

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 determine the current inventory of branded hotels. HLT maintains a database of all Canadian hotels including information gathered from these hotel brands.

HLT has prepared the following overview of hotel branding in Canada for hotels containing 30 rooms or more.

Canadian Hotel Inventory and Branding

Canada has 3,975 hotels (30 rooms or more) with 378,174 hotel rooms as of June 30, 2011. This represents an increase of 518 properties (up from 3,457) and 51,300 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 hotel inventory is summarized in the following table.

Canada Hotel Branding - Hotels with 30 Rooms or More

As of June 30, 2011

Hotel Size	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
30 - 74 Rooms	2,141	103,018	575	32,082	31.1%
75 - 99 Rooms	638	54,564	395	33,757	61.9%
100 -149 Rooms	651	77,626	414	49,670	64.0%
150 - 199 Rooms	228	38,906	150	25,643	65.9%
200 - 249 Rooms	131	28,912	88	19,427	67.2%
250+ Rooms	186	75,148	145	61,416	81.7%
TOTAL	3,975	378,174	1,767	221,995	58.7%

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 mid-year 2011, some 1,767 hotels (44.4%) and 221,995 rooms (58.7%) were branded with a regional, national or international hotel brand.

Branded properties in Canada average 126 rooms compared with the average hotel size in HLT Hotel Database (minimum 30 rooms) of 95 rooms. Of hotels that have between 30 and 74 rooms, 31.1% of hotel rooms are branded. However, the proportion of branded hotels increases significantly based on hotel size as

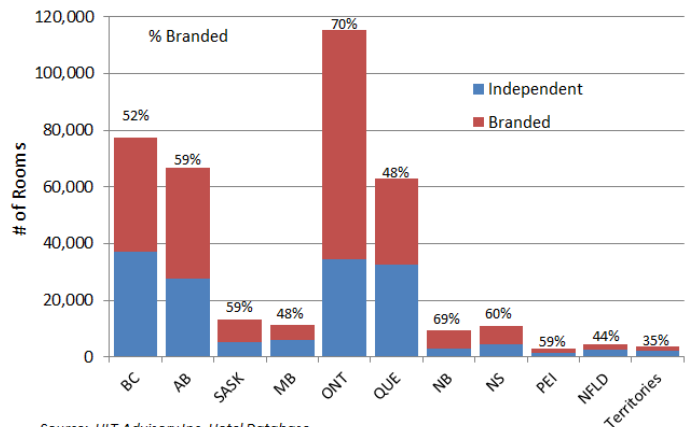
evidenced by 61.9% of hotels with 75 to 99 hotel rooms being branded and 81.7% of hotels with 250 rooms or larger being associated with a hotel brand.

Hotel Branding by Province

As shown in the following chart, the Canadian provinces offering the largest number of 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 (30 rooms or more) in the HLT Hotel Database.

Total Hotel Rooms by Province – June 2011

Hotels with 30+ Rooms



Source: HLT Advisory Inc. Hotel Database

Ontario and New Brunswick have the highest rate of hotel branding with 70.2% and 68.7% respectively, followed closely by Nova Scotia, Saskatchewan, PEI, Alberta and British Columbia, each with a rate of branding ranging between 60% and 50%. Québec, Manitoba and Newfoundland have between 49% and 40% of hotels associated with a recognized hotel brand.

Top 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 following table.

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

As of June 30, 2011

Cities - Top 10 Hotel Markets	Total Hotels		Branded Hotels		
	Hotels	Rooms	Hotels	Rooms	% Rooms Branded
Greater Toronto Area	225	39,864	159	34,566	86.7%
Greater Vancouver	219	28,491	117	19,408	68.1%
Greater Montreal	154	23,484	75	16,541	70.4%
Edmonton	121	14,257	67	10,066	70.6%
Niagara Falls Area	115	13,694	48	8,758	64.0%
Calgary	93	12,793	69	10,101	79.0%
Ottawa	65	10,528	33	6,104	58.0%
Quebec City	79	9,075	29	4,951	54.6%
Winnipeg	64	7,045	31	3,978	56.5%
Victoria	66	6,496	30	3,200	49.3%
TOTAL	1,201	165,727	658	117,673	71.0%

Source: HLT Advisory Inc. Hotel Database

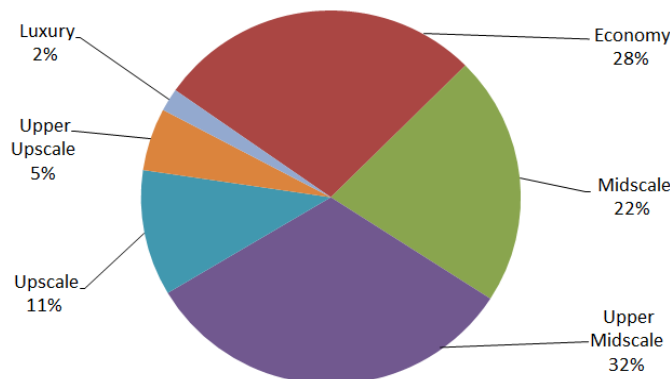
Toronto and Calgary have the highest proportion of branded hotels with 86.7% and 79.0% respectively of hotel inventory being associated with a hotel brand. Edmonton and Montréal both have a hotel branding rate of approximately 70.5%, closely followed by Vancouver at 68.1%. Niagara Falls and Ottawa have hotel branding rates of 64.0% and 58.0%, respectively. The city with the lowest rate of hotel branding among the Top 10 cities is Victoria with 49.3%.

Quality Level and Product Offering

The branded hotels in the HLT Hotel Database as of June 30, 2011 have been classified as per the STR Global Brand Chain Scale categories and depicted in the chart below. The largest Brand Chain Scale segment represented in Canada (by number of hotels) is the Upper Midscale segment representing 32% of the branded hotels, followed by the Economy (28%) and Midscale (22%) segments. The higher quality hotels represented by Upscale (11%), Upper Upscale (5%) and Luxury (2%) combined represent approximately one fifth of branded hotels in Canada.

Branded Hotels in Canada by Chain Scale - June 2011

Hotels with 30+ Rooms



Source: HLT Advisory Inc. Hotel Database

Of the branded hotel rooms located in Canada's ten largest cities, 8.9% are classified as Luxury, 23.4% are Upper Upscale, 17.4% are Upscale, 28.7% are Upper Midscale, 11.1% are Midscale and 10.5% are classified as Economy brands.

Top Hotel Brands in Canada

The top 20 hotel brands in Canada (presented in the table below) represent 68.9% of Canada's branded hotels and 69.1% of the branded hotel rooms. The top 10 hotel brands represent 44.1% of Canada's branded hotel rooms and 44.6% of branded hotels.

Top 20 Hotel Brands in Canada - Hotels with 30 Rooms or More

As of June 30, 2011

Hotel Brand	Branded Hotels - June 30, 2011		
	Hotels	Rooms	Avg. Size Rooms
Delta Hotels and Resorts	46	13,214	287
Comfort Inn	148	12,575	85
Holiday Inn	62	11,110	179
Fairmont Hotels & Resorts	20	10,165	508
Best Western Plus	102	10,034	98
Travelodge / Thriftlodge	98	8,916	91
Super 8 Hotels	131	8,545	65
Holiday Inn Express	77	7,945	103
Sheraton	17	7,747	456
Days Inn	87	7,737	89
Quality Inn	75	7,622	102
Ramada Hotel / Inn / Plaza / Limited	67	6,839	102
Best Western	75	6,641	89
Hilton	15	5,761	384
Westin	15	5,675	378
Marriott	14	5,243	375
Sandman Inns and Hotels	36	4,914	137
Howard Johnsons	66	4,871	74
Coast Hotels & Resorts	32	4,055	127
Hampton Inn Hotels & Suites	34	3,738	110

Source: HLT Advisory Inc. Hotel Database

The top three brands in Canada based on number of rooms are Delta Hotels and Resorts, Comfort Inn and Holiday Inn. In terms of number of hotels, Comfort Inn (148 hotels) has the largest presence in Canada, followed by Super 8 (131 hotels) and Best Western Plus (102 hotels).

The distribution of hotel brands in the table above is different than the Year-End 2010 report as Best Western International, which previously held 1st place, rebranded a large number of its member hotels in Q1 2011 – resulting in the 176 hotels at the end of December 2010 being split into “Best Western”, “Best Western Plus” and “Best Western Premier” hotel brands.

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 one brand and others have multiple brands that 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 64 different brands and account for 194,655 hotel rooms. As shown in the following table, these 15 brand families represent 86.0% of all the hotels in Canada and 87.7% of the branded hotel rooms.

Top 15 Hotel Brand Families in Canada - 30+ Rooms

As of June 30, 2011

Hotel Brand Family	Branded Hotels	
	Hotels	Rooms
Wyndham Hotels & Resorts	466	38,027
Choice Hotels International	295	24,703
InterContinental Hotels Group	158	23,041
Starwood Hotels & Resorts	58	17,378
Best Western	178	16,772
Hilton Hotels Corporation	82	14,903
Marriott Hotels & Resorts	66	13,690
Delta Hotels & Resorts	46	13,214
Fairmont Raffles Hotels International	20	10,165
Sandman Hotels and Inns	41	6,052
Carlson Hotels Worldwide	31	4,596
Coast Hotels & Resorts	32	4,055
Accor Hotels	28	3,782
Hyatt Hotels Corporation	5	2,334
Executive Hotels & Resorts	13	1,943
Total	1,519	194,655

Source: HLT Advisory Inc. Hotel Database

With the exception of Coast, Delta 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 466 hotels, 38,027 hotel rooms

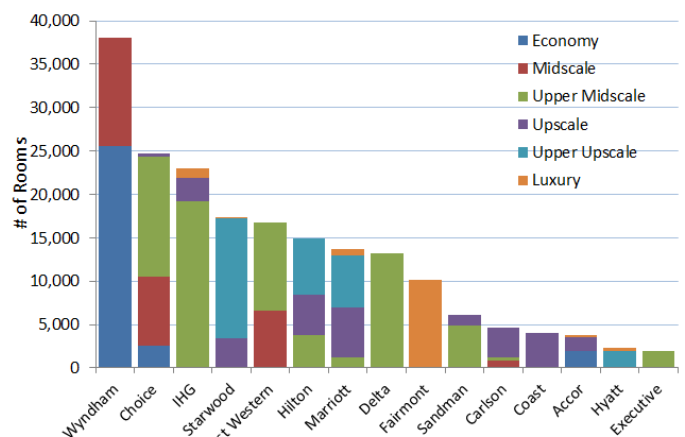
and 10 different hotel brands and sub-brands represented in the country.

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.

Top 15 Hotel Brand Families in Canada – June 2011

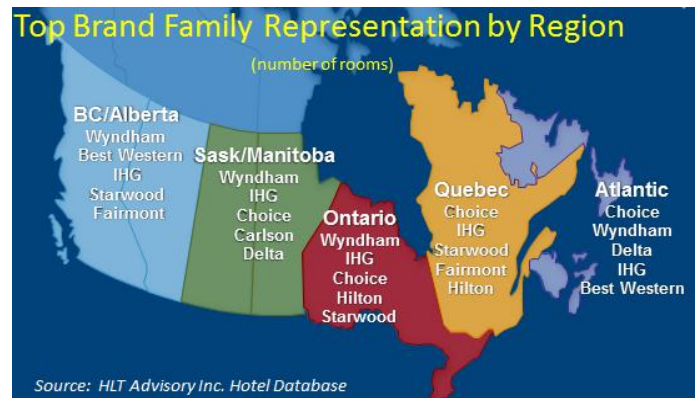
Hotels with 30+ Rooms



Source: HLT Advisory Inc. Hotel Database

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 following map.



Source: HLT Advisory Inc. Hotel Database

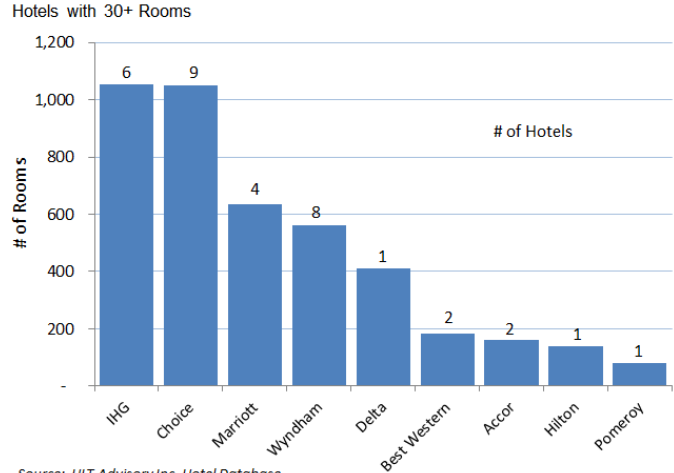
InterContinental Hotels Group (“IHG”) is in the top five in each of the regions in Canada.

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.

Since the Year-End 2010 Hotel Branding in Canada report (based on December 2010 data), the number of branded hotels has increased by 28 properties (1.6% growth from 1,739 hotels) and the number of branded hotel rooms has increased by 3,833 rooms (1.8% growth from 218,162 rooms) over the six month period. The increase resulted from opening new branded hotels and branding formerly independent hotels.

The following graph summarizes the branded hotels that have opened between January 1, 2011 and June 30, 2011 (ranked by number of hotel rooms per brand family). The data presented in this graph reflects known openings and those reported to HLT Advisory directly by individual hotel brands. Significant openings in the first half of 2011 are the 267-room Ritz-Carlton Toronto (Marriott), the 513-room Holiday Inn Downtown Toronto Centre (IHG) and the 411-room Delta Ottawa City Centre (converted from a Crowne Plaza branding).

Brand Family Supply Added in Canada Jan 1 – Jun 30, 2011



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

Definitions Used in this Report

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

Hotel Brand - any established and recognized hotel brand supported by an organized and professional hotel company offering a common brand name, central reservation system, physical and operating standards and chain-wide marketing, whether 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. 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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COMPLETE ACQUISITIONS / DIVESTITURES AND
DEVELOP NEW HOTELS AND RESORTS THROUGHOUT
CANADA, USA AND INTERNATIONALLY.



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- Contract Negotiation
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