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2014 CANADIAN HOTEL TRANSACTION SURVEY

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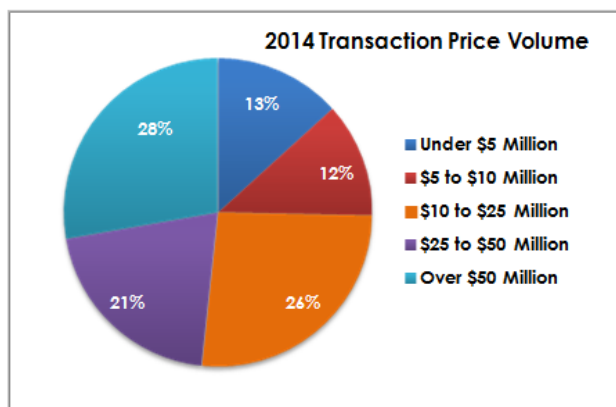


2014 Canadian Hotel Transaction Survey

Transaction activity within the Canadian lodging industry is estimated to have totaled an impressive \$1.3 billion in 2014, which is well above the 20-year historical average although not to the \$2.0 billion level reached in 2013 which was marked with big ticket portfolio transactions. The country was witness to 127 hotel transactions in 2014, which is in line with the 130 transactions that took place in 2013. In total, an estimated 14,733 rooms transacted at an average price per room of \$91,109 in 2014.

Notable Transactions

Four hotels sold for more than \$50 million in 2014. Together, these four hotels sold for \$376.0 million, which represents 28% of the country's total price volume. The largest transaction was the 644-room Hyatt Regency Vancouver. InnVest REIT purchased the property from Hyatt Hotels Corporation for \$140.0 million.



The Clearwater Residence Hotel Timberlea in Fort McMurray sold with the highest price per room in the country in 2014. This hotel has transacted at a high value in the past, as it also sold with the highest price per room in the country in 2012. In 2014, Temple REIT purchased this 57-room property for \$456,140 per room with a cap rate of 8.2%.

Noteworthy Participants

InnVest REIT remained the most active vendor in 2014, having sold 20 hotels comprising 2,578 rooms.

Of these sales, 13 were Comfort Inns, including a 277-room, three-property portfolio sale. The remaining properties include two Quality hotels, a Holiday Inn, and three Delta hotels—the 200-room Delta Barrington, the 296-room Delta Halifax, and the 296-room Delta Calgary Airport. The total price volume from these assets is estimated to be \$131 million.

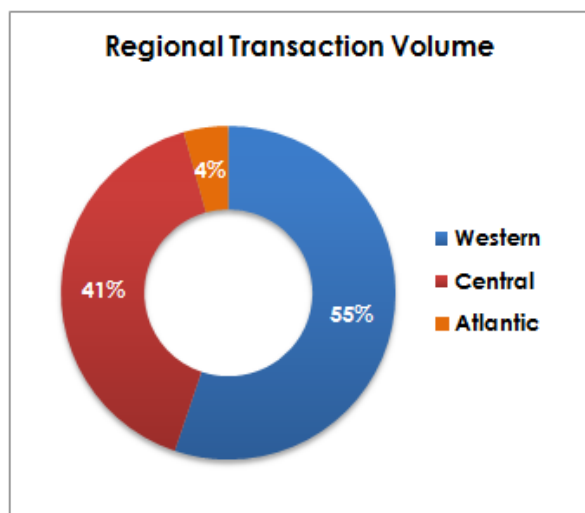
By number of properties and total acquisition value, Temple REIT was the most active buyer in 2014. The company acquired seven hotel assets dispersed across the country, representing 828 hotel rooms. Temple's total hotel investment for the year was \$149.6 million, which averages out to \$180,711 per room. Temple acquired assets in array of regions, including the 106-room Nova Court in Yellowknife, which is the company's second hotel in that city. Temple's largest purchase of 2014 was the 224-room Radisson Plaza Saskatchewan, which traded for \$32.8 million at an estimated cap rate of 11.5%. The Radisson is Temple's fourth property in Saskatchewan.

Regional Transaction Activity

Looking at the regional distribution of transactions, Ontario led not only Central Canada but also the country as a whole in sales activity in 2014. The province experienced 47 hotel transactions that traded at an average price per room of \$85,392. The price volume equated to \$497.1 million, which is well below the volume of \$1 billion in 2013 that was generated from the sales of large assets in the downtown Toronto market. The majority of Ontario's hotel sales took place outside the Greater Toronto Area (GTA), but hotel investment in the GTA nevertheless generated \$274.1 million, which represents nearly 20% of the country's total price volume.

Quebec ranked fourth in price volume among the provinces in 2014, having generated \$113.1 million. Of this volume, the most significant sale was the 488-room Holiday Inn Midtown Montreal, which was purchased through a joint venture between Campus Crest and Beaumont Partners SA for \$65 million. The

hotel has since been converted into a student residence building.

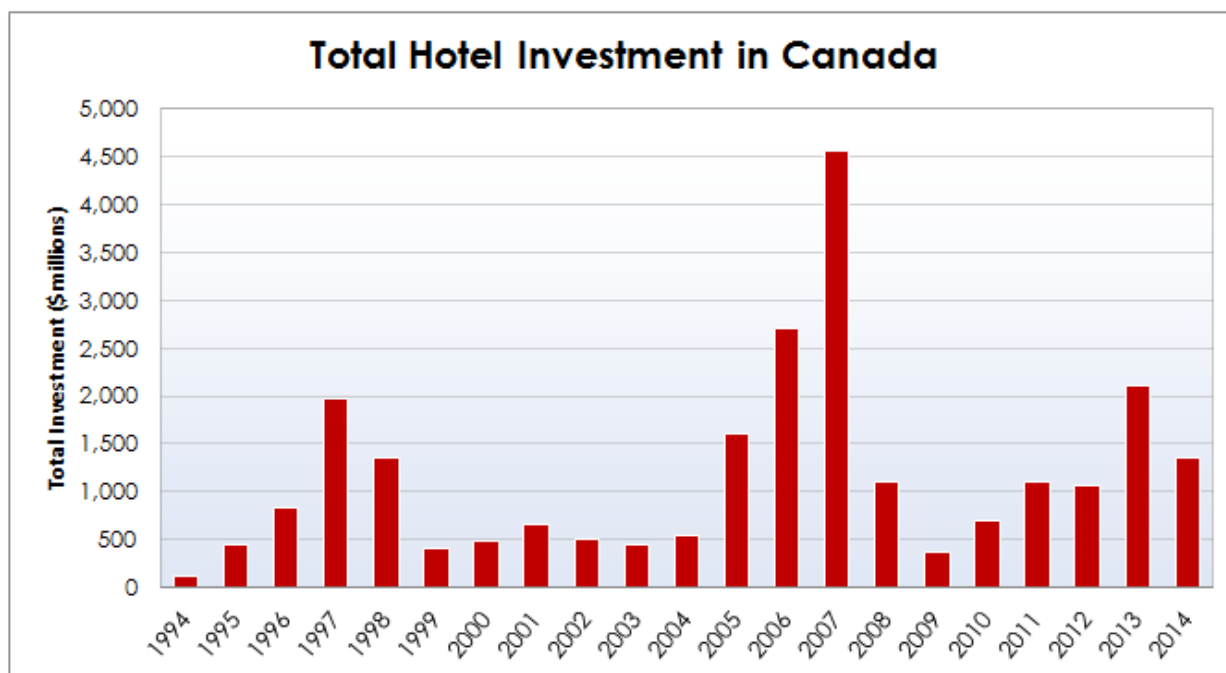


British Columbia led Western Canada in transaction activity in 2014. From 24 hotel sales representing a price volume of \$328.2 million in 2013, the number of hotel sales in the province jumped to 34 in 2014, resulting in a higher price volume of \$342.6 million. The average price per room for a hotel transaction in

British Columbia in 2014 was \$120,450; however, BC was home to the transaction with the second highest price per room in the country: the 53-room Hotel Eldorado Kelowna, which sold at \$371,698 per room. Argus Properties purchased this Lakeside Hotel at a 7.5% cap rate.

Historically, Vancouver and its surrounding cities have boasted some of the lowest cap rates in the country. This trend persisted in the transactions that occurred in 2014, when cap rates ranged from 1.2% in the downtown Vancouver market to 4.2% in Surrey.

Alberta saw a dip in transaction volume in 2014. The price volume fell from \$530.2 million in 2013 to \$273.3 million in 2014, and the transaction price per room fell from \$153,600 to \$105,437. Alberta's largest transaction was the Courtyard & Residence Inn by Marriott Calgary Airport, which the Remail Group purchased for \$66 million at a cap rate of 7.4%. This property traded at a price substantially below Alberta's largest sale in 2013, the 525-room Westin Calgary, which had traded at \$192 million.



Summation and Outlook

Canada saw a high level of investment activity in 2014. The number of transactions was in line with what took place in 2013, but the price volume was lower without the big-ticket portfolio transactions that had taken place in 2013. Nevertheless, the investment volume for 2014 was significantly higher than the rolling five-year average of \$1 billion, which is indicative of a strong hotel sector where buyers and sellers can come to mutual agreements, supported by lenders who are leaving the door open for increased financing and trade activity.

Looking forward into 2015, there are a number of significant transactions that are in the pipeline for the first quarter of the year. On this basis, the outlook for the year's transaction volume is positive; however, the sharp decline in oil prices is likely to have a negative impact on GDP growth in Canada, with Alberta being the hardest hit. These circumstances may result in caution among buyers, while sellers may not have adjusted their expectations on asset value.

Disclaimer

HVS Canada has not verified all the 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; it is provided for your convenience only. Use of this information without verification from original sources is at your own risk.

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2014 Canadian Hotel Sales

BC	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Jan-14	Coquitlam Sleepy Lodge	Coquitlam	40	\$2,730,000	\$68,250	3.0%
	Jan-14	Travelodge Parksville	Parksville	84	3,230,000	38,500	5.9%
	Feb-14	Port Augusta Inn & Suites	Comox	75	3,370,000	44,933	9.3%
	Feb-14	Quality Inn Maple Ridge	Maple Ridge	61	3,200,000	52,459	3.0%
	Feb-14	Howard Johnson Inn Vernon	Vernon	29	1,725,000	59,483	6.9%
	Mar-14	Super 8 West Kelowna	Kelowna	81	2,991,000	37,037	13.2%
	Mar-14	Best Western Chelsea Inn	Coquitlam	61	5,000,000	81,967	10.0%
	Apr-14	Holiday Inn Express Kamloops	Kamloops	80	8,900,000	111,250	7.6%
	Apr-14	Squamish Budget Inn	Squamish	30	1,480,000	49,000	N/A
	May-14	Holiday Inn Hotel & Suites Surrey East Cloverdale	Surrey	76	11,693,000	153,900	4.2%
	May-14	Best Western Sands by the Sea	Vancouver	120	30,345,000	252,900	1.2%
	May-14	The Pemberton Hotel	Pemberton	30	1,980,000	66,000	8.1%
	May-14	Quarterdeck Inn & Marina	Port Hardy	40	6,200,000	155,000	16.4%
	May-14	Traders Inn Motor Hotel	Chilliwack	33	1,110,000	33,600	N/A
	May-14	Super 8	Kamloops	47	N/A	N/A	N/A
	May-14	Ocean Resort	Oyster Bay	33	3,800,000	115,151	7.5%
	May-14	Heritage River Inn	Campbell River	41	3,075,000	75,000	11.2%
	May-14	Herons Landing Hotel	Campbell River	31	2,750,000	88,709	7.5%
	May-14	Above Tide Motel	Campbell River	21	1,150,000	54,761	6.1%
	Jun-14	Poets Cove Resort & Spa South Pender Island	South Pender Island	46	N/A	N/A	N/A
	Jun-14	Hotel Eldorado Kelowna	Kelowna	53	19,700,000	371,698	7.5%
	Jun-14	Lake Okanagan Resort	Kelowna	217	N/A	N/A	N/A
	Jun-14	The Fairmont Empress Hotel	Victoria	477	N/A	N/A	N/A
	Jun-14	Super 8 Motel Merritt	Merritt	33	2,550,000	77,273	N/A
	Jun-14	Skylite Motel	Parksville	24	1,300,000	54,167	8.5%
	Jul-14	Days Inn Downtown Vancouver	Vancouver	85	14,800,000	174,118	3.2%
	Jul-14	Super 8 Williams Lake	Williams Lake	53	4,100,000	77,358	N/A
	Jul-14	Christine's Bed & Breakfast	White Rock	6	1,600,000	266,700	N/A
	Jul-14	Dalewood Inn	Port McNeill	35	1,050,000	30,000	N/A
	Aug-14	Super 8 Cranbrook	Cranbrook	45	2,420,000	53,800	N/A
	Oct-14	Best Western Cowichan Valley Inn	Duncan	42	4,300,000	102,381	N/A
	Nov-14	Revelstoke Lodge	Revelstoke	42	1,730,000	41,190	11.6%
	Nov-14	Hyatt Regency Vancouver	Vancouver	644	140,000,000	217,391	7.0%
	Nov-14	Howard Johnson Inn Vernon	Vernon	29	1,280,000	44,137	9.4%
	34 Sales			2,844	\$342,559,000	\$120,450	

AB	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Jan-14	Microtel Inn & Suites by Wyndham Blackfalds/Red Deer	Blackfalds	63	\$8,325,000	\$132,143	N/A
	Feb-14	Bow River Inn	Cochrane	44	4,550,000	103,400	N/A
	Feb-14	Super 8	Cochrane	48	5,400,000	112,500	11.8%
	Apr-14	Clearwater Residence Hotel Timberlea	Fort McMurray	57	26,000,000	456,140	8.2%
	Apr-14	Travelodge Drumheller	Drumheller	49	3,600,000	73,469	N/A
	May-14	Travelodge Red Deer	Red Deer	135	7,000,000	51,900	N/A
	May-14	Canmore Hotel	Canmore	22	2,200,000	100,000	N/A
	Jun-14	Tunnel Mountain Resort	Banff	95	14,250,000	150,000	4.5%
	Jun-14	Comfort Inn & Suites Sylvan Lake	Sylvan Lake	61	7,000,000	114,800	N/A
	Jun-14	Delta Calgary Airport	Calgary	296	N/A	N/A	N/A
	Jun-14	Days Inn & Suites Whitecourt	Whitecourt	79	8,900,000	112,658	11.0%
	Jun-14	La Biche Inn	Lac La Biche	34	3,000,000	88,200	15.6%
	Jul-14	Siesta Motel	Olds	37	1,700,000	45,900	13.6%
	Aug-14	Ramada Edmonton Hotel & Conference Centre	Edmonton	428	19,750,000	46,145	N/A
	Aug-14	Nova Inn Hinton	Hinton	70	4,375,000	62,500	N/A
	Sep-14	Coast Canmore Hotel & Conference Centre	Canmore	224	N/A	N/A	N/A

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Date of				Room		Price Per	Overall
AB	Sale	Property Name	City	Count	Price Paid	Room	Cap
	Oct-14	Jockey Motel	Edmonton	96	\$4,365,000	\$45,469	N/A
	Oct-14	Holiday Inn Express & Suites Spruce Grove	Spruce Grove	130	17,700,000	136,154	N/A
	Nov-14	Best Western Cedar Park Inn	Edmonton	195	23,625,000	121,000	11.0%
	Nov-14	Franklin's Inn	Sherwood Park	40	14,100,000	352,500	N/A
	Dec-14	Courtyard & Residence Inn by Marriott Calgary Airport	Calgary	328	66,000,000	201,200	7.4%
	Dec-14	Ramada Inn Lloydminster	Lloydminster	61	8,753,500	143,500	12.5%
	22	Sales		2,592	\$273,293,500	\$105,437	

Date of				Room		Price Per	Overall
MB	Sale	Property Name	City	Count	Price Paid	Room	Cap
	May-14	Lakeview Inn	Lac du Bonnet	15	\$1,650,000	\$110,000	18.0%
	May-14	Casey's Inn Motor Hotel	Lac du Bonnet	22	1,150,000	52,300	17.0%
	Jun-14	Stock Exchange Hotel	Winnipeg	16	2,250,000	140,625	N/A
	3	Sales		53	\$5,050,000	\$95,283	

Date of				Room		Price Per	Overall
ON	Sale	Property Name	City	Count	Price Paid	Room	Cap
	Jan-14	Seven & Seven Motel	Brampton	29	\$2,750,000	\$94,828	N/A
	Jan-14	Holiday Inn Select Brampton	Brampton	145	11,800,000	81,379	N/A
	Jan-14	Motel 6 Huntsville	Huntsville	85	3,296,000	38,776	N/A
	Jan-14	Super 8 Toronto North	Vaughan	85	3,250,000	38,200	N/A
	Jan-14	Towne & Country Motel	Windsor	52	1,250,000	24,000	N/A
	Feb-14	Best Western Plus The Parlour Historic Inn & Suites	Stratford	28	5,725,000	204,464	N/A
	Feb-14	Travelodge London South	London	126	2,600,000	20,635	N/A
	Feb-14	Travelodge Chatham	Chatham	103	1,875,000	18,204	N/A
	Mar-14	Comfort Inn Oshawa	Oshawa	79	4,250,000	53,797	N/A
	Mar-14	Comfort Inn Huntsville	Huntsville	71	2,500,000	35,211	N/A
	Mar-14	Delta Toronto Airport West Mississauga	Mississauga	297	9,350,000	31,481	N/A
	Apr-14	Tulip Motel	Woodstock	20	1,140,000	57,000	N/A
	Apr-14	Ambassador Conference Resort Kingston	Kingston	246	11,500,000	46,700	1.1%
	Apr-14	Quality Hotel & Conference Centre	Niagara Falls	145	6,730,000	46,414	N/A
	Apr-14	Super 8 Midland	Midland	65	3,600,000	55,400	N/A
	Apr-14	Quality Hotel & Conference Centre Oshawa	Oshawa	194	4,680,000	24,124	N/A
	Apr-14	Riverside Motel & Restaurant	Sudbury	59	1,575,000	26,700	N/A
	May-14	Super 8	Kingston	51	1,500,000	29,412	N/A
	May-14	Comfort Inn Chatham	Chatham	80	3,800,000	47,500	N/A
	May-14	Talisman Resort & Conference Centre	Kimberley	88	1,800,000	20,455	N/A
	Jun-14	Comfort Inn St. Catharines	St. Catharines	100	4,100,000	41,000	8.5%
	Jun-14	Comfort Inn Owen Sound	Owen Sound	60	2,550,000	43,000	N/A
	Jun-14	Days Inn & Suites Thunder Bay	Thunder Bay	92	13,049,508	141,800	9.0%
	Jun-14	Days Inn Thunder Bay North	Thunder Bay	92	13,049,508	141,800	9.0%
	Jun-14	Comfort Inn Toronto North York	North York	144	5,800,000	40,278	N/A
	Jun-14	Travelodge Hotel by the Falls	Niagara Falls	120	6,500,000	54,167	3.0%
	Jul-14	Super 8 Peterborough	Peterborough	82	7,275,000	88,700	N/A
	Jul-14	Midland Inn & Suites	Midland	30	2,288,000	76,300	N/A
	Jul-14	Burleigh Falls Inn & Suites	Kawartha	23	1,325,000	N/A	N/A
	Jul-14	Courtyard by Marriott Toronto Brampton	Brampton	159	25,100,000	157,862	N/A
	Jul-14	Super 8 Peterborough	Peterborough	82	7,275,000	88,700	N/A
	Aug-14	Hilton Garden Inn Toronto Airport West Mississauga	Mississauga	152	25,050,000	164,803	N/A
	Aug-14	Airport Inn & Suites London	London	103	3,350,000	32,500	N/A
	Aug-14	Holiday Inn Toronto International Airport	Toronto	446	16,000,000	35,874	N/A
	Aug-14	Holiday Inn Hotel & Suites Ottawa - Downtown	Ottawa	220	28,000,000	127,300	N/A
	Sep-14	Best Western Macies Hotel	Ottawa	123	11,732,000	95,400	N/A
	Sep-14	Holiday Inn Mississauga Toronto West	Mississauga	138	8,850,000	64,100	N/A
	Sep-14	Quality Suites London	London	118	4,500,000	38,100	N/A
	Sep-14	TownePlace Suites by Marriott Sudbury	Sudbury	105	18,000,000	171,429	N/A
	Sep-14	Four Points by Sheraton Waterloo-Kitchener Hotel & Suites	Waterloo	104	14,100,000	135,600	N/A
	Sep-14	Best Western Little River Inn	Simcoe County	49	3,100,000	63,300	N/A

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ON	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Oct-14	Fairfield Inn & Suites by Marriott Toronto Airport	Mississauga	170	\$19,500,000	\$114,706	8.0%
	Nov-14	Comfort Inn Leamington	Leamington	61	\$2,600,000	\$42,623	N/A
	Nov-14	Comfort Inn Trenton	Trenton	76	2,250,000	29,605	N/A
	Nov-14	Delta Toronto East	Toronto	366	32,750,000	89,481	N/A
	Dec-14	Quality Hotel Ottawa	Ottawa	212	N/A	N/A	N/A
	Dec-14	Park Hyatt Toronto	Toronto	346	105,000,000	303,468	N/A
	47	Sales		5,821	\$497,065,016	\$85,392	
QC	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Jan-14	Holiday Inn Midtown	Montreal	488	\$65,000,000	\$133,197	N/A
	Feb-14	Comfort Inn Levis	Levis	98	4,100,000	41,837	N/A
	Mar-14	Hôtel des Seigneurs Saint-Hyacinthe	Saint-Hyacinthe	290	8,200,000	28,276	N/A
	Apr-14	Loews Le Concorde	Quebec	406	12,000,000	29,557	N/A
	May-14	Comfort Inn Montreal Aeroport Pointe-Claire	Pointe-Claire	99	3,800,000	38,384	N/A
	May-14	Comfort Inn Dorval Airport	Dorval	98	3,800,000	38,776	N/A
	May-14	Z Plaza Hotel	Victoriaville	14	1,340,000	95,700	N/A
	Jun-14	Manoir St-Castin	Lac-Beauport	104	4,550,000	43,800	N/A
	Jul-14	Hotel Tadoussac	Tadoussac	149	N/A	N/A	N/A
	Aug-14	Comfort Inn Sainte-Foy	Sainte-Foy	78	2,850,000	36,500	N/A
	Sep-14	Novotel Montreal Airport	Montreal	120	7,450,000	62,083	13.5%
	Dec-14	Fairmont Le Chateau Montebello	Montebello	211	N/A	N/A	N/A
	12	Sales		2,155	\$113,090,000	\$52,478	
NB	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Dec-14	Hampton Inn & Suites Saint John	Saint John	116	\$8,000,000	\$68,966	9.4%
NS	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Jan-14	Comfort Inn Dartmouth	Dartmouth	80	\$3,475,000	\$43,400	N/A
	Apr-14	Coastal Inn	Halifax	65	2,600,000	40,000	N/A
	Jun-14	Delta Halifax	Halifax	296	N/A	N/A	N/A
	Jun-14	Delta Barrington	Halifax	200	N/A	N/A	N/A
	Sep-14	Future Inn Halifax	Halifax	132	10,235,000	77,500	10.5%
	5	Sales		773	\$45,310,000	\$58,616	
SK	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Feb-14	Radisson Plaza Saskatchewan	Regina	224	\$32,800,000	\$146,429	11.5%
	Jun-14	La Ronge Hotel & Suites	La Ronge	49	3,465,000	70,700	N/A
	2	Sales		273	\$36,265,000	\$132,839	
NWT	Date of Sale	Property Name	City	Room Count	Price Paid	Price Per Room	Overall Cap
	Jan-14	Nova Court Yellowknife	Yellowknife	106	\$21,680,000	\$204,528	10.4%
	127	Total Hotel Sales		14,733	\$1,342,312,516	\$91,109	



About HVS

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About Authors



Aaron Laurie is a research assistant with HVS Canada. He is currently enrolled as a fourth year student at the University of Guelph, working to earn his Bachelor of Commerce degree majoring in Hotel & Food Administration. Prior to his work with HVS, Aaron held various positions in hotel operations with companies including Fairmont Hotels & Resorts, IHG, and Wyndham Hotel Group.



Carrie Russell, AACI, MAI, Managing Director – Over the course of her 17-year career with HVS, Carrie has been involved with appraisals and/or feasibility studies for over 1,500 hotel properties throughout Canada and the United States. She speaks regularly at industry conferences and has authored several articles on various topics relevant to the industry. As a member of the Appraisal Institute of Canada and the US Appraisal Institute, Carrie combines her hotel industry experience and education with her real estate credentials to assist clients in making informed hotel investment decisions.

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