

# ACCOMMODATION & TOURISM DEVELOPMENT

IS YOUR COMMUNITY READY  
FOR PRIVATE SECTOR INVESTMENT ?

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SEPTEMBER 2017

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# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

**How a community views itself from a  
Tourism perspective has a lot to do with  
the size and nature of its tourism product.**

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

Is it a primary, secondary or tertiary destination?

Is it an urban, rural, outdoors or “speciality” product offering

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

It is usually the tertiary communities with a rural or outdoors product offering which face the greatest challenges in “defining” and “promoting” their tourism product

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## Why do we want to see tourism growth

- Improve revenues for existing businesses
- Attract further tourism investment & development

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

**Objective of attracting tourism  
investment & development**

- **Improved tourism product**
- **Generate employment, taxes,**
- **Community enhancement**

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## Challenge

- **How do you convince someone to invest millions of dollars in a tourism project in your community**

# PRESENTATION OUTLINE

- **TOURISM & TRAVEL OVERVIEW**
- **ACCOMMODATION INDUSTRY OVERVIEW**
- **ASSESSING YOUR COMMUNITY'S READINESS**



# TOURISM AND TRAVEL OVERVIEW

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# **CANADA'S TRAVEL & TOURISM SECTOR**

**TIAC defines travel/tourism to include transportation, accommodation, food & beverage, recreation & entertainment and travel services**

- Travel/tourism accounts for almost 2.0% of Canada's GDP**
- 1 in 11 jobs in Canada is directly involved with travel/tourism**



Source: TIAC

# CANADA'S TRAVEL & TOURISM SECTOR

## Travel/Tourism Businesses

<b>Food &amp; Beverage</b>	<b>42%</b>
<b>Recreation &amp; Entertainment</b>	<b>23%</b>
<b>Transportation</b>	<b>21%</b>
<b>Accommodation</b>	<b>10%</b>
<b>Travel Services</b>	<b>4%</b>

Source: TIAC

# NATIONAL TRAVEL OUTLOOK 2016/17/18

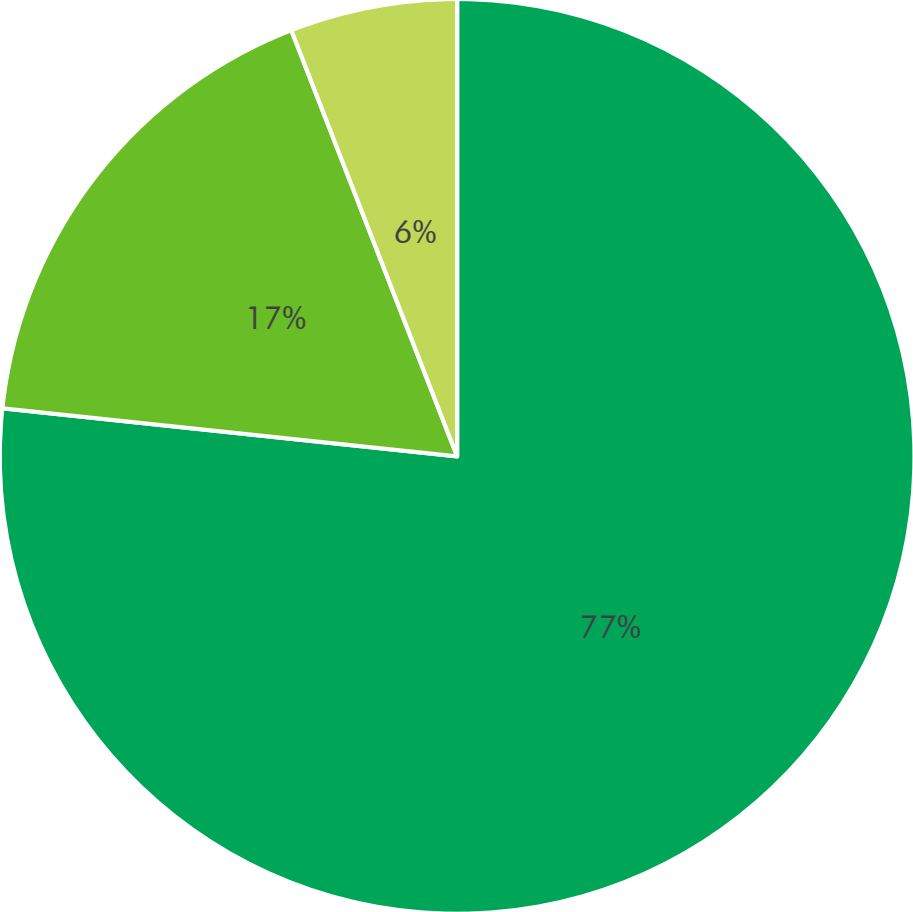
Overnight Travel	2016 Estimate	2017F	2018P
Business travel domestic	1.3%	2.3%	2.4%
Pleasure travel domestic	2.1%	3.4%	2.6%
Total domestic travel	1.9%	3.2%	2.4%
U.S. Travel	9.4%	5.3%	3.1%
Overseas travel	13.6%	8.5%	6.1%
<b>Total Overnight Travel</b>	<b>3.7%</b>	<b>3.8%</b>	<b>2.8%</b>
National accommodation demand growth	1.5%*	2.9%	2.5%

Source: Canadian Tourism Research Institute, Conference Board of Canada, Spring 2017

\*Actual results

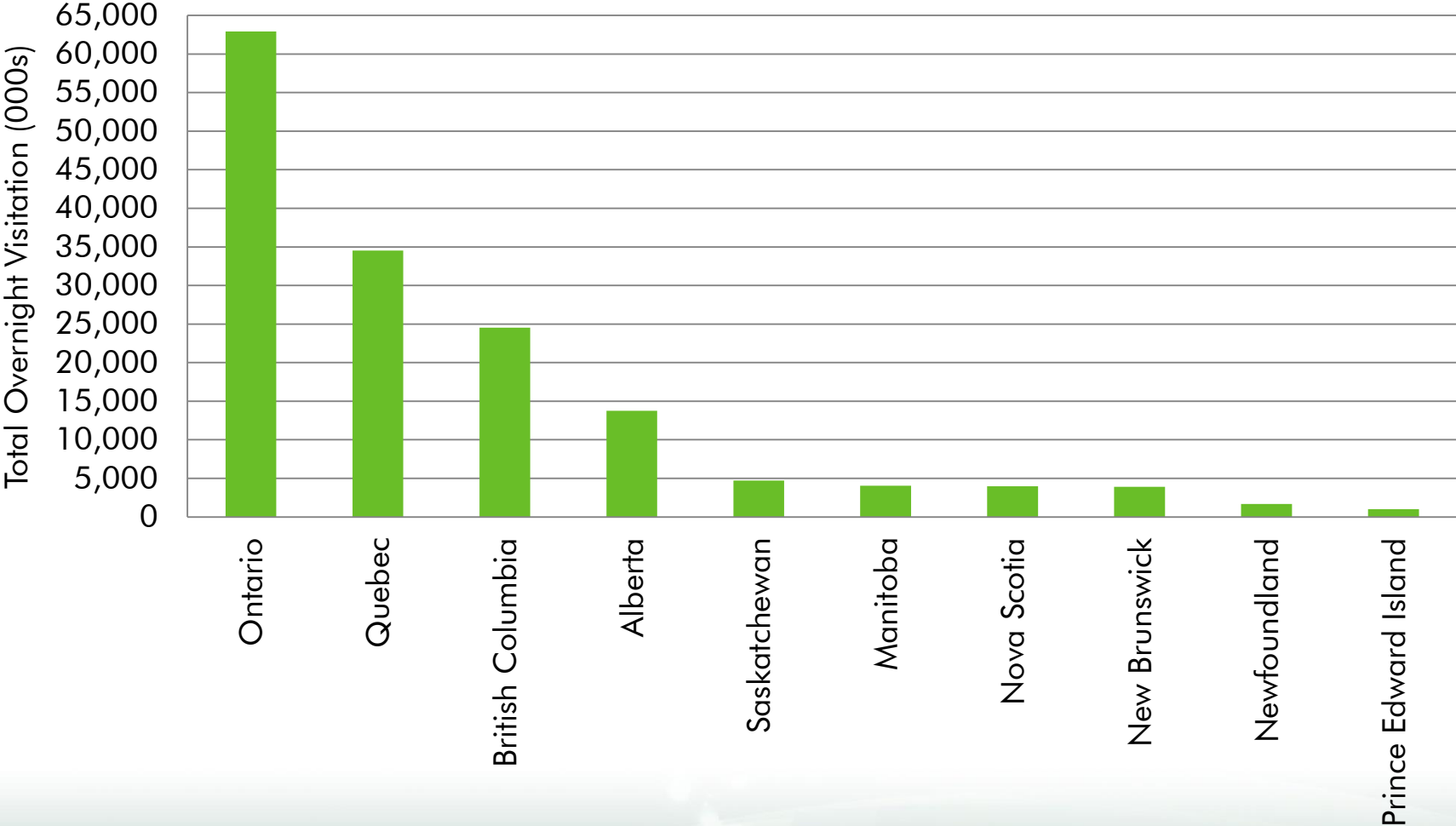
Source: CBRE Hotels

# TRAVEL TO CANADA BY ORIGIN DESTINATION



■ Domestic ■ United States ■ Overseas

# TOTAL OVERNIGHT VISTATION BY PROVINCE

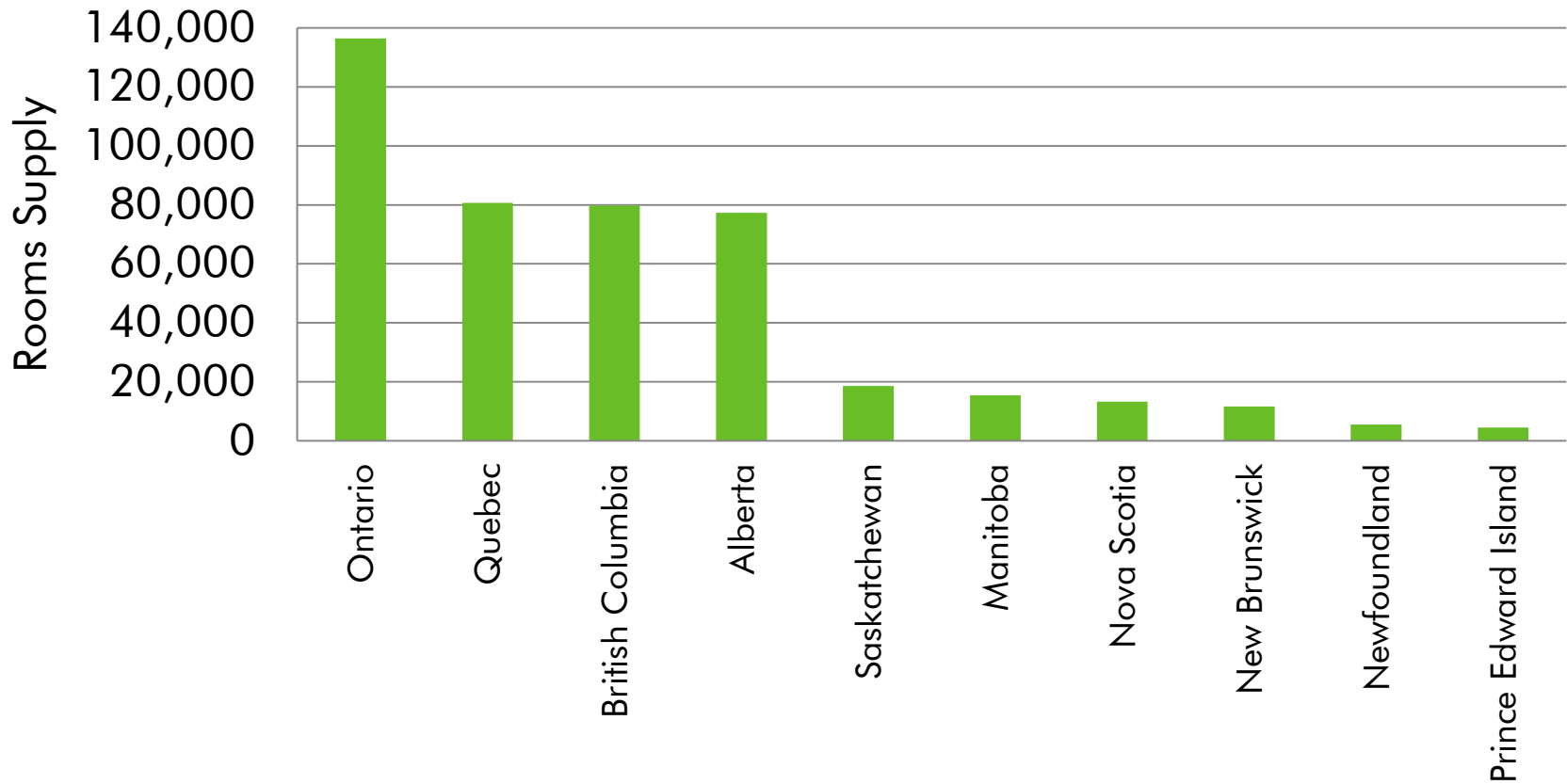


# ACCOMMODATION INDUSTRY OVERVIEW

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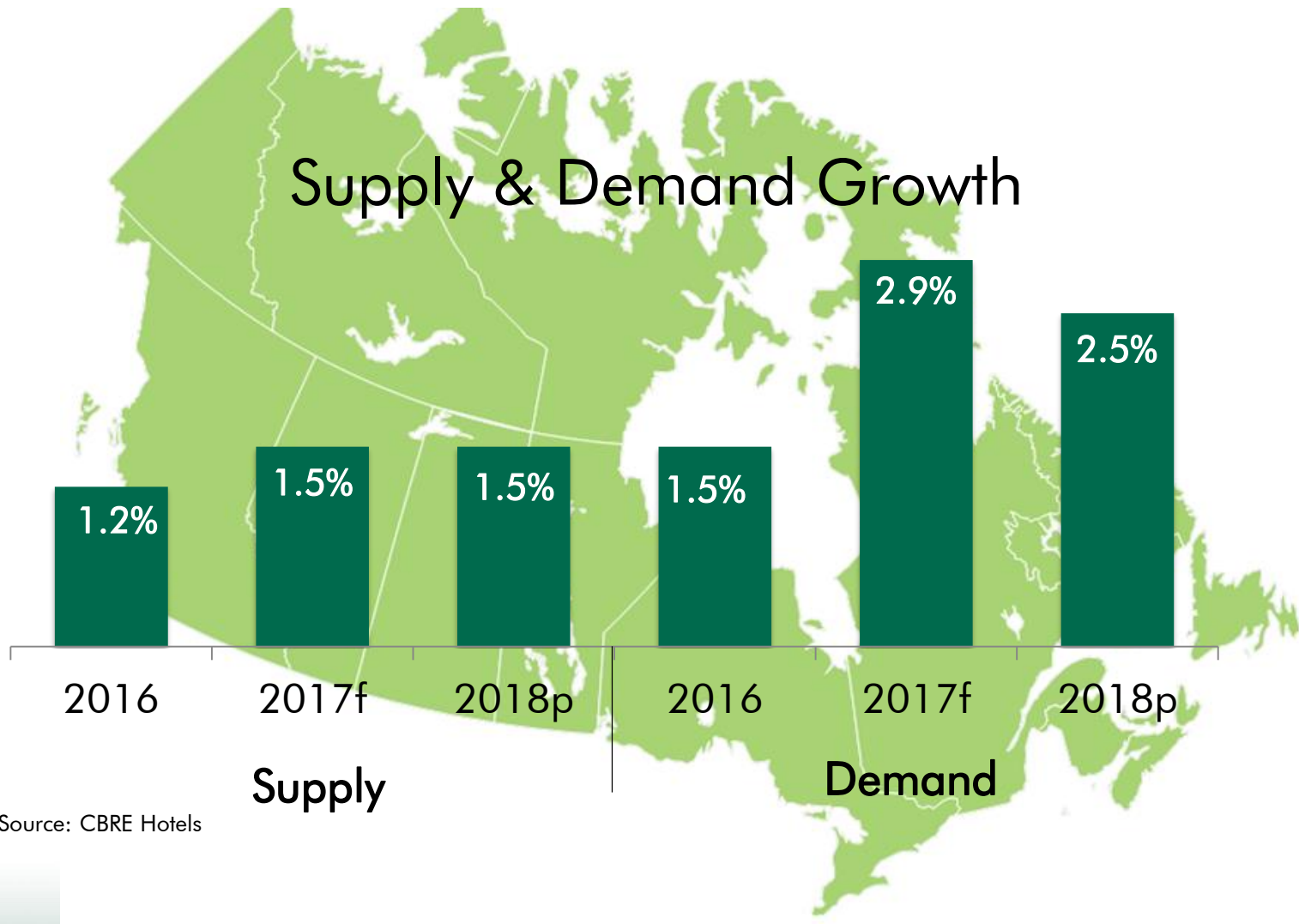


# 2017 ROOMS SUPPLY BY PROVINCE





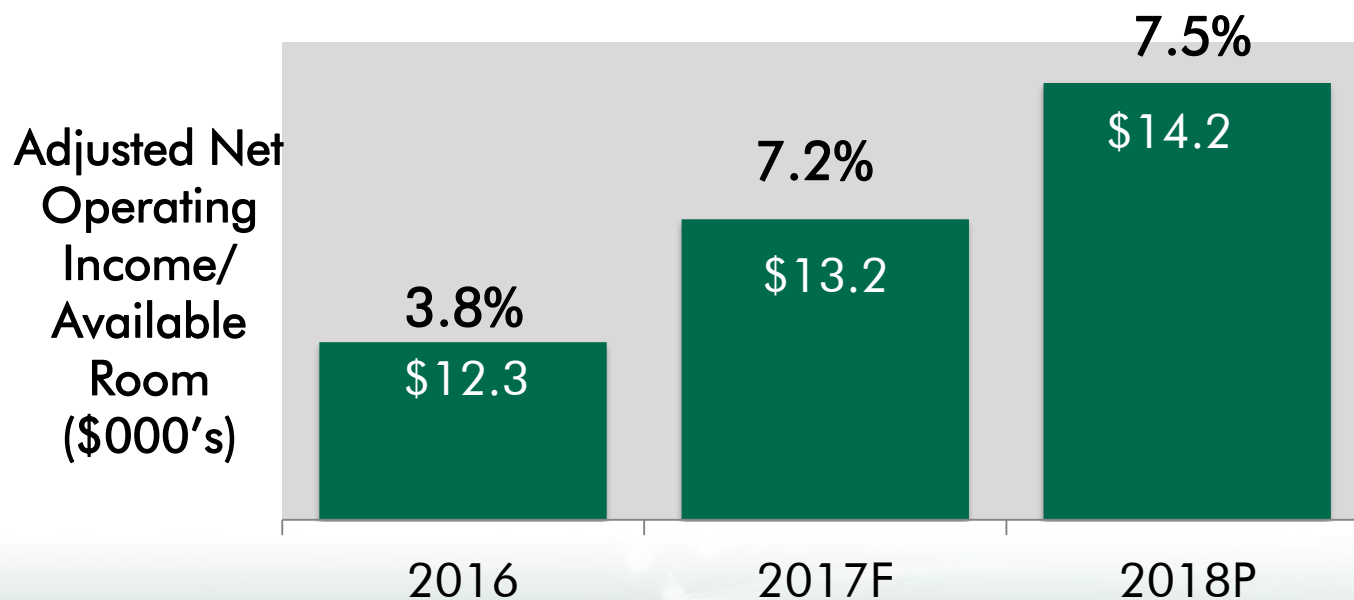
# NATIONAL SUPPLY & DEMAND OUTLOOK



Source: CBRE Hotels

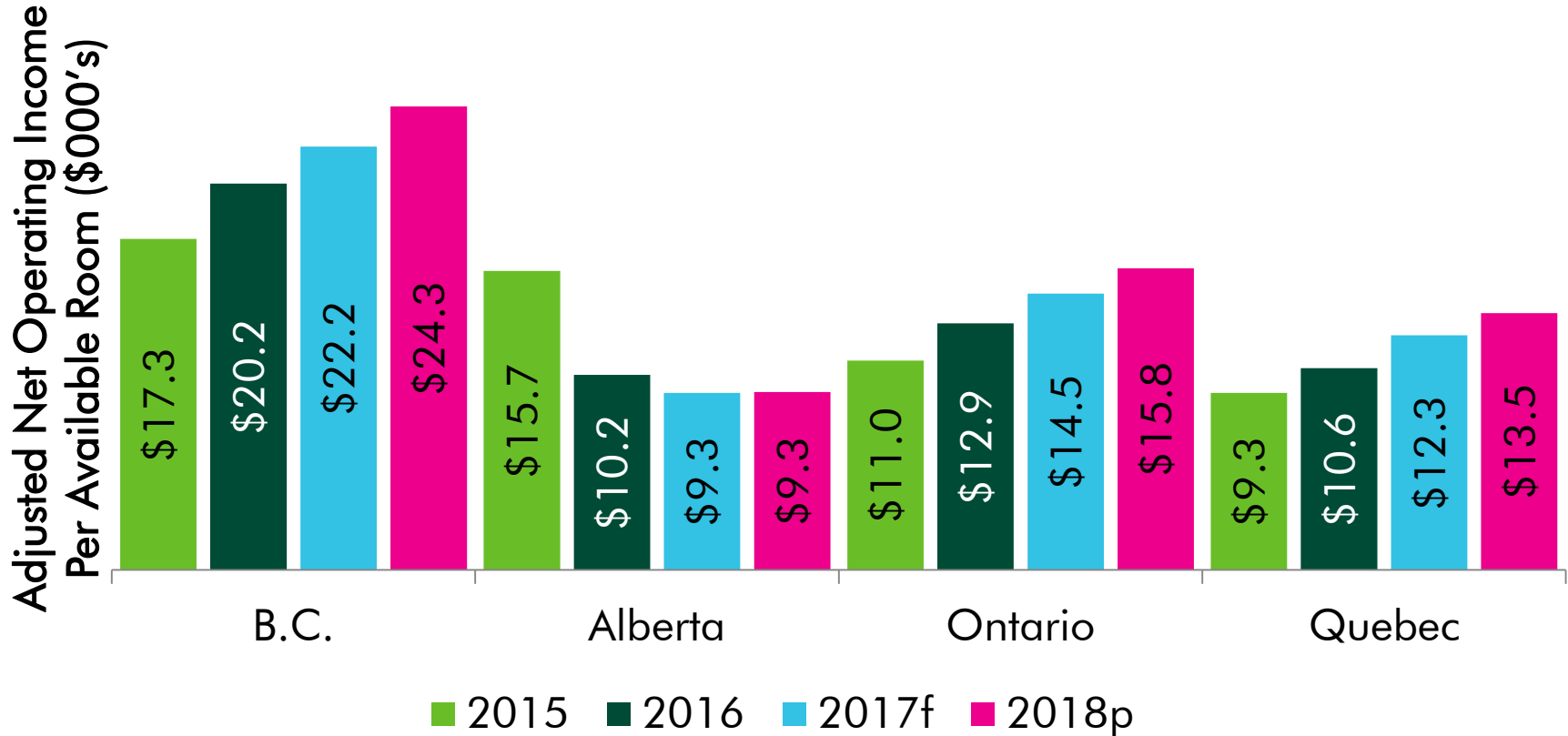
# NATIONAL ACCOMMODATION INDUSTRY

	2015	2016	2017F	2018P
Occupancy	64%	64%	65%	65%
ADR	\$144	\$149	\$153	\$158
RevPAR	\$91	\$95	\$99	\$103



Source: CBRE Hotels

# PROVINCIAL FINANCIAL OUTLOOK 2015-2018



NOTE: Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization.

Source: CBRE Hotels

\*Does not consider the impact of a minimum wage increase

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS



# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## Primary objectives

- Increase visitation and attract new tourism development and investment

## Primary opportunity

- Do a better job promoting and delivering what you already have

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

**Most communities regardless of size have gone through some form of product and market assessment.**

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

What product do you have to offer

- Attractions – man made or natural
- Activities
- Events
- Experiences

What is the quality of product delivery?

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

Do you have the required support infrastructure

- Transportation
- Commercial - foodservice, retail, support
- Accommodation
- Municipal, business and local community support



# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## What is the market opportunity

- Target geographic markets
- Target “activity/experience” market
- Competitive market assessment

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## Key Considerations

- Do we have a product that can attract visitors and compete with other destinations offering the same product
- What is lacking to make us competitive?
- If its physical product/investment lacking, how do we attract it?

# ASSESSING YOUR COMMUNITY'S TOURISM READINESS

## The key determinants

- **Wants**
- **Needs**
- **Market Support**
- **Economic Viability**

# **ASSESSING YOUR COMMUNITY'S TOURISM READINESS**

**A successful tourism business....**

- 1. Profits on tourism**
- 2. Survives on year round local demand**

# THE HOTEL INVESTMENT ENVIRONMENT

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# THE HOTEL INVESTMENT ENVIRONMENT

- **There is a significant level of equity looking to invest in both hotel acquisitions and hotel development**
- **Notwithstanding the challenges facing the hotel industry in resource driven markets, there is a strong appetite from the lending sector to finance both existing hotels and new builds**

# THE HOTEL INVESTMENT ENVIRONMENT

- **Hotel industry performance in B.C., Ontario & Quebec remains strong**
- **Hotel industry performance in Alberta, Saskatchewan and Newfoundland continues to be impacted by the declines of the resource sector and from the impacts of overbuilding**

# THE HOTEL INVESTMENT ENVIRONMENT

- **Most communities want a new hotel to service existing needs and to assist in attracting new investment and development to their community.**
- **In many smaller communities, the most likely investment or developer interest will come from individuals or a group of individuals, who have an interest in the project and potentially in the community.**



# THE HOTEL INVESTMENT ENVIRONMENT

- **Need to differentiate between the community's wants and needs from the actual demand which can be generated on a year round basis for hotel accommodation.**
- **It is the market and the project economics which should dictate the nature of hotel which should be developed.**

# THE HOTEL INVESTMENT ENVIRONMENT

- **Hotels are seldom the initial catalyst to development;**
- **Hotels are developed to service existing demonstrated demand, not in advance of the creation of demand generators;**
- **Investors will not adopt a ‘build it and they will come philosophy’.**

# THE HOTEL INVESTMENT ENVIRONMENT

- Over the years, we have seen a number of communities, attempt to assist developers with unique hotel projects without much success.
- It is our experience that the more unique the project, the more difficult it is to secure equity and debt financing.

# THE HOTEL INVESTMENT ENVIRONMENT

- In most cases the promoter of a unique project brings little in the way of equity financing.
- They have a concept, potentially some property, but are hoping to leverage up both equity and debt financing.
- 
- A true developer is one that brings 40% equity to the table, not one who is looking for investment.

# THE HOTEL INVESTMENT ENVIRONMENT

- Hotel brands are seldom hotel owners, developers or investors, their interests lie in managing or franchising properties for a fee.
- Financial institutions will finance no more than 60.0% of a project's supportable value off cashflow or 60% of capital costs, whichever is less.
- The balance of capital must be invested as equity.

# THE HOTEL INVESTMENT ENVIRONMENT

- **As the scale of the project increases so does the equity commitment.**
- **80 unit mid scale hotel, capital costs- \$10.0-12.0 million, equity -\$4.0 million.**
- **400 room full service luxury hotel, capital costs - \$250.0 million dollars, equity - \$100.0 million.**

# THE HOTEL INVESTMENT ENVIRONMENT

## Successful Hotel Markets

- a 70% annual occupancy is required for a new project to be viable
- strong commercial demand from area businesses on a year round basis;
- strong summer leisure demand, and strong shoulder and off season weekend leisure demand.

# THE HOTEL INVESTMENT ENVIRONMENT

- In some cases the community's needs can be addressed with the enhancement and upgrading of existing properties.
- While the growth of Airbnb has created some challenges in larger cities, it may present an opportunity to satisfy some accommodation needs in smaller communities



# ASSESSING YOUR COMMUNITY'S TOURISM READINESS



# THE PROCESS

- **If it is an objective of your community to attract new hotel development the following steps are suggested.**
  - **A review of demand generators**
  - **Availability of suitable sites**
  - **Undertake a structured approach to attracting interest**

# REVIEW OF DEMAND GENERATORS

- **Survey the major employers and determine the level of business they generate.**
- **Profile the existing tourist attractions and the visitation they attract.**
- **Assess the level of demand attracted by the existing hotels, if overall demand levels are low, future prospects for new development may be limited.**

# SUITABLE SITES

- **Zoning, servicing, access, visibility and proximity to demand generators are key.**
- **In many communities highway locations, in close proximity to commercial concentrations and industrial parks, but easily accessed by the entire community, make the best sites.**

# STRUCTURED APPROACH

- **Direct solicitation of local/regional development interests;**
- **Inquiries with the major chains (more likely to suggest interested franchisees then develop themselves);**
- **If the community controls the subject lands, consider a formal RFP process.**


# IMPLICATIONS

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# IMPLICATIONS

- Its not about wants and need its about ROI
- If there is a business case, then there will be development interest
- Can you demonstrate that business case?



# HOTEL

## Brokerage

Bill Stone  
Greg Kwong  
Deborah Borotsik  
Marc-Aurele Mailloux-Gagnon  
Scott Duff  
Michael Beckley  
Karina Saks  
Ashley Kerr

## Valuation & Advisory Services

David Larone  
Brian Stanford  
Fran Hohol  
Erin O'Brien  
David Ferguson  
Kirstin Hallett  
Rebecca Godfrey  
Nicole Nguyen  
Robert Sedore  
Kailey Gomez  
Carol Lopes

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