

LODGING REAL ESTATE OVERVIEW

The total Canadian Construction Pipeline has 178 projects with 22,592 rooms as of the end of Q3 2009. This is the lowest quarterly total since Q1 2005. New Hotel Openings continue to exit the Pipeline at a high rate for a second consecutive year. This, combined with further project cancellations and postponements and the dearth of new projects announced into the Pipeline, continues to deplete Pipeline totals and will do so through 2010 and into 2011.

With the current economic, lending and hotel operating environments, developer sentiment is somewhat downbeat. A new development cycle will not begin until the economy improves, distressed loans pass from the banking system, hotel demand increases, rates improve, and the absorption of previous new supply begins.

LE notes that:

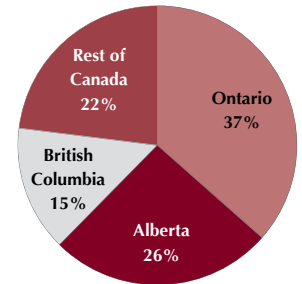
- Total Pipeline projects are down 10% QoQ and 23% YoY, while total room counts are down 7% QoQ and 23% YoY.
- Under Construction totals, at 62 projects/8,512 rooms, are at a low not seen since Q3 2006.
- 54 projects/6,219 rooms are Scheduled to Start Construction in the Next 12 Months. The counts are the lowest LE has ever recorded.
- The province of Ontario has the most lodging development, with 65 projects/9,274 rooms, or 37% of Canada's total Pipeline projects. Much of this is in Toronto, which, despite the recession, is seeing strong development, particularly in the financial center.

LE's Construction Pipeline: By Stage

Stage	Q1 2008 Pipeline Peak		Q3 2009		% Change Q1 08 to Q3 09	
	Projs	Rms	Projs	Rms	Projs	Rms
Under Construction	89	12,340	62	8,512	-30%	-31%
Starts Next 12 Mos	93	11,649	54	6,219	-42%	-47%
Early Planning	83	9,975	62	7,861	-25%	-21%
Total Pipeline	265	33,964	178	22,592	-33%	-33%

Construction Pipeline by Province

Province	Q3 2009	
	Projs	Rms
Ontario	65	9,274
Alberta	46	5,516
British Columbia	26	3,520
Rest of Canada	41	4,282



KEY PIPELINE METRICS

Construction Starts	Cancellations/Postponements	New Project Announcements																																													
<p>Construction Starts are at a low 10 projects/1,318 rooms. Project migration up the Pipeline towards construction will be slow until operating performance improves and lending terms become less restrictive.</p> <table border="1"> <caption>Construction Starts (Rooms)</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1,329</td> <td>2,142</td> <td>1,896</td> <td>2,153</td> </tr> <tr> <td>2009</td> <td>1,905</td> <td>1,137</td> <td>1,318</td> <td></td> </tr> </tbody> </table>	Year	Q1	Q2	Q3	Q4	2008	1,329	2,142	1,896	2,153	2009	1,905	1,137	1,318		<p>In Q3, 15 projects/1,336 rooms were cancelled or postponed. They are expected to continue at higher than normal rates until developer concerns about the economy, operating performance and lending conditions improve.</p> <table border="1"> <caption>Cancellations/Postponements (Rooms)</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>103</td> <td>2,302</td> <td>897</td> <td>4,094</td> </tr> <tr> <td>2009</td> <td>3,423</td> <td>3,013</td> <td>1,336</td> <td></td> </tr> </tbody> </table>	Year	Q1	Q2	Q3	Q4	2008	103	2,302	897	4,094	2009	3,423	3,013	1,336		<p>At 15 projects, 1,609 rooms New Project Announcements into the Pipeline continue to be low and will remain as such until economic conditions improve and lodging demand increases sufficiently to begin the absorption of recent supply additions.</p> <table border="1"> <caption>New Project Announcements (Rooms)</caption> <thead> <tr> <th>Year</th> <th>Q1</th> <th>Q2</th> <th>Q3</th> <th>Q4</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>2,038</td> <td>3,129</td> <td>1,239</td> <td>4,844</td> </tr> <tr> <td>2009</td> <td>2,649</td> <td>1,720</td> <td>1,609</td> <td></td> </tr> </tbody> </table>	Year	Q1	Q2	Q3	Q4	2008	2,038	3,129	1,239	4,844	2009	2,649	1,720	1,609	
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LE'S FORECAST FOR NEW HOTEL OPENINGS

Although they peaked in 2008, New Hotel Openings continue to be historically high in 2009. Through Q3, 49 new hotels with a total of 5,858 rooms have opened. An additional 12 projects/1,327 rooms are expected to open in Q4.

New Hotel Openings will begin to decline significantly in 2010, with LE's Forecast calling for 43 projects/5,593 rooms to enter as new supply. In 2011, a lower 34 projects/4,018 rooms are set to open. With declining Pipeline totals, this trend in New Hotel Openings will continue in a bottoming formation for the foreseeable future.

	Hotels	Rooms
2011 (f)	34	4,018
2010 (f)	43	5,593
2009 (f)	61	7,185
2008	66	7,784
2007	56	5,257

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