

DOWNTOWN VANCOUVER HOTEL MARKET TRENDS

1998-1999-2000

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The hotel market trends reports which are published monthly by the leading hotel consultants treat all hotels as one classification and do not provide an analysis of the performance by AAA ratings or by geographical area. The most detailed report provides performance rankings for the Vancouver international airport area, downtown Vancouver and then includes all other areas as one market.

The Vancouver lower mainland has several markets for hotels and they need to be analyzed separately in order to assess the reasons for the changes in performance. The press regularly reports that the building of new hotel rooms is the sole reason for declining hotel occupancies. Since 1997 the downtown market has seen the opening of 6 new hotels with an inventory of 1,265 rooms and only one more is under construction and will not open until spring 2001. An expansion of 96 rooms at the Sandman Hotel on West Georgia Street is still under construction but should open later in 2000.

	<u>Rooms</u>
1997	
Best Western Downtown Vancouver	143
1998	
Delta Vancouver Suites Hotel	227
1999	
Sheraton Suites Le Soleil	122
Westin Grand	207
Hampton Inn and Suites	132
2000	
Delta Pinnacle	434
Sheraton Wall Centre Tower II	310

Of the new hotels which have opened only 2 with 329 rooms are 4 diamond properties. The remainders are rated as 3 diamond hotels. Both 5 and 4 diamond hotels have recorded an increase in both rate and occupancy in 1998 and 1999 with ADR increasing by 4.9% for 5 diamond hotels and 3.7% for 4 diamond hotels. The 3 diamond, 2 diamond and non-rated hotels have either seen a decline in occupancy or occupancy has remained flat. All categories have also seen an increase in ADR with the 2 diamond class showing the way with 3.6% compared to only 1.9% for the 3 diamond class and non rated hotels growing less than 1%.

There are currently 10,454 hotel rooms in downtown Vancouver but this excludes rooming houses, apartments style hotels and serviced suites in condominium towers. Since 1997 the city has increased its supply of hotel rooms by 13.7% or 3.4% per annum on average. What has occurred to increase the supply of tourist style hotels is the conversion of rooming houses. This has occurred at the south end of Granville Street and on West Pender Street bringing 406 rooms into inventory in the 2 and 3 diamond classifications.

Several hotels have undertaken major renovations to either expand the hotel or to reposition the property to compete with the new hotels. While those hotels were renovating they either closed many of the hotel rooms and offered discounted rooms rates that have affected the trends shown in this analysis. Examples include:

- Hotel Georgia converting to a Crown Plaza after a change in ownership
- Pacific Pallisades converting to a Kimpton Hotel after a change in ownership
- Westin Bayshore demolishing and re-building 45,000 square feet of meeting space plus renovations to 325 rooms and suites during 1999 and 2000
- Empire Landmark Hotel & Conference Centre with major renovations to the hotel lobby and public areas during late 1999 and the spring of 2000
- The Landis Hotel converting to a Residence Inn by Marriott in 1997 after a change in ownership

To put occupancy performance in perspective, 18 hotels out of 24 achieved 70% occupancy or better in 1998. In 1999 16 hotels achieved better than 70% occupancy out of 27 hotels but 3 of those hotels, which did not reach this level, were undergoing major renovations. Of the hotels performing below the 70% level most were 2 and 3 diamond hotels, some of which were in their first year since they converted for the tourist market.

Of the 24 hotels reported in 1998, 18 or 75% achieved an ADR of \$130 or better and only 2 were less than \$100. In 1999, 16 out of 27 achieved an ADR of \$130 or better with again 2 less than \$100. So with all the new hotels which opened in 1999, 60% of the remaining hotels were still performing strongly.

For the first 6 months of 2000, 11 hotels out of 32, or 34%, have an improved occupancy over 1999. The average of the sample was 65.80%.

For the first 6 months of 2000, 19 hotels, or 60%, have an improved ADR with the average of the entire sample at \$139.36.

Vancouver is a world class city and demand to visit continues to improve. The need for an expanded Trade and Convention Centre is long overdue, so hotel occupancies will remain weaker than in the past 5 years but they are still performing better than the 60.6% North American average for the first 6 months of 2000. By international standards the room rates in Vancouver are a bargain with the continued depressed value of the Canadian dollar, so the city should see a continued demand for visitors. Tourists will always prefer to stay in downtown Vancouver as a first choice, so it will be the suburban hotels that will be affected the most, by the new supply of rooms, which have been built in Richmond, Burnaby and North Vancouver. In Richmond 11 new hotels have been built in the last 4 years, an increase of 55% with 1,707 new rooms. The increase in downtown Vancouver supply, is negligible compared to that in the area of the Vancouver International Airport where occupancies have been historically higher than downtown, but the ADR has been 33%-50% lower.

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Comparison of results by AAA ratings												
6-Aug-00												
AAA rate	Occupancy (%)			Number of hotels in sample			Average daily rate					
	1998	1999	6 mo 00	1998	1999	2000	1998	1999	6 mo 00			
5	74.96	76.32	74.84	2	2	2	\$187.14	\$196.36	\$186.67			
4	74.13	74.49	66.41	6	7	9	\$168.42	\$174.64	\$165.15			
3	68.42	68.45	63.78	8	10	13	\$129.80	\$132.33	\$120.84			
2	\$74.00	\$72.23	66.11	4	4	4	\$108.45	\$112.42	\$100.53			
No rating	78.26	76.01	67.88	4	4	4	\$108.39	\$109.17	\$100.72			
Total hotels in this sample:				24	27	32						
Total rooms in this sample:				NB	7,006	7,766	8,770					
NB: 13 hotels do not contribute to this sample: 1, 5 star, 5, 3 star, 3, 2 star and 4 with no rating. Total 1,684 rooms												
Apartment hotels with no full service amenities are not included in this survey												
Highest	95.50	86.95	80.92				\$206.53	\$215.75	\$201.19			
Lowest	46.68	61.54	44.20				\$93.89	\$93.85	\$93.44			
Hotels added to sample in 1999:				Westin Bayshore		510	R	Current hotel inventory in this sample as % total				
(N) new build				Delta Vanc Suites		227	N					
				Howard Johnson Inn		110	R					
(R) Renovated existing hotel				Ramada Limited		80	R	5 star	4 star	3 Star	2 star	No rate
				Total:		927						
								10.30%	36.80%	32.60%	9.50%	10.80%
Hotels added to sample in 2000:				Delta Pinnacle		434	N	No of new rooms opened per year				
				Ramada Gateway		116	R					
				Sheraton Suites Le S		122	N					
				Hampton Inn & Stes		132	N	1997	1998	1999	2000	2001
				Westin Grand		207	N					
				Total:		1011		143	227	461	434	344