

Lodging Outlook



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SMITH TRAVEL RESEARCH

2001 Canadian Hotel Sales

By: Elizabeth D. MacDonald, MAI, AACI and Eric S. Pateman - HVS International - Canada

In 2001, 40 hotels sold in Canada, a decline when compared to the 48 transactions that took place in 2000. Total investment was approximately \$650 million for 6,405 rooms, or \$101,610 per room. Of the 40 transactions, the vast majority of them took place in British Columbia, Ontario and Quebec, with these three provinces representing 96% of the total hotel investment throughout Canada. The most significant transactions of 2001, representing 47% of the total hotel investment, were two Fairmont Hotels and Resorts properties. The transactions involved the Fairmont Empress (\$120,000,000) in Victoria, B.C. and the Fairmont Chateau Frontenac (\$185,000,000) in Quebec City, PQ. Legacy REIT, which is partially owned by Fairmont Hotels & Resorts, purchased the interests in the two Fairmont properties, from Canadian Pacific Hotels and Resorts Ltd. Excluding these two transactions, the average price per room in Canada in 2001 is approximately \$65,101 per room.

Ontario led the country with 17 sales, had a total investment of over \$161 million, which accounted for 25% of total sales. The major transactions in Ontario included the Sheraton Center Toronto, in which Starwood Hotels and Resorts purchased the remaining 50% interest for \$75,000,000. The Novotel Toronto Airport was purchased by the Greater Toronto Airport Authority (GTAA) in July for \$18,750,000, or \$132,042 per room. The Orsini Family sold the Ramada Coral Inn Resort and the Ramada Suites Niagara, on Lundy's Lane in Niagara Falls, for \$16,520,000. The 129-unit Coral Inn

sold for \$66,822 per room and the 73-unit Ramada Suites for \$108,219 per room.

British Columbia had nine transactions for a total investment of over \$228 million, which accounted for 35% of total sales. The major transactions in B.C. included the Fairmont Empress Hotel, which was acquired for \$120 million, or \$254,237 per room by Legacy REIT. The 81-unit Summit Lodge in Whistler sold in November for \$21 million, or \$259,259 per room. The Coast Whistler Resort was purchased in August for \$30 million (estimated), or \$161,290 per room. The Holiday Inn in downtown Vancouver was purchased in October for \$28 million, or \$114,286 per room.

There were seven transactions, totaling over \$233 million recorded in Quebec, which accounted for 36% of the value of Canada's total transactions. The largest transaction was the 607-room Le Chateau Frontenac, in Quebec City, that was purchased for \$185 million, or \$304,778 per room by Legacy REIT. The Hotel Chateau Royal in Montreal traded for \$9.7 million, or \$86,607 per room in June.

Alberta had four hotel transactions totaling over \$11 million. The 42-unit Best Western White Wolf Inn in Hinton sold for \$2.8 million, or \$67,262 per room. The remaining three hotels sold for between \$18,478 and \$63,636 per room.

In Saskatchewan, the 69-unit Super 8 in Saskatoon traded in February for \$3,825,000, or \$55,435 per room, while the Imperial 400 Motel was sold in December for \$2,200,000. A single transaction took

place in Manitoba with the 284-room Best Western International Inn in Winnipeg selling in June for \$10,150,000, or \$35,739 per room.

To our knowledge, Atlantic Canada and the Territories did not record any significant hotel transactions in 2001.

Half of the hotels that sold were 100 or less rooms, while hotels with over 200 guestrooms accounted for only 18% of all transactions. While this trend has been prevalent for the past two years, we expect it to continue due to the lack of hotel financing throughout the country.

HVS Canada has 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.

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2001 Canadian Hotel Sales

| PROV | DATE | HOTEL NAME | CITY | VENDOR | PURCHASER | ROOMS | PRICE \$ | PRICE \$ / ROOM | CAP RATE |
|-----------------------------|-------|---|---------------|--|--|--------------|----------------------|------------------|----------|
| BC | Jan. | Ramada Inn - Vancouver Airport (1) | Richmond | 540381 BC Ltd. | Ghandara Investments Inc. | 78 | \$4,900,000 | \$62,821 | n/a |
| | Feb. | Fairmont Empress Hotel | Victoria | Canadian Pacific Hotels and Resorts | Legacy REIT | 472 | \$120,000,000 | \$254,237 | 8.8% |
| | Apr. | Best Western Chelsea Inn | Coquitlam | Narwal Holdings Ltd. | Yen Holdings Inc. | 61 | \$3,700,000 | \$60,656 | n/a |
| | Apr. | Lake Okanagan Resort | Kelowna | Lake Okanagan Holdings | Collin Knight (Fairmont Resort Properties) | 169 | \$6,700,000 | \$39,645 | 9.7% |
| | May | Best Western (2) | Mission | Carhoun & Sons | JNJ Enterprises Ltd. (Lei Carhoun) | 80 | \$4,700,000 | \$58,750 | n/a |
| | Aug. | Coast Whistler Resort (3) | Whistler | Highgate | N/A | 186 | \$30,000,000 | \$161,290 | 10.0% |
| | Oct. | Holiday Inn (4) | Vancouver | Allied Holdings | Asian Offshore Investors | 245 | \$28,000,000 | \$114,286 | 8.2% |
| | Nov. | The Summit Lodge | Whistler | Mr. Lien | N/A | 81 | \$21,000,000 | \$259,259 | n/a |
| | Nov. | Biltmore Hotel | Vancouver | Lougheed Ventures | Local South Asian Investors | 96 | \$9,300,000 | \$96,875 | n/a |
| 9 Hotels Total | | | | | | 1,468 | \$228,300,000 | \$155,518 | |
| AB | Feb. | Howard Johnson Plaza Hotel | Edmonton | Westmont Corp. | Silver Prime Hotels | 138 | \$2,550,000 | \$18,478 | n/a |
| | June | Best Western White Wolf Inn | Hinton | 419219 Alberta Ltd. | Newbro Holdings | 42 | \$2,825,000 | \$67,262 | 15.1% |
| | July | Super 8 - Edmonton Airport | Leduc | 827518 Alberta Ltd. | Equitable Holdings | 64 | \$3,000,000 | \$46,875 | 13.4% |
| | Sept. | Bow River Inn | Cochrane | # 2 M Developments | 419219 Alberta Ltd. | 44 | \$2,800,000 | \$63,636 | n/a |
| 4 Hotels Total | | | | | | 288 | \$11,175,000 | \$38,802 | |
| MB | Jun. | Best Western International Inn | Winnipeg | Wellington Hotels Ltd. | Genesis Hospitality | 284 | \$10,150,000 | \$35,739 | 13.5% |
| 1 Hotel Total | | | | | | 284 | \$10,150,000 | \$35,739 | |
| ON | Jan. | Ramada Coral Inn Resort | Niagara Falls | Orsini Brothers | Adamar Coral Hotel Ltd. | 129 | \$8,620,000 | \$66,822 | 14.0% |
| | Jan. | Ramada Suites Niagara | Niagara Falls | Orsini Brothers | Adamar Coral Hotel Ltd. | 73 | \$7,900,000 | \$108,219 | 14.0% |
| | Mar. | Royal Brock Hotel Spa and Sports Club (1) | Brockville | Deloitte & Touche | B. Pamar/K.Raja | 72 | \$2,775,000 | \$38,542 | 6.3% |
| | Apr. | Sheraton Centre Toronto (5) | Toronto | Metropolitan Marine Way Investments Ltd. | Starwood Hotels and Resorts | 1377 | \$75,000,000 | \$108,932 | n/a |
| | Apr. | Brookdale Park Inn | Barrie | E & Y | Mr. GITU Parikh | 43 | \$1,150,000 | \$26,744 | n/a |
| | Apr. | The Bay Hotel | Toronto | 763038 Ontario Ltd. | 1469361 Ontario Inc. | 28 | \$1,680,000 | \$60,000 | n/a |
| | May | Days Inn | London | Diamond Motel (London) Ltd. | Massey Management Inc. | 143 | \$4,600,000 | \$32,168 | 13.5% |
| | May | Holiday Inn Select | Brampton | Exchange Tower Ltd. | Essag Canada Inc. | 145 | \$10,900,000 | \$75,172 | 12.7% |
| | May | Best Western Emerald Inn | Guelph | Private Investor | Scottish Hospitality Ltd. | 54 | \$2,600,000 | \$48,148 | n/a |
| | June | Regency Hotel (Renamed the Knights Inn) | Richmond Hill | 1184661 Ontario Ltd. | Canada Toron Investments Ltd. | 60 | \$2,520,000 | \$42,000 | n/a |
| | July | Novotel Toronto Airport | Toronto | 753469 Ontario Inc. | Greater Toronto Airport Authority | 142 | \$18,750,000 | \$132,042 | n/a |
| | July | Super 8 - London | London | Private Investor | Sterling Group | 90 | \$1,400,000 | \$15,556 | n/a |
| | Aug. | Howard Johnson Toronto East | Scarborough | 1012940 Ontario Inc. | Campus Living Centres (Gene Pringle) | 192 | \$11,800,000 | \$61,458 | 12.7% |
| | Sept. | Renfrew Inn | Renfrew | Ramada Hotels | Ottawa River Waterway Inc. | 65 | \$2,835,000 | \$43,615 | 11.8% |
| | Oct. | Drake Hotel | Toronto | Private Investor | Jeff Stober | 23 | \$860,000 | \$37,391 | n/a |
| | Nov. | Super 8 | Woodstock | Private Investor | Nath Hospitality | 72 | \$3,000,000 | \$41,667 | n/a |
| | Nov. | Holiday Inn Fort Erie | Fort Erie | Gruyich Services Inc. | Fort Erie Hospitality Inc. | 107 | \$4,975,000 | \$46,495 | n/a |
| 17 Hotels Total | | | | | | 2,815 | \$161,365,000 | \$57,323 | |
| PQ | Feb. | Fairmont Chateau Frontenac | Quebec City | Canadian Pacific Hotels and Resorts | Legacy REIT | 607 | \$185,000,000 | \$304,778 | 8.8% |
| | Apr. | Hotel Le Saint Andre | Montreal | Immeubles Jean-Claude Chenade Inc. | 9102-1089 Quebec Inc. | 48 | \$1,800,000 | \$37,500 | n/a |
| | June | Hotel Chateau Royal | Montreal | 3042707 Canada Inc. | Chateau Royal Montreal Hotel Trust | 112 | \$9,700,000 | \$86,607 | 14.4% |
| | July | The Lindburgh | Sainte-Foy | Les Investissements (IMQUA Inc.) | Louis Robitaille | 123 | \$7,000,000 | \$56,911 | n/a |
| | July | Hotel Classique | Sainte-Foy | Les Investissements (IMQUA Inc.) | Chan | 237 | \$18,000,000 | \$75,949 | n/a |
| | July | Airport Inn - Dorval | Dorval | 9056-3818 Quebec Inc. | 9103-8174 Quebec Inc. | 22 | \$1,030,000 | \$46,818 | n/a |
| | Sept. | Holiday Inn Sainte-Foy | Sainte-Foy | Rosdev | 9097-0377 Quebec Inc. | 232 | \$11,270,000 | \$48,578 | 12.0% |
| 7 Hotels Total | | | | | | 1,381 | \$233,800,000 | \$169,298 | |
| SK | Feb. | Super 8 | Saskatoon | Leslie Jenson | Ashley Long | 69 | \$3,825,000 | \$55,435 | n/a |
| | Dec. | Imperial 400 Motel | Lloydminster | CHIP REIT | Best Canadian Motor Inns | 100 | \$2,200,000 | \$22,000 | 8.0% |
| 2 Hotels Total | | | | | | 169 | \$6,025,000 | \$35,651 | |
| 40 Hotel Sales Total | | | | | | 6,405 | \$650,815,000 | \$101,610 | |

Notes:
(1) Court Ordered Sale
(2) Estimated Sales Price and Purchaser Not Confirmed

(3) Not an Arms Length Transaction
(4) Share Transaction
(5) 50% Interest

Sources:
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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. |



HVS is the leading consulting and appraisal firm specializing solely in the hospitality industry. **HVS** personnel have university degrees in Hotel Administration, or actual hotel work experience, and are taking further courses of study to obtain recognized real estate designations. **HVS** has consulted for over 10,000 hotels in 55 countries.



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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