



Canada: 2009 Lodging Report

A Client Advisory of the Construction Pipeline & Forecast for New Hotel Openings



Lodging Development at Q4

• Canada's Total Construction Pipeline peaked in Q1 2008 at 265 projects/ 33,964 rooms. The Pipeline has declined each quarter since then, with Q4 ending at 237 projects/29,408 rooms. This is a total decline from the peak of 11% by projects and 13% by rooms.

• Unlike in other regions, Canada's Pipeline is not weighted at the front end, but spread out fairly evenly. Approximately 36% of total Pipeline projects are Under Construction, with another 38% of projects Scheduled to Start in the Next 12 Months.

• While lodging development has slowed due to the softening economy, lending for development in Canada is more available than in most other countries. Canada's banks are perhaps the strongest amongst developed economies. Underwriting is more conservative, government regulation is more pronounced, and investment banking is already part of the commercial banking system. Canada is the only G7 nation that has not yet needed to create an economic stimulus program for its banking system.

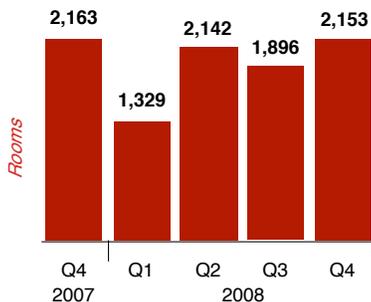
• The Pipeline is dominated by smaller-sized projects in the select service segments. It is easier to obtain financing for such construction, particularly with a globally recognized brand. 80% of all projects in the Pipeline are smaller than 200 rooms, with an overall average project size of 124 rooms. At 31% of total projects, the Midscale without Food & Beverage segment makes up a sizeable portion of the Pipeline, followed closely by Upscale (26%) and Economy (21%). There is also notable extended stay development in each of these chain scales. Contrary to the trend in other regions, Canada has less Independent development in the Pipeline. 84% of all projects have already selected a brand. 70% of the remaining projects are likely to choose a brand prior to opening.

Construction Pipeline Totals	Q4 2008		Q1 2008		% Change	
	Total Projs	Total Rms	Total Projs	Total Rms	Q1 to Q4 Projs	Q1 to Q4 Rms
Under Construction	81	10,721	89	12,340	-9%	-13%
Scheduled Starts Next 12 Mos	89	11,221	93	11,649	-4%	-4%
Early Planning	67	7,466	83	9,975	-19%	-25%
Total Pipeline	237	29,408	265	33,964	-11%	-13%

Key Pipeline Metrics

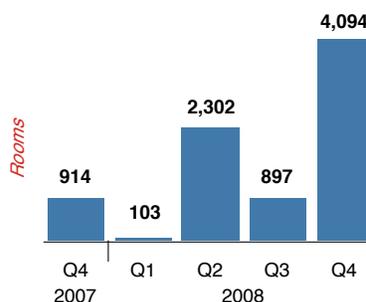
With Canada's economy and banking system not as seriously impacted by the global economic crisis, developer sentiment is less negative than in the rest of the Americas. Migration of projects up the Pipeline toward Construction has remained strong. Construction Starts in Q4 increased 14% QoQ to 19 projects/2,153 rooms. Cancellations/Postponements may be high at 23 projects/4,094 rooms, however many are larger (including two hotels greater than 500 rooms) high-end projects for which financing is not easily accessible. New Project Announcements into the Pipeline, at 40 projects/4,844 rooms, are at a five-quarter high. Most of the new announcements are in the select service segments.

Construction Starts



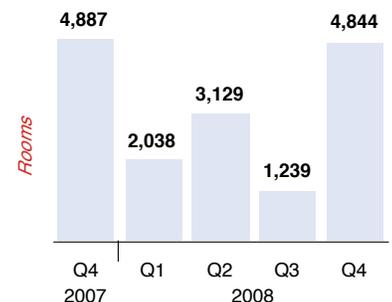
Projects	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Projects	17	9	19	18	19

Cancellations/Postponements



Projects	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Projects	9	1	24	9	23

New Project Announcements



Projects	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Projects	36	15	29	14	40

Forecast for New Hotel Openings

In 2008, 65 new hotels/7,700 rooms opened, resulting in a gross growth rate of 2.8% before removals from inventory. New Hotel Openings are expected to grow moderately yet steadily over the next three years, with 68 new hotels/8,129 rooms being added in 2009, a 2.9% gross growth rate, while 75 new hotels/8,870 rooms will be added to supply in 2010, a 3% gross growth rate. LE's Forecast for New Hotel Openings is based on current development trends and Pipeline totals as of the end of Q4 2008. The Forecast does not account for any unforeseen changes in economic or lodging operation fundamentals that could alter these trends going forward.

With over 30 years of experience, Lodging Econometrics (LE) is the foremost source of global lodging real estate intelligence for hotel franchise companies, management groups, investment firms and vendors to the lodging industry.

To order LE's complete report on Canada's Lodging Construction Pipeline, including development by three stages of construction, three-year forecasts for new hotel openings, two years of prior new openings, and current supply, or to inquire about any of LE's other lodging real estate reports, please fill out the following inquiry form or contact Lodging Econometrics at hotels@lodgingeconometrics.com.



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<input type="checkbox"/> Contact Names for Owners & Management of Open & Operating Hotels (Census)	Individual Hotel Records include: Comprehensive Contact Information <ul style="list-style-type: none"> • Name, address, phone and fax numbers for the Owner, Management Group and Hotel • Property details are included Customized Sorts for your exacting specifications <ul style="list-style-type: none"> • By particular market, brand, chain scale or hotel size 	Investigate opportunities for: Acquisition, investment or adding to your asset management portfolio Ideal for those executives involved in: Acquisitions, Business Development, Asset Management, Strategic Planning, M&A, and Direct Mail or Telemarketing Programs
<input type="checkbox"/> Valuation Trend Reports	A 5-Year Summary of Transaction Trends with: <ul style="list-style-type: none"> • Total transactions, average room count and average selling price per room • By brand, chain scale, region, location, and hotel size 	Evaluate historic valuation trends and estimate your optimum timing for acquisition/disposition decisions with: Transaction volume and selling price trends for the current lodging real estate cycle
<input type="checkbox"/> Individual Sales Comp Records	Comprehensive Transaction Records detail: <ul style="list-style-type: none"> • Selling price, room count, date of transaction, hotel letterhead, and complete contact data for buyer and seller • By brand, chain scale, region, location, and hotel size 	A necessity for those who must re-verify current asset values: Appraisers, Asset Managers, Consultants, Acquisition/Disposition Officers, and Lenders

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