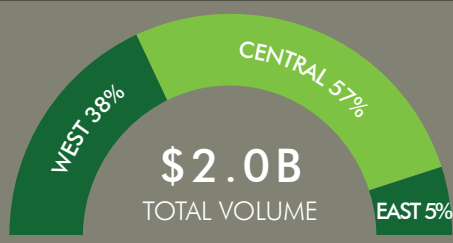


CANADIAN HOTEL INVESTMENT TRENDS

TRANSACTION ACTIVITY



Number of Trades:	105
Transaction Volume:	\$2.0B
Price Per Room:	\$128,000

INTEREST RATES & FINANCIAL INDICATORS

Prime (Canada)	3.00%
Prime (U.S.)	3.25%
5 Yr Gov. Bond	1.58%
10 Yr Gov. Bond	2.37%
LIBOR 3-month	0.24%
S&P/TSX Composite	13,735
2014 GDP Forecast	2.4%

As of January 31, 2014
Sources: Bloomberg, Bank of Canada, TMX, Conference Board of Canada

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TRANSACTION REPORT

Year-end hotel transaction volume has topped \$2.0 billion, well ahead of the \$1.1 billion achieved in 2012. Although influenced by the \$765 million sale of the Westin Hotels portfolio, this trending is in contrast to total transaction volume of overall commercial real estate transaction activity, with preliminary estimates for year end falling below last year.

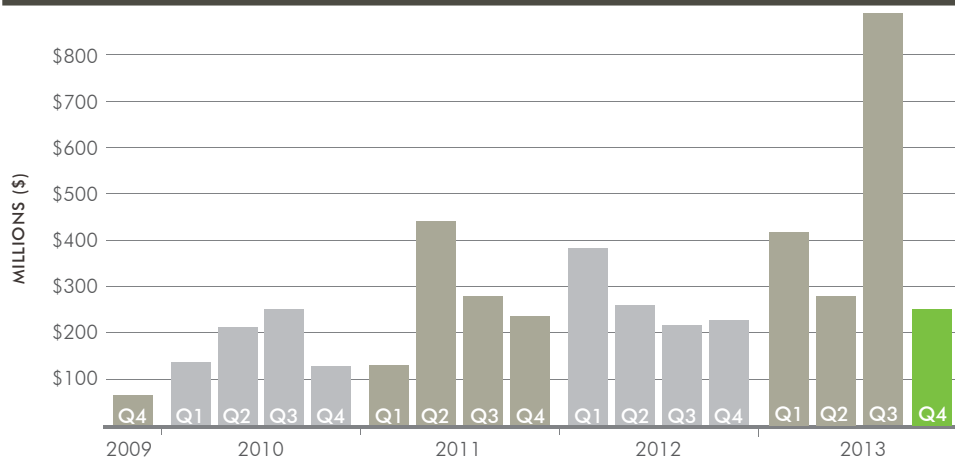
Some notable 2013 trends include:

- Average per room pricing is up almost 30% over the \$100,000 reported in 2012, a reflection of the significant number of large-scale urban assets that traded this year. Eight hotels traded at over \$200,000 per room in 2013 as compared to two in 2012.
- The majority of trades occurred in Central Canada with Ontario accounting for 52% of national volume. Western Canada represented 38% of transaction volume with this amount split roughly 60/40 between Alberta and British Columbia, as there were only a few small deals in Manitoba and none in Saskatchewan. Eastern Canada recorded 5% of

national volume, up from 1% in 2012. Transactions took place in each of the Atlantic provinces this year with the exception of Prince Edward Island.

- The most active buyer group in 2013 by volume was Institutions/Equity Funds followed by Hotel Investment Companies. Private Investors accounted for the greatest number of deals, although representing only 17% of volume.
- Four hotels were purchased for re-development to alternate use compared to 13 in 2012, and included the Delta Centre-Ville in Montreal, Quality Hotel Downtown Montreal, St. Regis Hotel in Winnipeg and Coast Vancouver Airport Hotel.
- Three significant portfolio sales occurred in 2013 accounting for almost half of total transaction volume, compared to only one portfolio sale in 2012. These portfolios included:
 - Westin 5-hotel portfolio;
 - GTA Marriott select service 5-hotel portfolio; and
 - Temple Hotels Inc.'s purchase of three full-service properties in Nova Scotia.

CANADIAN QUARTERLY HOTEL TRANSACTION VOLUME



Source: CBRE Hotels Canada

With the number of substantial deals in 2013, we anticipate fewer large-scale assets will come to market in 2014. Further, as 2013 saw REITs and Hotel Investment Companies continue to re-assess and bring to market non-strategic assets within their portfolios, we expect a slow down in this activity going forward. That said, we believe there will be an increase in smaller, private deals, particularly in Western Canada. As a result, 2014 volume will likely return to more stabilized levels as seen in 2011/2012, which at around the \$1.0 billion mark, still represents an encouraging investment environment.

Q4 CAP RATE TRENDS

In the fourth quarter of 2013, Canadian capitalization rates largely held steady, leaving most markets and sectors still near record lows. Cap rates continue to demonstrate surprising “sticky-ness” and highlight the depth and strength of Canada’s commercial real estate market. Within this largely “steady-as-she-goes” scenario the shift in market sentiment, witnessed in mid-2013, continues to adversely impact non-core real estate – a somewhat evolutionary process that has yet to fully play out. In recent weeks long-term interest rates have staged a mild pull-back,

with 10-year Government of Canada bond yields falling by approximately 25 basis points providing a reprieve for interest rate sensitive asset classes including commercial real estate. Hotel cap rates were little changed during the quarter with only Calgary and Edmonton showing a slight increase, based on the amount of new supply coming into these markets.

HOTEL PERFORMANCE

Year-end 2013 Smith Travel Research (“STR”) results indicate national hotel occupancy was 63.3% versus 62.3% for the same period in 2012. Room demand grew by 2.1% with supply growth of just 0.5%. ADR for 2013 rose by 2.3%, pushing RevPAR up 3.9%.

According to STR, lead markets for occupancy growth year over year included all three suburban Vancouver markets: Vancouver North Area (8.9%), Vancouver Airport (6.1%) and Vancouver South Area/Surrey (5.6%), while the strongest ADR increases were reported in Regina (7.8%), Alberta North Area (7.4%) and Victoria (6.8%). For RevPAR, lead markets were Alberta North Area (12.2%), Vancouver North Area (10.7%) and Vancouver South Area/Surrey (9.8%).

MARKET SPOTLIGHT - REGINA, SASKATCHEWAN

Along with leading RevPAR growth, Regina continues to experience tremendous economic growth. From 2008 to 2017, the Conference Board of Canada forecasts Regina will, on average, surpass all major Canadian markets in terms of GDP growth. Regina also experienced record population growth in 2012, with further growth of 3.0% and 2.4% forecast for 2013 and 2014, well above the national average of 1.1% for both years.

Regina’s hotel supply is also expanding, with eight hotel projects either under construction, in the approval stage or rumoured over the next couple of years, equating to over 750 rooms. New and recent supply includes:

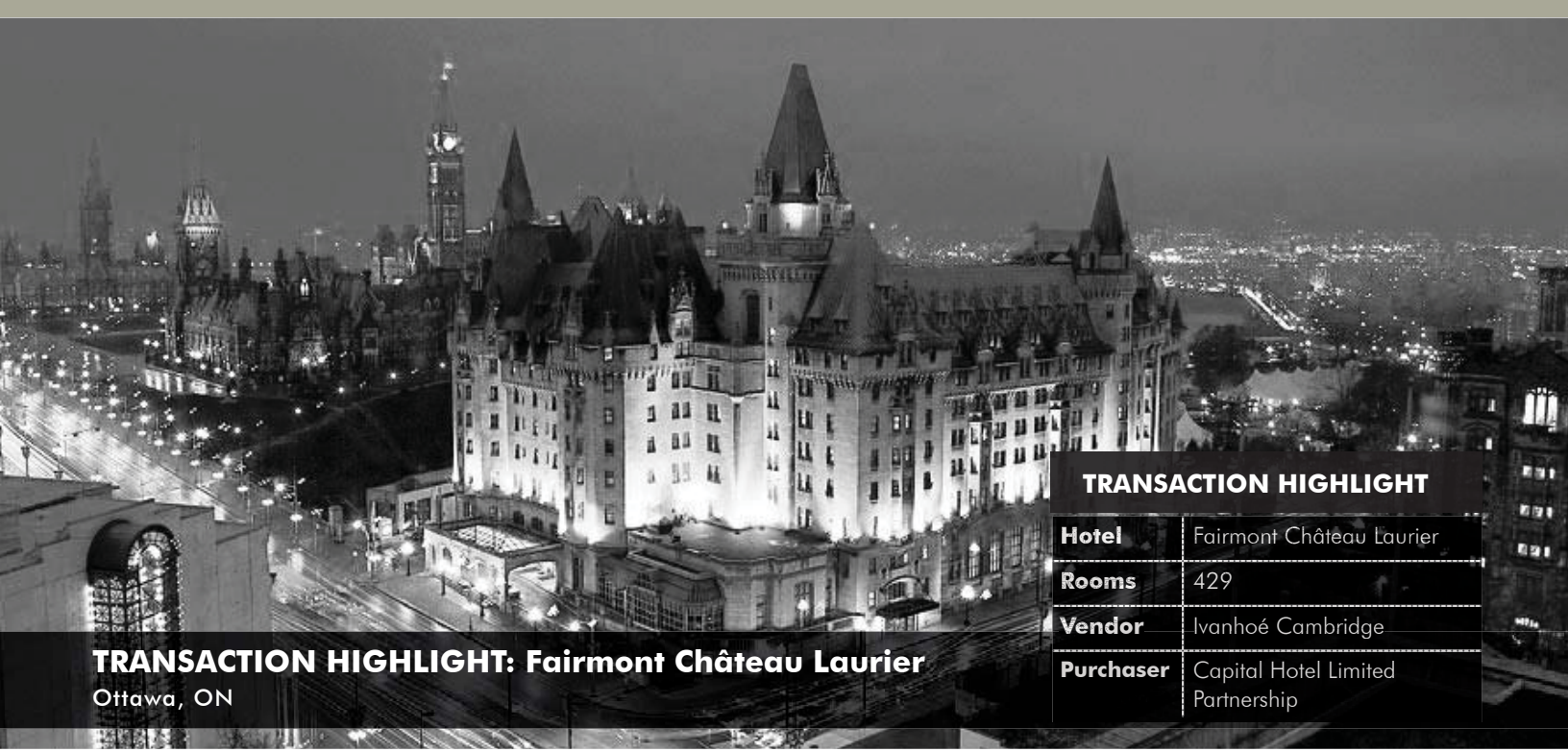
- The opening of the 100-room Best Western Plus Eastgate Inn & Suites in the City’s east end in January 2013;
- The 235-room Regina Inn, which closed in January 2013 and following renovations, reopened in November as the DoubleTree by Hilton Hotel & Conference Centre Regina, with the same room count;

Q4 2013 CAP RATE SURVEY

	Vancouver	Calgary	Edmonton	Winnipeg	London-Windsor	Kitchener-Windsor	Toronto	Ottawa	Montreal	Halifax	
HOTEL	Downtown Full-Service	6.50-7.50	7.00-8.00 ▲	7.25-8.25 ▲	8.00-9.00	9.00-10.00	9.00-9.50	6.75-7.75	7.50-8.50	7.75-8.75	8.75-9.75
	Suburban Limited-Service	7.50-8.50	8.00-9.00 ▲	9.25-9.75 ▲	9.50-10.50	9.00-10.50	9.00-9.50	8.00-9.00	8.75-9.25	9.50-10.50	9.50-10.50
	Focused Service	7.00-8.00	7.50-8.50 ▲	8.25-9.25 ▲	8.00-9.00	8.50-9.50	8.00-9.00	8.00-8.50	8.00-9.00	8.25-9.00	8.25-9.50
OTHER COMMERCIAL REAL ESTATE	Downtown Office (AA)	4.50-5.00	5.00-5.50	5.25-5.75	N/A	N/A	N/A	4.75-5.25	5.00-5.75	5.00-5.50	N/A
	Suburban Office (A)	5.75-6.25	5.75-6.25	6.25-6.75	7.00-7.50	7.50-8.00	6.50-7.00	6.00-6.75	6.25-7.25	6.50-7.50	7.00-7.50
	Industrial (A)	5.50-6.00	5.50-6.00	5.50-6.00	6.50-7.00	8.25-8.75	6.50-7.50	5.75-6.25	6.00-6.25	6.25-7.25	6.50-7.00
	Retail (Regional)	5.00-5.50	5.00-5.50	5.00-5.50	5.75-6.25	6.25-6.75	5.50-6.00	4.75-5.50	5.00-6.00	5.50-6.25	5.50-6.00
	Apartment High Rise (A)	3.50-4.00	4.00-4.50	4.50-5.00	N/A	5.00-5.50	4.75-5.25	3.50-4.25	4.25-4.75	4.75-5.25	5.25-5.75

Source: CBRE Limited

Note: ▼ decline from previous quarter; ▲ increase from previous quarter; no arrow reflects no change from previous quarter.



TRANSACTION HIGHLIGHT: Fairmont Château Laurier
Ottawa, ON

TRANSACTION HIGHLIGHT	
Hotel	Fairmont Château Laurier
Rooms	429
Vendor	Ivanhoé Cambridge
Purchaser	Capital Hotel Limited Partnership

- The 102-room Holiday Inn Express Regina-South is in the final stages of an expansion. The hotel’s inventory will increase by 16 extended stay rooms;
- A 127-room Four Points by Sheraton Regina at Albert Street and Dewdney Avenue is set to open in June 2014;
- A 100-room Hampton Inn has been proposed for the site next to the Four Points, by the same developers, with construction set to begin upon completion of the Four Points;
- The 80-room Home Inn & Suites - Regina Airport is under construction and will open in 2014;
- A 121-room Comfort Suites is under construction in the northwest suburbs with a Q1 2015 opening anticipated;
- The site of the former Sherwood House Motel is being redeveloped as a 122-room Fairfield Inn, to open at the end of 2014;
- A 146-room Residence Inn by Marriott was approved by city council to be located at Pasqua Street and Dewdney

Avenue with construction likely to begin in Q4 2014;

- The Capital Pointe mixed use project includes plans for a hotel component although the project has experienced a number of delays, with excavation of the site to begin in Spring 2014.

In addition to the growing hotel market, the City will benefit from the recently launched \$500 million Regina Revitalization initiative. The initiative will include: a new 33,000 seat stadium that will be home to the CFL’s Saskatchewan Roughriders; the development of a new residential neighbourhood on the site of the Mosaic Stadium at Taylor Field (current home of the CFL team) and within walking distance to downtown Regina; and the expansion of Regina’s entertainment district.

TRANSACTION HIGHLIGHT

The Fairmont Château Laurier is centrally located in the downtown core of the Nation’s Capital between Parliament Hill, the Ottawa River, The Congress

Centre and the open-air Byward Market. Originally built in 1912 with the east wing added in 1927 and a parkade in 1960, the iconic hotel is now comprised of 429 guest rooms and suites, a restaurant, lounge, a number of recreational amenities and approximately 36,000 SF of meeting and event space.

The Vendor, Ivanhoé Cambridge, had acquired the Hotel in 2007 as part of a joint venture acquisition of Legacy Hotels REIT, which included 23 Canadian assets valued at over \$2.0 billion and remains the largest hotel portfolio transaction to date in Canada. The transaction also included two US assets, The Fairmont Washington and The Fairmont Olympic Hotel, bringing the total acquisition value at the time to approximately \$2.5 billion.

Capital Hotel Limited Partnership, an affiliate of Vancouver’s Larco Investments Ltd., purchased the Hotel in November 2013, growing the company’s hotel portfolio to ten properties in Whistler, Vancouver, Toronto, Ottawa and Las Vegas.

The following pages provide a summary of 2013 Canadian hotel and resort transactions over \$1 million.

	Property Name	City	Province	Rms	Purchase Price	Price/Rm	Cap Rate
JANUARY	Hotel Elan	Calgary	AB	62	\$11,422,000	\$184,200	N/A
	Super 8 Fort Saskatchewan	Fort Saskatchewan	AB	85	\$8,712,500	\$102,500	N/A
	Super 8 Innisfail	Innisfail	AB	50	\$4,900,000	\$98,000	12.7%
	Super 8 Red Deer	Red Deer	AB	72	\$1,650,000	\$22,900	N/A
	Canada's Best Value Inn by Vantage (1)	Langley	BC	46	\$2,400,000	\$52,200	11.0%
	Holiday Inn Winnipeg South (2)	Winnipeg	MB	170	\$5,500,000	\$64,700	10.0%
	Quality Hotel Burlington	Burlington	ON	110	\$9,750,000	\$88,600	8.2%
	Residence Inn Downtown London (3)	London	ON	116	\$6,000,000	\$103,400	10.0%
	Hampton Inn Napanee	Napanee	ON	58	\$6,500,000	\$112,100	N/A
	Metropolitan Hotel Toronto (4)	Toronto	ON	428	\$39,700,000	\$92,800	N/A
	Motel Rustik	Chateauguay	QC	23	\$1,725,000	\$75,000	N/A
FEBRUARY	Rockyview Hotel	Cochrane	AB	15	\$1,660,000	N/A	N/A
	Travelodge Edmonton West	Edmonton	AB	220	\$13,000,000	\$59,100	6.0%
	Best Western Plus Abercorn Inn	Richmond	BC	98	\$14,250,000	\$145,400	5.0%
	St. Regis Hotel (5)	Winnipeg	MB	100	\$5,000,000	N/A	N/A
	Comfort Motel	Bradford	ON	18	\$1,420,000	\$78,900	N/A
	Holiday Inn Express Brampton	Brampton	ON	84	\$8,050,000	\$95,800	8.1%
	Hilton Toronto	Toronto	ON	600	\$140,000,000	\$233,300	7.6%
Comfort Inn & Suites Shawinigan	Shawinigan	QC	71	\$3,550,000	\$50,000	N/A	
MARCH	Travelodge Brooks	Brooks	AB	61	\$2,800,000	\$45,900	6.0%
	Quality Hotel & Conference Centre	Grande Prairie	AB	102	\$5,500,000	\$53,900	N/A
	Coast Vancouver Airport Hotel	Richmond	BC	133	\$15,000,000	\$112,800	N/A
	Parkside Victoria Resort & Spa (6)*	Victoria	BC	126	\$23,000,000	N/A	N/A
	Battery Hotel & Conference Centre (7)	St. John's	NL	127	\$9,500,000	\$74,800	N/A
	Cambridge Suites Hotel Sydney (8)	Sydney	NS				
	Cambridge Suites Hotel Halifax (8)	Halifax	NS	549	\$87,500,000	\$159,400	N/A
	Prince George Hotel (8)	Halifax	NS				
	Econo Lodge London	London	ON	86	\$2,800,000	\$32,600	N/A
	Microtel Inn & Suites Woodstock	Woodstock	ON	74	\$3,347,000	\$45,200	N/A
APRIL	Chateau Lacombe*	Edmonton	AB	307	\$27,500,000	\$89,600	N/A
	Harrison Hot Springs Resort and Spa	Harrison Hot Springs	BC	337	\$32,300,000	\$95,800	9.2%
	Econo Lodge Fort Erie (9)	Fort Erie	ON	70	\$1,850,000	\$26,400	N/A
	Travelodge Huntsville	Huntsville	ON	37	\$1,440,000	\$38,900	N/A
	Edgewater Hotel	Whitehorse	YK	32	\$1,600,000	\$50,000	N/A

* Receivership/lender driven sale.

	Property Name	City	Province	Rms	Purchase Price	Price/Rm	Cap Rate
MAY	Super 8 Langley	Langley	BC	80	\$5,700,000	\$71,300	7.0%
	Executive Express Inn	Richmond	BC	81	\$4,174,500	\$51,500	N/A
	Royal Inn & Suites	Guelph	ON	65	\$3,500,000	\$53,800	N/A
	Holiday Inn Markham	Markham	ON	299	\$11,000,000	\$36,800	3.8%
	Park Villa Motel	Midland	ON	41	\$1,670,000	\$40,700	N/A
	Diamond Motor Inn	Owen Sound	ON	22	\$1,025,000	\$46,600	N/A
	Harbour Inn and Resort Club	Ramara	ON	43	\$1,400,000	\$32,600	N/A
	Courtyard Toronto Downtown	Toronto	ON	575	\$76,250,000	\$132,600	7.7%
	Hilton Toronto Airport	Toronto	ON	419	\$25,000,000	\$59,700	8.6%
	Hilton Windsor and Windsor Riverside Inn	Windsor	ON	512	\$10,250,000	\$20,000	5.2%
	Hotel Chateau Roberval	Roberval	QC	124	\$3,800,000	\$30,600	N/A
	Au Doc Motel	Repentigny	QC	24	\$1,895,000	\$79,000	N/A
	Motel Aubin	Montreal	QC	20	\$1,700,000	\$85,000	N/A
JUNE	Holiday Inn Express Sherwood Park	Edmonton	AB	90	\$15,150,000	\$168,300	9.0%
	Travelodge Medicine Hat	Medicine Hat	AB	128	\$3,570,000	\$27,900	7.9%
	Quality Hotel & Suites	Langley	BC	50	\$2,581,000	\$51,600	N/A
	Days Inn Guelph	Guelph	ON	87	\$3,400,000	\$39,100	N/A
	Residence Inn Toronto Markham (10)	Markham	ON	100	\$10,700,000	\$107,000	7.2%
	Courtyard Toronto Markham (10)	Markham	ON	144	\$14,700,000	\$102,100	8.2%
	Courtyard Toronto Mississauga (10)	Mississauga	ON	144	\$14,650,000	\$101,700	7.7%
	Residence Inn Toronto Mississauga (10)	Mississauga	ON	100	\$13,250,000	\$132,500	7.3%
	Courtyard Toronto Vaughan (10)	Vaughan	ON	144	\$17,250,000	\$119,800	7.3%
	Quality Inn & Suites Toronto Airport	Mississauga	ON	197	\$9,750,000	\$49,500	N/A
	Fairfield Inn & Suites Toronto Airport	Mississauga	ON	170	\$16,000,000	\$94,100	N/A
	Travelodge Oshawa	Oshawa	ON	120	\$8,150,000	\$67,900	9.0%
	Sudbury Inn	Sudbury	ON	35	\$1,000,000	\$28,600	N/A
	Super 8 Sudbury	Sudbury	ON	85	\$4,050,000	\$47,600	5.4%
	Delta Hotel Centre-Ville (12)	Montreal	QC	711	\$51,250,000	\$72,100	N/A
JULY	Clarion Hotel Calgary Airport	Calgary	AB	185	N/A	N/A	N/A
	Comfort Inn Vancouver Airport	Richmond	BC	129	\$16,000,000	\$124,000	N/A
	Comfort Inn Midtown Kingston	Kingston	ON	57	\$2,300,000	\$40,400	N/A
	Motel 6 Peterborough	Peterborough	ON	85	\$4,350,000	\$51,200	N/A
	Downtown Hotel	Dawson City	YK	59	\$1,500,000	\$25,400	N/A
AUGUST	Four Points by Sheraton Edmonton International Airport (13)	Edmonton	AB	112	\$17,725,000	\$158,300	N/A
	Western Valley Inn	Valleyview	AB	50	\$6,750,000	\$135,000	12.2%
	Holiday Inn Express Bowmanville	Bowmanville	ON	95	\$8,377,348	\$88,200	8.4%
	Stage West Hotel Toronto Airport	Mississauga	ON	224	\$13,800,000	\$61,600	N/A
	Former Best Days Inn Niagara* (14)	Niagara Falls	ON	94	N/A	N/A	N/A
	King Edward Hotel (15)	Toronto	ON	301	N/A	N/A	N/A

* Receivership/lender driven sale.

	Property Name	City	Province	Rms	Purchase Price	Price/Rm	Cap Rate
SEPTEMBER	Quality Inn Medicine Hat	Medicine Hat	AB	61	\$4,100,000	\$67,200	N/A
	Super 8 Abbotsford* (16)	Abbotsford	BC	99	\$12,050,000	N/A	N/A
	Comfort Inn Chilliwack	Chilliwack	BC	83	\$4,500,000	\$54,200	8.9%
	Corporate Inn	New Westminster	BC	15	\$2,850,000	\$190,000	N/A
	King George Place	Surrey	BC	29	\$1,420,000	\$49,000	N/A
	Surrey Central Inn	Surrey	BC	28	\$1,420,000	\$50,700	N/A
	Westin Bayshore (17)	Vancouver	BC	511	\$150,800,000	\$295,100	5.0%
	Westin Calgary (17)	Calgary	AB	525	\$192,100,000	\$365,900	8.8%
	Westin Edmonton (17)	Edmonton	AB	416	\$86,200,000	\$207,200	7.7%
	Westin Ottawa (17)	Ottawa	ON	496	\$139,000,000	\$280,200	8.3%
	Westin Harbour Castle (17)	Toronto	ON	977	\$196,900,000	\$201,500	8.1%
	Comfort Inn Burlington	Burlington	ON	99	\$4,500,000	\$45,500	7.8%
	The Walper Hotel	Kitchener	ON	82	\$4,600,000	\$56,100	N/A
	Comfort Inn London	London	ON	80	\$2,700,000	\$33,800	8.9%
	Red Carpet Inn & Suites	Sudbury	ON	37	\$1,607,500	\$43,500	N/A
	Hotel Gouverneur Trois Rivières	Trois Rivières	QC	128	\$7,899,000	\$61,700	N/A
OCT	Delawana Inn & Conference Centre*	Honey Harbour	ON	148	\$3,100,000	\$20,900	N/A
	Holiday Inn Express Ottawa West-Nepean	Ottawa	ON	115	\$19,500,000	\$169,600	10.2%
NOVEMBER	Acclaim Hotel Calgary Airport	Calgary	AB	225	\$42,000,000	\$186,700	10.4%
	Brentwood Bay Resort & Spa	Victoria	BC	33	\$13,998,000	\$424,200	N/A
	Muskoka Riverside Inn	Bracebridge	ON	54	\$2,050,000	\$38,000	N/A
	Comfort Inn Mississauga	Mississauga	ON	115	\$5,125,000	\$44,600	N/A
	Fairmont Chateau Laurier	Ottawa	ON	429	N/A	N/A	N/A
	Howard Johnson Inn Sarnia	Sarnia	ON	50	\$1,485,000	\$29,700	N/A
	Hotel le Voyageur	Beauport	QC	64	\$3,816,750	\$59,600	N/A
DECEMBER	Lakeview Inn & Suites Fredericton	Fredericton	NB	97	\$3,400,000	\$35,100	N/A
	Universal Inn & Suites	Niagara Falls	ON	80	\$4,450,000	\$55,600	N/A
	Travelodge North Bay	North Bay	ON	76	\$2,603,750	\$34,300	N/A
	Holiday Inn Express North York	North York	ON	163	\$7,500,000	\$46,000	6.7%
	Motel Dufferin	Beauport	QC	55	\$1,200,000	\$21,800	N/A
	Quality Hotel Downtown Montreal (18)	Montreal	QC	140	\$12,300,000	\$87,900	N/A
	Hotel Chateau Fleur-de-Lys	Quebec City	QC	17	\$1,200,000	\$70,600	N/A

* Receivership/lender driven sale.

Notes:

- (1) Formerly the Super 8 Glover Road.
- (2) The purchaser, Temple Hotels Inc., completed the acquisition of the remaining 50% limited partnership interest in the hotel and now owns a 100% interest. Price per room has been calculated on a pro-rated 100% basis.
- (3) 50% ownership interest acquired. The purchaser, Temple Hotels Inc. expects to acquire the remaining 50% ownership of the Hotel. Price per room has been calculated on a pro-rated 100% basis.
- (4) Hotel will be renovated and re-branded as a DoubleTree by Hilton.
- (5) Accompanying surface parking lots in the 200 block of Smith Street were also purchased. Purchaser plans to build two high-rise commercial/residential towers on the site as part of an estimated \$80-million development.
- (6) Structured with fractional interests. Price per room is not applicable. Sold under receivership.
- (7) Purchased by Memorial University for conversion to office space and student residences.
- (8) Sold as a portfolio of three hotels.
- (9) Hotel will be renovated and converted to a Comfort Inn.
- (10) Sold as a portfolio of five hotels.
- (11) Part of a larger transaction including office space. Purchased by the federal government. Total acquisition cost of \$54 million. Individual pricing has not been made public.
- (12) Purchased for conversion to student residences. The hotel shut down in October 2013.
- (13) New build. No operating history.
- (14) Receivership. Property was closed at time of sale.
- (15) Omni Hotels Corporation acquired a large minority position in the hotel and will manage the property. The hotel is now known as The Omni King Edward Hotel, the second Omni branded hotel in Canada.
- (16) Purchase price was inclusive of three free-standing retail units. Price per room is not applicable.
- (17) Sold as a portfolio of five hotels.
- (18) Will be re-developed as a student residence.

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