ED16.1

GREATER TORONTO HOTEL ASSOCIATION

Economic Impact Study and Comparative Cities Research

December 2015 and September 2016 Reports

PREPARED FOR

GREATER TORONTO HOTEL ASSOCIATION

SERVING THE HOTEL INDUSTRY SINCE 1925

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ABOUT CBRE HOTELS – INDUSTRY EXPERTS

- CBRE Hotels is a specialized hospitality and tourism advisory group within CBRE.
- Provides owners, operators, financial institutions, developers and investors in the hotel sector with a single global source for lodging and hospitality brokerage, valuation, consulting, research and capital markets services.
- Comprised of 375 dedicated hospitality professionals located in 60 offices worldwide.
- CBRE Hotels Canadian practice is comprised of 23 professionals with offices in Toronto, Montreal, Calgary and Vancouver.
- CBRE Hotels maintains the only proprietary databases on the accommodation industry in Canada.

TODAY'S DISCUSSION

GTHA ECONOMIC IMPACT STUDY, December 2015

- Economic Impact Study – to provide **overview of the GTA lodging sector** and **quantify its economic contribution** to the Greater Toronto Area's GDP, labour force and taxes
- Analysis focused on the "big picture" level of the Greater Toronto Area, with further details for the City of Toronto and Downtown Toronto

GTHA COMPARATIVE CITY HOTEL OPERATONS RESEARCH, September 2016

- Analysis of how **Downtown Toronto's hotel market performance compares with 15 other downtown hotel markets in 2015**, in terms of cost of doing business and industry profitability
- Analysis of Toronto's Airbnb industry

- CBRE HOTELS MARKET OUTLOOKS

- CBRE NATIONAL MARKET AND FINANCIAL DATABASES

DEFINING THE GREATER TORONTO HOTEL MARKET

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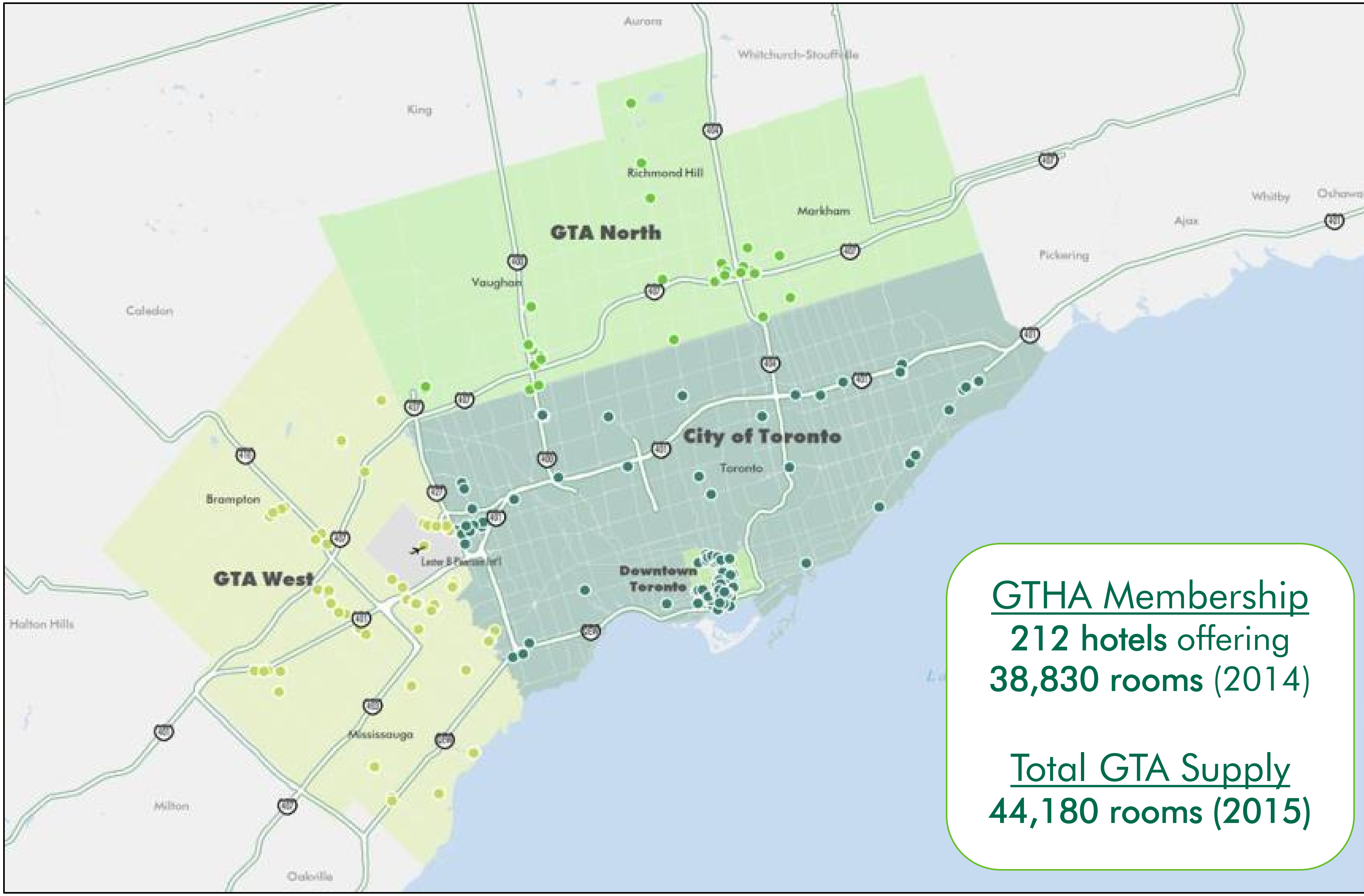
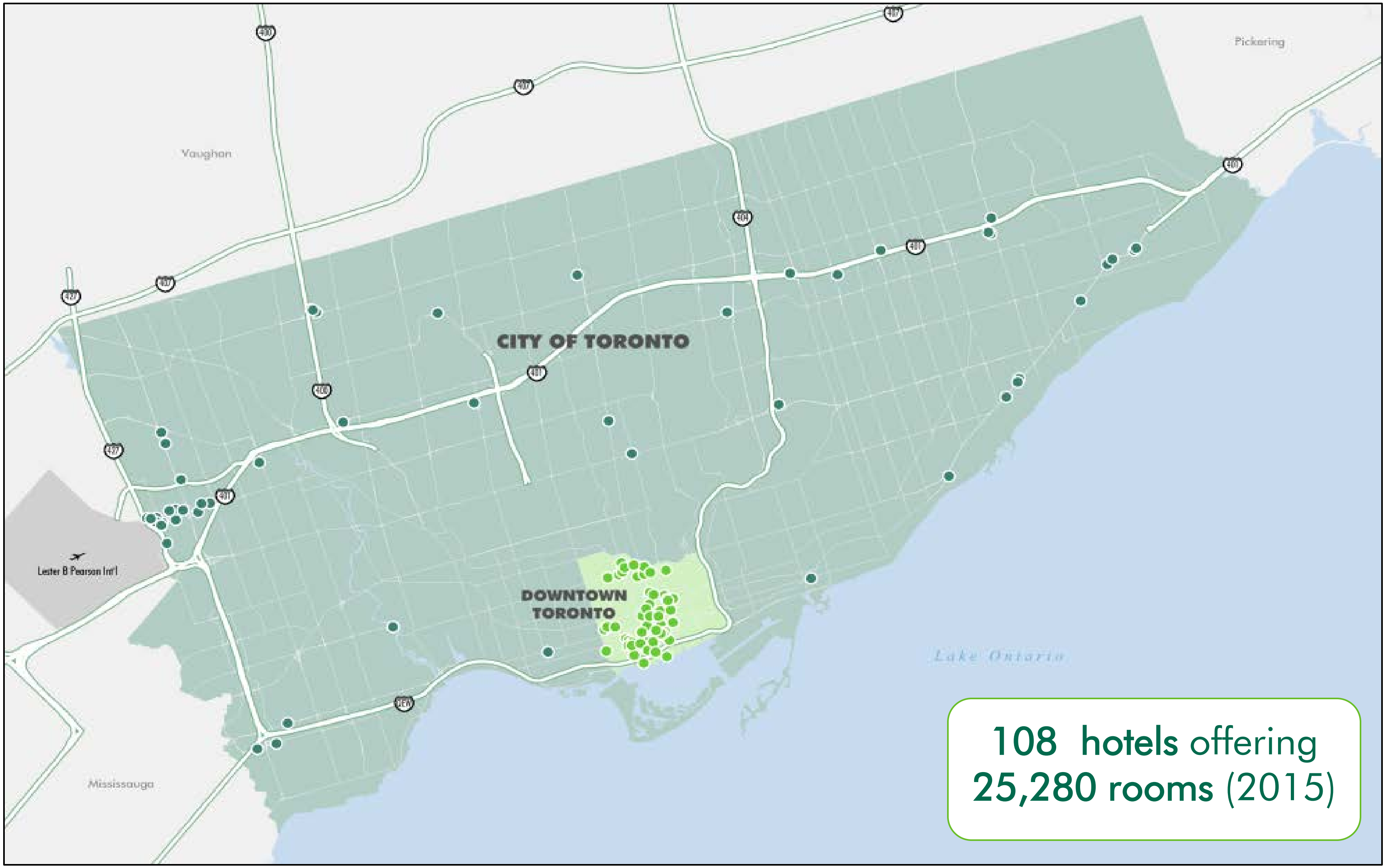
HOTEL INVENTORY IN THE GREATER TORONTO AREA



GTHA Membership
212 hotels offering
38,830 rooms (2014)

Total GTA Supply
44,180 rooms (2015)

HOTEL INVENTORY IN THE CITY OF TORONTO



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SIZE OF GTA HOTEL INVENTORY

Greater Toronto Accommodation Supply by Submarket

Market	Properties	Rooms	%
Downtown Toronto	*61*	*16,741*	*38%*
Rest of Toronto	*47*	*8,540*	*19%*
City of Toronto	108	25,281	57%
	Total GTA	44,176	100%

Source: CBRE Hotels

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LARGEST HOTEL MARKET IN CANADA

Source: CBRE Hotels

HISTORIC HOTEL SECTOR PERFORMANCE 2000-2015

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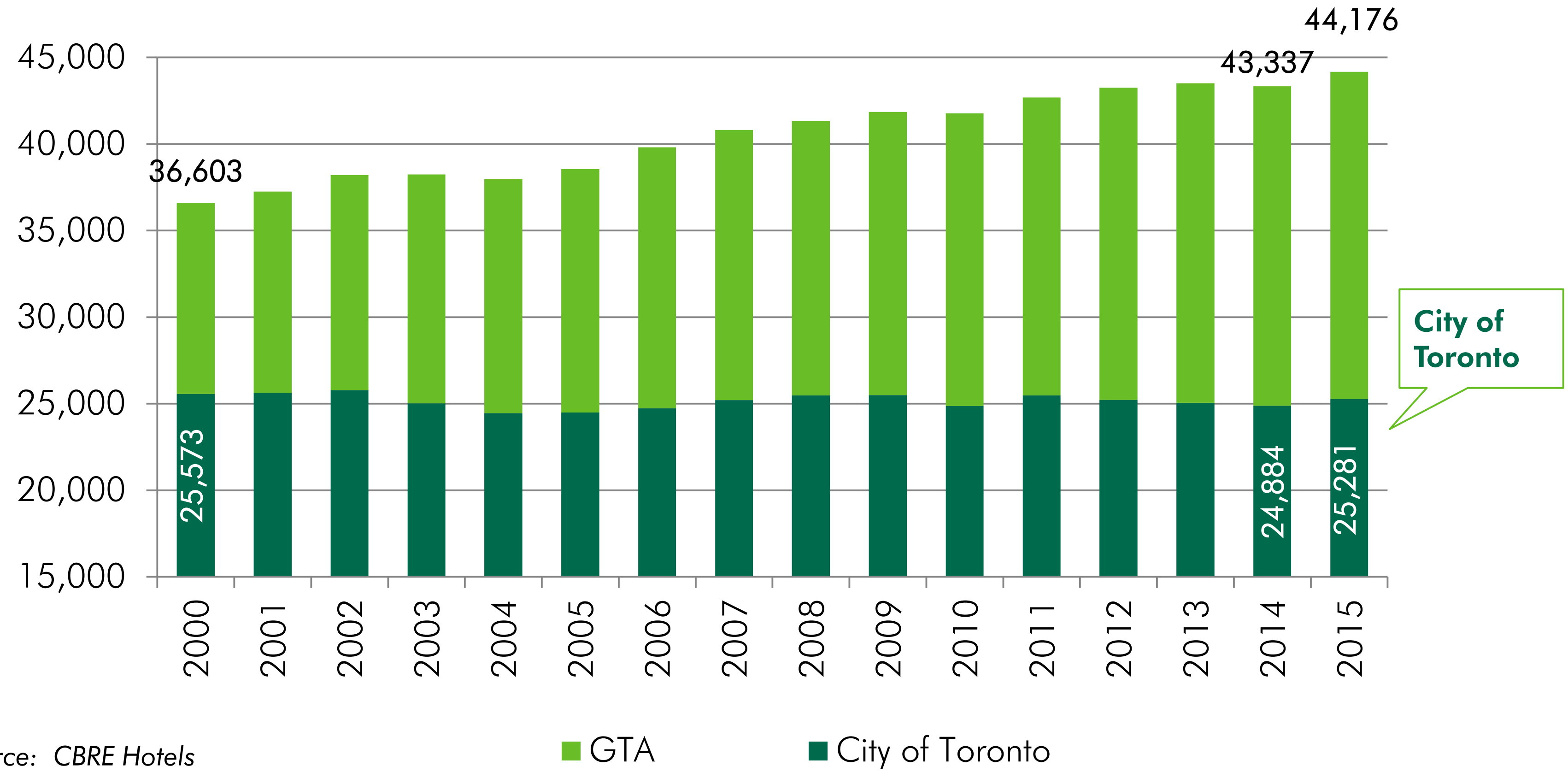
HISTORIC GROWTH IN SUPPLY

Total GTA Hotel Rooms



Source: CBRE Hotels

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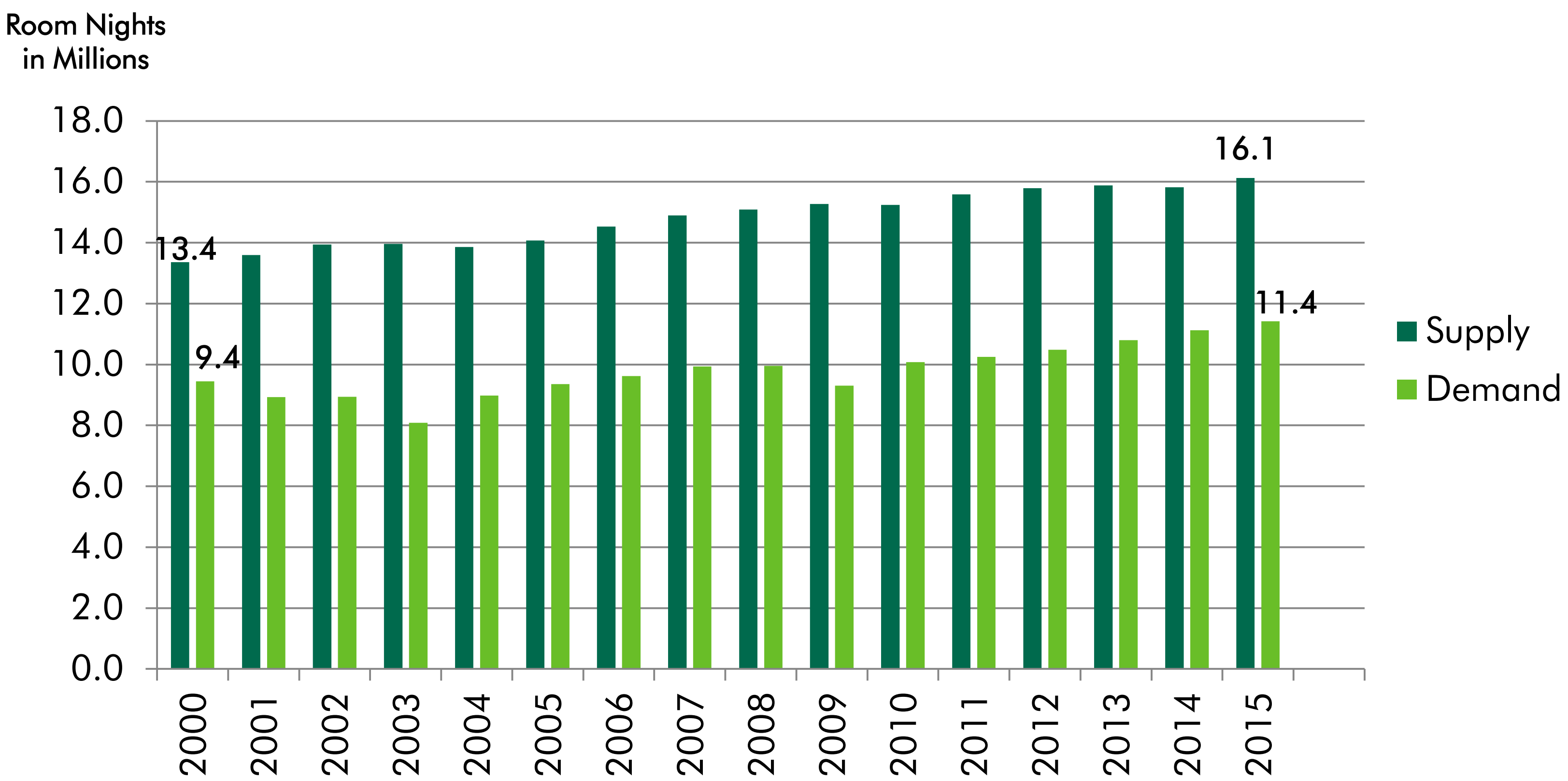
GREATER TORONTO MARKET PERFORMANCE

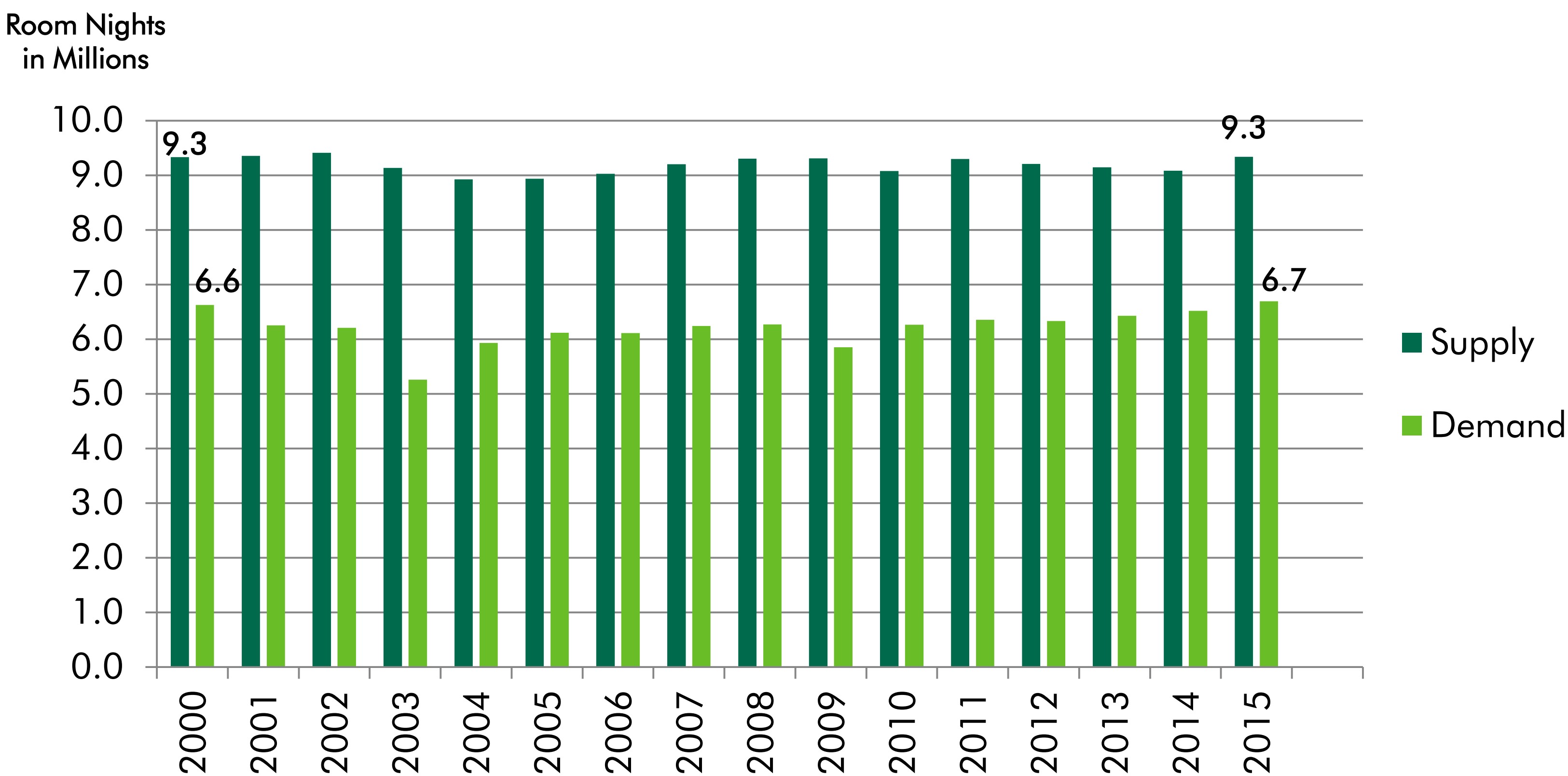
Total GTA Supply and Demand



Source: CBRE Hotels

CITY OF TORONTO MARKET PERFORMANCE

Total City of Toronto Supply and Demand



Source: CBRE Hotels

GTA HOTEL MARKET SEGMENTATION - 2014

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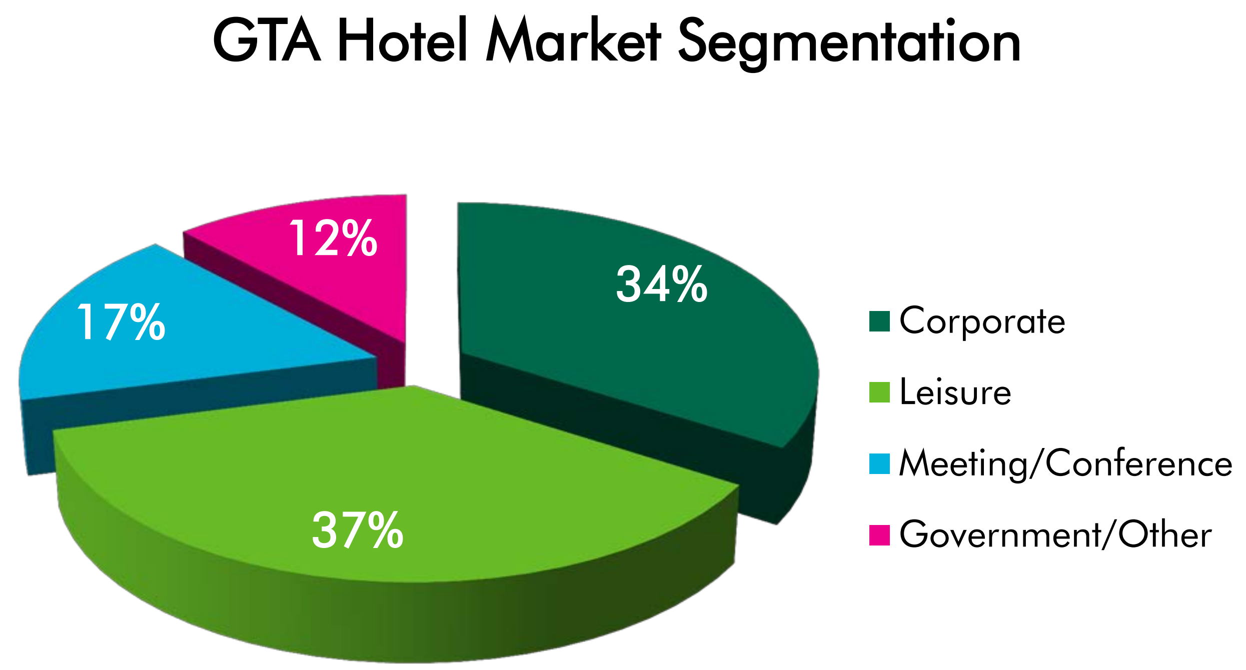
HOTEL MARKET SEGMENTATION - 2014



Source: CBRE Hotels

COMPETITIVE DESTINATION PERFORMANCE ANALYSIS

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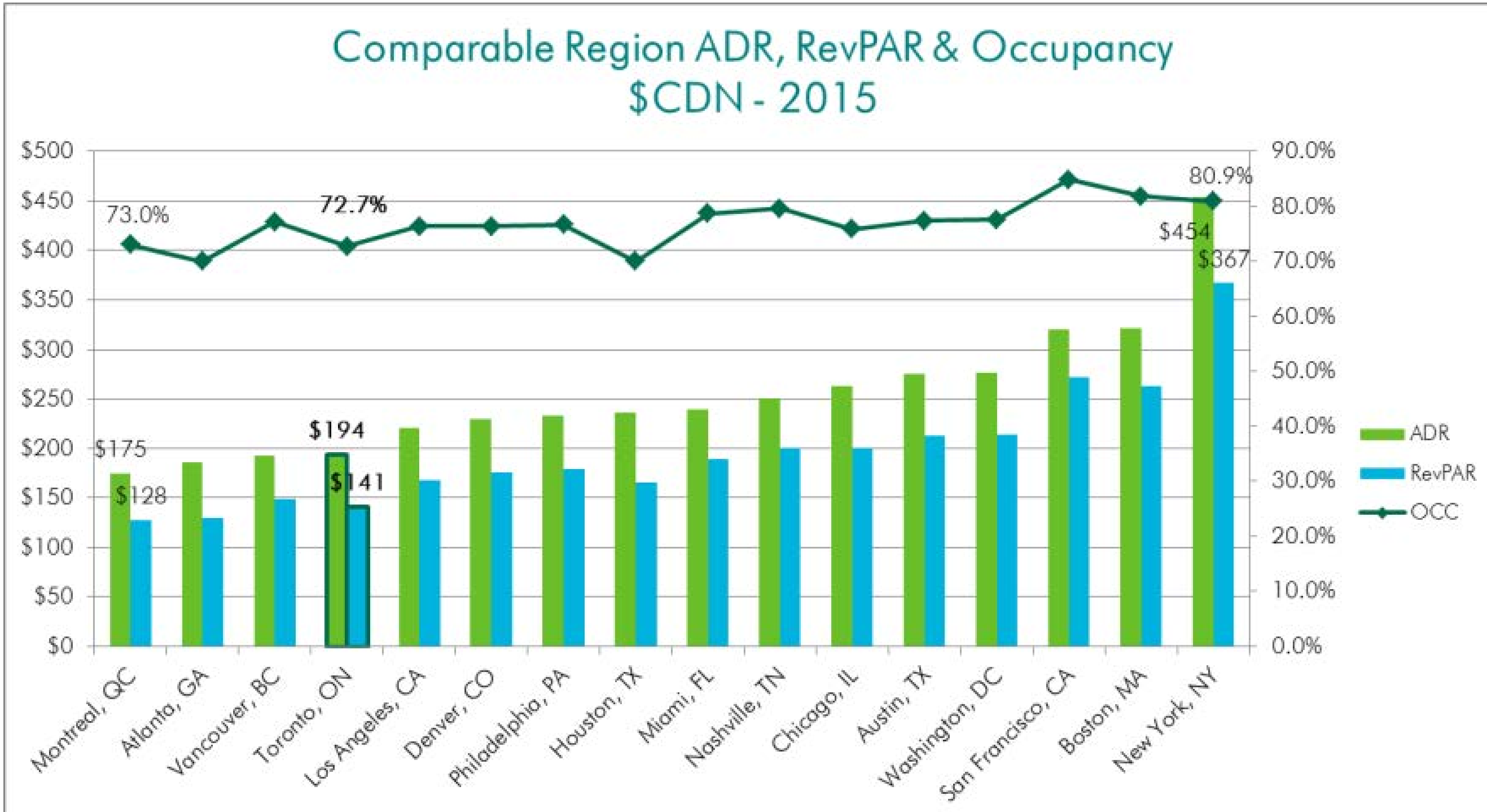
TORONTO VERSUS 15 COMPETITIVE DESTINATIONS

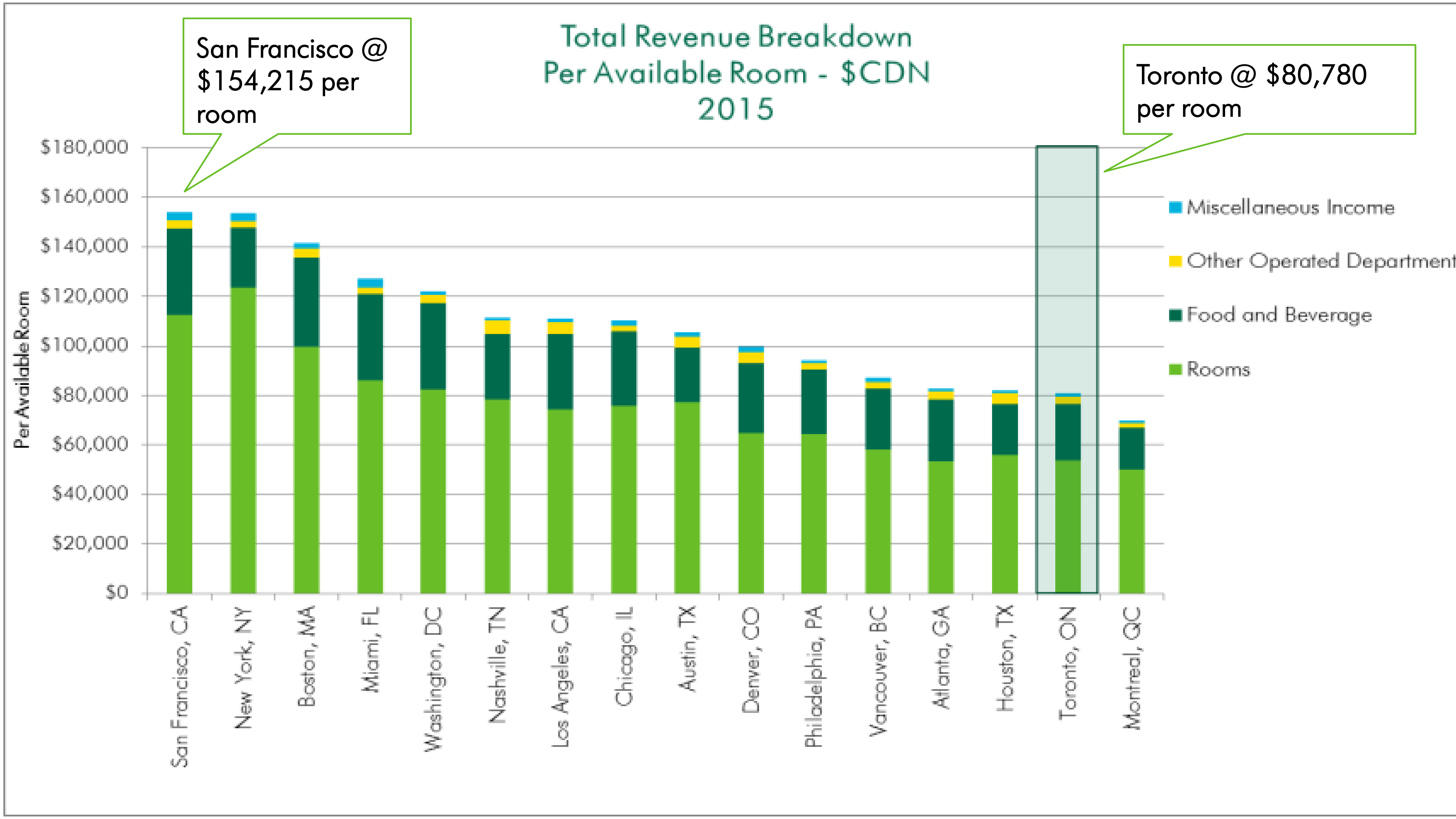
Comparable US and Canadian Destinations' Top Line Performance - 2015



Source: *CBRE Hotels*

TORONTO VERSUS 15 COMPETITIVE DESTINATIONS

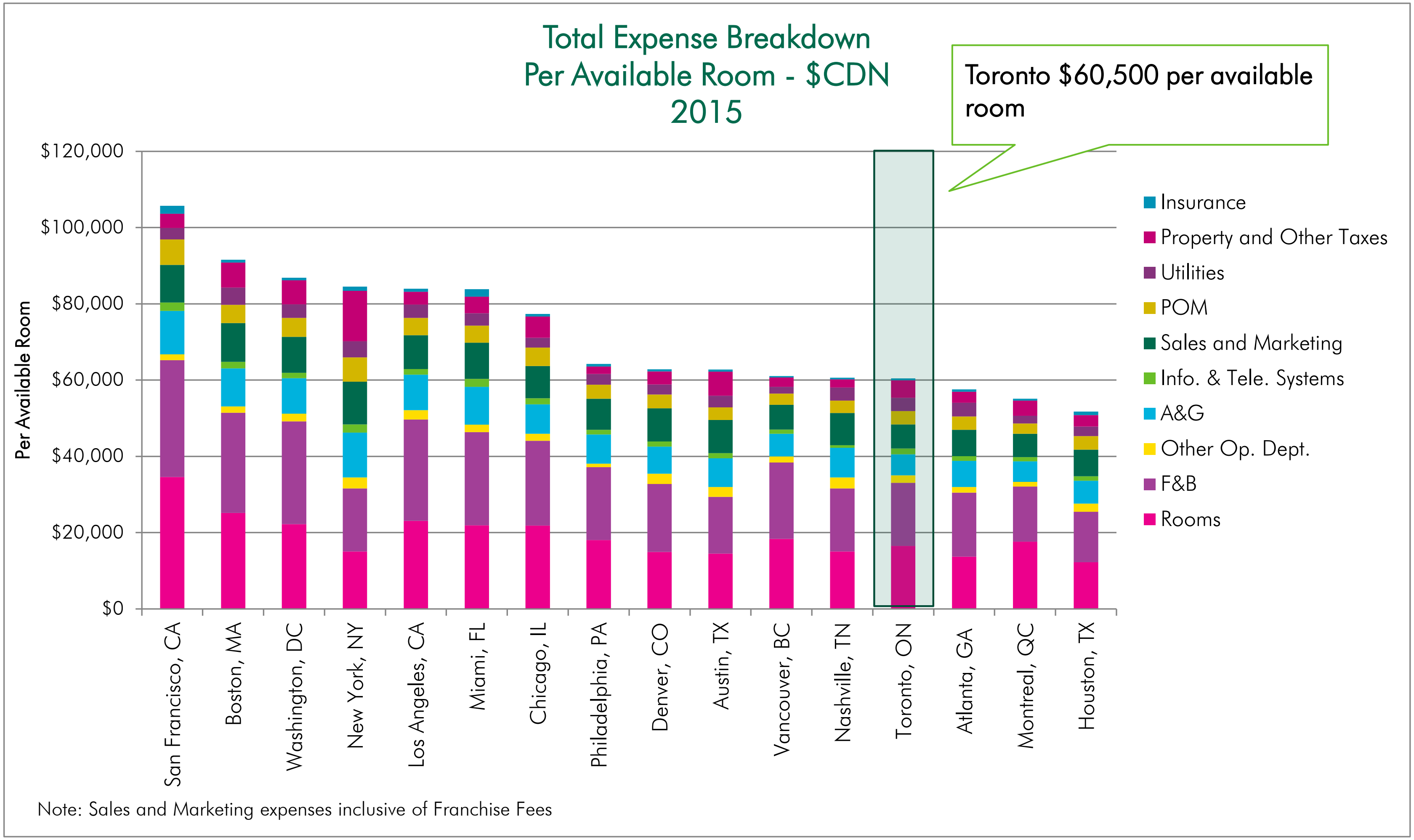
Comparable US and Canadian Destinations' Total Revenue Performance - 2015



Source: CBRE Hotels

TORONTO VERSUS 15 COMPETITIVE DESTINATIONS

Comparable US and Canadian Destinations' Total Operating Expense Performance - 2015



Source: CBRE Hotels

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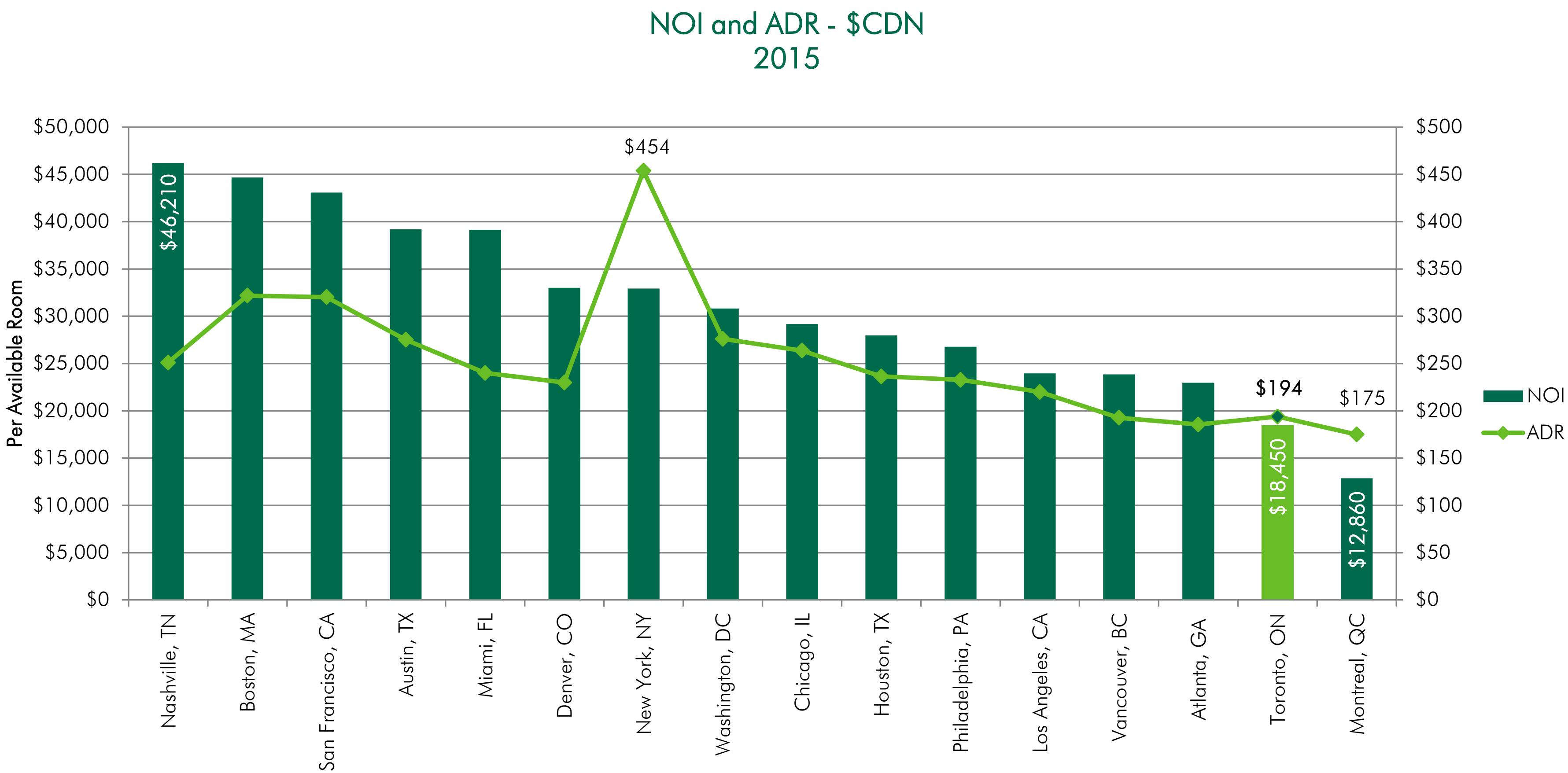
TORONTO VERSUS 15 COMPETITIVE DESTINATIONS

Comparable US and Canadian Destinations' Profitability - 2015



Note: Sales and Marketing expenses inclusive of Franchise Fees

Source: *CBRE Hotels' national Monthly Trends database (Canadian City ADRs) and STR Inc. data (U.S. City ADRs - converted to $CDN)*

Source: CBRE Hotels

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CAPITAL INVESTMENTS AND RE-INVESTMENTS IN HOTELS

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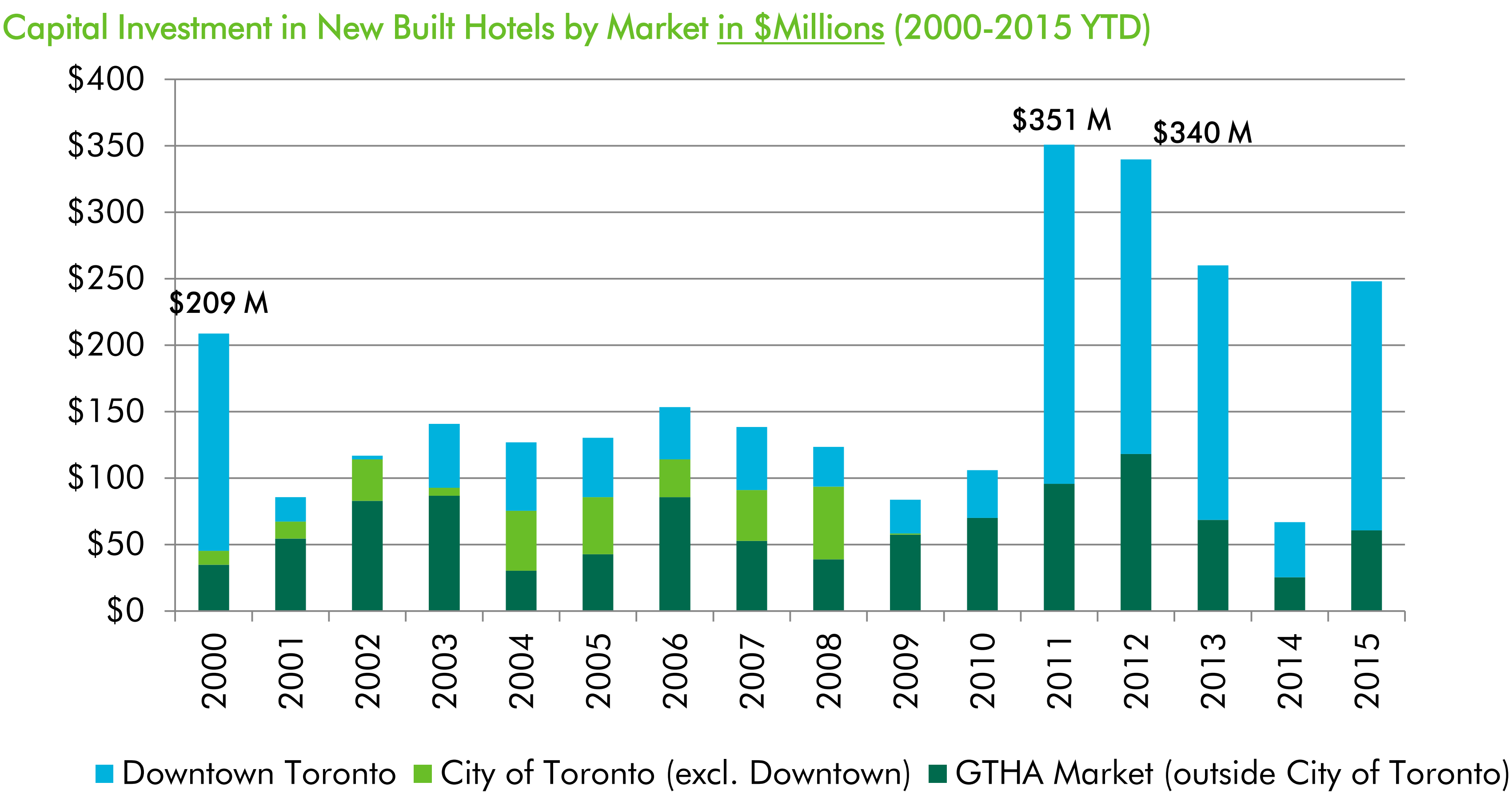
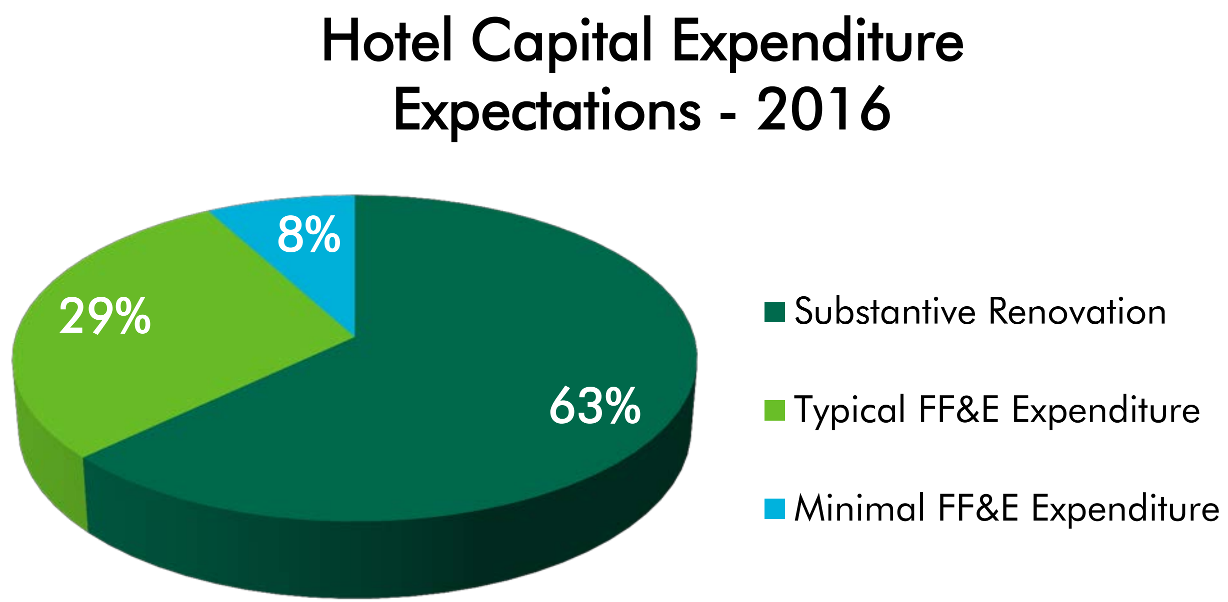
CAPITAL INVESTMENTS IN NEW HOTEL DEVELOPMENT



Source: CBRE Hotels

HOTEL CAPITAL EXPENDITURE EXPECTATIONS



Source: CBRE Hotels

GTA CAPITAL INVESTMENT SUMMARY

- Since 2000, **13,100 rooms have built** in GTA, at an average **construction cost of $204,300** per room and **total capital investment of $2.7 Billion.**

  2015 data shows significant growth in capital replacement levels across GTA with Re-investment/renovation levels ranging from **$15,100 per room for the average GTA hotel** to **$19,500 per room at the typical Downtown Toronto hotel**.

ECONOMIC IMPACTS

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GTA ECONOMIC IMPACT OF HOTEL OPERATIONS

Economic Impacts of Greater Toronto Hotels Operations - 2014 GTHA Accommodation Sector				
	Hotel Operation Impacts			
IN $MILLIONS	GTA 2014	Rest of Province 2014	TOTAL 2014	%
Total Revenue	**$2,065**			
Gross Domestic Product (GDP)				
Direct	$1,387	$23	$1,411	57%
Indirect	$329	$83	$411	17%
Induced	$426	$217	$643	26%
Total	**$2,143**	**$323**	**$2,465**	**100%**
Labour Income				
Direct	$911	$15	$926	58%
Indirect	$217	$57	$273	17%
Induced	$260	$146	$406	25%
Total	**$1,388**	**$218**	**$1,606**	**100%**
Employment (Jobs) (actual#)				
Direct	18,800	230	19,030	63%
Indirect	3,300	950	4,250	14%
Induced	4,300	2,650	6,950	23%
Total	**26,400**	**3,830**	**30,230**	**100%**
Direct Taxes				
Federal	$364	$4	$368	41%
Provincial	$346	$3	$349	39%
Municipal	$173	$1	$174	20%
Total	**$883**	**$9**	**$891**	**100%**
Total Taxes				
Federal	$541	$62	$602	45%
Provincial	$466	$48	$514	39%
Municipal	$202	$13	$214	16%
Total	**$1,208**	**$122**	**$1,330**	**100%**

Sources: CBRE Hotels and Ontario Ministry of Tourism's TREIM Model

VISITOR MARKET TO TORONTO – RTO 5

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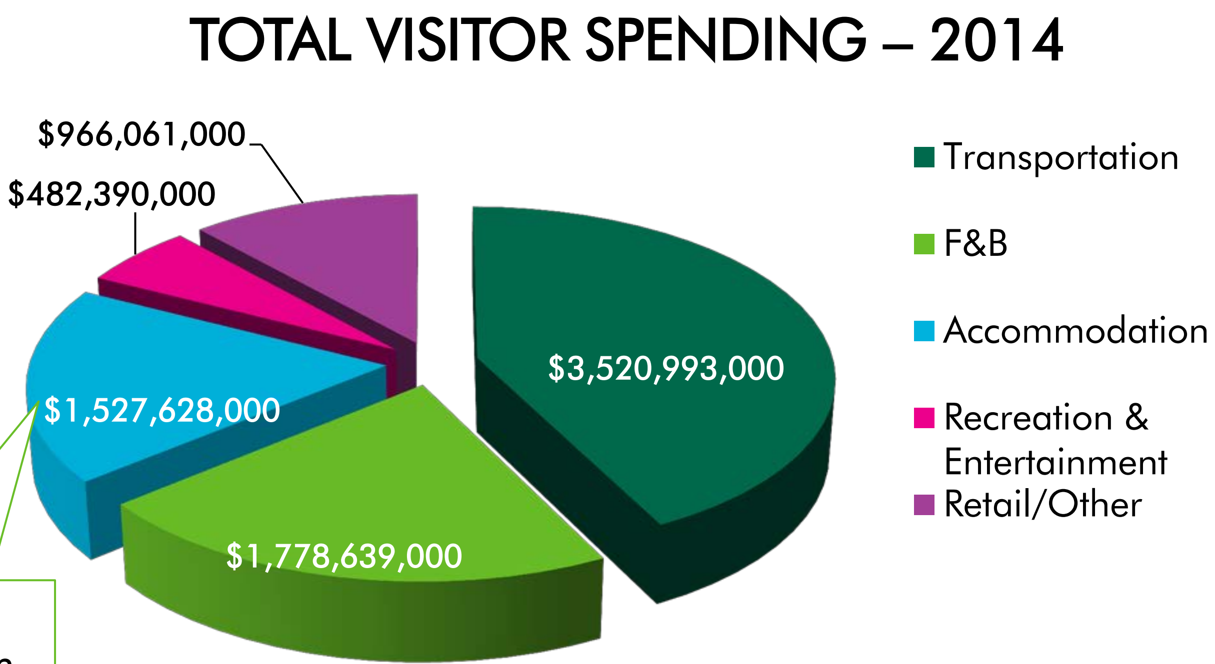
TOTAL VISITOR SPENDING - 2014



18 cents of every visitor dollar spent on commercial accommodation

Source: Ontario MTCS, Statistics Canada

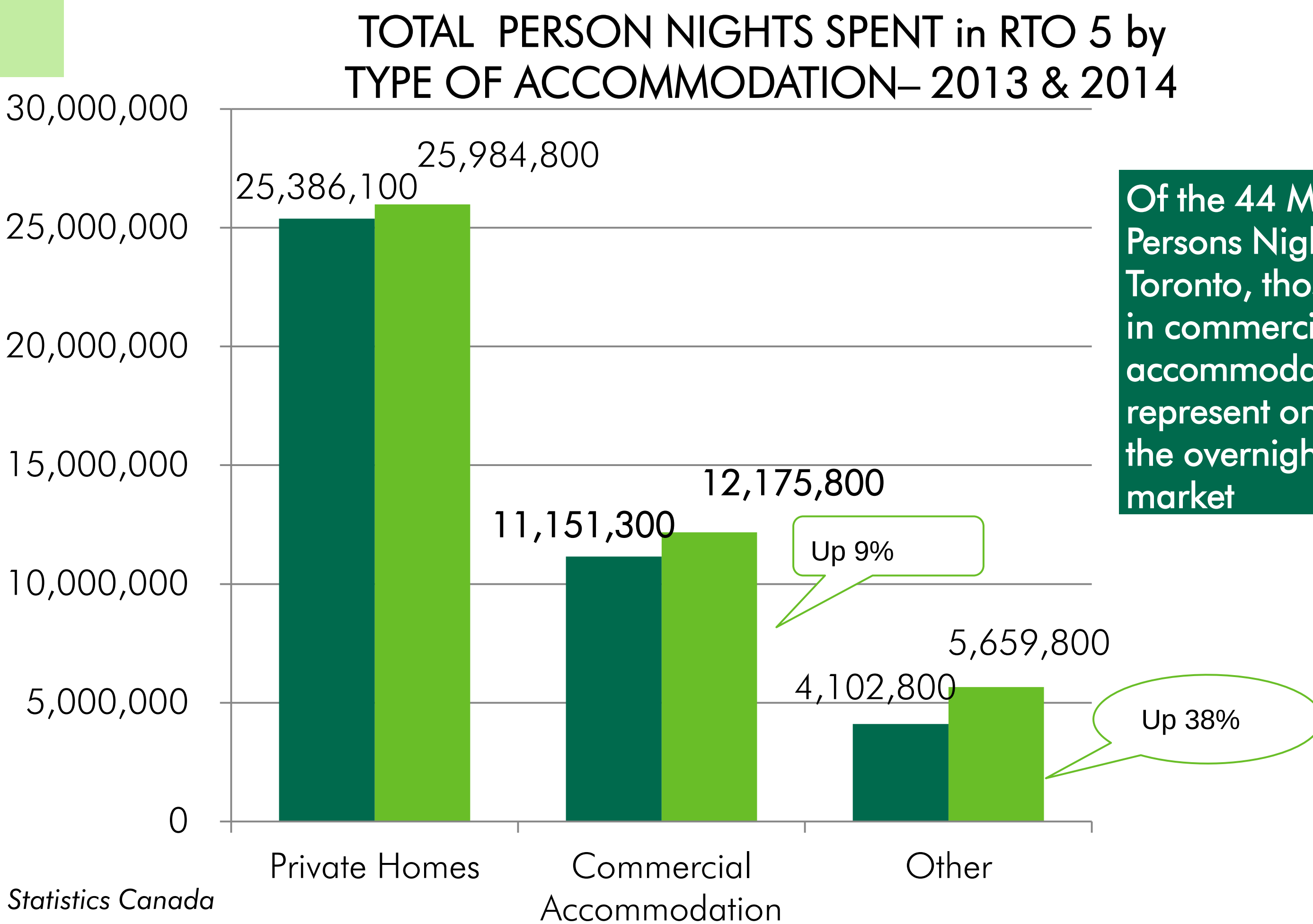
There were 28 Million visitors to RTO 5 in 2014 which contributed $8.3 Billion in spending.

10.7 M visits were generated by overnight travellers (38%).

Of the overnight visitors to RTO 5, approximately 47% stayed in commercial accommodation properties (5.0 M visits)

PERSON NIGHTS IN ROOFED ACCOMMODATION- 2013 & 2014

Definition:
2 people staying in 1 room overnight = 2 person nights or 1 occupied room night



Of the 44 Million Persons Nights to Toronto, those staying in commercial accommodations represent only 28% of the overnight visitor market

Source: Ontario MTCS, Statistics Canada

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IMPACT OF TORONTO’S AIRBNB INDUSTRY

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DOWNTOWN TORONTO'S AIRBNB INDUSTRY

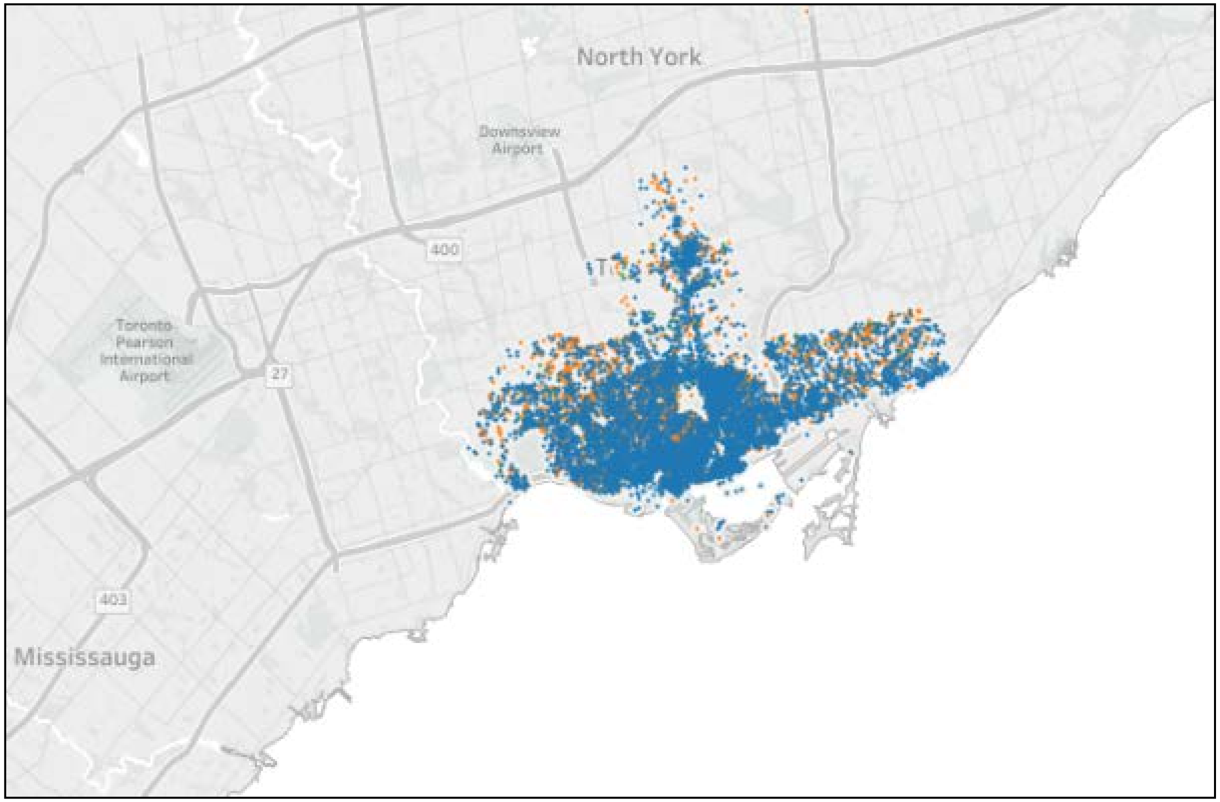
- Dtwn Toronto's total Airbnb ACTIVE UNITS listings represent over 40% of the size current hotel inventory in the City of Toronto

- Supply of 10,272 hotel comparable Airbnb property LISTINGS in Downtown Toronto (Aug 2016)

- Dtwn Toronto Airbnb industry generated $58 M in revenue in past 12 months ending June 2016

- In the past year, Dtwn Toronto's Airbnb supply has grown by 80%. 2016 Dtwn Toronto revenues are equivalent to the $60 M generated by the total GTA airbnb sector in 2015

Apartment, Loft or Condo
Entire House
Bungalow or Townhouse / B&B



Sources: AirDNA and CBRE Hotels

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COMPETITIVE DESTINATION ROOM AND PROPERTY TAX RATES

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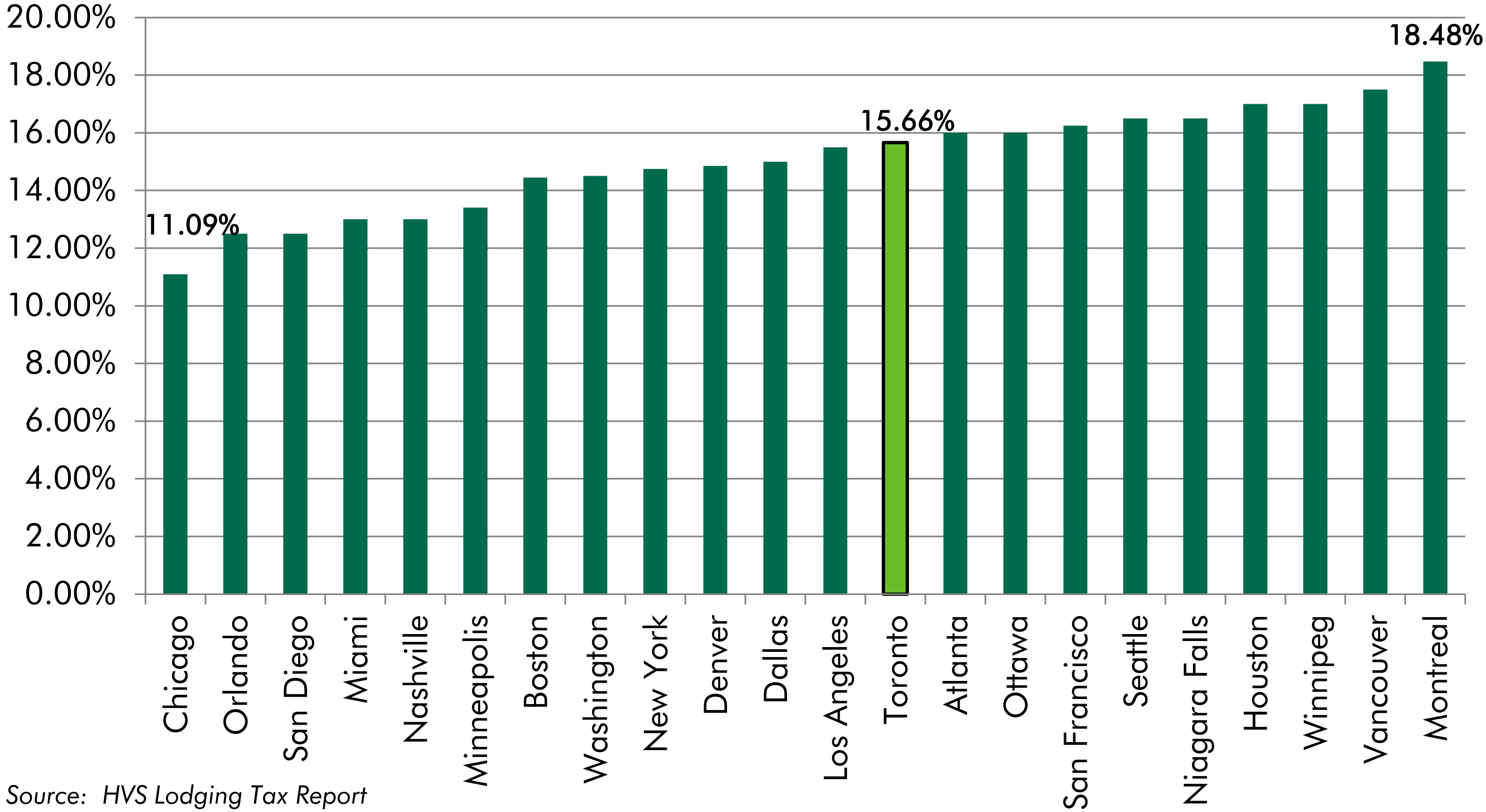
COMPETITIVE DESTINATION CONSUMER TAX RATES

AVERAGE 15.07%

Total Lodging Rate Ranking - 2014



Source: HVS Lodging Tax Report

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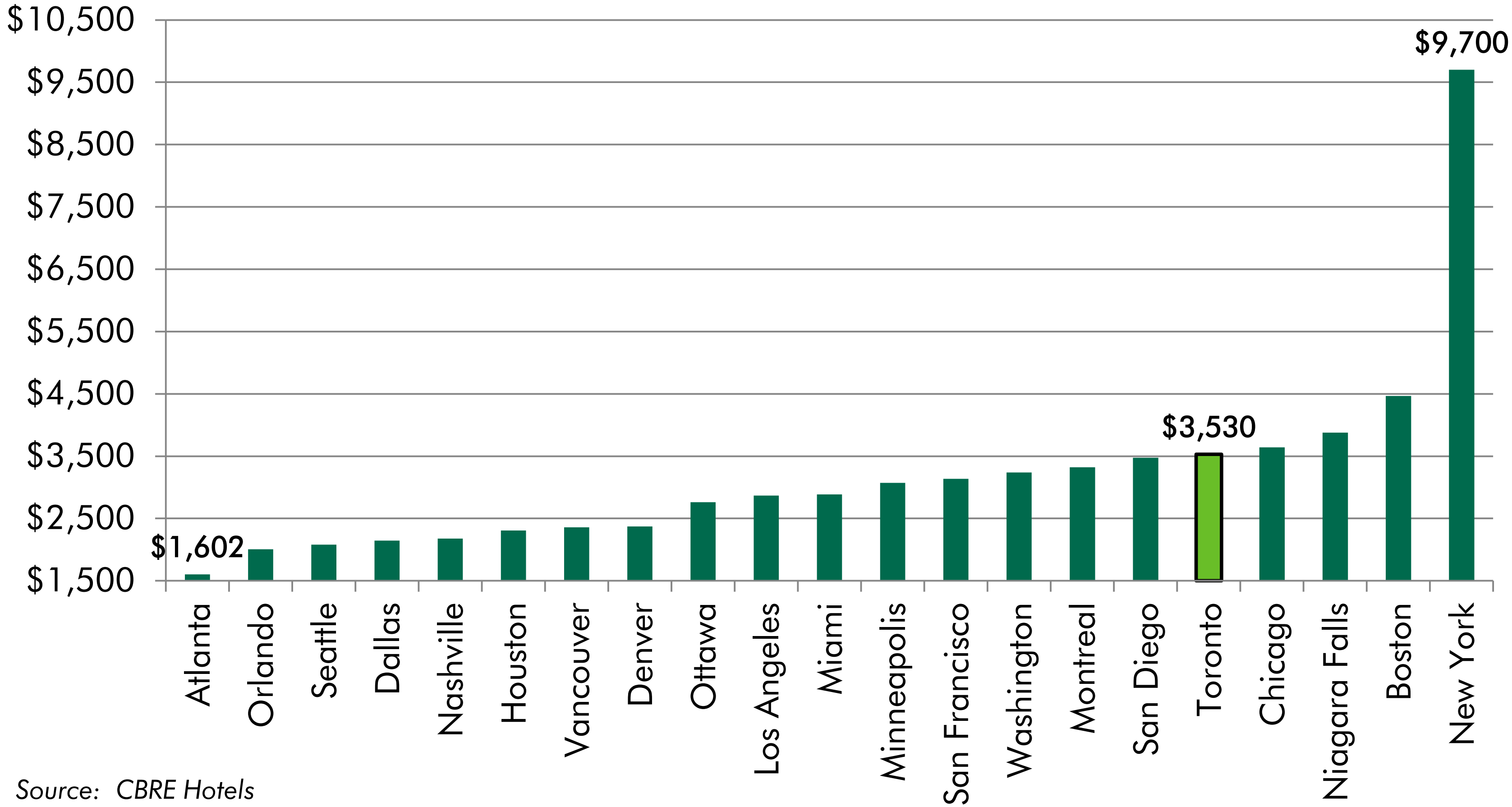
COMPETITIVE DESTINATION PROPERTY TAX BURDENS

Property Tax per Room – 2014 ($CDN)



Source: CBRE Hotels

HOTEL CONTRIBUTIONS TO TORONTO'S DESTINATION MARKETING

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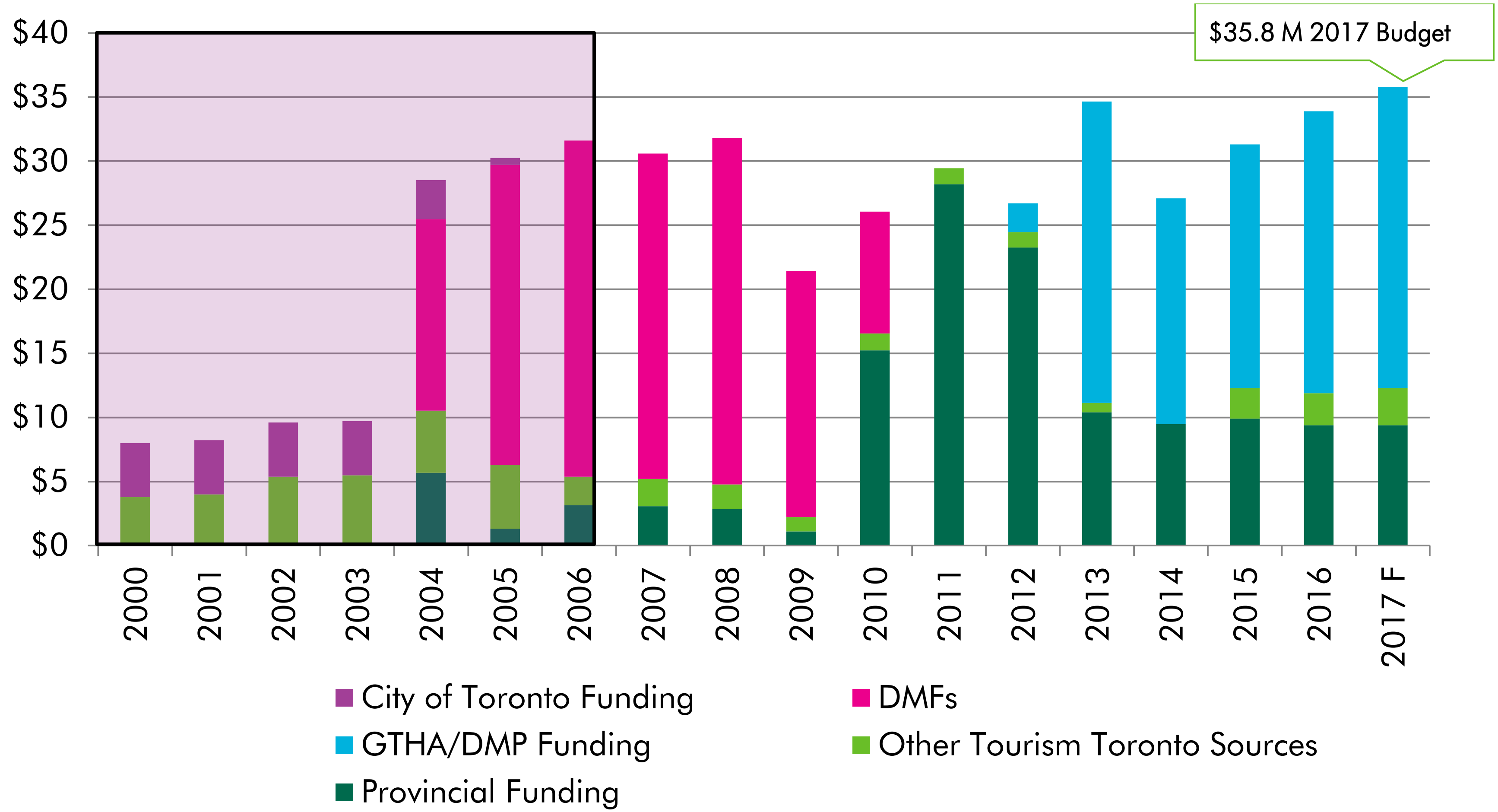
HISTORIC GTA DESTINATION MARKETING

Estimate of Historic Tourism Toronto Budget – Breakdown by Funding Type in $Millions



Source: Tourism Toronto Annual Reports, CBRE Hotels

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POTENTIAL ROOM TAX IMPLICATIONS

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IMPLICATIONS OF POTENTIAL ROOM TAX SCENARIOS

- **ABILITY TO MAINTAIN DESTINATION COMPETITIVENESS**
  - As a leisure tourism destination
  - As a M&C destination
  - As an economic development investment destination
- **IMPACT OF REGIONAL COMPETITIVENESS**
  - 19,000 rooms surrounding City of Toronto
  - 10,000 Airbnb rooms generating $58 M
- **ABILITY TO GROW REVENUES AND INCREASE INDUSTRY PROFITABILITY**
  - At $18,450 per available room, Toronto ranked 2nd lowest against 15 other competitive cities in terms of NOI in 2015
  - Lower revenues and higher operating expenses – especially utilities and property taxes
- **ABILITY TO INFLUENCE FURTHER DEVELOPMENT AND RE-INVESTMENT**
- Since 2010, 6 new hotels built in the City with 1,560 rooms and 12 have closed with 1,470 rooms
- **ABILITY TO MAINTAIN SUSTAINABILE DESTINATION FUNDING**
  - Tourism Toronto's requirement for $35 M in funding

QUESTIONS

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