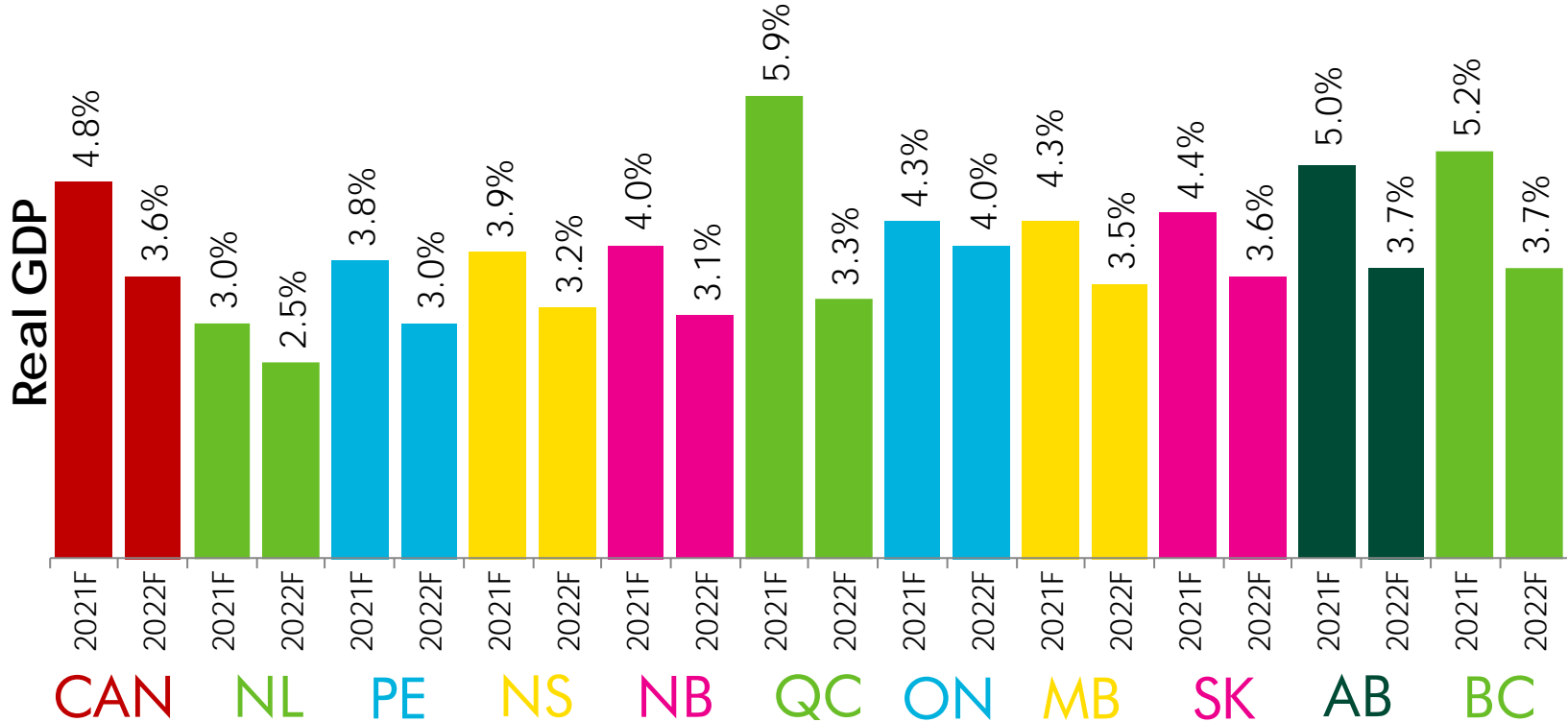
CBC NEWS

Source: Screened passenger data at eight largest airports, CATSA



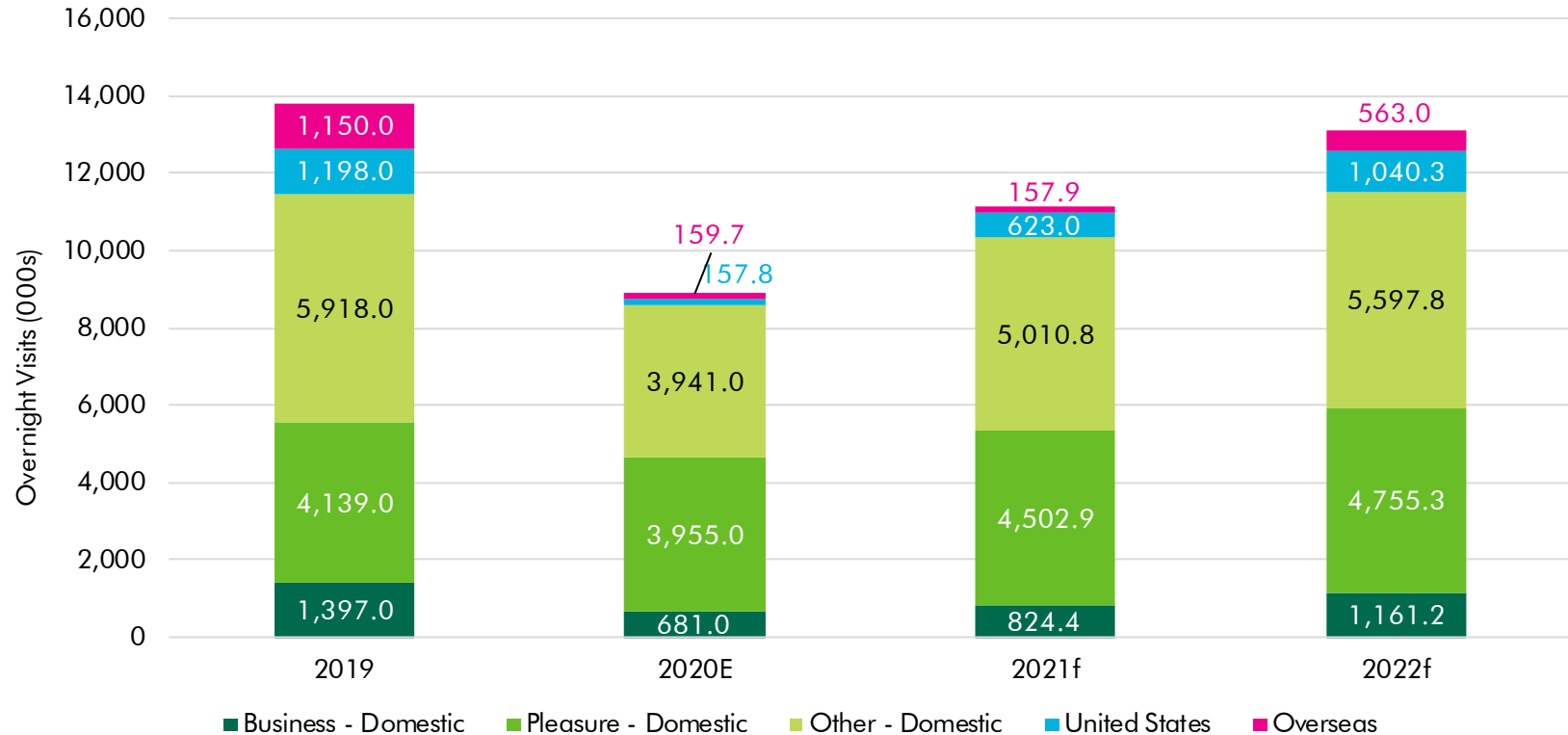
ALBERTA OUTLOOK

2021-2022 REAL GDP FORECAST BY PROVINCE



Source: Scotiabank's Forecast Tables, September 9, 2021

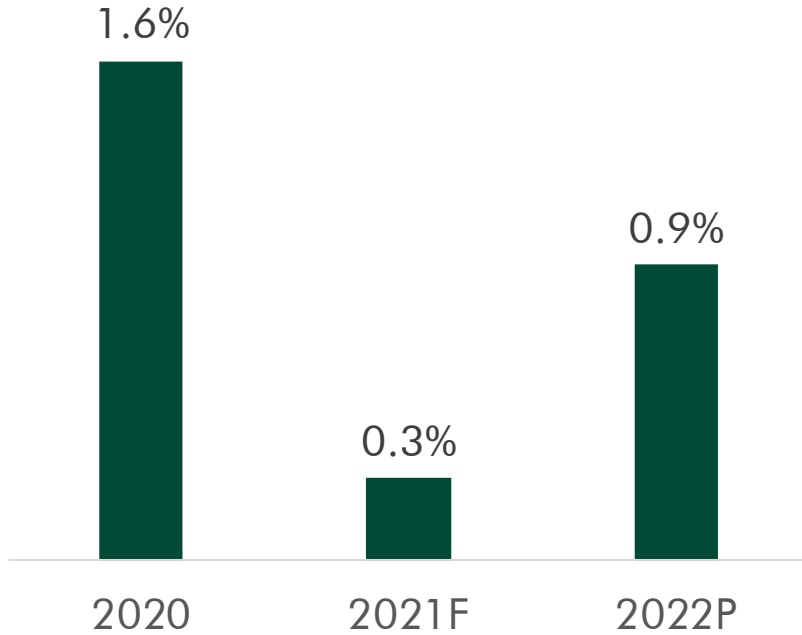
ALBERTA TRAVEL MARKET OUTLOOK



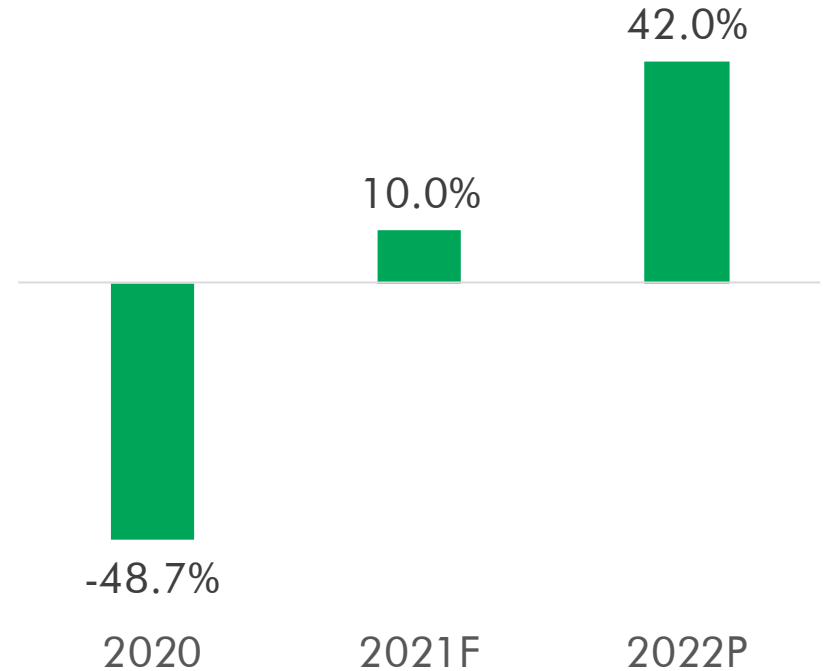
Source: The Conference Board of Canada, August 2021

ALBERTA SUPPLY AND DEMAND OUTLOOK

Supply Change



Demand Change



ALBERTA YTD ACCOMMODATION PERFORMANCE*

| 2020 | YTD July | July (Month) | August (Month) |
|------------|----------|--------------|----------------|
| Occupancy | 30% | 29% | 36% |
| ADR | \$115 | \$107 | \$109 |
| RevPAR | \$34 | \$32 | \$66 |
| 2021 | YTD July | July | August (est.) |
| Occupancy | 30% | 50% | 59% |
| ADR | \$104 | \$115 | \$112 |
| RevPAR | \$31 | \$58 | \$66 |
| YoY Change | YTD July | July | August (est.) |
| Occupancy | 0pts | 21pts | 24pts |
| ADR | -9.5% | 7.0% | 1.6% |
| RevPAR | -8.7% | 82.7% | 71.3% |

Source: CBRE Hotels

* Excludes Alberta Resorts



ALBERTA HISTORIC “TOP LINE” RESULTS COMPARISON

| | | 2020 (Full Year) | 2020 YTD Jan-July | 2021 YTD Jan-July |
|----------------|--------|---------------------|----------------------|----------------------|
| Grande Prairie | Occ | 38% | 36% | 40% |
| | ADR | \$128 | \$128 | \$117 |
| | RevPAR | \$49 | \$46 | \$47 |
| Red Deer | Occ | 22% | 21% | 26% |
| | ADR | \$97 | \$100 | \$90 |
| | RevPAR | \$21 | \$21 | \$23 |
| Lethbridge | Occ | 28% | 27% | 29% |
| | ADR | \$96 | \$100 | \$95 |
| | RevPAR | \$27 | \$27 | \$27 |
| Medicine Hat | Occ | 36% | 31% | 34% |
| | ADR | \$102 | \$104 | \$99 |
| | RevPAR | \$37 | \$33 | \$34 |
| Other Alberta | Occ | 35% | 32% | 36% |
| | ADR | \$109 | \$110 | \$108 |
| | RevPAR | \$38 | \$37 | \$39 |

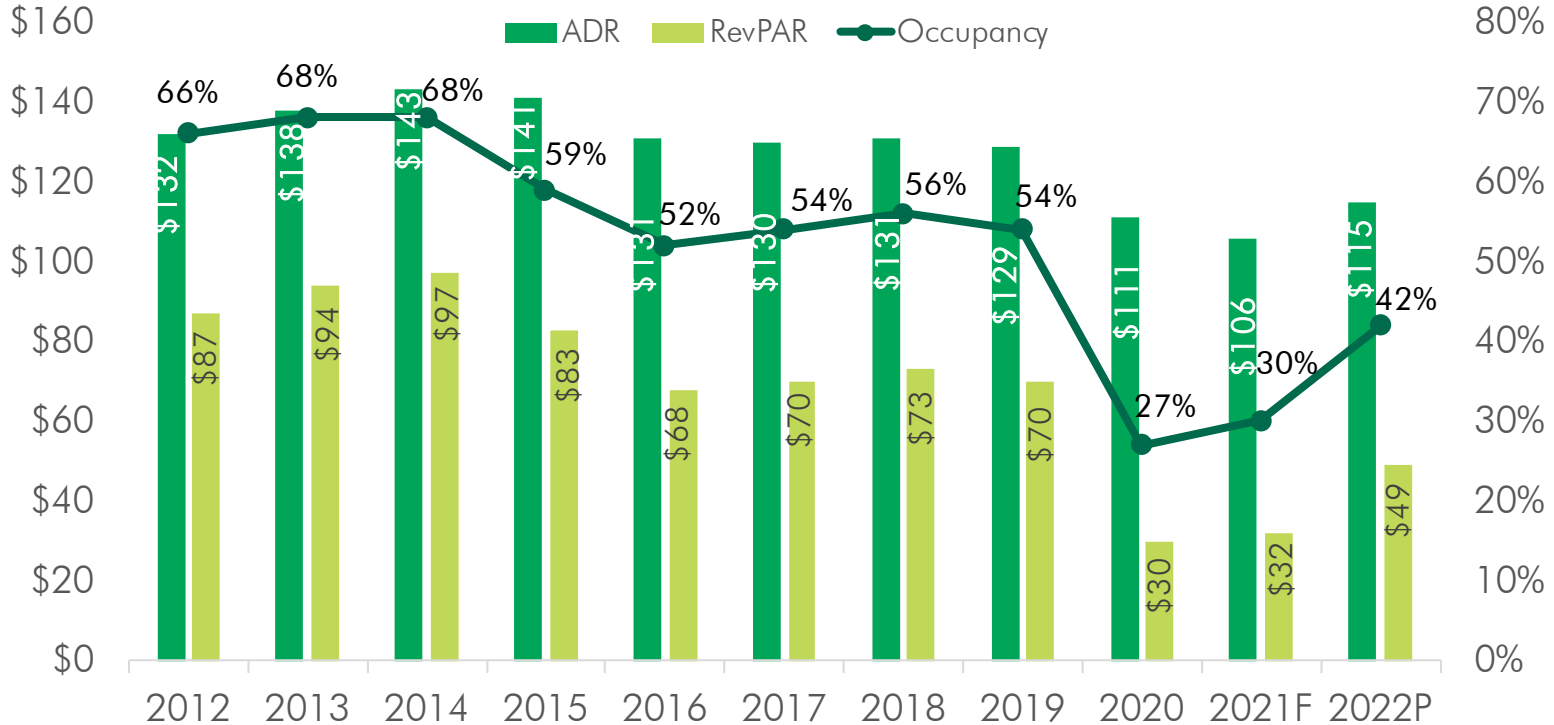
Source: CBRE Hotels

ALBERTA 2019-2022 ADR, REVPAR OUTLOOK (EXCL RESORTS)

| Demand Growth | | ADR Growth | | RevPAR Growth | |
|-----------------|--------|-----------------|--------|-----------------|--------|
| 2020 Actual | -48.7% | 2020 Actual | -14.2% | 2020 Actual | -56.7% |
| 2021 Forecast | 10.0% | 2021 Forecast | -4.0% | 2021 Forecast | 5.3% |
| 2022 Projection | 42.0% | 2022 Projection | 8.0% | 2022 Projection | 51.9% |

| | 2019 | 2020 | 2021 F | 2022 P |
|-----------|-------|-------|--------|--------|
| Occupancy | 54% | 27% | 30% | 42% |
| ADR | \$129 | \$111 | \$106 | \$115 |
| RevPAR | \$70 | \$30 | \$32 | \$49 |

ALBERTA TOP LINE HISTORY & FORECAST

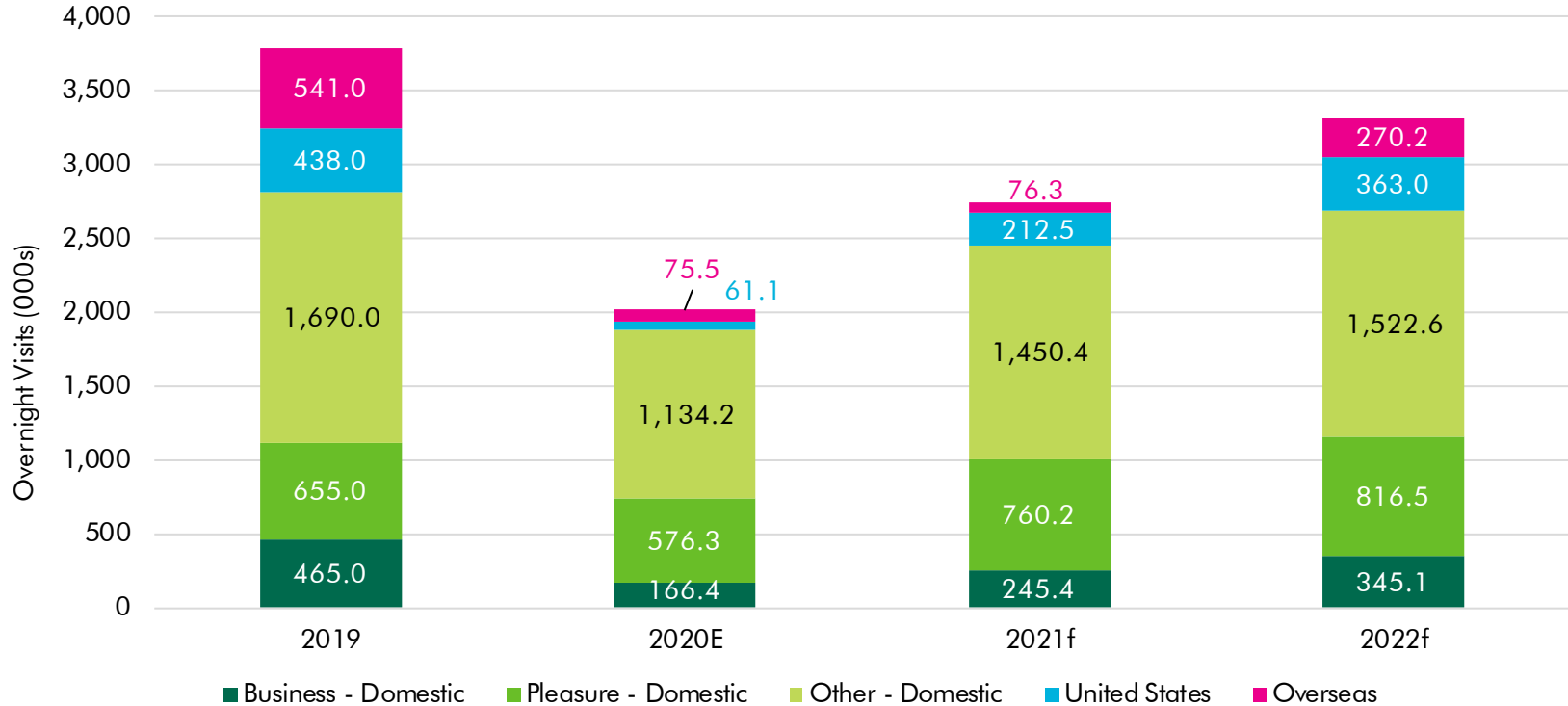


Source: CBRE Hotels



CALGARY & EDMONTON

CALGARY TRAVEL MARKET OUTLOOK



Source: The Conference Board of Canada, August 2021

CALGARY DEMAND FACTORS - 2022



Downtown and suburban office vacancy worsens, but there are signs of life going forward



Industrial absorption peaking and new industrial development dominating non-residential construction



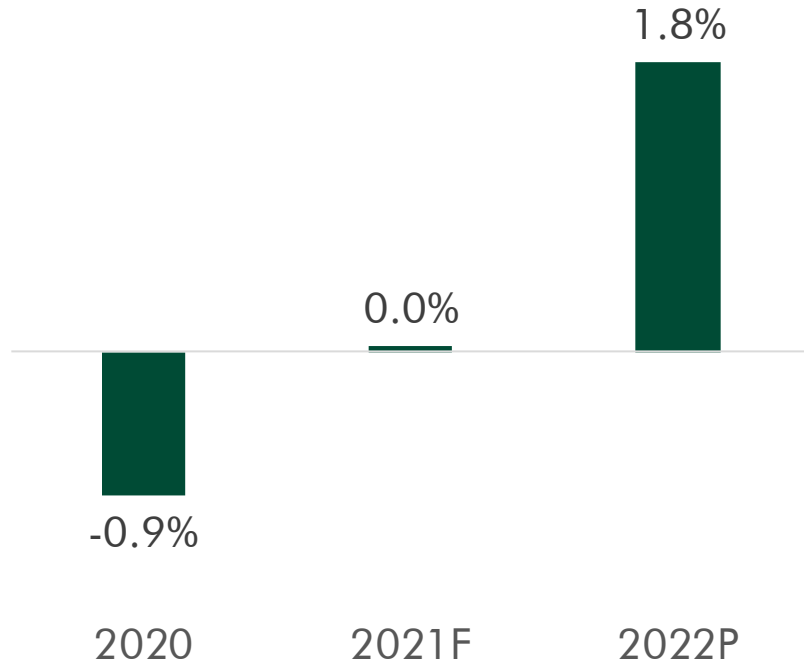
Air passenger volumes are increasing (predominantly domestic travel)



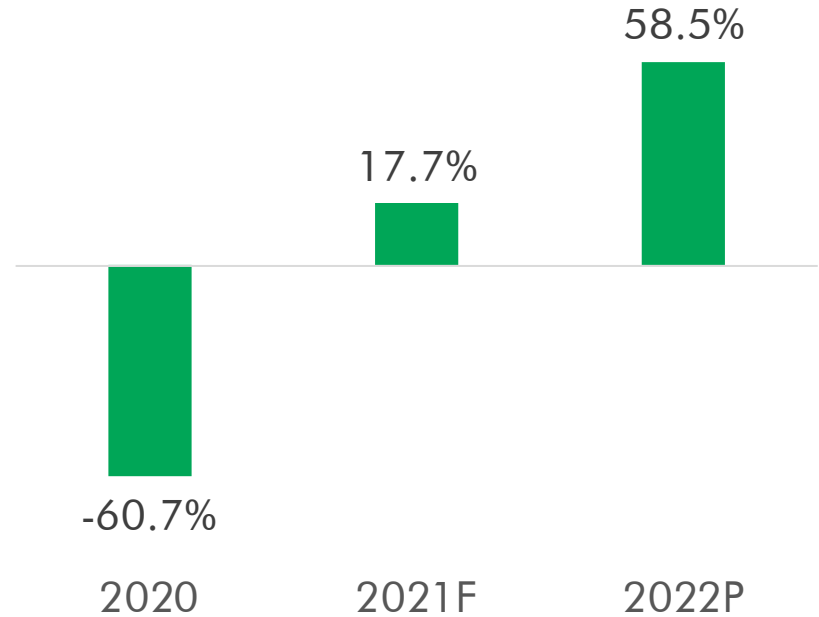
Events start to return (Concerts, sports, trade shows)

CALGARY SUPPLY AND DEMAND OUTLOOK

Supply Change



Demand Change



CALGARY YTD PERFORMANCE

| 2020 | YTD July | July (Month) | August (Month) |
|------------|----------|--------------|----------------|
| Occupancy | 28% | 23% | 29% |
| ADR | \$122 | \$104 | \$104 |
| RevPAR | \$34 | \$24 | \$30 |
| 2021 | YTD July | July | August (est.) |
| Occupancy | 26% | 52% | 63% |
| ADR | \$112 | \$131 | \$130 |
| RevPAR | \$29 | \$68 | \$82 |
| YoY Change | YTD July | July | August (est.) |
| Occupancy | -2pts | 29pts | 34pts |
| ADR | -8.0% | 26.0% | 25.0% |
| RevPAR | -16.2% | 181.8% | 173.3% |

Source: CBRE Hotels

CALGARY 2019-2022 ADR, REVPAR OUTLOOK

Demand Growth

| | |
|-----------------|--------|
| 2020 Actual | -60.7% |
| 2021 Forecast | 17.7% |
| 2022 Projection | 58.5% |

ADR Growth

| | |
|-----------------|--------|
| 2020 Actual | -22.4% |
| 2021 Forecast | -1.2% |
| 2022 Projection | 9.1% |

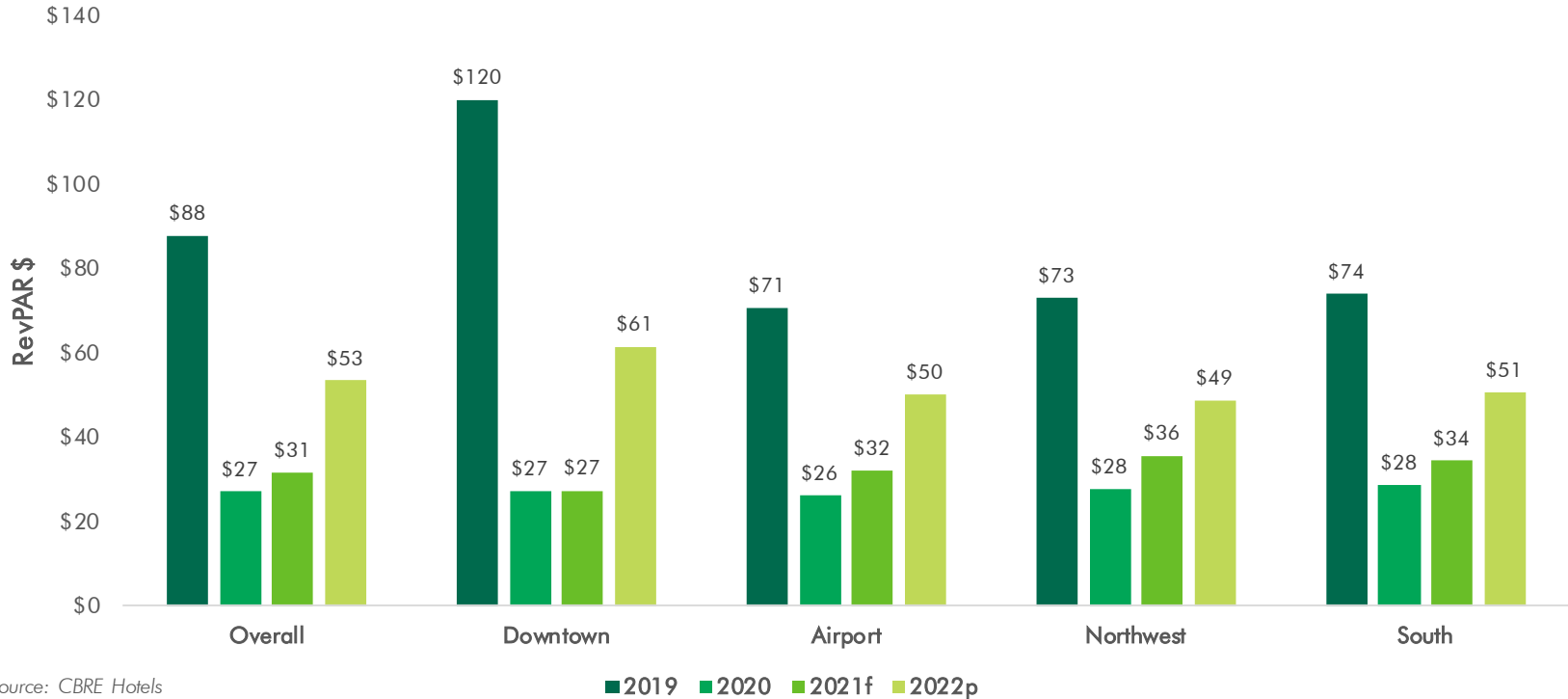
RevPAR Growth

| | |
|-----------------|--------|
| 2020 Actual | -69.2% |
| 2021 Forecast | 16.3% |
| 2022 Projection | 69.7% |

| | 2019 | 2020 | 2021 F | 2022 P |
|-----------|-------|-------|--------|--------|
| Occupancy | 61% | 24% | 28% | 44% |
| ADR | \$145 | \$113 | \$111 | \$121 |
| RevPAR | \$88 | \$27 | \$31 | \$53 |

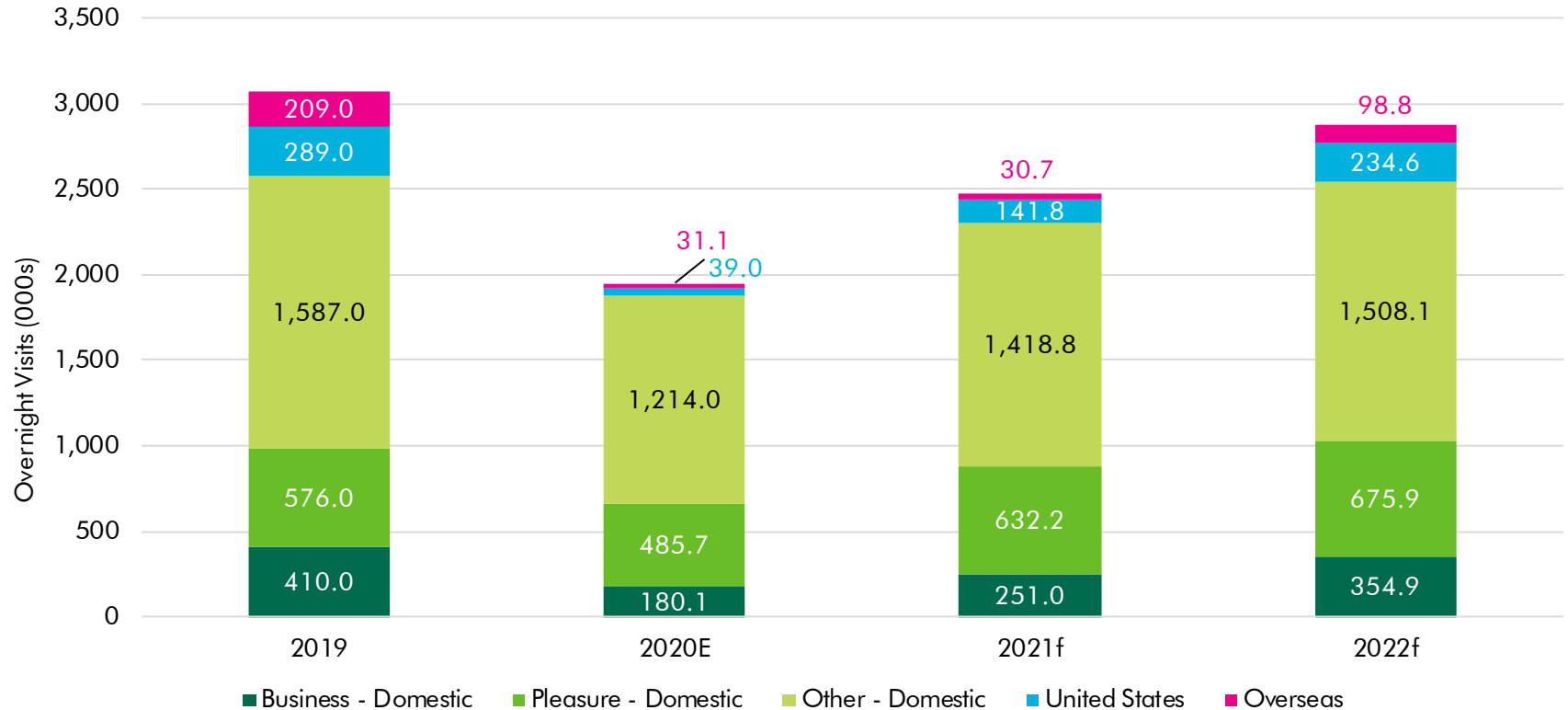
CALGARY SUBMARKETS REVPAR PERFORMANCE

Calgary Submarkets RevPAR Performance 2019-22



Source: CBRE Hotels

EDMONTON TRAVEL MARKET OUTLOOK



Source: The Conference Board of Canada, August 2021

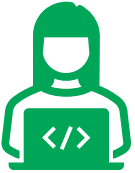
EDMONTON DEMAND FACTORS - 2022



Office absorption starting to improve, primarily in suburban markets.



Energy output in central and northern Alberta boosting industrial activity in and around metro Edmonton



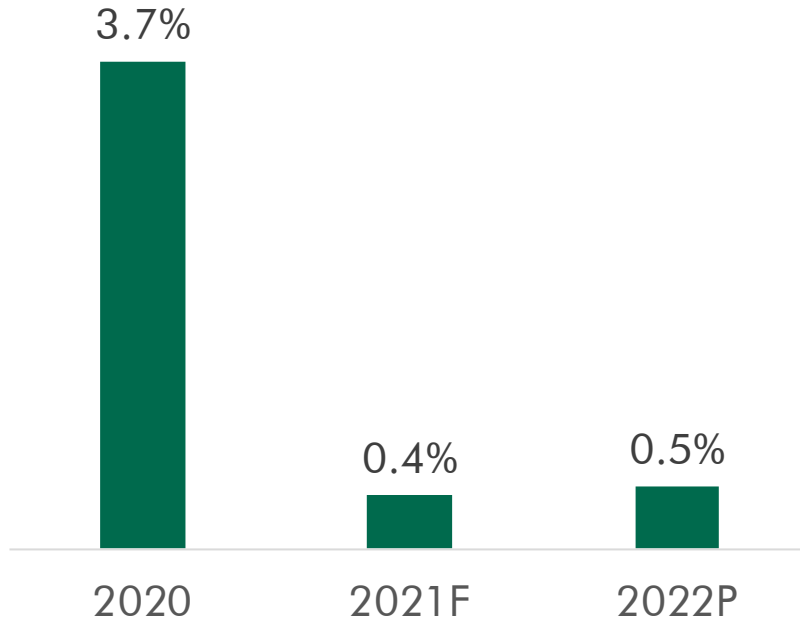
Employment growth boosts consumer confidence (but unemployment still above pre-pandemic levels)



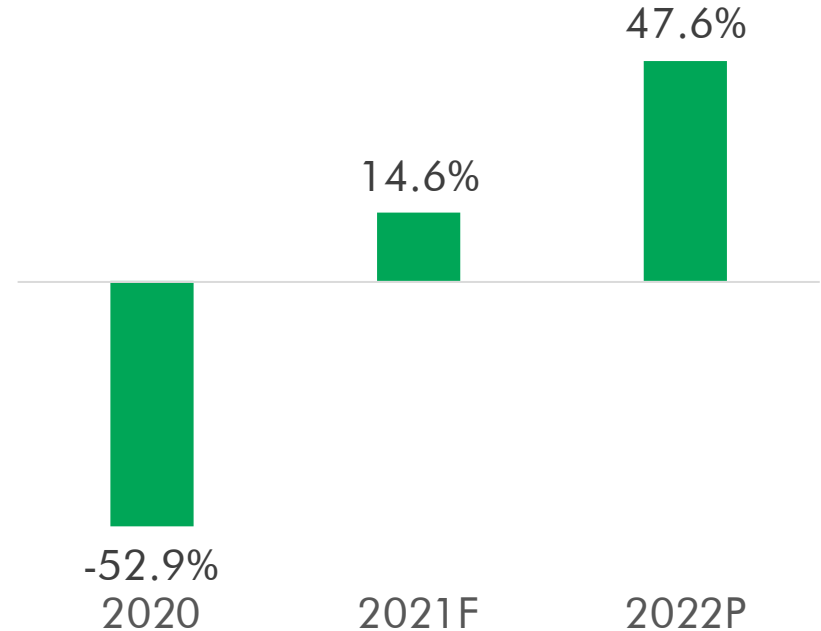
Transborder and International air arrivals to return in 2022

EDMONTON SUPPLY AND DEMAND OUTLOOK

Supply Change



Demand Change



EDMONTON YTD PERFORMANCE

| 2020 | YTD July | July (Month) | August (Month) |
|------------|----------|--------------|----------------|
| Occupancy | 30% | 27% | 34% |
| ADR | \$116 | \$111 | \$116 |
| RevPAR | \$35 | \$30 | \$39 |
| 2021 | YTD July | July | August (est.) |
| Occupancy | 28% | 45% | 57% |
| ADR | \$92 | \$98 | \$107 |
| RevPAR | \$26 | \$44 | \$61 |
| YoY Change | YTD July | July | August (est.) |
| Occupancy | -2pts | 18pts | 23pts |
| ADR | -20.5% | -11.7% | -7.8% |
| RevPAR | -25.0% | 45.4% | 56.4% |

Source: CBRE Hotels

EDMONTON 2019-2022 ADR, REVPAR OUTLOOK

Demand Growth

| | |
|-----------------|--------|
| 2020 Actual | -52.9% |
| 2021 Forecast | 14.6% |
| 2022 Projection | 47.6% |

ADR Growth

| | |
|-----------------|--------|
| 2020 Actual | -14.1% |
| 2021 Forecast | -12.9% |
| 2022 Projection | 11.6% |

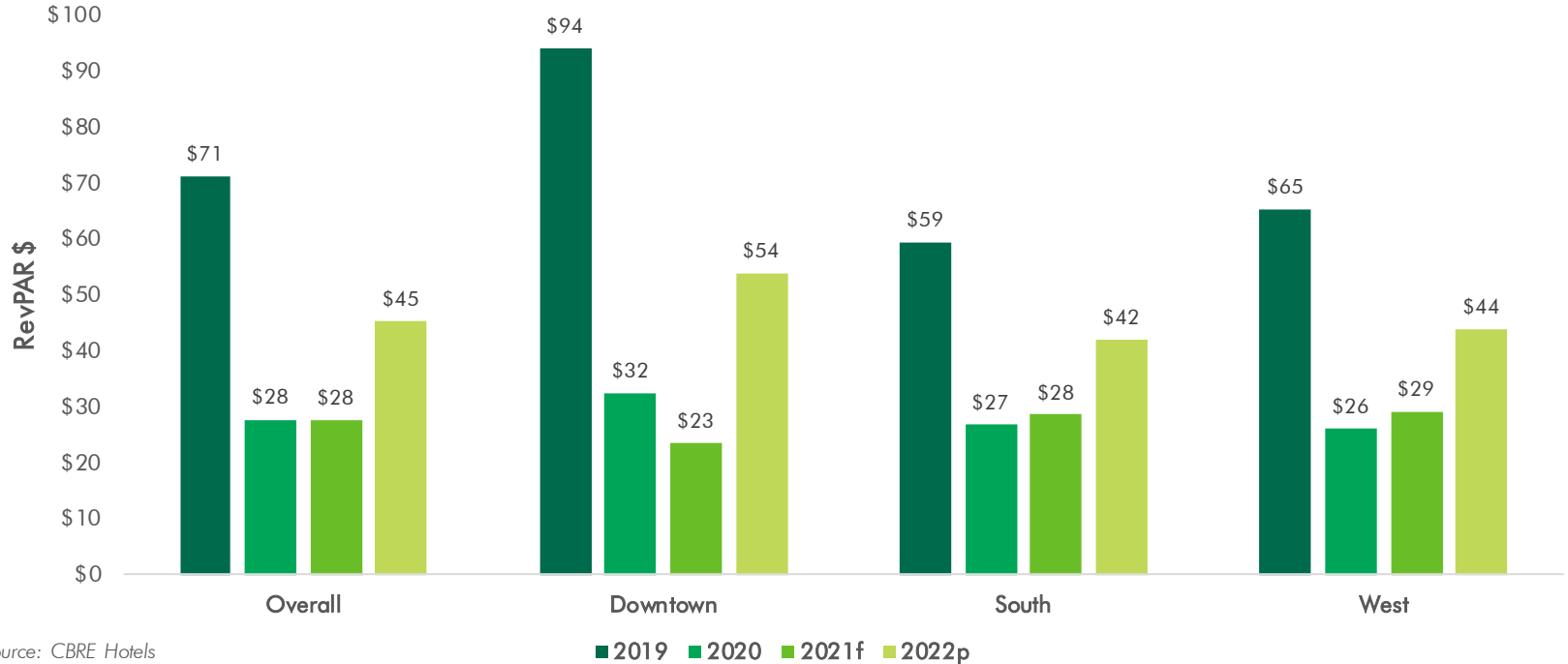
RevPAR Growth

| | |
|-----------------|--------|
| 2020 Actual | -61.0% |
| 2021 Forecast | -0.6% |
| 2022 Projection | 63.9% |

| | 2019 | 2020 | 2021 F | 2022 P |
|-----------|-------|-------|--------|--------|
| Occupancy | 56% | 26% | 29% | 43% |
| ADR | \$127 | \$109 | \$95 | \$106 |
| RevPAR | \$71 | \$28 | \$28 | \$45 |

EDMONTON SUBMARKETS REVPAR PERFORMANCE

Edmonton Submarkets RevPAR Performance 2019-22

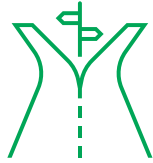


Source: CBRE Hotels

ALBERTA RESORTS PERFORMANCE

| 2020 | YTD July | July (Month) |
|------------|----------|--------------|
| Occupancy | 37% | 51% |
| ADR | \$231 | \$264 |
| RevPAR | \$86 | \$136 |
| 2021 | YTD July | July |
| Occupancy | 32% | 54% |
| ADR | \$257 | \$364 |
| RevPAR | \$82 | \$195 |
| YoY Change | YTD July | July |
| Occupancy | -5pts | 3pts |
| ADR | 11.1% | 37.6% |
| RevPAR | -4.1% | 43.8% |

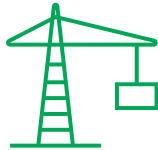
Source: CBRE Hotels



Alternate Use



Investment/Acquisition



New Development



ANOI Recovery

ALBERTA TRANSACTIONS (2020 & 2021 YTD)

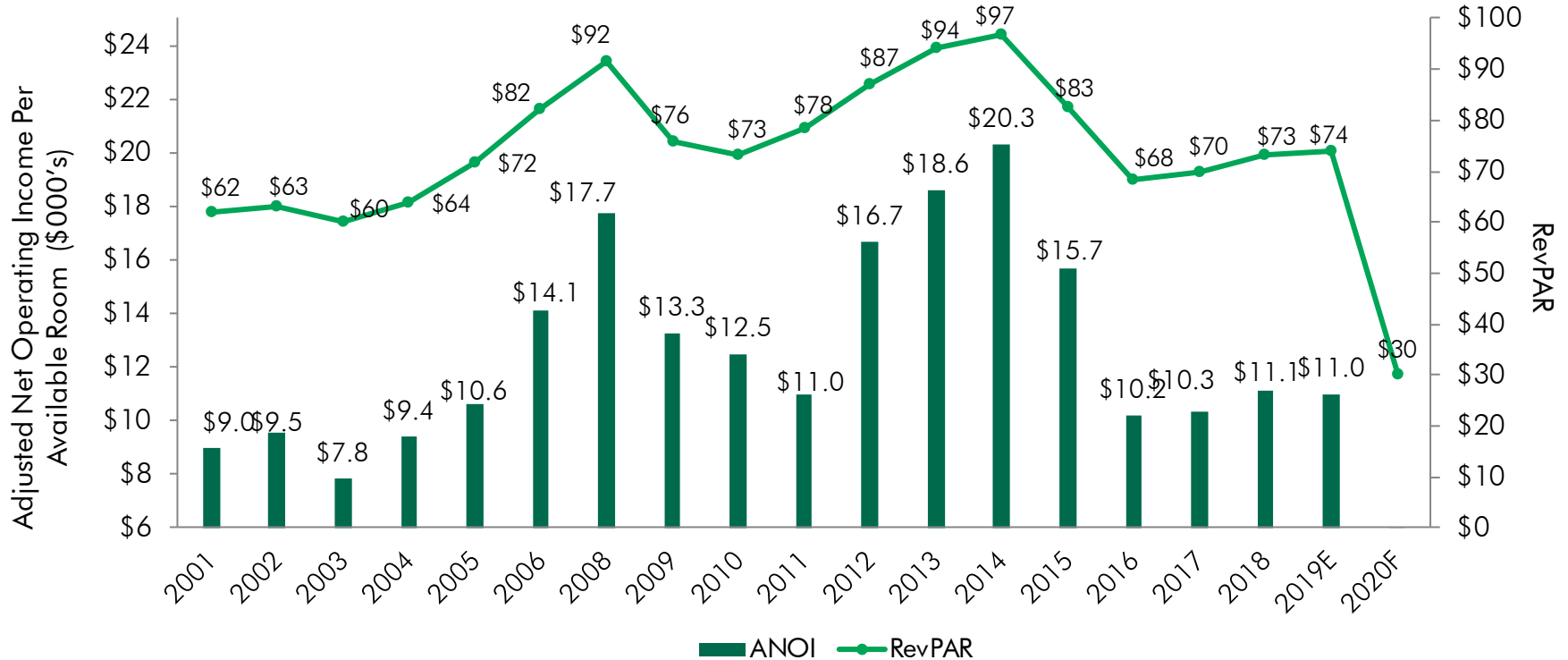
| | # Trades |
|-----------------------------|-----------|
| Traditional Sale | 16 |
| Portfolio | 5 |
| Receivership | 4 |
| Conversion to Alternate Use | 4 |
| Share Sale | 1 |
| Distress - Court Order | 1 |
| Total | 31 |

Source: CBRE Hotels

ANOI KEY CHALLENGES

- ADR
- Staffing Levels
- Labour rates
- End of government support programmes
- Insurance premiums
- Food and beverage costs
- Cleaning protocols
- Rapid inflation

ALBERTA HISTORIC FINANCIAL PERFORMANCE



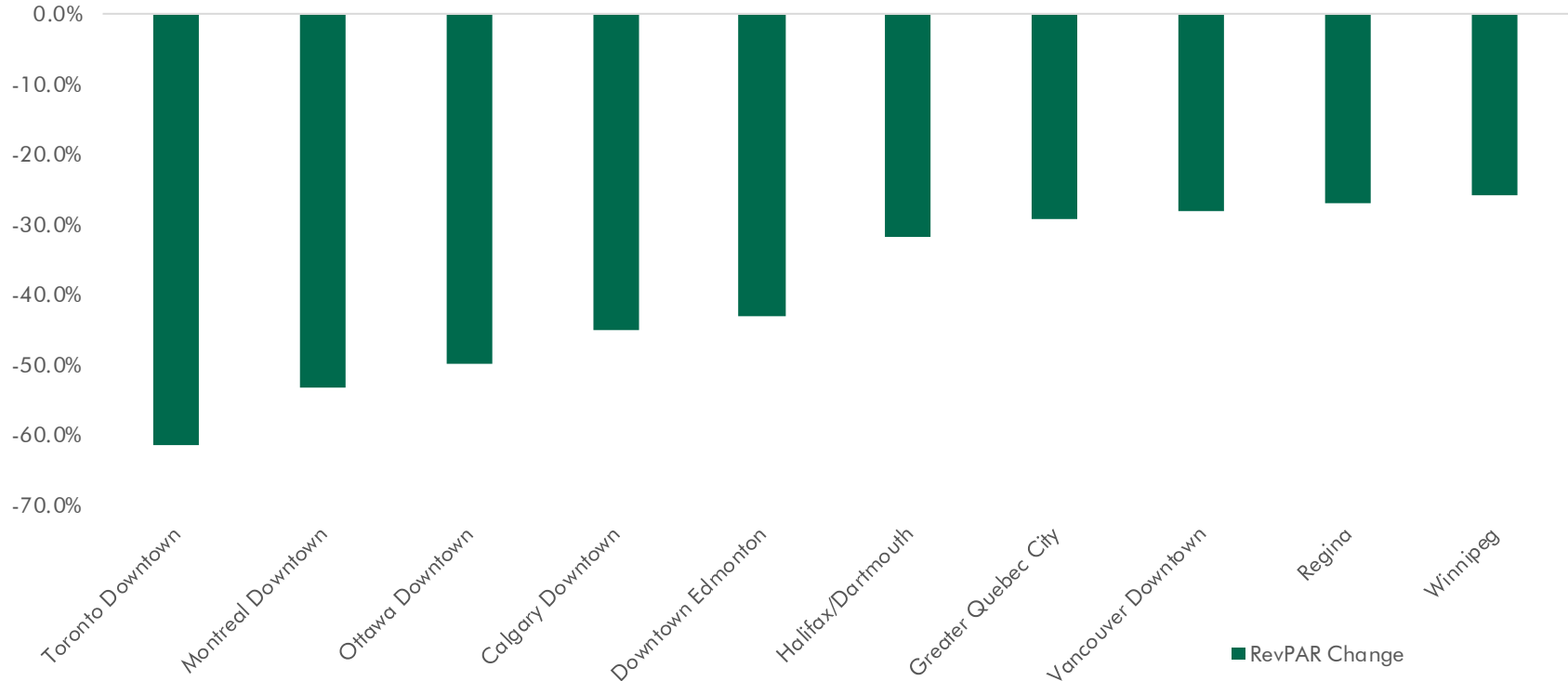
NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.
Source: CBRE Hotels



NATIONAL OUTLOOK

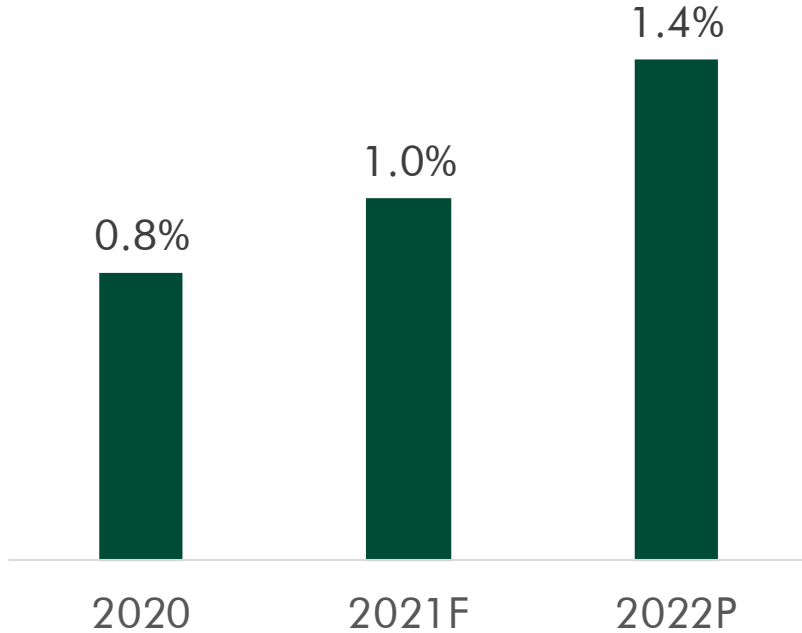
MOST IMPACTED MARKETS BY REVPAR

Most Impacted Markets (RevPar) - YTD July 2021 YOY

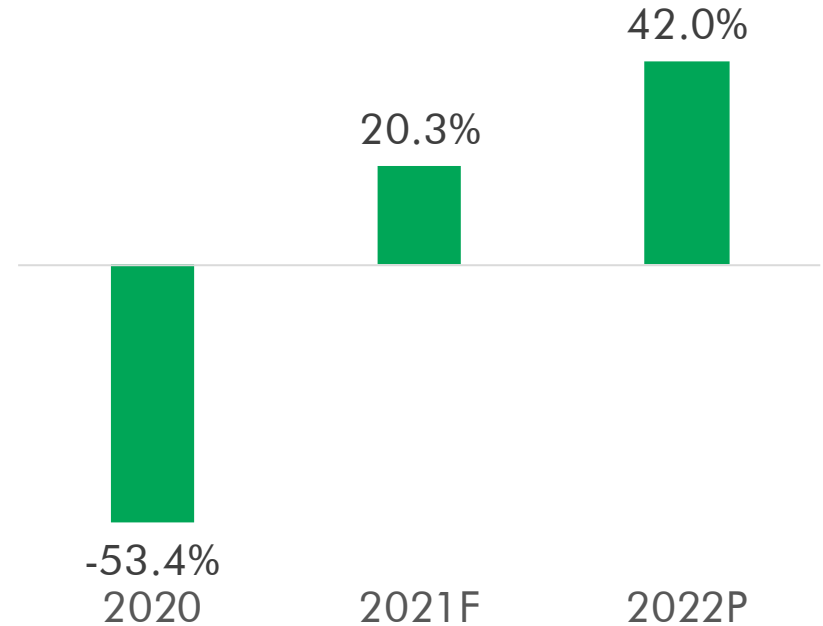


NATIONAL SUPPLY AND DEMAND OUTLOOK

Supply Change



Demand Change



NATIONAL ADR, REVPAR OUTLOOK

Demand Growth

| | |
|-----------------|--------|
| 2020 Actual | -53.4% |
| 2021 Forecast | 20.3% |
| 2022 Projection | 42.0% |

ADR Growth

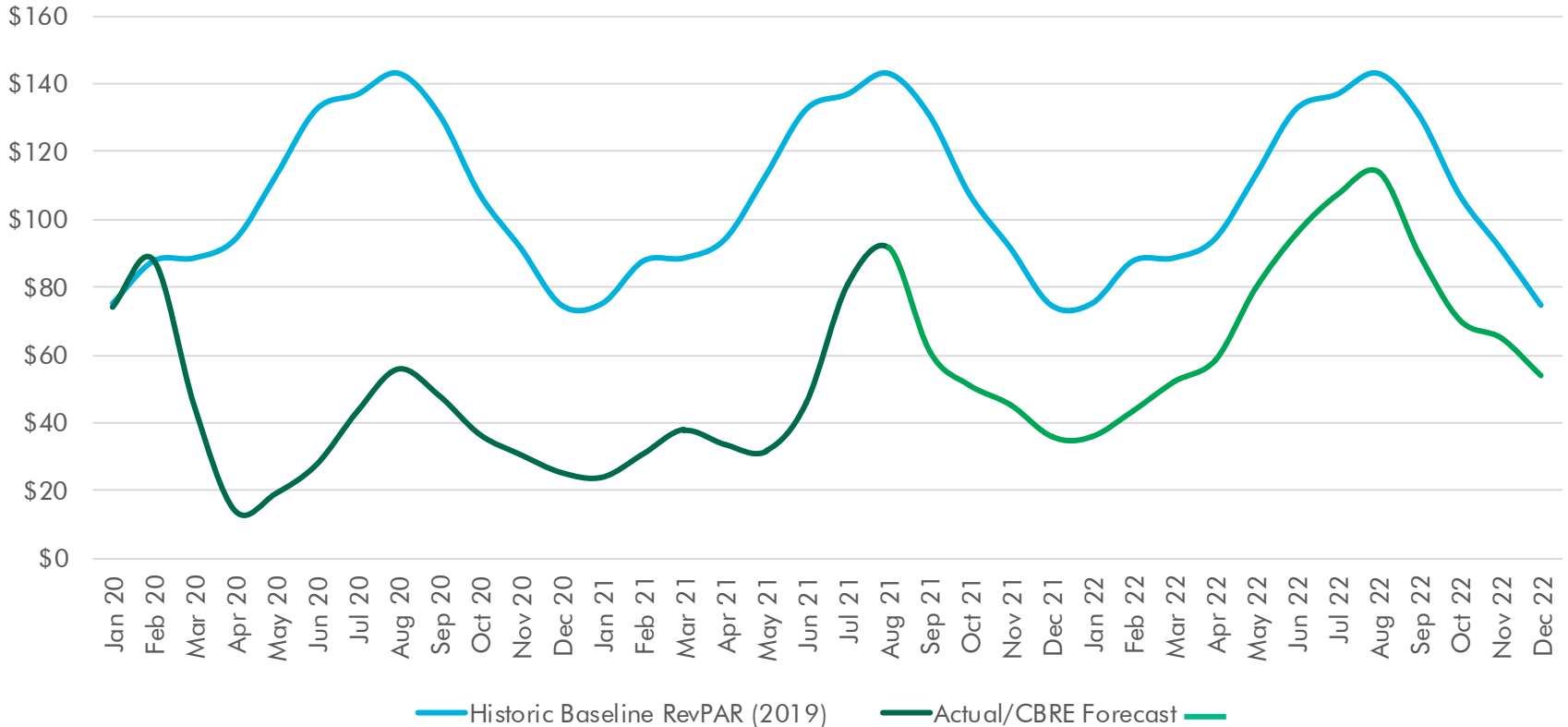
| | |
|-----------------|--------|
| 2020 Actual | -21.4% |
| 2021 Forecast | 2.6% |
| 2022 Projection | 9.2% |

RevPAR Growth

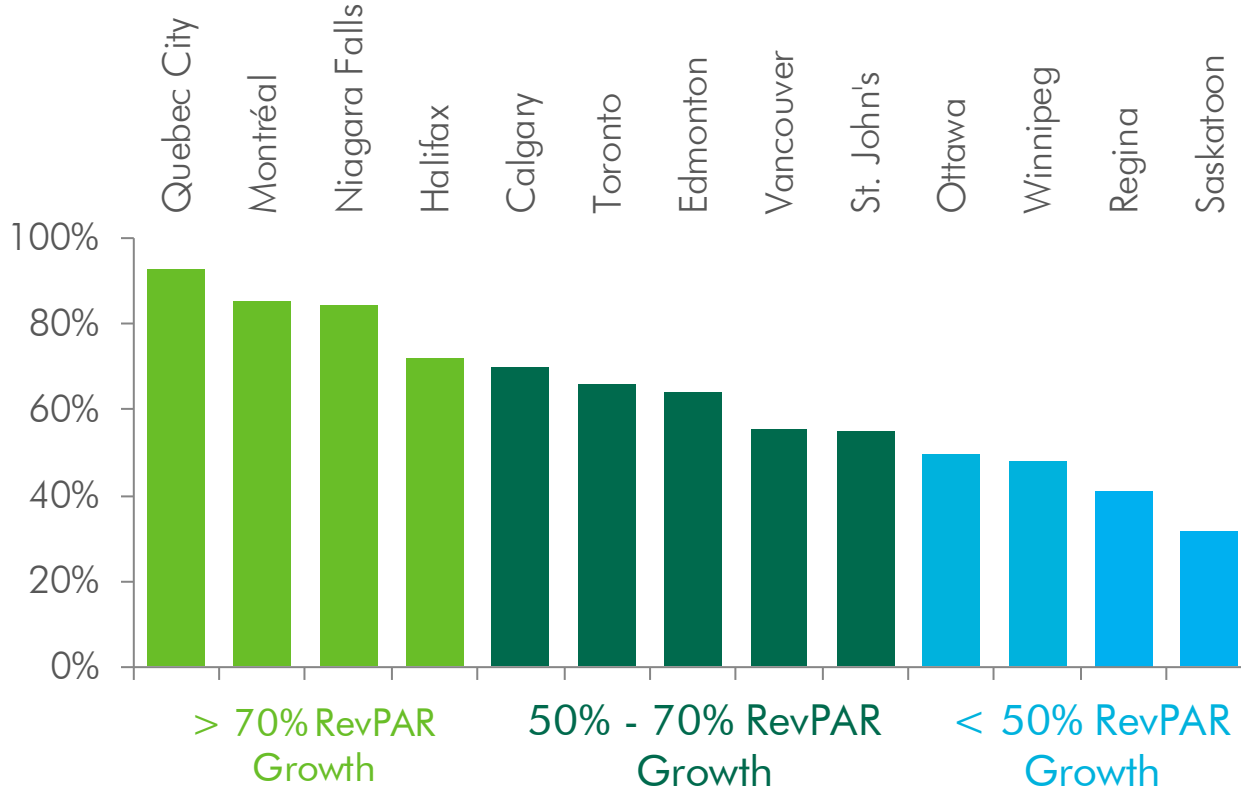
| | |
|-----------------|--------|
| 2020 Actual | -63.7% |
| 2021 Forecast | 22.2% |
| 2022 Projection | 52.8% |

| | 2019 | 2020 | 2021 F | 2022 P |
|-----------|-------|-------|--------|--------|
| Occupancy | 65% | 30% | 36% | 50% |
| ADR | \$163 | \$128 | \$132 | \$144 |
| RevPAR | \$106 | \$39 | \$47 | \$72 |

THE CANADIAN REVPAR HISTORIC TREND & OUTLOOK



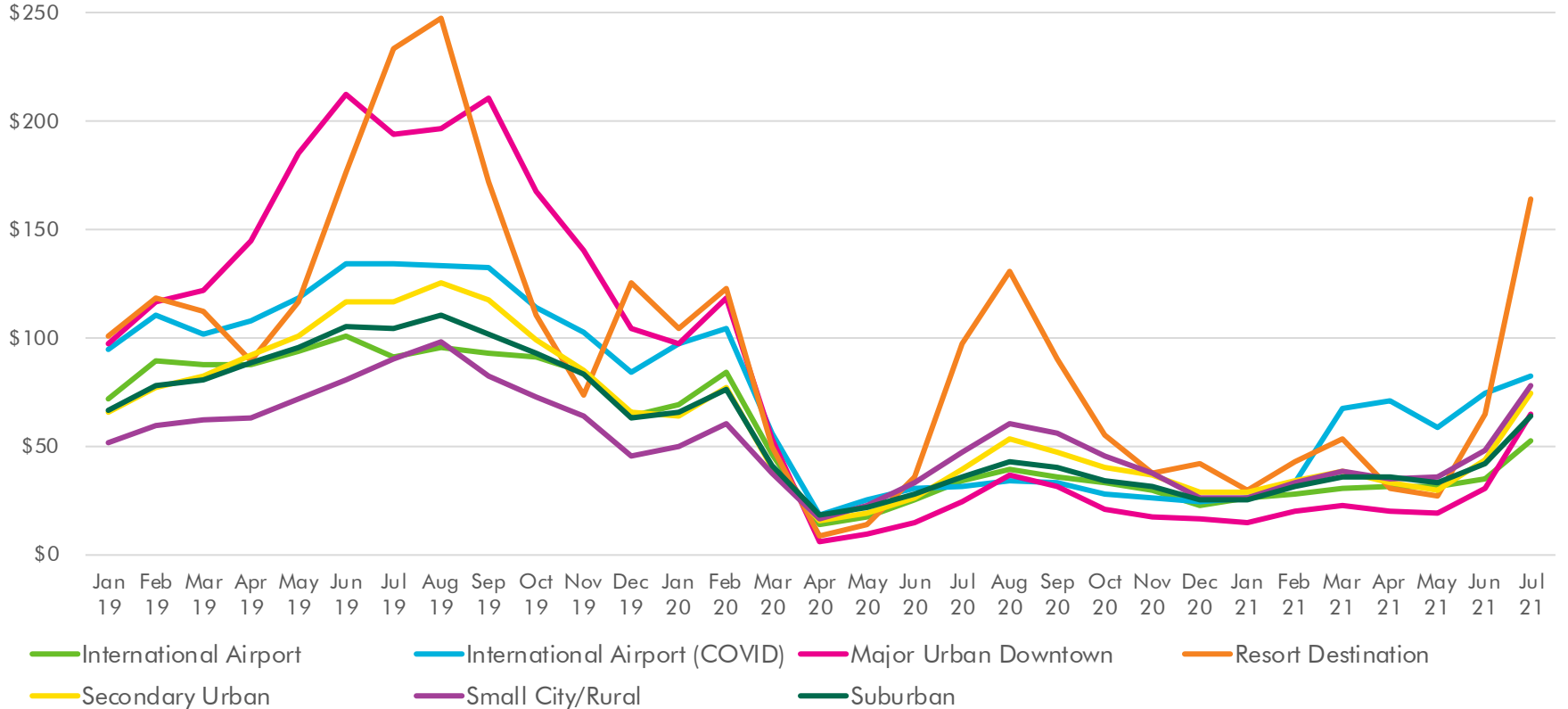
2022 MAJOR MARKET OUTLOOKS REVPAR PROJECTION



| 2022 RevPAR Ranking | |
|---------------------|------|
| Vancouver | \$97 |
| Quebec City | \$92 |
| Niagara Falls | \$87 |
| Montréal | \$79 |
| Toronto | \$78 |
| Ottawa | \$66 |
| Halifax | \$64 |
| Winnipeg | \$54 |
| St. John's | \$54 |
| Calgary | \$53 |
| Saskatoon | \$51 |
| Edmonton | \$45 |
| Regina | \$44 |

*"Major Markets" refer to Greater Metro Areas

CANADIAN REVPAR RECOVERY BY PROPERTY LOCATION



2021-2025 CANADIAN OUTLOOK

Actual Results

| | Occ | ADR | RevPAR | Supply | Demand | Occ | ADR | RevPAR |
|-------|-----|-------|--------|--------|--------|---------|------|--------|
| 2019 | 65% | \$163 | \$106 | 1.4% | 1% | -1 pts | 5% | 5% |
| 2020* | 30% | \$128 | \$39 | 0.8% | -48% | -35 pts | -21% | -64% |

Outlook

| | Occ | ADR | RevPAR | Supply | Demand | Occ | ADR | RevPAR |
|------|-----|-------|--------|--------|--------|--------|-----|--------|
| 2021 | 36% | \$132 | \$47 | 1.0% | 20% | 6 pts | 3% | 22% |
| 2022 | 50% | \$144 | \$72 | 1.4% | 42% | 14 pts | 9% | 53% |
| 2023 | 59% | \$153 | \$90 | 2.0% | 19% | 9 pts | 7% | 24% |
| 2024 | 63% | \$161 | \$102 | 0.6% | 8% | 4 pts | 5% | 13% |
| 2025 | 65% | \$166 | \$107 | 0.7% | 3% | 2 pts | 3% | 6% |

* 2020 performance has been annualized to reflect total inventory

- 2021 is a tough year for Alberta, but 2022 should improve
- Room demand will increase
- Imperative that ADR increases
- New construction will be minimal
- Additional receiverships are likely to happen, along with conversions to alternate use
- Bottom lines still significantly challenged



Q & A 



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