



CANADIAN MONTHLY LODGING OUTLOOK – MAY 2012

# A STEP FORWARD IN ALL INCLUSIVE FEATURES



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# A Step Forward in All Inclusive Features

## Introduction

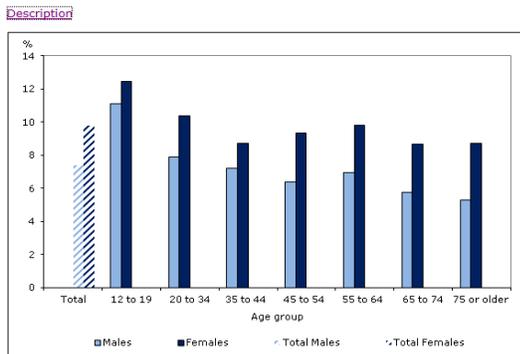
The hotel industry is constantly searching for innovative ways to improve the guest experience in order to differentiate and gain a competitive advantage. Some hotels and companies are now targeting a previously overlooked demographic: guests with asthma or respiratory allergies and persons with disabilities who require an environment that is safe and accessible. Although hotels in general have included rooms that are wheelchair accessible in their inventory, mainly as a result of the progress of the Council of Canadians with Disabilities, most have neglected to look beyond the most basic requirements for the disabled. In our travels, we have come across two innovations that transform the guest experience: the PURE room, which is a guestroom product aimed at the environmentally sensitive and allergy-prone guest, and an automatic guestroom entrance system that allows mobility-impaired guests greater control and freedom in getting in and out of their rooms.

## The Demand

Asthma is a chronic disease that affects a good portion of the travelling public. According to Statistics Canada, 8.6% of Canadians aged 12 and older were diagnosed with asthma by a health professional in 2011. In other words, this disease affects approximately 2.5 million Canadians. The World Health Organization estimates that 235 million people worldwide suffer from asthma and respiratory allergies, and this is expected to grow by more than 100 million by 2025. How does this affect the hotel industry? The Cornell University Survey Research Institute determined that 83% of travellers surveyed would prefer an allergy friendly room were the option to be available, and 64% would pay a 10% premium for these rooms. Comfort is increasingly important for travellers with asthma and respiratory allergies, especially given the risks involved in staying in accommodations that contain significant allergic triggers, such as mould, yeast, bacteria, pollen, chlorine, and dust mites.

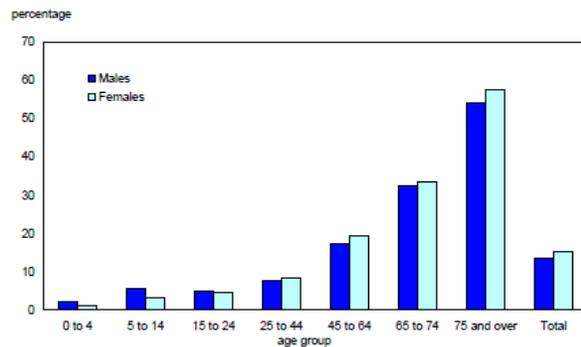
The mobility-impaired traveller also represents a large and growing potential demand base, 14.3% of Canadians have a disability, which amounts to 4.4 million people. Given the growth in the aging population, which is the largest demographic of persons with disabilities, these numbers are on the rise. Major strides have been made in wheelchair-accessible hotel rooms, but there has otherwise been little innovation in this area in the hotel industry. Targeting this growing demographic is a potential means of establishing a competitive advantage for a brand or independent lodging facility.

**Percentage diagnosed with asthma, by age group and sex, household population aged 12 or older, Canada, 2011**



Source: Canadian Community Health Survey, 2011.

**Disability rates, by age group and sex, Canada, 2006**



Source: Statistics Canada, Participation and Activity Limitation Survey, 2006.

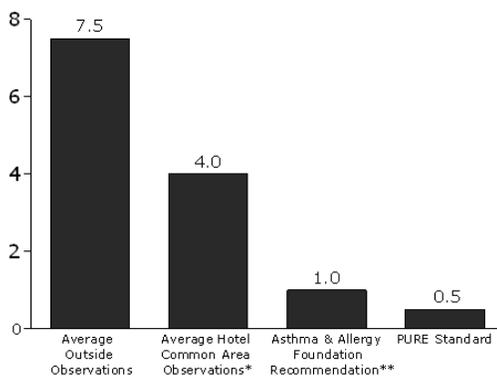
## The Pure Guestroom

PURE Solutions, a company out of Buffalo, New York, has re-defined the guest stay for travellers with asthma and respiratory allergies by offering a hotel room environment in which every surface is treated to minimize contaminants and irritants. This is completed through a patented 2-phase process that is quite extensive. This process is completed once every two years and air quality checks are done every six months. Phase one involves first disinfecting the hotel’s air-handling unit, which also keeps the unit clean and dry, allowing the hotel to conserve 17% to 25% of energy solely on the air-handling unit, and then installing a PURE tea tree oil cartridge in the air-handling unit; tea tree oil is a natural substance known for its antimicrobial and disinfectant properties. PureClean solution is then applied to the entire room to disintegrate any bio films and maximize the removal of dirt. Lastly, the High Ozone shock treatment is used to sanitize the entire room by completely eliminating bacteria, viruses, and odours. This is a huge benefit to any traveller, as it decreases the chances of getting the common cold or a virus when away from home.

In phase two, PureShield is applied to surfaces to provide long-term protection against mould and bacteria growth. This patented bacteriostatic barrier repels microorganisms that can cause illness or asthma reactions. Next is the installation of PURE’s air purifier, which provides 24-hour defense against airborne irritants. Listed by the FDA as a Class II Medical Device, the air purifier is proven to kill 98% to 100% of bacteria and viruses. Lastly is PURE’s allergy-friendly bedding package that involves micro-fibre, mono-filament mattresses and pillow encasements. These hypoallergenic fabrics are tightly woven with reinforced seams to act as a barrier against dust mites and other contaminants, providing an extra layer of effective protection in a soft and breathable form. A PURE team provides ongoing maintenance and training for housekeeping and front-of-the-house staff.

As shown below, the PURE Solutions process exceeds the standards from the American Asthma & Allergy Foundation for particle count per cubic square foot.

Particle Count Per Cubic Sq. Ft.  
(millions)



Note: The PURE Standard is the maximum time weighted particle count that will be found in a PURE Room. PURE also tracks Viable Fungi, holding a standard >350 colony forming units (~50% reduction)

\*Most indoor air quality studies claim indoor air quality is usually 2-100 times worse than outdoor air quality

\*\*The Asthma & Allergy Foundation sets a threshold for comfort for allergy and asthma sufferers.

Currently, there are over 300 hotels that have PURE rooms available. Twenty are outside of North America, but five are in Canada: the Delta Bow Valley Calgary, the Hyatt Regency Calgary, the Hyatt Regency Montreal, the Hyatt Regency Vancouver, and the Park Hyatt Toronto. The [pureroom.com](http://pureroom.com) website offers a “find a PURE room” feature that allows travellers to locate a room in their destination of choice.

### Remote-Controlled Access

Royal Door Limited, based in Moncton, New Brunswick, installs automatic entrance systems. The company has an array of intelligent lock and security solutions for a multitude of industries, including hotels. One of their many products is a system that allows rooms to be operated by a remote control instead of the standard key card entry. The product comes from Assa Abloy, an international company that started in Sweden and Finland in 1994. In this system, the person with a disability checks in and receives a remote control to the door of their room, allowing them the ease of entering and leaving the room without having to physically open and close the door with the same level of security. The automatic entrance system is built right into the property management system, and the hotel can integrate as many rooms into the system as is felt to be necessary.

Currently, there are two hotels that provide this feature, both located in Atlantic Canada: the Best Western Plus Dartmouth Hotel & Suites (seven rooms) and the Best Western Plus Liverpool Hotel & Conference Centre (three rooms). There are competitors of Royal Door Ltd who install automatic door entry systems in commercial and industrial structures; however, this is the first time that HVS Canada has seen them being integrated to improve the guest experience within the hotel. Keyless hotel room entry by mobile phone is a new gadget being implemented into hotels, whereby guests can check in ahead of time and receive their room number and an access code electronically, but this gadget still requires the guest to physically open the door by entering the access code.

### Cost Relative to Rate Premiums

The question any hotelier would want to know is how much do these new features improve profitability? PURE Solutions offers two different financial models for hotels. The first is a revenue share funding model whereby PURE installs a block of rooms at no charge while the hotel charges a \$20 to \$30 premium on those rooms. According to PURE Solutions, the current average daily rate premium on all PURE rooms is \$24.19. This premium is essentially market driven, as some markets are experiencing growth. For example, the premium is higher in Calgary than in softer markets. The funding source retains 100% of the premium (when they are captured) until \$1,800 per room is paid off. Thereafter, the hotel retains 60% of the premium and PURE Solutions receives 40%.

The second financial model, independent of the first is to pay up front, which is \$2,400 per room transformed into the PURE room for a 2-year agreement. The hotel keeps 100% of the premium earned, and the cost per room decreases to \$1,650 per room after the initial 2-year engagement. From the viewpoint of hotel operations, this allows the hotel to analyze whether it is better to continue with the current inventory or to decrease the number of rooms after the initial two years.

Example based on 20 rooms:

Cost to hotel: 20 rooms X \$2,400 = \$48,000

Revenue:

20 rooms X \$24.19 ADR premium X 50% average occupancy X 365 days per year = \$88,294 (rounded)

Net Income:

\$88,294 - \$48,000 cost to install = \$40,294 NOI (Cap Rate of 10% equals an increase in value of \$402,940)

Note: This example is based on the average daily rate and rooms provided by PURE Solutions, however average occupancy is considered an estimate as each market is unique.

The PURE room caters to more than just persons with asthma or respiratory allergies, as any traveller can see its potential benefits. As such, the PURE room elevates the guestroom product and takes the guest experience to a new level, thereby justifying a rate premium. In contrast, there is no rate premium to be had from installing the remote-controlled hotel room entry system, as persons with disabilities have a legal expectation of having the same level of accessibility as any other guest. Based on a quote from Royal Door Limited, the cost to install the entire remote-controlled door entry system for a hotel is approximately \$2,500 to \$3,000. Nevertheless, brands can utilize this feature as a marketing tool in order to capitalize on a segment of the market, especially when major events such as the Pan Am Games take place. This feature would inspire brand loyalty from guests who would benefit from it.

Many brands have showcased their wheelchair accessible rooms on YouTube, complete with video, room dimensions, and commentary, but these rooms are now the standard for any hotel. Hopefully, this will be the beginning for innovators and entrepreneurs to seek ways to improve the guest experience by creating an all-inclusive environment whilst gaining a competitive advantage. In addition, the baby boomers, which represent a sizeable part of the population, have begun to travel more in their retirement years, and these features are a step closer to capturing that segment by ease of travel. There are still hotels that are behind the pace for various financing and structural issues; however this will allow the hotels or brands that are ahead of the trend to become more profitable.

References:

Council of Canadians with Disabilities

<http://www.ccdonline.ca/en/>

Pure Room

[http://pureroom.com/find\\_a\\_pure\\_room](http://pureroom.com/find_a_pure_room)

Royal Door Limited

<http://www.royaldoorltd.com/>



## About the Author

**Stefania D'Antonio** is a hotel Consulting and Valuation Associate with the HVS Toronto office in Canada. Stefania received her Bachelor of Commerce at Ryerson University's Hospitality and Tourism Management program. Prior to joining HVS, Stefania held various positions in hotel operations and managerial roles in Toronto's hospitality industry.

## Canadian Lodging Outlook May 2012

STR and HVS are pleased to provide you with the month's issue of the Canadian Lodging Outlook. Each report includes occupancy (Occ), average daily rate (ADR), and revenue per available room (RevPAR) for three major markets and the Provinces.

If you would like a detailed hotel performance data for all of Canada, STR offers their Canadian Hotel Review. The Canadian Hotel Review is available by annual subscription which includes both monthly and weekly issues. Each monthly issue of the Canadian Hotel Review also includes an analysis provided by HVS. For further information, please contact: [info@str.com](mailto:info@str.com) or +1 (615) 824-8664 ext. 3504.

| May 2012              | Occupancy Rate (%) |              | Average Room Rates (\$CAD) |                 | REVPAR (\$CAD) |                | Room Supply | Room Demand | Number of Rooms |                |
|-----------------------|--------------------|--------------|----------------------------|-----------------|----------------|----------------|-------------|-------------|-----------------|----------------|
|                       | 2012               | 2011         | 2012                       | 2011            | 2012           | 2011           | % chg       | % chg       | Sample          | Census         |
| Montreal              | 68.6%              | 73.7%        | \$134.80                   | \$141.88        | \$92.50        | \$104.56       | -0.1%       | -7.0%       | 16,815          | 27,787         |
| Toronto               | 71.6%              | 70.7%        | \$136.57                   | \$135.17        | \$97.80        | \$95.60        | 0.4%        | 1.7%        | 31,748          | 36,358         |
| Vancouver             | 76.8%              | 78.7%        | \$152.61                   | \$160.17        | \$117.20       | \$125.98       | 1.2%        | -1.2%       | 19,271          | 25,922         |
| <b>Provinces</b>      |                    |              |                            |                 |                |                |             |             |                 |                |
| Alberta               | 64.5%              | 60.3%        | \$137.03                   | \$132.26        | \$88.43        | \$79.78        | 0.7%        | 7.7%        | 38,748          | 67,792         |
| British Columbia      | 66.3%              | 66.6%        | \$139.67                   | \$143.96        | \$92.55        | \$95.95        | 0.6%        | 0.0%        | 36,114          | 82,975         |
| Manitoba              | 63.9%              | 68.8%        | \$117.05                   | \$112.25        | \$74.80        | \$77.19        | 1.2%        | -6.0%       | 5,319           | 13,642         |
| New Brunswick         | 55.6%              | 55.0%        | \$111.50                   | \$113.14        | \$61.96        | \$62.21        | -1.1%       | -0.1%       | 5,383           | 10,757         |
| Newfoundland          | 82.2%              | 76.0%        | \$144.74                   | \$135.74        | \$118.92       | \$103.18       | -2.4%       | 5.5%        | 1,789           | 5,601          |
| Nova Scotia           | 66.6%              | 60.2%        | \$126.48                   | \$121.12        | \$84.23        | \$72.90        | -1.0%       | 9.6%        | 6,395           | 12,455         |
| Northwest Territories | INS                | INS          | INS                        | INS             | INS            | INS            | INS         | INS         | 124             | 1,384          |
| Ontario               | 64.9%              | 63.6%        | \$125.06                   | \$123.58        | \$81.19        | \$78.57        | 0.5%        | 2.7%        | 85,416          | 136,130        |
| Prince Edward Island  | 47.1%              | 51.2%        | \$108.05                   | \$104.92        | \$50.87        | \$53.72        | 2.2%        | -6.0%       | 958             | 4,173          |
| Quebec                | 65.9%              | 68.1%        | \$134.38                   | \$137.74        | \$88.49        | \$93.85        | -0.1%       | -3.5%       | 27,555          | 76,257         |
| Saskatchewan          | 68.9%              | 68.9%        | \$126.21                   | \$122.88        | \$86.94        | \$84.68        | 1.9%        | 1.8%        | 7,976           | 16,764         |
| Yukon Territory       | 42.1%              | 41.8%        | \$108.13                   | \$106.75        | \$45.57        | \$44.62        | 0.0%        | 0.8%        | 782             | 2,154          |
| <b>Canada</b>         | <b>65.1%</b>       | <b>64.1%</b> | <b>\$130.60</b>            | <b>\$130.01</b> | <b>\$85.04</b> | <b>\$83.28</b> | <b>0.4%</b> | <b>2.1%</b> | <b>216,559</b>  | <b>430,498</b> |

| May 2012<br>Year-To-Date | Occupancy Rate (%) |              | Average Room Rates (\$CAD) |                 | REVPAR (\$CAD) |                | Room Supply | Room Demand | Number of Rooms |                |
|--------------------------|--------------------|--------------|----------------------------|-----------------|----------------|----------------|-------------|-------------|-----------------|----------------|
|                          | 2012               | 2011         | 2012                       | 2011            | 2012           | 2011           | % chg       | % chg       | Sample          | Census         |
| Montreal                 | 58.6%              | 58.6%        | \$127.54                   | \$129.31        | \$74.80        | \$75.72        | -0.3%       | -0.2%       | 16,815          | 27,787         |
| Toronto                  | 63.3%              | 63.9%        | \$132.97                   | \$132.48        | \$84.11        | \$84.68        | 1.8%        | 0.7%        | 31,748          | 36,358         |
| Vancouver                | 63.0%              | 61.2%        | \$134.68                   | \$135.94        | \$84.81        | \$83.26        | 0.7%        | 3.5%        | 19,271          | 25,922         |
| <b>Provinces</b>         |                    |              |                            |                 |                |                |             |             |                 |                |
| Alberta                  | 60.3%              | 57.0%        | \$133.28                   | \$129.04        | \$80.43        | \$73.58        | 0.8%        | 6.7%        | 38,748          | 67,792         |
| British Columbia         | 57.2%              | 55.5%        | \$132.08                   | \$130.84        | \$75.55        | \$72.55        | 0.1%        | 3.3%        | 36,114          | 82,975         |
| Manitoba                 | 60.3%              | 60.8%        | \$114.91                   | \$111.33        | \$69.34        | \$67.66        | 2.5%        | 1.8%        | 5,319           | 13,642         |
| New Brunswick            | 48.8%              | 48.7%        | \$108.39                   | \$109.00        | \$52.91        | \$53.09        | -0.5%       | -0.3%       | 5,383           | 10,757         |
| Newfoundland             | 65.3%              | 61.4%        | \$130.41                   | \$123.46        | \$85.15        | \$75.80        | -1.8%       | 4.4%        | 1,789           | 5,601          |
| Nova Scotia              | 55.9%              | 54.5%        | \$114.05                   | \$114.16        | \$63.74        | \$62.20        | -1.4%       | 1.2%        | 6,395           | 12,455         |
| Northwest Territories    | INS                | INS          | INS                        | INS             | INS            | INS            | INS         | INS         | 124             | 1,384          |
| Ontario                  | 56.8%              | 56.3%        | \$121.24                   | \$120.05        | \$68.85        | \$67.56        | 0.7%        | 1.6%        | 85,416          | 136,130        |
| Prince Edward Island     | 41.1%              | 43.7%        | \$94.24                    | \$92.26         | \$38.73        | \$40.35        | 2.0%        | -4.1%       | 958             | 4,173          |
| Quebec                   | 56.7%              | 56.4%        | \$127.84                   | \$128.25        | \$72.47        | \$72.32        | -0.3%       | 0.3%        | 27,555          | 76,257         |
| Saskatchewan             | 65.4%              | 65.0%        | \$125.03                   | \$121.73        | \$81.79        | \$79.10        | 1.1%        | 1.8%        | 7,976           | 16,764         |
| Yukon Territory          | INS                | INS          | INS                        | INS             | INS            | INS            | INS         | INS         | 782             | 2,154          |
| <b>Canada</b>            | <b>57.7%</b>       | <b>56.4%</b> | <b>\$125.64</b>            | <b>\$123.92</b> | <b>\$72.44</b> | <b>\$69.92</b> | <b>0.4%</b> | <b>2.6%</b> | <b>216,559</b>  | <b>430,498</b> |

\*INS = Insufficient Data



## About STR

**STR** provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. STR has developed a variety of products and services to meet the needs of industry leaders.

## About HVS

**HVS** is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and specifics about our services, please visit [www.hvs.com](http://www.hvs.com)

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