Horwath HTL

Hotel, Tourism and Leisure

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CANADIAN AND QUÉBEC HOTEL INDUSTRY
SPECIAL MARKET REPORT
2014 EDITION

Horwath HTL is the largest specialist consulting network in the hotel, tourism and leisure sector with 50 offices in 39 countries. Our unrivalled global reach is matched by a unique depth of knowledge and experience gained from thousands of projects over many years in all kinds of economic climates.

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The Canadian Hotel Industry

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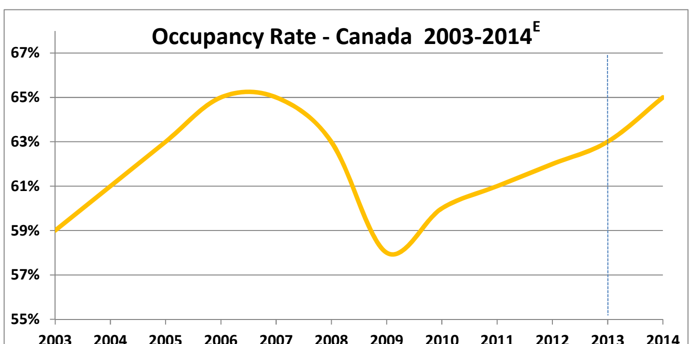
The Canadian hotel industry performed well in 2014, registering increases in both occupancy and average daily rate.



E: The reader will note that throughout this report, E indicates estimated year-end 2014 results.

As a result of the credit crisis, the economic downturn and the resulting recession in 2009, the number of hotel projects in the pipeline slowed considerably between the 2009 and 2011.

The result was, understanding that it typically takes from 18 to 36 months between the beginning of a project and its opening, that the national hotel inventory registered very few hotel additions between 2012 and 2014.

This fact, combined with the growth in demand for commercial lodging across Canada since 2010, has led to a steady increase in occupancy rates over the past five years.

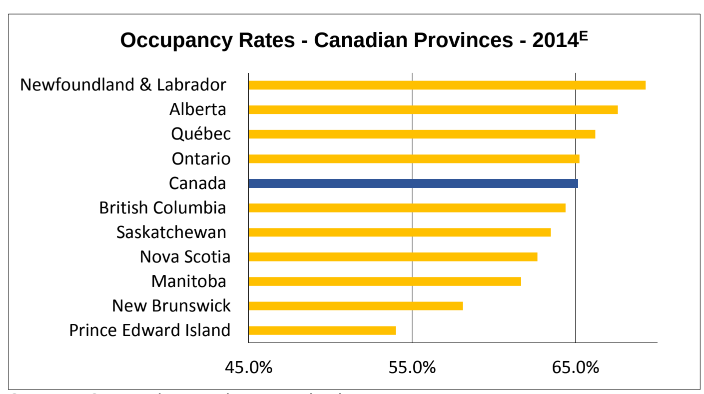
This trend continued into 2014, as demand continue to increase concurrently to a more or less stagnant hotel supply.

While the Canadian hotel industry registered a record high in both 2006 and 2007, with national occupancy estimated at 65%, this period was followed by one of the worst declines in the past decade, ending with an occupancy rate estimated at only 58% in 2009. This downward trend has since reversed and the estimated year-end 2014 occupancy will be comparable to the peak registered in 2006 and 2007.

The following exhibits illustrate the estimated performance metrics for the Canadian hotel industry for year-end 2014.

Occupancy Rates[1]

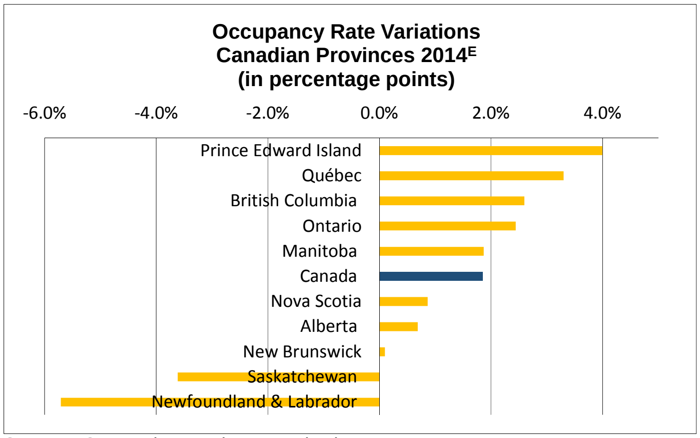
- The provincial occupancy rates should oscillate between 54% and 70% by year-end 2014, resulting in a Canadian occupancy rate of 65%; an improvement of nearly two percentage points over 2013.



Source: STR and Horwath HTL projections.

[1] The Québec sample of hotels differs from that presented in the following article "Québec Hotel Market".

- The three provinces with the greatest increases in occupancy rates are: Prince Edward Island, Québec and British Columbia. Each registered an increase of close to three to four percentage points.



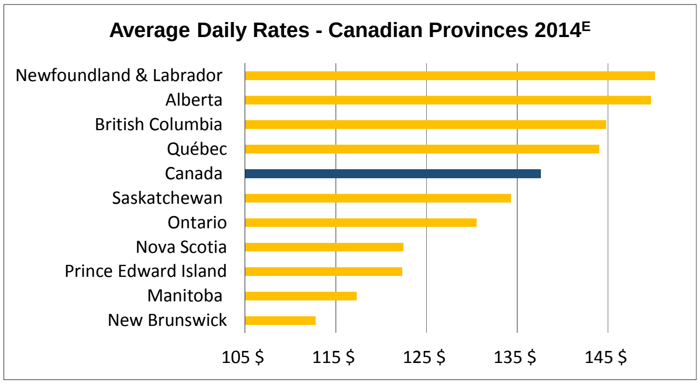
Source: STR and Horwath HTL projections.

- Occupancy rates in Saskatchewan and Newfoundland & Labrador, however, declined during the year, while that of New Brunswick more or less stagnated.

- Occupancy rates in Canada's major cities (Toronto, Montréal, Vancouver, Calgary, Ottawa, Québec City, and Halifax) are estimated to have ranged between 64% and 72% at the end of 2014.

- The cities of Toronto, Montréal, Vancouver, and Québec should witness an increase in occupancy rate ranging from three to nearly four percentage points in 2014, while the occupancies for the cities of Ottawa and Halifax should remain more or less stable, with Calgary likely to register a decrease of almost four percentage points.

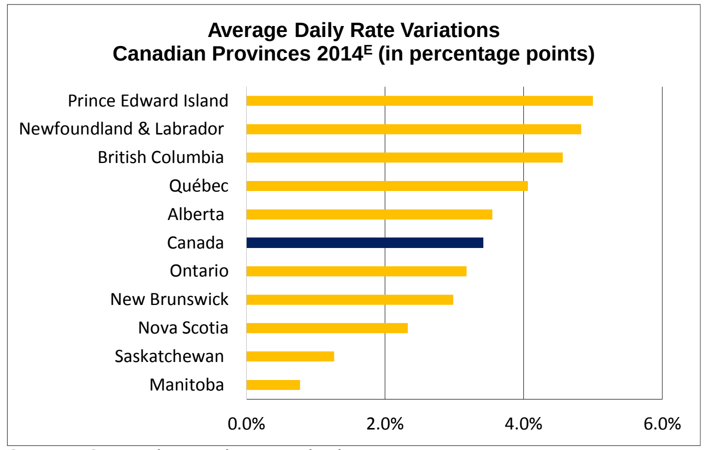
Average Daily Rates



Source: STR and Horwath HTL projections.

- Provincial average daily rates should oscillate between $113 and $150 towards the end of 2014, which represents a Canadian average daily rate of approximately $138, representing an increase of more or less 3.4% over 2013.

- Strong increases in average daily rates, estimated at more than 4%, were recorded in Prince Edward Island, Newfoundland & Labrador, British Columbia, and Québec. Alberta, Ontario and New Brunswick will have recorded average growth rates of approximately 3.25%.



Source: STR and Horwath HTL projections.

- As for the major Canadian cities, they will have recorded average daily rates ranging from $127 to $166 by year-end 2014.

- Trending similarly to the occupancy rates, we note that the cities of Montréal, Québec, Toronto, and Vancouver will have recorded increases in their average daily rates ranging from 4% to 5%, while the cities of Ottawa, Calgary, and Halifax will have registered more modest increases (2% to 3%).

Québec Hotel Market

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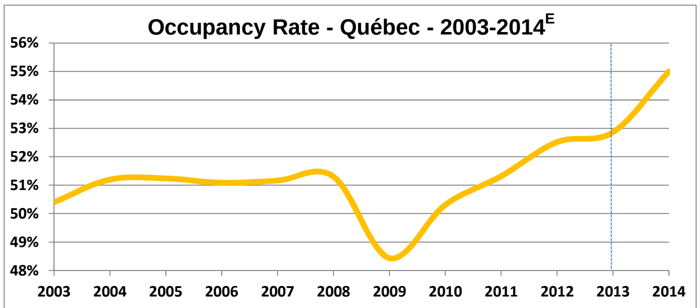
Trending comparably to the Canadian hotel industry since 2003, the occupancy rates of Québec hotels peaked for a first time in 2008. However, this 2008 occupancy rate varied by only 0.1 percentage points when compared to the results of 2004, 2005 and 2007.

Since the 2009 recession, the occupancy rates have been increasing annually and the previous peak of 2008 was surpassed as of 2012. In fact, it is estimated that as of year-end 2014 the province of Québec will witness a new 25-year occupancy rate high, estimated at 55.0%.



Source: Tourisme Québec and Horwath HTL projections.

It is important to note, however, that this performance is not the result of an increase in demand, the latter which is actually 2% lower than that of 2008, but rather due to a decrease in provincial hotel supply. Indeed, the supply has declined by an estimated 6,575 units province-wide, or 8.5%, between 2008 and 2014.

As with the national trend in key metrics, the credit crisis, the economic slowdown and the recession that followed resulted in a decrease of the provincial occupancy rates, going from 51% in 2008 to 48% in 2009. However, this decline was not among the worst in the history of Québec. In fact, the 2009 results remained three percentage points higher than the results registered during the years 1991 to 1993, which were post-recession years that averaged and occupancy rate of 45%.

Québec also experienced a significant decrease in the number of hotel projects anticipated between 2009 and 2011, which resulted in very few additions to the supply in both 2012 and 2013.

Estimated Performance – Year End 2014

For the Québec hotel market, the year 2014 as a whole will be a record year within many key performance indicators:

- The occupancy rate will register a growth of approximately two percentage points, finishing at just under 55%.
- The 2014 occupancy rate (55%) will be higher than those of previous years (52.5% in 2012; 51.3% in 2011; 50.3% in 2010; and 48.4% in 2009).
- Note that improved occupancy rates at the provincial level between 2009 and 2014 are explained by a decrease in the available supply of accommodations (ranging from -0.1% to -4.8% per year) rather than by actual demand growth, the latter which registered increases of 2.9% in 2010; 0.5% in 2011 and 2.2% in 2012, but declined by 0.7% in 2013 and 1.0% in 2014.
- The decrease in available hotel inventory is not always or necessarily the result of poor performances. It is often due to the age of the product that no longer allows for optimal renovation. With nearly a third of the hotels in the province now more than 30 years old, we often observe that many of the recently closed hotels have in fact already experienced two or three life cycles.
- We have also noted a certain polarity among the various tourist regions of the province. In fact, we note that 23% of the province's 22 tourist regions recorded a decline in their occupancy rates in 2014, ranging from 1.1 to 10.6 percentage points. As for the 45% of tourist regions that recorded growth in their occupancy rates, this growth varied from 1.4 to 4.9 percentage points.
- It should be noted that seven regions recorded occupancy rate variations of less than one percentage point, both upwards and downwards, thus remaining more or less stable when compared to 2013.

	ESTIMATED PERFORMANCE - 2014 PERCENTAGE OF REGIONS :		
	IMPROVING	REMAINING STABLE	DECREASING
Available Room Supply Inventory	23%	23%	55%
Accommodation Demand	41%	14%	45%
Occupancy Rate	45%	32%	23%
Average Daily Rate	73%	14%	14%
Revenues per Available Room	64%	9%	27%

- The 45% that recorded an increase includes the tourist regions of Montréal, Québec, and the Laurentides, among others, and account for 53% of the province's available hotel inventory, thus influencing the provincial results.

- With regards to the average daily rate, it will reach a new record by the end of 2014, coming in at $127 and surpassing the previous highs of $122 in 2013 and $121 in 2008.

- During the past 25 years, the average daily rate has only ever registered three setbacks.

- The compound annual growth rate between 1990 and 2014 is estimated at 2.6 %. However, since 2001, the ADR rose by only 2.1%, and has been more or less stagnant since 2008 (0.8%).

- Increases in average daily rate are undeniable as the success of a hotel business and of its resulting real estate value depends on its performance and its ability to generate return on investment. As such, and in order to maintain its financial results, the typical hotelier must counteract the increases in operating costs and wages, estimated to vary between 2% and 4% annually. In the past, this was done by increasing the average daily rate.

- The Revenue per Available Room, or RevPAR, is a key performance indicator that records both the occupancy and the average daily rates in such as manner as to obtain one indicator that considers the previous two factors concurrently. As such, the RevPAR can be calculated by multiplying the occupancy rate by the average daily rate.

- By combining the occupancy rate and average daily rate estimated for the end of 2014 into a RevPAR metric, we note that the RevPAR will have recorded an increase of close to 8.25% in 2014 over 2013. Estimated at nearly $70, it constitutes the highest RevPAR performance since at least 1990.

- As observed with the occupancy rate, 27% of regions registered a decline in their estimated RevPAR, ranging from 3.3% to 15.4% at the end of 2014. For 64% of the tourist regions, the RevPAR growths range from 2.7% to 19.9%.

Tourist Regions

For the fourth consecutive year, the tourist regions of Montréal, Laval, and Québec registered the strongest occupancies in the province, at 70%, 69% and 62%, respectively.

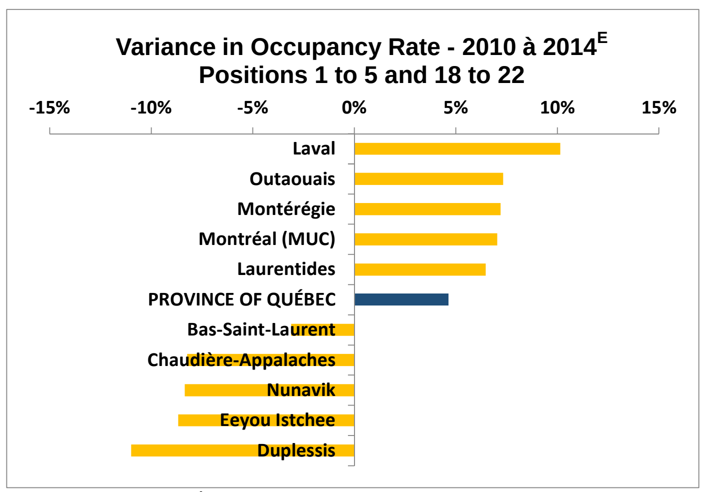
In terms of the highest average daily rate, five regions compete for the top spot: Nunavik ($196), the Laurentides ($145), Eeyou Istchee ($143), Montréal ($141), and Outaouais ($135).

Note that the ADRs recorded by the northern regions of Nunavik, Baie James and Eeyou Istchee are typically higher due to their remote locations, their very limited available hotel inventory and the fact that the need for accommodations from businesses in these regions often requires housing temporary workers for extended periods.

As our analysis of the top performers year over year reveals that the same regions lead the pack, we've has shifted our focus to the regions with the greatest variance within each of the key performance indicators since 2010, or the years of following the 2009 recession.

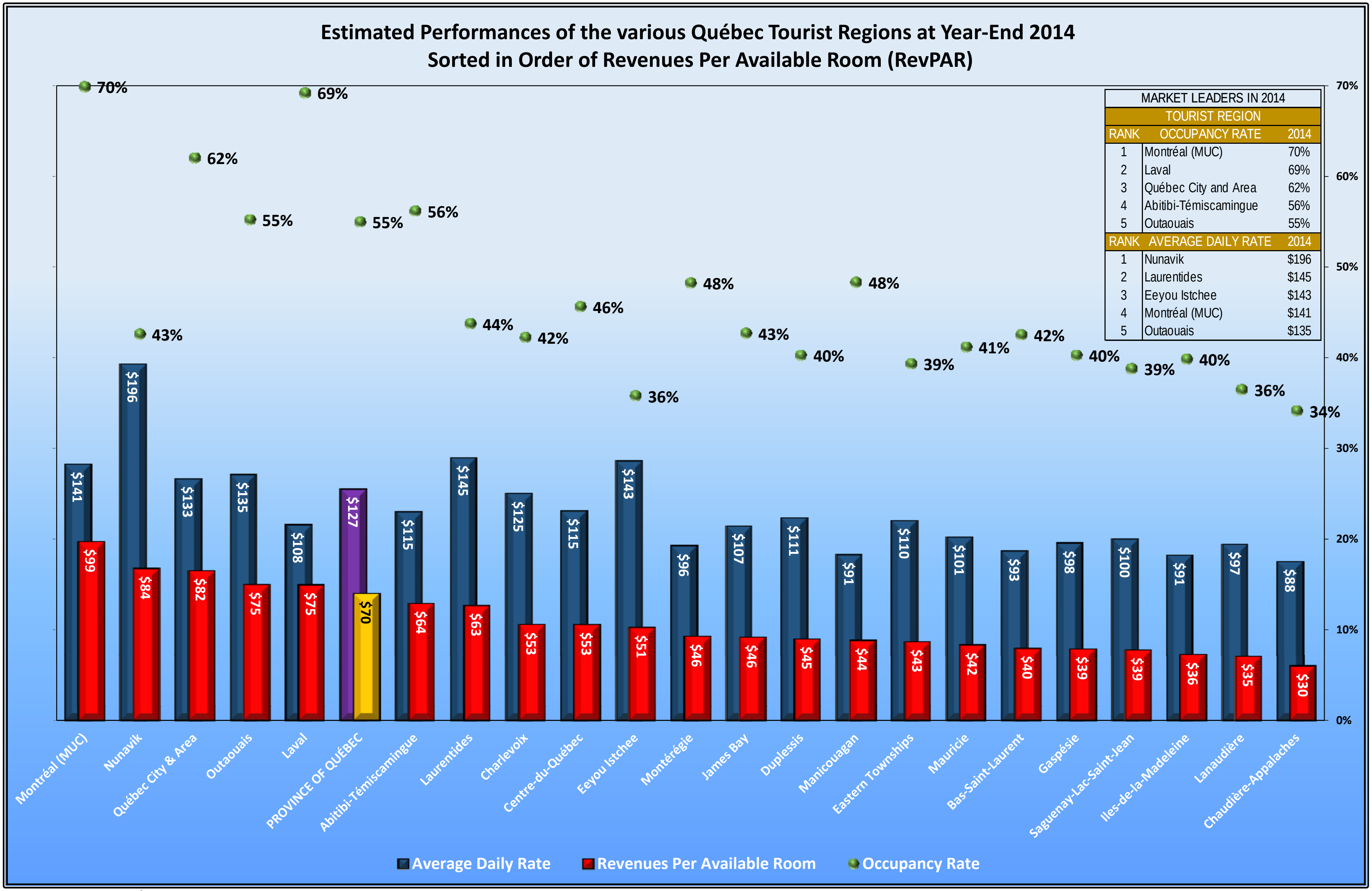
Occupancy Rates

- The Laval tourist region has significantly improved its occupancy rate between 2010 and 2014, increasing by roughly ten percentage points.



Source: Tourisme Québec and Horwath HTL projections.

- The Outaouais, Montérégie, and Montréal tourist regions registered the second strongest increases in occupancy rates, all estimated at nearly seven percentage points.



MARKET LEADERS IN 2014		
TOURIST REGION		
RANK	OCCUPANCY RATE	2014
1	Montréal (MUC)	70%
2	Laval	69%
3	Québec City and Area	62%
4	Abitibi-Témiscamingue	56%
5	Outaouais	55%
RANK	AVERAGE DAILY RATE	2014
1	Nunavik	$196
2	Laurentides	$145
3	Eeyou Istchee	$143
4	Montréal (MUC)	$141
5	Outaouais	$135

Source: Tourisme Québec and Horwath HTL projections.

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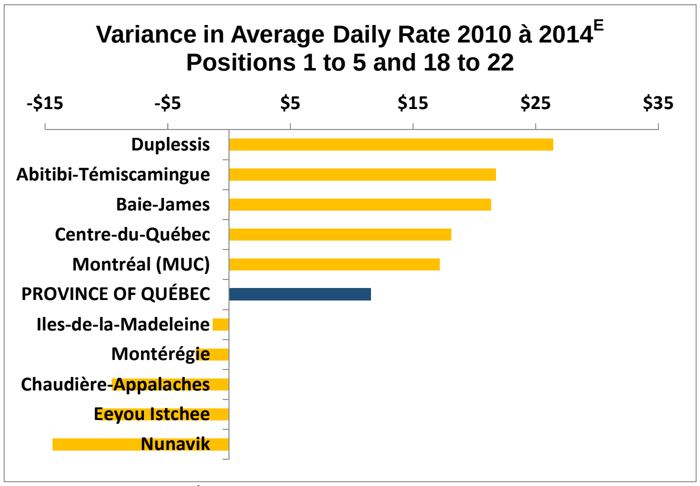
- Meanwhile, the province as a whole registered an increase of 4.6 percentage points during this period.
- The Duplessis tourist region registered a decline estimated at 11 percentage points between 2010 and the end of 2014.
- The tourist regions of Chaudière Appalaches, Nunavik, and Eeyou Istchee all registered a decline of roughly eight to nine percentage points between 2010 and 2014.

Average Daily Rates

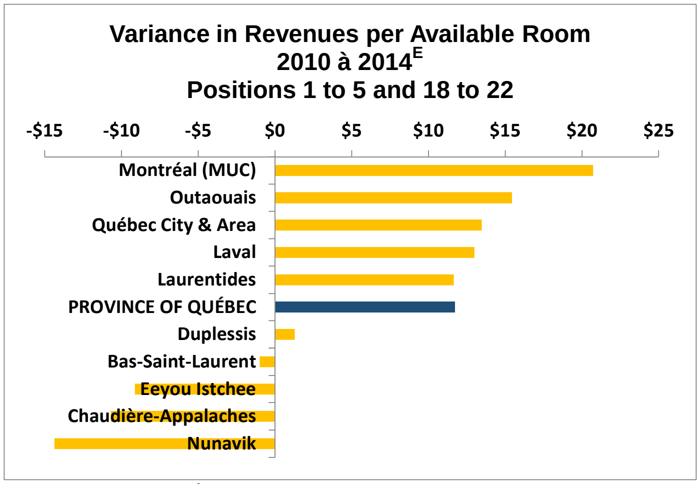
- The tourist regions of Duplessis, Abitibi Témiscamingue, and Baie James are the biggest winners with gains of nearly $20 to $30 in ADR between 2010 and 2014.
- Québec as a whole registered a growth estimated at $12 by the end of 2014, compared to 2010.
- Only the tourist regions of the Îles-de-la-Madeleine, Montérégie, Chaudière Appalaches, Eeyou Istchee, and Nunavik appear to have registered declines in their average daily rates between 2010 and 2014.



Source: Tourisme Québec and Horwath HTL projections.

Revenue Per Available Room (RevPAR)

- Of the 22 tourist regions that make up the province of Québec, 15 experienced a significant improvement of their RevPAR between 2010 and 2014, with increases ranging from approximately 3% to 20%.
- Among the strongest gains are the tourist regions of Montréal ($21/27%), Outaouais ($15/26%), Québec ($13/20%), and Laval (13$ /21%).



Source: Tourisme Québec and Horwath HTL projections.

- The excellent performance registered by the Mauricie tourist region in recent years has allowed it to come in in 10th place in 2014, up from the 20th in 2010.
- Montréal, with a RevPAR of $99 in 2014, has a comfortable lead over the other tourist regions. In fact, the gap between Montreal and the second in line, the tourist region of Québec (RevPAR of $82 in late 2014), is now estimated at close to $17, or 21%.
- Meanwhile, the province of Québec as a whole registered an increase in its RevPAR of approximately $12, or 20%, between 2010 and 2014.
- Only four regions managed to achieve an increase in RevPAR that was higher than that of the province as a whole: Montréal, Outaouais, Québec City, and Laval.
- Four other regions, however, registered a decline in their respective RevPARs between 2010 and 2014: Bas-Saint-Laurent, Eeyou Istchee, Chaudière Appalaches, and Nunavik.

2015 Forecast

As previously mentioned, it is estimated that Québec will benefit from an excellent performance in 2014, achieving record high occupancy and ADR, and registering an increase of more than 8.0% of its RevPAR. It is estimated that the Québec RevPAR will increase by more or less $5 during the year, thus ending 2014 at approximately $70.

Based on the estimated year-end 2014 results, as well as on the anticipated hotel projects over the coming 18 months, we believe that the tourist regions of Montréal and Québec City, along with of the province as a whole, could achieve the following results at year-end 2014 and 2015.

We must remember, however, that Québec's excellent performance in 2014 is the result, to some degree, of the closure of a number of lodging establishments, or the conversion of several hotels into alternative use developments, including student residences, among others.

Having removed a significant number of hotel units from the marketplace, and this concurrent to a more or less stable demand as a whole, has allowed occupancy rates to rise while the lessening the competitive nature of the market somewhat in the short term. Hoteliers are thus well positioned to improve their projected performances, primarily driven by improving average daily rates.

To aforementioned situation is the added fact that the number of new hotel projects in the short term remains rather limited.

2013	MONTRÉAL	QUÉBEC	PROVINCE
Occupancy Rate	68%	58%	53%
Average Daily Rate	$131	$130	$122
RevPAR	$89	$75	$65

2014 Estimate	MONTRÉAL	QUÉBEC	PROVINCE
Occupancy Rate	70%	62%	55%
Average Daily Rate	$141	$133	$127
RevPAR	$99	$82	$70

2015 Estimate	MONTRÉAL	QUÉBEC	PROVINCE
Occupancy Rate	70%	63%	56%
Average Daily Rate	$145	$136	$131
RevPAR	$102	$86	$73

As such, hoteliers across the province and within the Montréal and Québec City marketplaces should benefit from a 12 to 24 month window whereby both demand and supply would remain stable, or increase modestly, allowing hoteliers the opportunity to finally optimize average daily rate in the short to mid-term.

Financial Operating Results

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Survey – Hotel Operations Results

The following exhibit (page 10) presents an overview of the respondents to our most recent survey of hoteliers across the province of Québec, the 2014 survey for fiscal year 2013.

The exhibit on page 11 ("Financial Comparison") presents the resulting operating ratios and their distribution (in lower, middle, and upper quarters) of the financial operating performance data collected as part of our survey.

The evolution of these financial comparisons in recent years has led to several conclusions regarding revenues and expenses, and this between the years 2008 to 2013.

These findings refer to the amounts indicated within the "median" column. This statistic is explained in detail in the appendix.

- In terms of total revenues, the 2013 median, at $42,206 per available room, constitutes a decrease of 1.2% when compared to the 2012 results.
- However, as an amount per occupied room, this trend is reversed as revenues increased from $225.77 in 2012 to $230.94 in 2013, representing an increase of 2.3%.
- The Rooms revenue increased from $123.48 in 2012 to a median of $133.23 in 2013, representing an estimated growth of 7.9%.
- The opposite applies to food and beverage revenues, whereby the 2013 median, at $108.45 per occupied room, is 4.8% lower than that of 2012.
- For the sixth consecutive year, the total cost for the rooms department has remained between $42 and $45 per occupied room between 2008 and 2013.
- The cost of rooms department thereby continues to represent a ratio ranging from 31.3% to 33.5% of room revenues, and this since 2008.
- As for food and beverage costs, they have remained between 78.5% and 81.0% of revenues between 2008 and 2012.
- The exception was in 2009, whereby costs were estimated at 85.8% of food and beverage revenues.
- As such, food and beverage costs were estimated at 83.2% in 2013, compared to 80.2% in 2012.
- While the gross operating income (GOI) before undistributed expenses and fixed charges ranged from 48.7% to 53.9% between 2008 and 2012, the latest survey indicates a second consecutive decline in as many years; with the median GOI falling from 51.0% of total revenues in 2011 to 48.6% in 2012 and to only 48.0% in 2013.
- As for the undistributed expenses, we note that the administrative and general costs stood at only 8.4% of total revenues, a decrease of 1.5 percentage points when compared to 2012, and the best result since 2008 (8.7% to 9.9%).
- However, administrative and general expenses, as amount per available room, increased from $4,168 in 2012 to $4,560 in 2013 (+9.4%).
- The sales and marketing expenses peaked in 2012, representing 7.3% of total revenues. However, this expense decreased in 2013 to 6.1% of total revenues, which is comparable to the amounts of 5.8% to 6.7% observed between 2008 and 2011.
- The same applies to property operations and maintenance expenses. These were estimated at 5.8% of total revenues in 2012, while they represent 4.7% of revenues in 2013.
- Between 2008 and 2013, the median management fees remained stable at 3.0% of total revenues, with the only exception being 2011 (4.0%).
- Municipal and school taxes accounted for 5.0% of total revenues in 2013, coming in at $1,925 per available room. As an amount per available room, this expenditure increased by 6.8%, while it decreased by 0.3 percentage points as a proportion of total sales.
- While profits after fixed costs, management fees and franchise fees, or Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) were estimated at 19.0% of total revenue, or $8,981 per available room in 2008, they came in at 14.7% in 2013, representing $7,485 per available room.

- It remains that the median EBITDA is 1.8 percentage points higher than in 2012 and $1,647 (28.2%) higher per available room than in 2012.

The following statistics (page 11) are derived from our latest provincial survey, as well as from various financial comparisons. The various operating ratios presented support the hotel industry's recent performance as discussed above.

Meanwhile, the statistical profile of survey respondents presented below provides a general overview of the hotel industry that we have surveyed and diagnosed across the province, all hotel sizes, categories and markets combined, unless otherwise stated.

In addition to this data, our survey allowed us to establish a generic hotel operations' profile for all collaborators within the industry. It is important to note that the annual variations are not necessarily an indication of improvement or decline across the provincial market, but rather between hotel samples that vary annually due to the types of respondents.

Incidentally, we are able to establish a comparative profile specific to the different marketplaces and competitive contexts that typically characterize a hotel establishment as operated by a management company or independent hotelier. This product offered by Horwath HTL and is available province wide. It is also specifically tailored to the property's particular competitive environment.

STATISTICAL PROFILE OF SURVEY RESPONDENTS - 2014 INDUSTRY SURVEY

RESPONDENT PROFILE

AFFILIATION	
CHAIN	36%
INDEPENDENT	64%

OCCUPANCY RATE	
44.9% AND UNDER	23%
45% – 59.9%	21%
60% – 69.9%	31%
70% AND OVER	25%

NUMBER OF ROOMS	
100 ROOMS AND UNDER	40%
100 – 199 ROOMS	48%
200 – 299 ROOMS	6%
300 ROOMS AND OVER	6%

GEOGRAPHICAL LOCATION	
DOWNTOWN	50%
RESORT AREA	37%
AIRPORT	13%

AVERAGE DAILY RATE	
$119.99 AND UNDER	25%
$120 - $149.99	46%
$150 - $199.99	13%
$200 AND OVER	17%

CLIENTELE SOURCES	
GOUVERNMENT	3%
CORPORATE	32%
TOURIST - INDIVIDUAL	31%
TOURIST - GROUP	6%
MEETINGS AND CONVENTIONS	26%
AIRLINE CREW	1%
OTHER	2%

ORIGIN OF BOOKINGS	
DIRECT DEMAND	25%
HOTEL RESERVATION SYSTEM	25%
INDEPENDANT RESERVATION SYSTEM	5%
TRAVEL AGENCY	8%
TOUR OPERATOR	4%
HOTEL SALES REPRESENTATIVE	16%
WEB SITE - HOTEL	8%
WEB SITE - OTHERS	9%

VISITOR ORIGIN	
CANADA	70.0%
UNITED STATES	23.1%
ENGLAND	1.2%
FRANCE	1.4%
GERMANY	0.5%
EUROPE - OTHERS	1.4%
MEXICO	0.3%
CENTRAL AMERICA	0.1%
SOUTH AMERICA	0.5%
JAPAN	0.3%
ASIA - OTHERS	0.4%
AUSTRALIA	0.3%
MIDDLE EAST	0.2%
OTHERS	0.3%

FINANCIAL COMPARISON - 2014 HOTEL INDUSTRY SURVEY - 2013 FISCAL YEAR

	AMOUNT PER OCCUPIED ROOM			AMOUNT PER AVAILABLE ROOM			AS PERCENTAGE OF TOTAL REVENUE		
	LOWER QUARTER	MEDIAN	UPPER QUARTER	LOWER QUARTER	MEDIAN	UPPER QUARTER	LOWER QUARTER	MEDIAN	UPPER QUARTER
DEPARTMENTAL REVENUES									
ROOMS	$121.46	$133.23	$158.19	$22,611	$31,544	$39,556	$0.48	$0.61	$0.89
FOOD AND BEVERAGE	$78.89	$108.45	$176.84	$14,399	$21,272	$38,192	$0.35	$0.42	$0.50
TELECOMMUNICATIONS	$0.05	$0.10	$0.19	$9	$22	$50	$0.00	$0.00	$0.00
MINOR OPERATED DEPARTMENT	$2.06	$5.73	$14.42	$457	$1,202	$3,065	$0.01	$0.03	$0.05
RENTAL AND OTHER MISCELLANEOUS	$1.89	$5.13	$10.76	$477	$1,097	$2,172	$0.01	$0.02	$0.04
TOTAL OPERATING REVENUE	$176.13	$230.94	$296.25	$35,661	$46,206	$64,351	$1.00	$1.00	$1.00
DEPARTMENTAL EXPENSES									
ROOMS	$37.08	$46.94	$63.37	$7,702	$10,350	$14,079	$0.17	$0.23	$0.27
SALARIES	$19.54	$27.05	$32.69	$3,416	$5,669	$7,646	$0.08	$0.10	$0.13
BENEFITS	$3.48	$5.63	$10.43	$626	$1,093	$1,870	$0.02	$0.02	$0.04
SALARIES AND BENEFITS	$22.69	$31.22	$42.42	$4,597	$6,199	$9,694	$0.11	$0.15	$0.17
OTHER EXPENSES	$10.90	$14.36	$22.16	$2,170	$3,315	$4,961	$0.04	$0.06	$0.10
GROSS OPERATING DEPT. INCOME	$76.22	$87.64	$108.24	$14,717	$21,473	$26,695	$0.31	$0.39	$0.56
FOOD AND BEVERAGES	$71.71	$89.87	$138.01	$11,939	$18,392	$29,544	$0.31	$0.37	$0.40
FOOD	$15.57	$24.50	$42.71	$2,865	$4,060	$8,411	$0.07	$0.09	$0.11
BEVERAGE	$4.65	$9.21	$16.14	$871	$1,487	$3,350	$0.02	$0.04	$0.04
SALARIES	$26.02	$42.68	$56.38	$5,036	$7,401	$11,890	$0.11	$0.15	$0.17
BENEFITS	$9.64	$13.58	$18.89	$1,656	$2,286	$3,694	$0.03	$0.05	$0.06
SALARIES AND BENEFITS	$40.87	$51.50	$73.98	$7,097	$10,369	$14,780	$0.17	$0.20	$0.21
OTHER EXPENSES	$4.64	$5.77	$12.14	$667	$1,392	$2,602	$0.02	$0.02	$0.04
GROSS OPERATING DEPT. INCOME	$5.38	$16.56	$39.00	$1,291	$2,626	$6,234	$0.02	$0.07	$0.10
TELECOMMUNICATIONS	$0.58	$0.90	$1.13	$106	$163	$262	$0.00	$0.01	$0.01
MINOR OPERATED DEPARTMENT	$0.82	$4.63	$11.54	$232	$743	$2,426	$0.01	$0.02	$0.05
RENTAL AND OTHER MISCELLANEOUS	$0.87	$2.58	$5.31	$201	$397	$1,246	$0.00	$0.01	$0.02
TOTAL DEPARTMENTAL EXPENSES	$68.25	$128.67	$175.20	$16,304	$22,477	$36,972	$0.42	$0.52	$0.60
TOTAL DEPARTMENTAL PROFIT	$92.58	$105.38	$143.16	$17,421	$24,587	$33,186	$0.40	$0.48	$0.58
UNDISTRIBUTED OPERATING EXPENSES									
ADMINISTRATIVE AND GENERAL	$14.57	$19.84	$26.00	$2,862	$4,560	$5,740	$0.07	$0.08	$0.10
MARKETING	$8.60	$14.55	$21.67	$1,662	$2,768	$4,021	$0.04	$0.06	$0.08
FRANCHISE FEES	$6.42	$9.87	$11.35	$1,149	$1,624	$2,775	$0.02	$0.04	$0.06
ENERGY COSTS	$4.55	$7.74	$11.76	$1,112	$1,566	$2,239	$0.03	$0.03	$0.05
PROPERTY OPERATIONS AND MAINTENANCE	$6.51	$11.75	$19.10	$1,539	$2,579	$3,288	$0.04	$0.05	$0.06
TOTAL UNDISTRIBUTED EXPENSES	$41.31	$57.27	$84.74	$9,760	$12,839	$14,609	$0.21	$0.26	$0.30
INCOME BEFORE FIXED EXPENSES/MANAGEMENT FEES	$37.21	$54.81	$77.45	$5,893	$11,959	$18,998	$0.14	$0.22	$0.34
MANAGEMENT FEES	$5.10	$7.37	$12.97	$1,206	$1,726	$2,892	$0.02	$0.03	$0.05
INCOME BEFORE FIXED EXPENSES	$32.46	$50.77	$74.74	$5,002	$11,780	$17,547	$0.13	$0.22	$0.29
FIXED EXPENSES									
TAXES (municipal and school taxes)	$7.62	$10.09	$15.83	$1,283	$1,925	$3,391	$0.03	$0.05	$0.07
INSURANCE	$0.84	$1.89	$3.66	$205	$317	$564	$0.01	$0.01	$0.01
TOTAL – FIXED EXPENSES	$10.35	$11.73	$16.83	$1,678	$2,341	$3,716	$0.04	$0.06	$0.08
EARNINGS BEFORE INTEREST, TAXES DEPRECIATION AND AMORTIZATION	$18.06	$33.28	$50.01	$2,861	$7,485	$12,611	$0.07	$0.15	$0.23

APPENDIX 1
METHODOLOGY:

In order to optimize the representation of hotel markets in Québec, we communicated with numerous hotel establishments and hotel chains in order to obtain relevant information regarding their operational results.

The data presented in this report has been obtained by compiling the information provided. As such, this data is used for the preparation of this annual publication, "Canadian and Québec Hotel Industry – Special Market Report". Several types of commercial lodging properties are represented within our sample.

The statistics were compiled based on three commonly used ratios for the analysis of operating results within the hospitality industry:

- Amount per available room.
- Amount per occupied room.
- As a percentage of departmental or total sales.

The information retained is then presented as medians, lower and upper quarters, as well as averages.

Thus, the sum of the amounts shown is not necessarily equivalent to the total presented. Since respondents sometimes omit, or fail to provide, certain information, each line item is analyzed individually. Medians are based on all information provided for each element.

This report does not aim at establishing operational standards for the hotel industry. The amounts and ratios reported are not to be regarded as standards for a region or a hotel type, but rather as indicators when analyzing the results of a particular hotel.

APPENDIX 2
STATISTICAL TERMINOLOGY:

Medians and quarters

The median is defined as the amount that, in a string of data established in order of importance, occupies the central position. For example, if we ask for the number of full-time employees and we obtain the following nine responses - 8, 4, 2, 6, 9, 7, 5, 1, 3 - these responses are then ranked in order of importance - 1, 2, 3, 4, 5, 6, 7, 8, 9.

Thus, the number five is the median with 50% of responses being lower and 50% of responses being higher.

The responses are divided into four equal parts to determine the lower and the upper quarters. The median always remains the same. The lower quarter is defined as the demarcation point, where 25% of the responses are lower and 75% are higher.

The responses are always listed in order of importance. The upper quarter is defined as the data that corresponds to the point of demarcation, where 75% of responses are lower and 25% are higher. In other words, 50% of all responses fall between the lower and upper quarter.

For example, if one receives 99 responses to a specific question and that these responses range from 1 to 99, then the median is 50 (centre position), the lower quarter is 25 (25% of responses being lower and 75% of responses being higher), and the top quarter is 75 (75% of responses being lower than 25% of responses being higher). Half of the responses (50%) are located between the upper and lower quarters.

It is important to note that the sum of the amounts shown do not equal the totals shown, as each element is analyzed individually. It is also worth noting that it is not appropriate to compare the data from a single column to the results of a given hotel. Even if a property records a sales volume similar to that indicated in the median column, one must not assume that all medians, for costs and expenses, can be compared. Factors such as the size of the hotel and the region in which it is located can significantly influence the level of costs and operating expenses.

For effective analysis, the ratios of the selected establishments should be compared item by item with those presented in this report. The elements showing significant differences must then be analyzed further.

Arithmetic Mean

The arithmetic mean is calculated by adding all the numbers of a data string for a given item, and by then dividing the total by the number of responses for this item.

HORWATH HTL

Horwath HTL Consultants Toronto and Montréal are members of Horwath International, one of the top global accounting networks. Horwath HTL Consultants rely on a strong consulting experience in the areas of hospitality, tourism and leisure.

Our Montréal team is recognized as the largest Québec consulting firm specializing in the hotel, leisure and tourism industry for over twenty years. We have conducted numerous studies in Québec, the Atlantic Provinces and in different parts of the world. Furthermore, our association with Horwath International allows us to benefit from global data and resources to meet the demands of the industry. We present below our various areas of expertise and services we provide to our customers.

The Horwath International network currently has 200 affiliated offices located in over 70 countries. Highly regarded in their respective territories, each office adheres to the quality and professionalism standards of the Horwath network.

Hotel Industry

Our company, leader in the hotel industry, has a well-established reputation. For many years, we have been offering our services to various industry stakeholders. This long and fruitful collaboration not only provides us with an unmatched credibility and confidence within this industry, but also with a deep understanding of the problems and challenges that can arise in this field. Our team of professionals holds undeniable expertise in order to identify customer needs and recommend appropriate solutions to maximize the potential of a project. This is why our consulting services are a valuable asset for anyone involved directly or indirectly in the hotel industry.

Our Expertise:

- Review of obligations and responsibility
- Litigation management services and expert testimony
- Estimated market value and asset appraisal
- Asset management
- Capital expenditures analysis
- Project master planning for tourist destinations
- Recovery planning and management of distressed hotel assets
- Due diligence
- Franchise selection and negotiation
- Optimal land use
- Interim management
- Management company selection and negotiation
- Investment strategies
- Market entry strategies
- Market and financial feasibility studies
- Operational reviews
- Planning and development
- Product conceptualization
- Repositioning strategies and analysis
- Planning and development - Tourism
- Transaction support and financial restructuring

ÉQUIPE – HORWATH HTL

Gilles Larivière
Senior Associate

As founder of the Montréal office of Horwath HTL more than 30 years ago, Mr. Larivière has acted as an expert witness in hotel related files while also having been involved in numerous market studies within the hotel, tourism, and leisure sectors. He has provided expertise to numerous clients, participating in various mandates for such hotel and tourism infrastructures as urban hotels, senior citizens' residences, casinos, theme parks, waterparks, convention centres, and destination resorts. Mr. Larivière has completed files across Canada as well as on the international marketplace. Beyond North American borders, he has worked on mandates in Bermuda, the Bahamas, France, Venezuela, Hungary, French Polynesia, North Africa, the Dominican Republic and Mexico.

Peter Gaudet, BAA
Associate

Since 1990, Mr. Gaudet has participated and supervised the financial aspects of the Montreal office's hotel division, having completed numerous market studies, financial projections, operational reviews, valuations, and appraisals for hotel and tourism related developments. He is also responsible for such annual publications as the *Industrie Hôtelière au Québec – Rapport Sectoriel* and the *Canadian and Québec Hotel Industry – Special Market Reports*. As an associate, Mr. Gaudet has completed a vast array of market studies, valuation and appraisal reports across Atlantic Canada and Québec, as well as having participated in files in such international markets Mexico, Costa Rica, the Dominican Republic, and French Polynesia.

Paolo Di Pietrantonio, CPA, CA,
Associate

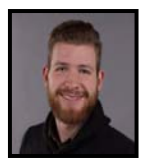
Mr. Di Pietrantonio joined Horwath HTL in 2012 after a very successful 30-year career within the Québec hotel industry. He was the General Manager of one of Québec's most successful resort hotels, the Château Bromont, for close to 14 years, and has been an active member of numerous Board of Directors, as well as being the current President of the Board of Directors of the *Institut de tourisme et d'hôtellerie du Québec*. Mr. Di Pietrantonio heads our Montréal office's interim management division. This division provides such specialized services as management supervision, including most notably a coaching approach aimed at various industry actors, setting up internal cost controls and revenue optimization via the implementation of various management and operational tools, reviewing, commenting and improving operations by means of management reviews and the implementation of standard operating practices. He further provides relationship assistance for hoteliers, owners and developers with regards to selections and negotiations with franchise companies, management companies and various financiers.

Karine Bourget, MSc
Consultant

Ms. Bourget comes to Horwath HTL via a European consulting firm where she was responsible for numerous market studies and analyses throughout Europe and Scandinavia. She is currently specialized in hotel market studies and financial projections, hotel valuations and appraisal reports, as well as participating in our interim management division. Ms. Bourget has also authored numerous hotel industry articles.

Kevin Sauvageau, BAA
Consultant

Mr. Sauvageau has been with the Montréal office of Horwath HTL since 2011. Having started his career working in a variety of positions among numerous Montréal hotels, he also completed an internship in Saint-Lucia in the Caribbean, furthering his expertise in yield management, front office management and various departmental operations. Among Mr. Sauvageau specialities are market studies, repositioning analyses and recommendations, franchise selection and recommendations and operational reviews.



Marc-Olivier David, BAA
Consultant

Mr. David brings to the Montreal office of Horwath HTL a vast operating expertise, having previously worked in numerous management positions, as well as occupying a sales position for a private wine importing firm. Mr. David specializes in both the hotel and restaurant sectors, having conducted numerous operational reviews and interim management mandates, specializing particularly in cost controls and systems analysis, as well as the implementation of management and operational tools designed to optimize revenues and minimize expenses.