

HOTEL BRANDING IN CANADA

Canada has long been perceived as lagging behind the United States with regard to the proportion of branded hotels compared with total hotel inventory. However, the number of hotels associated with a regional, national or international hotel brand has been increasing over time. The presence of hotel branding is most evident in Canada's city centres, along major highways and increasingly in the nation's major resort destinations. This has been a result of a number of factors, some of which include:

- a concerted effort by the hotel brands to create a market presence in Canada through rebranding independent hotels and building new hotels in key markets designed to the brand's specifications;
- the introduction of American and international hotel brands into the Canadian hotel market; and
- the recognition by hotel owners, investors, and lenders of the perceived benefits of associating with hotel brands such as operating and physical standards, central reservation system, strong guest loyalty programs, brand recognition and awareness, innovative management and guest products, professional management and a host of other benefits.

Canadian hotels that are not associated with a hotel brand can indeed be successful and still represent a large portion of hotels in Canada. However, the trend over the past two decades has shown an ever increasing number of the nation's hotels being branded.

To understand the current hotel branding landscape, HLT Advisory Inc. ("HLT") contacted many of the major hotel brands represented in Canada to understand the current inventory of branded hotels. HLT then developed, and plans to maintain, a database of Canadian hotels 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 June 30, 2010.

Canadian Hotel Inventory and Branding

Canada has 3,952 hotels with a total of 374,968 hotel rooms as of June 30, 2010. This represents an increase of 495 properties (up from 3,457) and 48,094 hotel rooms (up from 326,874) since 2003, or an annual growth rate of 2.0% 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 June 2010

Hotel Size	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
30 - 74 Rooms	2,142	102,962	563	31,314	30.4%
75 - 99 Rooms	627	53,533	382	32,598	60.9%
100 - 149 Rooms	642	76,524	402	48,249	63.1%
150 - 199 Rooms	222	37,863	143	24,382	64.4%
200 - 249 Rooms	133	29,382	90	19,917	67.8%
250+ Rooms	186	74,704	145	60,949	81.6%
TOTAL	3,952	374,968	1,725	217,409	58.0%

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 2010, some 1,725 hotels (43.7%) and 217,409 rooms (58.0%) are branded with a regional, national or international hotel brand.

Branded properties in Canada average 126 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, 30.4% of hotel rooms are branded. However, the proportion of branded hotels increases significantly based on hotel size as evidenced by 60.9% of hotels with 75 to 99 hotel rooms being branded and 81.6% 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 highest population and combined represent 85.2% of the hotel rooms in the sample.

Ontario and New Brunswick have the highest rate of hotel branding with 69.9% and 66.7% respectively, followed closely by PEI, Nova Scotia, Alberta, Saskatchewan and British Columbia which 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.

Provincial Hotel Branding - Hotels with 30 Rooms or More

As of June 2010

Province	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
Ontario	1,034	113,531	579	79,306	69.9%
British Columbia	866	76,683	346	39,712	51.8%
Alberta	714	65,369	326	37,555	57.5%
Quebec	651	64,043	189	30,738	48.0%
Saskatchewan	155	13,008	67	7,275	55.9%
Nova Scotia	126	11,084	60	6,448	58.2%
Manitoba	134	11,051	49	5,290	47.9%
New Brunswick	121	9,279	63	6,187	66.7%
Newfoundland	53	4,302	13	1,847	42.9%
Territories	52	3,518	14	1,232	35.0%
Prince Edward Island	46	3,100	19	1,819	58.7%
TOTAL	3,952	374,968	1,725	217,409	58.0%

Source: HLT Advisory Inc. Hotel Database

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.

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

As of June 2010

Cities - Top 10 Hotel Markets	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
Greater Toronto Area	220	38,988	153	33,400	85.7%
Greater Vancouver	219	28,460	118	19,436	68.3%
Greater Montreal	156	23,791	75	16,545	69.5%
Edmonton	119	13,792	65	9,654	70.0%
Niagara Falls Area	114	13,172	48	8,278	62.8%
Calgary	95	12,815	67	9,815	76.6%
Ottawa	64	10,398	32	5,974	57.5%
Quebec City	80	9,395	29	5,383	57.3%
Winnipeg	63	6,921	31	3,982	57.5%
Victoria	66	6,496	30	3,200	49.3%
TOTAL	1,196	164,228	648	115,667	70.4%

Source: HLT Advisory Inc. Hotel Database

Toronto and Calgary lead the pack with 85.7% and 76.6% respectively of their hotel inventory being associated with a hotel brand. Montreal, Edmonton and Vancouver all have a hotel branding rate of approximately 70.0%. Niagara Falls, Winnipeg, Ottawa and Quebec City 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, 79.2% of the branded hotels in Canada are classified as either Economy or Midscale quality segments. While the Upper Upscale and Luxury quality segments (e.g., Marriott, Westin, and Fairmont), represent 5.0% and 1.9% respectively of branded hotels (as opposed to hotel rooms).

Of the branded hotel rooms located in Canada's ten largest cities, 8.6% are considered to be Luxury quality, 23.4% are Upper Upscale, 23.4% are Upscale, 34.0% are Midscale (full-service and limited-service combined) and 10.6% are classified as Economy brands.

Top Hotel Brands in Canada

The top 15 hotel brands in Canada represent 60.6% of Canada's branded hotels and 59.0% 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 rooms (16,366). In total, 15 brands in Canada are presented in the following table.

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

As of June 2010

Hotel Brand	Branded Hotels - June 2010		
	Hotels	Rooms	Avg. Size Rooms
Best Western	176	16,336	93
Delta	44	12,514	284
Comfort Inn / Hotel	144	12,240	85
Holiday Inn / Select	62	10,876	175
Fairmont	20	10,165	508
Travelodge / Thriftlodge	99	8,904	90
Days Inn	88	8,215	93
Super 8	125	8,131	65
Sheraton	17	7,675	451
Holiday Inn Express	74	7,562	102
Quality Inn / Hotel / Suites	73	7,375	101
Ramada Hotel / Inn / Plaza / Limited	68	6,969	102
Westin	15	5,675	378
Hilton	15	5,314	354
Marriott	13	4,838	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 11th based on number of hotels and Holiday Inn is ranked 8th. The Comfort brand is ranked 3rd by number of hotel rooms and 2nd based on number of hotels.

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 59 different brands and account for 189,409 hotel rooms. As shown

in the following table, these 15 brand families represent 50.5% of all the hotel rooms in Canada and 87.1% of the branded hotel rooms.

Top 15 Hotel Brand Families in Canada - 30+ Rooms

As of June 2010

Hotel Brand Family	Branded Hotels	
	Hotels	Rooms
Wyndham Hotels & Resorts	461	38,219
Choice Hotels International	276	23,113
InterContinental Hotels Group	157	22,943
Starwood Hotels & Resorts	58	17,306
Best Western	176	16,336
Hilton Hotels Corporation	77	13,970
Delta Hotels & Resorts	44	12,514
Marriott Hotels & Resorts	57	12,083
Fairmont Raffles Hotels International	20	10,165
Carlson Hotels Worldwide	41	5,642
Sandman Hotels and Inns	36	5,342
Coast Hotels & Resorts	30	3,942
Accor Hotels	25	3,548
Hyatt Hotels Corporation	5	2,334
Executive Hotels & Resorts	13	1,943
Total	1,476	189,400

Source: HLT Advisory Inc. Hotel Database

With the exception of Best Western, Delta, Coast, Sandman and Executive Hotels – each operating as single brand companies – 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 461 hotels, 38,219 hotel rooms and 11 different hotel brands and sub-brands represented in the country.

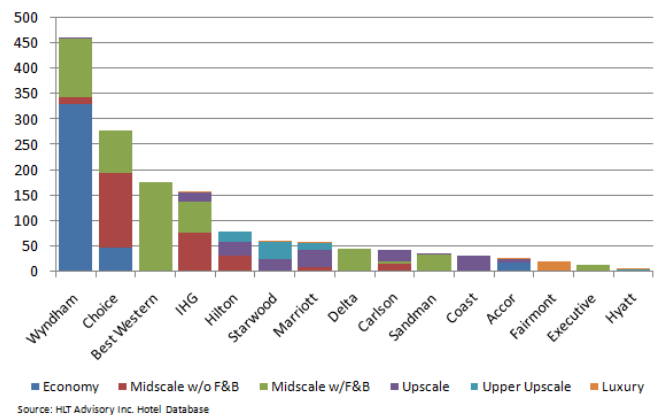
Within each brand family, a multiple brand platform provides an opportunity to target specific hotel segments. For example, Marriott has brands that fit the luxury segment (i.e. Ritz-Carlton) as well as the Upper Upscale (i.e. JW Marriott, Renaissance), Upscale (i.e. Courtyard), and Midscale without Food & Beverage (Fairfield Inn) segments.

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

Wyndham, Choice, Best Western and InterContinental Hotels Group (“IHG”) dominate the Canadian hotel market in terms of the number of branded hotels, the majority of which are in the Economy and Midscale (With and Without Food & Beverage) brand chain scale quality segments.

Top 15 Hotel Brand Families in Canada – June 2010

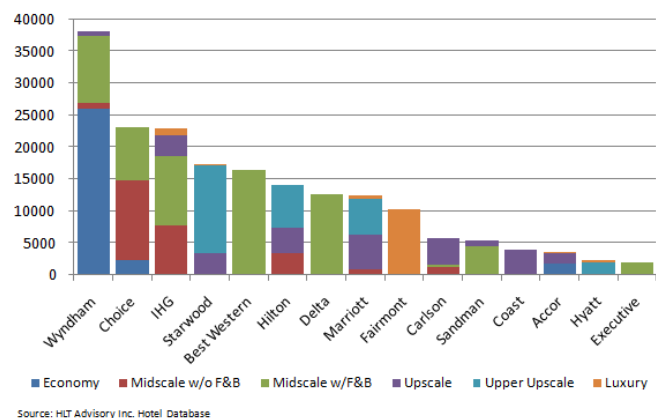
(by number of hotels)



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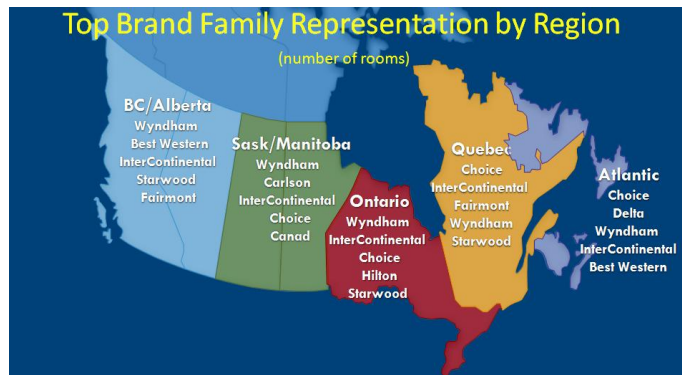
Top 15 Hotel Brand Families in Canada – June 2010

(by number of hotel rooms)



Similar to the ranking of branded hotels, Wyndham is the dominant brand family in Canada with respect to branded hotel rooms followed by Choice and IHG. However, the Starwood, Best Western, Hilton, Delta, Marriott and Fairmont brand families all have a much more 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. Fairmont has a disproportionately large number of luxury hotel properties in Canada compared to the national average, a result of Fairmont’s rebranding of the Canadian Pacific and Canadian National railway hotels built in primary city centre and resort locations in the early 1900s.

The distribution of hotel brand family presence in Canada varies by region as shown below.



Some of the larger brand families such as Wyndham, and IHG are in the top five in each of the regions and Choice is in all but 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.

Definitions

Hotel - is defined as a lodging enterprise offering 30 rooms or more and open on a year-long 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, Midscale (full-service and limited-service combined) and Economy hotel quality segments that are consistent with Smith Travel Research (STR Global) Chain Scale classifications.

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