

# Canadian Lodging Outlook

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SMITH TRAVEL RESEARCH

## Canadian Hotel Sales 1999

Jon Lantz, *Managing Director, HVS - Toronto*

In 1999, 36 hotels with over 20 rooms sold across Canada. Total investment in these hotels was approximately \$406 million for 4,441 rooms or an average price of \$92,107 per room. These sales reflect the incredible change that has occurred in the Canadian market since 1997. The three Canadian REITS actively acquiring hotels impacted those years. The total investment decreased from \$2-billion in 1997 to \$1.3 billion in 1998 to the current level of just over \$400 million. Further, the expectations of both the buyers and sellers have changed dramatically since 1994.

It should be noted that the current average price per room has been affected by several very large transactions. Five sales, totaling \$257 million, pushed the price per room level higher than ever before. Even though this weighted the average upward, it is still important to recognize that the Park Plaza (now the Park Hyatt-Toronto) sold for more than \$300,000 per room, the highest price ever recorded in Canada.

Ontario led the country in sales of hotels with thirteen transactions for a total investment of almost \$200 million representing 49.2% of total sales in Canada. The two major transactions were the Skydome Hotel and the Park Plaza. One of Ontario's major resorts, The Wigamog Inn, also sold during 1999. This 72-room four season destination property was traded as a share purchase with an

estimated value of \$6 million. The Carlingview Inn at the Toronto Airport was leased to a major North American hotel company, which plans to build a 176-room Marriott Courtyard on the surplus land.

Two large transactions in British Columbia resulted in this province having the second greatest number of transactions (seven) and the second largest investment with a total of \$110 million. This equated to \$123,158 per room, as compared to a price of \$82,382 in 1998, but again it includes two major transactions. The Delta Whistler sold for \$158,733 per room and the Pacific Palisades sold for \$143,777 per room (not including renovations).

There were six transactions reported in the Province of Quebec with a total investment of almost \$77 million. In 1998, there were 36 sales with total value exceeding \$705 million. The largest sale in 1999 was the Hotel Le Westin that traded for \$36 million or \$120,000 per room.

The other transactions occurred in Alberta, New Brunswick and Nova Scotia. There were a total of ten sales with an investment value of just over \$18 million.

In summary, 1999 was a year when the capital markets withdrew their enthusiasm for hotel investment vehicles, while owners of lodging properties enjoyed record profits. This resulted in high value expectations by the owners and little capital in the market available for acquisitions. Several of Canada's major hotels were sold as the larger companies strategically

expanded their asset base.

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HVS International - Vancouver and Toronto have not verified all individual hotel sales in this newsletter. However, we collected the information from sources we deemed reliable, and the data is thought to be correct. We cannot warrant its accuracy and provide it for your convenience only. Use of this information without verification from original sources is at your own risk.

*Jon Lantz, Managing Director of the Toronto Office, possesses more than 20 years of experience in the hotel industry, having been involved in consulting, development, and brokerage at different times throughout his career. In 1994, Lantz founded the hotel brokerage services division of CB Richard Ellis' Lodging Hospitality Group in Toronto, becoming one of the company's top ten sales producers for the downtown Toronto office in 1998 and 1999. During the last two years, Jon has been involved in hotel transactions totaling over \$100 million. Prior to CB Richard Ellis, Lantz co-managed the Toronto hotel consulting practice of Pannell Kerr Forster (PKF).*



Province	Hotel Name	City	Date	Rms.	Price	\$ per Room	Cap Rate
British Columbia	Quality Inn Airport Hotel (1)	Vancouver	10/99	100	\$9,000,000	\$90,000	10.0
	Delta Whister Resort (2)	Whistler	08/99	292	\$46,350,000	\$158,733	n/a
	Pacific Palisades Hotel	Vancouver	07/99	233	\$33,500,000	\$143,777	n/a
	The Dorie Motel	Victoria	07/99	50	\$1,350,000	\$27,000	n/a
	City Garden Hotel	Victoria	05/99	100	\$9,350,000	\$93,500	n/a
	Bayside Inn Best Western	Parksville	05/99	59	\$5,600,000	\$94,915	11.8
	Long Lake Inn	Nanaimo	04/99	62	\$5,200,000	\$83,871	12.5
		TOTAL		896	\$110,350,000	\$123,158	
Alberta	Garden City Hotel	Edmonton	10/99	108	\$3,750,000	\$34,722	11.8
	Super 8 (Nisku)	Nisku	05/99	64	\$2,944,000	\$46,000	n/a
	Winterburn Motor Inn	Edmonton	08/99	50	\$640,000	\$12,800	16.3
		TOTAL		222	\$7,334,000	\$33,036	
Saskatchewan	Best Western Downtown Motor Lodge	Moose Jaw	12/99	28	\$740,000	\$26,429	11.3
Ontario	Skydome Hotel <i>(Renaissance Toronto Hotel at Skydome)</i> (3)	Toronto	11/99	346	\$33,500,000	\$96,821	4.1
	Econolodge Orilla	Orillia	11/99	40	\$1,450,000	\$36,250	13.9
	Niagara Suites <i>(formerly Embassy Suites)</i> (3)	Niagara Falls	09/99	129	\$8,600,000	\$66,667	15.0
	Wigamog Inn (1)	Haliburton	09/99	72	\$6,000,000	\$83,333	10.0
	Days Inn	Owen Sound	08/99	80	\$2,560,000	\$32,000	n/a
	Carling Cove Inn <i>(now the Greenslate Inn)</i>	Port Carling	06/99	40	\$2,700,000	\$67,500	n/a
	Glenerin Inn	Mississauga	04/99	39	\$6,650,000	\$170,513	10.5
	Hochelaga Inn	Kingston	04/99	23	\$1,450,000	\$63,043	10.5
	Idlewyld Inn	London	04/99	27	\$1,200,000	\$44,444	9.8
	Quality Suites Toronto Airport (3)	Etobicoke	03/99	254	\$19,300,000	\$75,984	12.2
	The 1000 Islands Motel	Gananoque	02/99	60	\$960,000	\$16,000	12.0
	Carlingview Inn	Toronto	n/a	112	\$8,000,000	\$71,429	10.0
	Park Plaza Hotel <i>(Park Hyatt Toronto)</i> (4)	Toronto	02/99	350	\$107,690,400	\$307,687	n/a
		TOTAL		1,572	\$200,060,400	\$127,265	
Quebec	Hotel Le Westin <i>(Mont-Royal hotel Omni Montreal)</i>	Montreal	01/99	300	\$36,000,000	\$120,000	10.0
	Holiday Inn Pointe-Claire	Pointe-Claire	01/99	308	\$24,300,000	\$78,896	11.9
	Hotel Ambassadeur	Beauport	02/99	93	\$3,050,000	\$32,796	10.5
	Ramada Hotel Montreal Airport (3)	Saint-Laurent	04/99	190	\$2,500,000	\$13,158	14.0
	Hotel Le Chateaufort Laval	Laval	08/99	72	\$2,900,000	\$40,278	n/a
	Hotel - Le Quartier <i>(formerly Hotel Wandlyn)</i>	Ste Foy	01/99	140	\$8,000,000	\$57,143	n/a
		TOTAL		1,103	\$76,750,000	\$69,583	
New Brunswick	Keddy Motor Inn	Fredricton	n/a	124	\$1,500,000	\$12,097	16.9
	Keddy Motor Inn	Moncton	06/99	84	\$730,000	\$8,690	n/a
		TOTAL		208	\$2,230,000	\$20,787	
Nova Scotia	Wandlyn, West Victoria Street	Amherst	06/99	88	\$3,000,000	\$34,091	n/a
	King Edward Inn	Halifax	06/99	40	\$575,000	\$14,375	n/a
	Delta Barrington (3)	Halifax	07/99	202	\$4,400,000	\$21,782	n/a
	Glenghorn Beach Resort, Ingonish	Victoria Cove	12/99	52	\$845,000	\$16,250	n/a
				382	\$8,820,000	\$23,089	
<b>TOTALS</b>		<b>TOTAL</b>		<b>4,411</b>	<b>\$406,284,400</b>	<b>\$92,107</b>	

(1) Share Sale (2) Was estimated as acquisition included strata-title units (3) Leasehold Interest (4) Hotel includes retail &amp; office component.

Source: HVS International - Canada.

## CANADIAN LODGING OUTLOOK

### DEFINITIONS

Occupancy:	The ratio of total occupied rooms to total available rooms.
Average Room Rate:	Defined as room sales divided by the total number of rooms occupied.
RevPAR:	The application of a hotel's average occupancy to its average room rate and a true indicator of the property's ability to generate revenue. It is calculated by multiplying the occupancy by the average room rate.
Number of Rooms:	The total number of rooms at participating hotels.



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### HOTEL ASSOCIATION OF CANADA INC.

The Hotel Association of Canada is a federation of provincial and territorial associations, hotel chains and suppliers with a mandate to represent members nationally and internationally and to provide cost-effective services that stimulate and encourage a free market accommodation industry.

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STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled, STR has developed a variety of products and services to meet the needs of industry leaders.

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