



Hotel Market Update in Western Canada 3rd Quarter

The first nine months of 2003 has seen a marginal increase in market transactions when compared to recent years in Western Canada. However, the opportunity to complete more transfers has been reduced as the price spread between the expectations of purchasers and vendors was still too wide. To date this year, 19 hotels transactions have taken place in Western Canada as listed below.

Brand / Name	City	Number of Rooms	Date Sold	Price	Price Per Room
Best Western Green Gables	Canmore	61	1-Jan-03	\$5,200,000	\$85,246
Travelodge	Courtenay	91	1-Jan-03	\$3,450,000	\$37,912
Quality Hotel	Saskatoon	185	1-Jan-03	\$5,250,000	\$28,378
August Jack Motel	Squamish	38	1-Jan-03	\$2,050,000	\$53,947
Ramada Crowchild	Calgary	60	1-Feb-03	\$4,450,000	\$74,167
Lord Nelson Inn	Calgary Downtown	56	1-Mar-03	\$3,500,000	\$62,500
Parkhill Hotel	Vancouver	192	15-Mar-03	\$17,000,000	\$88,542
Best Western Village Park Inn	Calgary	160	31-Mar-03	\$12,700,000	\$79,375
Dynasty Inn	Banff	99	1-Apr-03	\$12,525,000	\$126,515
Quality Inn Motel Village	Calgary Downtown	105	1-Apr-03	\$8,100,000	\$77,143
Riviera Hotel	Vancouver	41	1-Apr-03	\$6,500,000	\$158,537
Cedar's Inn	Gibsons	46	1-Apr-03	\$1,550,000	\$33,696
Ramada Limited Surrey	Surrey	85	1-Apr-03	\$5,900,000	\$69,412
Best Western Fireside Inn	Castlegar	59	1-May-03	\$2,600,000	\$44,068
Crystal Court	Victoria	57	1-Jul-03	\$4,000,000	\$70,175
Abigail's Hotel	Victoria	23	1-Aug-03	\$5,675,000	\$246,739
Chateau Edmonton	Edmonton	139	15-Sep-03	\$10,125,000	\$72,842
Sheraton Grande Edmonton	Edmonton	313	23-Sep-03	\$17,000,000	\$54,313
North Hill Inn	Red Deer	116	15-Jan-03	\$8,750,000	\$75,431
		1,926		\$136,325,000	\$70,781

One of the largest sales listed above, was the Parkhill Hotel in Vancouver's West End residential district that was bought for conversion into residential apartments as the hotel market in downtown Vancouver continues to decline. During the late part of September, Sutton Place Hotels, stepped into the market again, after many years of inactivity, and purchased the Sheraton Grande in downtown Edmonton. This hotel was first opened as a Four Season's over 26 years ago and was later sold to Hilton International and finally to Gencom from Houston who franchised with Starwood's Sheraton brand. The general perception is that until the margin between the buyers' expectations and sellers top price narrows, few hotel transactions will take place, but clearly that time is now changing. With the banks not cooperating in financing hotels, this will further frustrate hotel buyers in being able to close deals without vendor financing.

On a positive note, the announcement that Vancouver/Whistler has won the right to host the 2010 Winter Olympic Games should provide a needed boost for the B.C. economy and encourage international investment in our province. Vendors, however, need to maintain some sense of reality in their pricing expectations, as few buyers will be willing to pay the prices that are being asked. This problem is enhanced by the fact that during the past couple of years, most properties have

faced a substantial decline in net operating income. As a result, asking prices with cap rates of 10% and below, (and they may be negative due to negative cash flows), are deterring investors. This trend indicates that there are a lot of hotels unofficially on the market for sale in Vancouver and throughout our province, however, the majority of buyers are looking for deals with upside potential, so only properties that at least have some net income to cover debt service, are likely to sell, unless receivership or bankruptcy scenarios force the sale of the hotel.

- According to the Pannell Kerr Forster (PKF) Trends report for 8 months through August of 2003, B.C. as a whole is down 2.7% over the same period of 2002 in occupancy and 3.1% in average daily rate (ADR), for an overall decline of 5.7% in revenue per available room (RevPAR).
- The trend is similar in Greater Vancouver, however, the other areas of B.C., which includes the interior and some northern communities, is only down 0.2% in RevPAR in 2003 with Kamloops actually posting a 13.3% increase.
- The most improved markets over 2002 during the first seven months of 2003 include Parksville/Qualicum, Other Areas of Vancouver Island, Kamloops and Penticton with RevPAR gains of 8.3%, 20.6%, 13.3% and 4.8% respectively.
- In contrast, the Downtown Vancouver market has seen the largest decline with a 8.5% decline in RevPAR, followed by other Vancouver hotels and Greater Victoria with declines of 7.8% and 6.6% respectively.
- Alberta has also seen the effects of the decline with the province down 8.0% through August with the only positive growth coming in the City of Red Deer which saw RevPAR grow by 4.4%.
- Most regions of Saskatchewan continue to show improvement over 2002 with the province posting a 2.4% increase.
- While the Greater Vancouver area is down 8.0%, it pales in comparison to the declines that have ravaged the Greater Toronto Area where RevPAR is down 24.6% due to the effects of SARS, the Iraq war and other international crisis situations that have deterred visitors from travelling.

Greater Vancouver

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	62.9%	65.0%	67.6%
ADR	\$116.39	\$122.42	\$124.58
RevPAR	\$73.22	\$79.62	\$84.18

Vancouver Island

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	65.2%	65.0%	65.4%
ADR	\$113.55	\$115.08	\$115.73
RevPAR	\$73.99	\$74.74	\$75.63

Other British Columbia (including the Interior)

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	53.8%	54.8%	55.5%
ADR	\$90.54	\$89.05	\$85.00
RevPAR	\$48.66	\$48.78	\$47.17

British Columbia

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	60.5%	62.1%	63.8%
ADR	\$118.41	\$122.17	\$122.71
RevPAR	\$71.62	\$75.92	\$78.32

Alberta (Excluding the Alberta Resorts)

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	62.3%	68.4%	67.6%
ADR	\$96.48	\$95.59	\$96.48
RevPAR	\$60.12	\$65.34	\$65.24

Saskatchewan

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	58.0%	59.3%	59.8%
ADR	\$84.50	\$80.67	\$78.10
RevPAR	\$48.99	\$47.85	\$46.75

Greater Toronto Area

Year	YTD August 2003	YTD August 2002	YTD August 2001
Occupancy	54.5%	64.6%	68.8%
ADR	\$116.50	\$130.36	\$129.19
RevPAR	\$63.43	\$84.14	\$88.92

** These statistics are courtesy of Pannell Kerr Forster Consulting Inc.*

Looking forward through the last quarter of 2003 and into 2004, we believe that more hotel investors will look at Vancouver as a place where the hotel sector will continue to show signs of increased activity with the expectation that the market will prove to be resilient and that with the generally safe economic and political climate in western Canada, tourism and the convention business will rebound faster than in other parts of North America.. We are seeing signs that more hotel owners may be forced into selling, as the banks are starting to tighten their credit policies, as mortgages mature or hotels are unable to service the debt.

Tyne Hospitality Services Limited is a commercial real estate brokerage firm specializing in the sale of hotels and resorts in western Canada. For more information, we invite you to visit our website at www.tynehospitality.com or contact us by phone, fax or email.

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