

HOTEL BRANDING IN CANADA

To understand the changing hotel branding landscape in Canada, HLT Advisory Inc. ("HLT") contacts the major hotel brands on a bi-annual basis to understand the current inventory of branded hotels. HLT maintains a database of all Canadian hotels (30 rooms or larger) including information gathered from these hotel brands.

HLT has prepared the following overview of hotel branding in Canada for hotels that have 30 rooms or more, as of December 31, 2010.

Canadian Hotel Inventory and Branding

Canada has 3,958 hotels with a total of 375,801 hotel rooms as of December 31, 2010. This represents an increase of 501 properties (up from 3,457) and 48,927 hotel rooms (up from 326,874) since 2003, or an annual growth rate of 2.1% for hotel properties and 2.1% for hotel rooms. The current inventory is summarized in the following table.

Canada Hotel Branding - Hotels with 30 Rooms or More

As of December 31, 2010

Hotel Size	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
30 - 74 Rooms	2,140	102,875	568	31,599	30.7%
75 - 99 Rooms	629	53,753	385	32,882	61.2%
100 -149 Rooms	646	76,919	407	48,721	63.3%
150 - 199 Rooms	225	38,433	147	25,120	65.4%
200 - 249 Rooms	132	29,096	89	19,623	67.4%
250+ Rooms	186	74,725	143	60,217	80.6%
TOTAL	3,958	375,801	1,739	218,162	58.1%

Source: HLT Advisory Inc. Hotel Database

The proportion of Canadian hotels associated with a hotel brand has also increased over time. In 2003, 39.6% of hotels were affiliated with hotel brands and 55.1% of hotel rooms were branded. By the end of 2010, some 1,739 hotels (43.9%) and 218,162 rooms (58.1%) are branded with a regional, national or international hotel brand.

Since the last Hotel Branding in Canada report published in July 2010 (based on June 2010 data), the number of branded hotels has increased by 16 properties (1.1% growth from 1,476 hotels) and the number of branded hotel rooms has increased by 1,542 rooms (0.8% growth from 189,400 rooms) over the six month period. The increase resulted from opening new

branded hotels and branding formerly independent hotels.

Branded properties in Canada average 125 rooms compared with the average hotel size in the overall sample of hotels (minimum 30 rooms) of 95 rooms. Of hotels that have between 30 and 74 rooms, 30.7% of hotel rooms are branded. However, the proportion of branded hotels increases significantly based on hotel size as evidenced by 61.2% of hotels with 75 to 99 hotel rooms being branded and 80.6% of hotels with 250 rooms or larger being associated with a hotel brand.

Hotel Branding by Canadian Province

As shown in the following table, the Canadian provinces offering the largest number of hotels (and hotel rooms) in descending order are Ontario, British Columbia, Alberta and Québec. These are also the provinces with the largest population and combined represent 85.2% of the hotel rooms in the sample.

Provincial Hotel Branding - Hotels with 30 Rooms or More

As of December 31, 2010

Province	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
Ontario	1,036	113,704	580	79,178	69.6%
British Columbia	871	77,294	351	40,329	52.2%
Alberta	717	66,204	330	38,443	58.1%
Quebec	644	62,970	188	29,836	47.4%
Saskatchewan	156	13,117	70	7,564	57.7%
Nova Scotia	127	11,174	62	6,577	58.9%
Manitoba	132	10,892	46	4,923	45.2%
New Brunswick	124	9,525	66	6,413	67.3%
Newfoundland	53	4,303	13	1,848	42.9%
Territories	52	3,518	14	1,232	35.0%
Prince Edward Island	46	3,100	19	1,819	58.7%
TOTAL	3,958	375,801	1,739	218,162	58.1%

Source: HLT Advisory Inc. Hotel Database

Ontario and New Brunswick have the highest rate of hotel branding with 69.6% and 67.3% respectively, followed closely by Nova Scotia, PEI, Alberta, Saskatchewan and British Columbia that each have a rate of branding ranging between 50.0% and 60.0%. Québec, Manitoba and Newfoundland have between 40.0% and 50.0% of hotels associated with a recognized hotel brand.

Top Ten Canadian Hotel Markets

The top three Canadian hotel markets by both number of hotels and total hotel rooms are Toronto, Vancouver and Montréal – Canada's largest cities by population, as shown in the table below.

Top 10 Canadian Hotel Markets Hotel Branding - 30 Rooms or More

As of December 31, 2010

Cities - Top 10 Hotel Markets	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
Greater Toronto Area	221	39,163	154	33,575	85.7%
Greater Vancouver	218	28,437	116	19,342	68.0%
Greater Montreal	154	23,518	74	16,089	68.4%
Edmonton	120	14,127	66	9,936	70.3%
Niagara Falls Area	113	13,021	47	8,127	62.4%
Calgary	95	12,931	68	10,006	77.4%
Ottawa	65	10,528	33	6,104	58.0%
Quebec City	79	9,075	29	4,951	54.6%
Winnipeg	62	6,849	28	3,642	53.2%
Victoria	66	6,496	30	3,200	49.3%
TOTAL	1,193	164,145	645	114,972	70.0%

Source: HLT Advisory Inc. Hotel Database

Toronto and Calgary lead the pack with 85.7% and 77.4% respectively of hotel inventory being associated with a hotel brand. Edmonton, Montreal and Vancouver all have a hotel branding rate of approximately 70%. Niagara Falls and Ottawa have hotel branding rates ranging between 57.0% and 63.0%. The city with the lowest rate of hotel branding among the Top 10 cities is Victoria with 49.3%.

Quality Level and Product Offering

According to the HLT Hotel Database, 81.2% of branded hotels in Canada are classified (using STR chain scale categories) as either Economy, Midscale or Upper Midscale quality segments. While the Upscale (e.g. Doubletree, Courtyard, Four Points), Upper Upscale (e.g. Hilton, Marriott, Westin) and Luxury (e.g. Four Seasons, Fairmont, W Hotel) quality segments represent 10.9%, 5.5% and 2.0% respectively of branded hotels (as opposed to hotel rooms).

Of the branded hotel rooms located in Canada's ten largest cities, 8.9% are classified as Luxury, 23.1% are Upper Upscale, 17.5% are Upscale, 29.1% are Upper Midscale, 11.0% are Midscale and 10.4% are classified as Economy brands.

Top Hotel Brands in Canada

The top 15 hotel brands in Canada represent 58.6% of Canada's branded hotels and 58.9% of the branded hotel rooms.

Best Western is the most prolific individual hotel brand in Canada in terms of both number of properties (176) and number of hotel rooms (16,588). The top 15 hotel brands in Canada (based on number of branded hotel rooms) are presented in the following table.

Top 15 Hotel Brands in Canada - Hotels with 30 Rooms or More

As of December 31, 2010

Hotel Brand	Branded Hotels - December 2010		
	Hotels	Rooms	Avg. Size Rooms
Best Western	176	16,588	94
Delta Hotels and Resorts	45	13,019	289
Comfort Inn	147	12,468	85
Holiday Inn	60	11,005	183
Fairmont Hotels & Resorts	20	10,165	508
Travelodge / Thriftlodge	97	8,807	91
Super 8 Motels	126	8,201	65
Holiday Inn Express	76	7,884	104
Sheraton	17	7,675	451
Quality Inn	74	7,558	102
Days Inn	84	7,334	87
Ramada Hotel / Inn / Plaza / Limited	67	6,892	103
Westin	15	5,675	378
Hilton	15	5,314	354
Marriott	13	4,836	372

Source: HLT Advisory Inc. Hotel Database

Delta Hotels and Holiday Inn rank 2nd and 4th respectively in this list based on hotel rooms but Delta is ranked 10th based on number of hotels and Holiday Inn is ranked 9th. The Comfort brand is ranked 3rd by number of hotel rooms and 2nd based on number of hotels.

The distribution of hotel brands in the table above will change due to Best Western International rebranding a large number of its member hotels in Q1 2011 – resulting in the 176 hotels at the end of December 2010 being split into 75 “Best Western” properties with 6,641 rooms and 101 “Best Western Plus” hotels with 9,947 rooms. Best Western will also be introducing the “Best Western Premier” brand in 2011.

Despite 2010 being a difficult year in terms of hotel operating performance and hotel real estate investment, 35 branded hotels opened in 2010.

2010 New Branded Hotels Brands in Canada (30+ Rooms)

As of December 31, 2010

Hotel Brand	Hotels	Rooms
Hampton Inn & Suites by Hilton	5	473
Sandman Hotels	4	724
Holiday Inn Express	4	397
Super 8	4	312
Best Western Plus	3	252
Hotel Le Germain	2	310
Fairmont Hotels & Resorts	1	377
Coast Hotels & Resorts	1	220
Westin Hotels & Resorts	1	188
Four Points by Sheraton	1	150
Novotel	1	149
Residence Inn by Marriott	1	141
Courtyard	1	128
Homewood Suites by Hilton	1	126
Ramada	1	108
Thompson Hotels	1	102
Holiday Inn Hotel & Suites	1	89
Fairfield Inn & Suites	1	83
Motel 6	1	74

Source: HLT Advisory Inc. Hotel Database

While some of these hotels were conversions from other brands, many are newly constructed properties. Brands that experienced the greatest growth in the Canadian market in terms of number of new properties are Hampton Inns & Suites, Sandman Hotels (includes Sandman Signature hotels), Super 8, Best Western and Le Germain.

Top Hotel Brand Families in Canada

Hotel brand families are corporations that offer multiple hotel brands within a single organization. Some brand families may have as few as two brands and often share rewards and marketing programs, such as Starwood and Marriott. Others such as Wyndham Hotels & Resorts have over 10 brands (and less marketing connection between individual brands).

Each of these corporations have developed their multi-brand platform either through acquiring existing brands, creating new brands or by extending an existing brand into new sectors (i.e. Holiday Inn being an established full-service brand that was extended into Holiday Inn Express which is a limited-service hotel brand).

In Canada, the top 15 brand families offer 58 different brands and account for 190,942 hotel rooms. As shown in the following table, these 15 brand families represent 50.8% of all the hotel rooms in Canada and 87.5% of the branded hotel rooms.

Top 15 Hotel Brand Families in Canada - 30+ Rooms

As of December 31, 2010

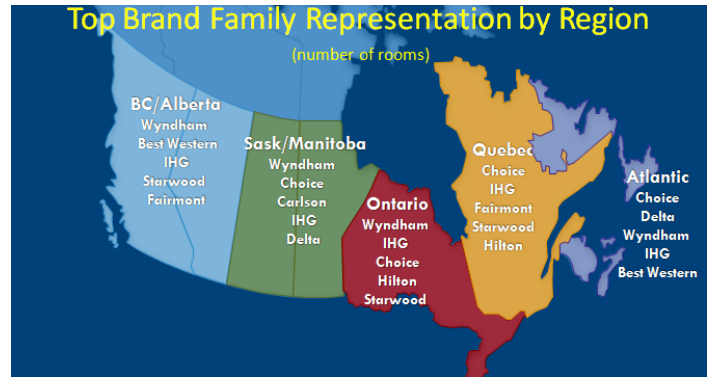
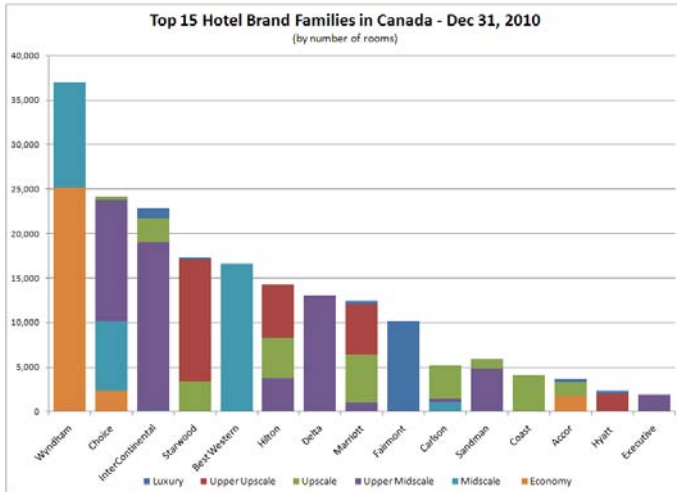
Hotel Brand Family	Branded Hotels	
	Hotels	Rooms
Wyndham Hotels & Resorts	457	37,018
Choice Hotels International	288	24,114
InterContinental Hotels Group	155	22,875
Starwood Hotels & Resorts	58	17,306
Best Western	176	16,588
Hilton Hotels Corporation	81	14,315
Delta Hotels & Resorts	45	13,019
Marriott Hotels & Resorts	60	12,468
Fairmont Raffles Hotels International	20	10,165
Carlson Hotels Worldwide	36	5,158
Sandman Hotels and Inns	40	5,957
Coast Hotels & Resorts	32	4,060
Accor Hotels	26	3,622
Hyatt Hotels Corporation	5	2,334
Executive Hotels & Resorts	13	1,943
Total	1,492	190,942

Source: HLT Advisory Inc. Hotel Database

With the exception of Best Western, Coast, Delta, Sandman and Executive Hotels – each operating as single brand companies in 2010 – all of the top brand families offer at least three brands within Canada and/or internationally. For example, Fairmont Raffles Hotels International is only represented in Canada by its Fairmont brand but has two other brands (Raffles and Swissôtel) that have a presence internationally. Wyndham is by far the largest brand family in Canada with 457 hotels, 37,018 hotel rooms and 10 different hotel brands and sub-brands represented in the country.

Within each brand family, a multiple brand platform provides an opportunity to target specific hotel segments. For example, Marriott has brands that fit the luxury segment (i.e. Ritz-Carlton) as well as the Upper Upscale (i.e. JW Marriott, Renaissance), Upscale (i.e. Courtyard), and Upper Midscale (Fairfield Inn) segments.

The following chart illustrates the ranking of the top 15 hotel brand families in Canada by number of hotel rooms and the proportion in each of the major brand chain scale quality segments.



Wyndham is the dominant brand family in Canada with respect to branded hotel rooms followed by Choice and InterContinental Hotels Group (“IHG”). However, the Starwood, Best Western, Hilton, Delta, Marriott and Fairmont brand families also have a prominent position in this chart with respect to branded hotel rooms, as the hotels associated with their brands tend to be larger full-service hotels.

The distribution of hotel brand family presence in Canada varies by region as shown on the map.

IHG is in the top five in each of the regions in Canada.

Wyndham is in the top five brand families in all regions with the exception of Quebec and Choice is in the top five regions except for the British Columbia/Alberta region.

Final Thoughts

Branding will continue to accelerate in Canada with continued interest shown by owners of independent hotels...and financial institutions generally insisting on brand affiliation for new builds.

HLT will continue to track the evolution of hotel branding in Canada and report changes to the proportion and relative positioning of regional, national and international hotel brands.

About HLT Advisory Inc.

HLT Advisory Inc. provides a wide range of advisory services to the Canadian and international hospitality, leisure and tourism industries. Since inception in 2005, the firm has gained particular prominence in the lodging, gaming, travel/tourism, recreation, sport, entertainment and public-assembly venue sectors.

The HLT Lodging practice focuses on hotel asset management; hotel acquisition/divestiture transaction support; and, hotel and hotel-enhanced mixed-use development project management and advisory services. Further details of hotel asset management and investment advisory services can be found at www.hlta.ca/Lodging.html.

Definitions

Hotel - is defined as a lodging enterprise offering 30 rooms or more and open on a year-round basis.

Hotel Brand - for this purpose is any established and recognized hotel brand with an organized and professional hotel company that provides a common brand name, central reservation system, physical and operating standards, chain-wide marketing, whether it is a major international hotel brand (i.e. Marriott, Hilton, Westin), a large national hotel brand (i.e. Delta or Sandman) or a smaller regional hotel brand (i.e. Rodd or Pomeroy).

Brand Chain Scale – refers to the Luxury, Upper Upscale, Upscale, Upper Midscale, Midscale and Economy hotel quality segments that are consistent with Smith Travel Research (STR Global) Chain Scale classifications.

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