

NEWSLETTER

Trends in Hospitality

Strata hotels are a very popular real estate investment.



To the average visitor, *Miraloma on the Cove* is a typical boutique hotel: 22 cozy rooms, a warm and welcoming atmosphere, and friendly personal service. They would likely never know that they were staying at a strata-owned hotel.

Miraloma is an example of what is a growing trend in hospitality and real estate: strata hotel fractional ownership. This is

an increasingly popular concept that offers owners the opportunity to purchase a deeded share in a hotel unit, and enjoy the benefits of a certain number of weeks per year and use of all of the property's amenities.

It's the benefit of owning a vacation property at a fraction of the cost of whole ownership.

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What is Walker Hospitality?

The Walker Hospitality Group brand attests to the belief that it is the little details that count the most. From cuddly teddy bears in every room to hot cocoa and fresh baked cookies by the fire every evening, these personal touches help the guests to feel at home... only better!

The Walkers encourage their staff to make each guest feel completely comfortable as quickly as possible while providing for their every wish. This is accomplished by treating each customer as their own personal guest. It's all about establishing genuine relationships with every guest that walks through our door.



CUSTOMER COMMENTS

"We are both very grateful for the warmth and hospitality of your staff... we did not want to leave!"

"Loved your cookies and hot chocolate at night!"



"Everything was beyond our expectations. Thank you for thinking of the whole package."

"We loved the teddy bear and CDs!"

"Nicer than the Westin and Fairmont. We will be back and will tell our friends and family!"

LETTER FROM THE EDITOR

Welcome to the first issue of the Walker Hospitality Group quarterly newsletter.

In our busy lives, sometimes communication can be lost, or difficult at best, but at Walker Hospitality, we believe that communication is the corner-stone to any healthy relationship. Thus, it is our goal and our commitment to establish and maintain ongoing dialogue with you, our stakeholders.

I welcome and encourage your participation in these newsletters. If you have a question you would like answered, a topic you would like more information on, or if there is a member of our group

you would like to see profiled, please do send me your ideas. I'd love to hear from you!



Sincerely,

Therèse Eley

*Director of Communications
& Human Resources
Walker Hospitality Group
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FRACTIONAL HOTELS CONTINUED..

In the mid-1990's, the hotel industry began adopting the strata-hotel model in earnest as banks became increasingly reluctant to invest in new hotel development.

To finance the huge expenditure involved in constructing a new luxury hotel, hoteliers had to find new and creative ways to cover the costs. Many hoteliers saw merit in the strata-hotel

model, pioneered and perfected by industry giants such as Ritz-Carlton.

And many investors saw merit in it too. To buy a share in a strata-hotel is a very cost-effective and flexible way to own a vacation property.

“This new trend (strata hotels) is growing quickly, thanks in large part to the baby boomer’s quest for quality of life, and their con-

tinued interest in investing well-earned money and inherited wealth in real estate rather than stocks,” says Valery Tine Behr of *Western Living Magazine*.

Though it may take a few years before owners begin seeing a significant profit from rental pool participation, the intrinsic value of the real estate makes strata hotels a smart investment that only gets better over time.

FRACTIONAL OWNERSHIP VS TIMESHARE

FRACTIONAL OWNERSHIP	TIMESHARE
<ul style="list-style-type: none"> Entitles owners to a slice of the ownership deed which can be traded and willed as real estate. 	<ul style="list-style-type: none"> Usually does not involve an ownership interest - just the right to use
<ul style="list-style-type: none"> More than a one-week interest annually, often one month and often flexible 	<ul style="list-style-type: none"> Limited to one-week interest, which is usually fixed for the outset
<ul style="list-style-type: none"> Appeals to upscale customers wanting to invest in real estate 	<ul style="list-style-type: none"> Attracts small payments for a week of use
<ul style="list-style-type: none"> Life-long ownership so the value does not expire 	<ul style="list-style-type: none"> Value of the right-to-use in continuous decline
<ul style="list-style-type: none"> Access to luxury service, facilities and benefits 	<ul style="list-style-type: none"> Can involve off-shore trust transactions
<ul style="list-style-type: none"> Ability to profit from rental pool participation 	



YOU ASKED...

Q. Why is my room sometimes sold below full list price?

A. There are a number of reasons:

- a) During low season, we offer rates that are discounted from the regular high season rates.
- b) We offer promotional discount rates to corporate travelers to generate important repeat business.

- c) We are affiliated with a number of high traffic travel internet sites (ex. Expedia, Hotels.com, Travelocity, etc) which aggressively market our rooms at a discounted rate to the public. In exchange for this service, they take a commission, which is reflected in the return on the room. This world-wide exposure helps us to sell rooms that may otherwise have sat empty.

- d) On occasion, if occupancy is low, and if price-point is a deal-breaker for a potential customer, we may negotiate a lower rate or an upgrade to keep a sale from walking out the door.

All of these practices are standard in the hospitality industry, which is a very competitive market. If we don't do what it takes to secure a sale, we can be sure that someone else will.

by Brian Hobson, VP Operations

AROUND MIRALOMA . . .

It has been a very successful fall season at the Miraloma on the Cove.

October boasted several promotional events giving the Miraloma exposure around the community. RBC Dominion Securities held a reception in our lobby allowing approximately 40 of their top clients to view our property firsthand. The Latch catered the event with raving reviews from those who sampled the fantastic cuisine.

We were also fortunate to be a part of the Saanich Peninsula Studio Tour which featured over 30 different local "art stops." Two artists set up shop in our lobby, giving our guests the opportunity to view local artists, and art lovers the chance to visit the hotel. One of the artists made three sales from his appearance at the Miraloma.

Deep Cove Chalet and the Miraloma teamed up and participated in the fourth annual Wine Makers Dinner in early

by Marie Ridgway, Guest Services Manager

November. The Miraloma has taken part this popular event for the past two years. This year, we had 21 guests stay with us as part of the experience.

As Christmas approaches, staff members are looking forward to continuing our seasonal tradition of decorating the hotel with festive decorations. We are eager to welcome all of our future guests and are looking forward to another happy holiday season at the Miraloma on the Cove.

OPERATIONS BUDGET UPDATE

I thought you might like to hear "how we are doing" collectively at the Miraloma this year, against budget.

You will be pleased to hear that we are leading the industry in average daily rate (ADR), and have the highest revenue per available room (REVPAR) in the Sidney area .

From January 2006 1st to the end of October we had 6334 room

nights available to rent to visitors to the Miraloma.

We sold 3780 room nights against our budget of 3465, giving us an occupancy percentage of 59.7% year-to-date, against our budget of 51.8%.

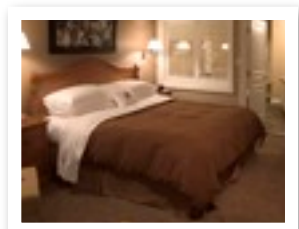
We have direct room revenues of \$601,856 against our budget of \$545,000, giving us an average daily rate of \$159.22 vs \$157.29 budgeted.

by Brian Hobson, VP Operations

Our REVPAR is \$95.02 vs \$81.49 budgeted!

Statistics will be out for our competition next week, and I will forward a comparison to you by personal e-mail at that time.

(By the way, Christmas is almost sold out!)



S.T.O.C.A.P.

by Kevin Walker, President

The hotel industry has always fancied acronyms. It's like learning a whole new language. Recently the acronym "STOCAPs" is on the tip of the tongue for hoteliers everywhere. What is a STOCAP? "It stands for Short Term Occupancy Commercial Accommodation Property". Now that's a mouthful! It's easier to call it a "Strata Hotel".

About 8 weeks ago I received a call from Minister of Small Business and Revenue, Rick Thorpe, our provincial representative responsible for taxation in British Columbia. I had worked with Minister Thorpe on many tourism files in years past so I wasn't surprised when he asked that I assist in solving a problem related to Property Taxation of Strata Hotels, (STOCAPs).

Many significant parts of our province are being built around the Strata hotel model, and many are finding themselves classified initially as residential for taxation purposes, and when they are re-classified to commercial, tax bills are reaching unreasonably high levels. I was all too happy to oblige.

Now some weeks after our submission of a solution that all facets of our industry support, we await the final decision of the BC Government, in anticipation that the 2007 tax roll will reflect equitable taxation rates for both traditional hotels as well as

strata hotels.

The proposal put forward ensures that all STOCAP properties are paying similar taxes to other traditional hotels, through a simple formula that recognizes the combination of residential, (owner) use, and commercial rental activities.

Although the Miraloma has been classified as residential in its first year, the usual pattern of taxation is that in year 2 or 3 a property is re-classified to commercial. Now with the expectation that our proposal will be accepted and applied industry wide, property tax increases will be mitigated. This is very important to the overall success of the Miraloma for the owners, as we must maintain every incentive for you to continue to participate in our rental pool program.

It is by every owner maintaining their involvement in the rental pool, that Miraloma can continue to lead the way amongst other competitive hotels, and ultimately ensure that our goals of individual return on investment for owners are achieved. We are well on our way toward the achievement of this goal and this tax relief, when delivered, (I think in the next few weeks), will certainly help.

So there is another lesson in hotel culture. Welcome to the world of "STOCAPs".

MARKETING UPDATE

by Noni Perron, Marketing Consultant

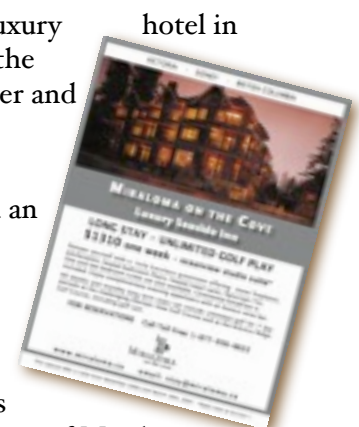
November / December 2006

We are participating in a promotion with the Sutton Place Hotel, a five-diamond luxury Vancouver. A two night stay at Miraloma is a featured prize offering in a draw open to the public at the hotel's "Home for the Holidays" Christmas Tree display through November and December. Miraloma is featured in their print, web, and media collateral pieces.

Upcoming advertising includes an ad in the "Christmas Songbook" distributed throughout Sidney, a full-page ad on the inside-cover of *Coastlines* magazine (right), and an ad in the *Business Examiner* magazine's Meeting & Convention planner.

Additionally we have added an Entertainment page to our website, to attract the film industry to book extended stays at Miraloma for their cast.

On the media relations front, Miraloma was named one of the 15 Best Waterfront Inns in North America by *Coastal Living* magazine in October; our holiday package was mentioned in the *National Post* travel section on November 18th; there was a nice mention of Miraloma in the November/December issue of *EAT* magazine as the result of a media visit in October; and we were twice mentioned in the *Victoria Times Colonist* for our participation in the Chalet Estates Winemaker Dinner.



MORE WALKER HOSPITALITY NEWS

On November 6th, we closed the doors to the Oak Bay Beach Hotel, in preparation for the construction of a new Oak Bay Beach Hotel, scheduled to re-open May 1, 2009. This much-loved landmark hotel will be rebuilt as a beautiful, Tudor-style, five-star, boutique resort and spa.

Features of the new Oak Bay Beach Hotel:

- * 100 strata-titled hotel rooms and 20 strata-titled hotel-residences
- * The Snug Pub and Bistro
- * Seaside therapeutic hot mineral pools
- * Spa, fitness facility and salon
- * A coffee, tea and wine emporium
- * A theatre for both film and live dinner theatre performances
- * Outdoor adventure programs
- * 24-hour butler service
- * Banquet, wedding, and meeting facilities
- * World-class gardens stretching down to the ocean

If you are interested in receiving information on this exciting real estate investment opportunity, please send your contact info to Kevin Walker:

kwalker@oakbaybeachhotel.com

A HOLIDAY RECIPE

by Therese Eley

Every Christmas my grandma would officially welcome in the holiday season with a delectable assortment of special treats. The epitomal favourite among her goodies, and always the first to disappear, were her famous Peanut Butter Balls. So now I share this family secret with you...

Grandma's Peanut Butter Balls

- Mix: 1 cup peanut butter
 1 cup sifted icing sugar
 2 tbs butter or margarine
- Add: 1/2 cup chopped dates
 1/2 cup chopped walnuts or pecans
 a few cherries, finely chopped

Form into balls and place on a cookie sheet and put in freezer for about an hour.

- Also: 8oz melted semi-sweet chocolate
 1 1/2 cups of unsweetened coconut

Dip frozen balls into melted chocolate. Roll in coconut and put on wax paper. Chill to set.

Grandma's tips: *I use 2 forks for dipping. Drop a ball in chocolate and use one fork to lift out. Let drain briefly and roll onto second fork before dropping into coconut.*

A Christmas Riddle

Santa always leaves plans for his elves to determine the order in which the reindeer will pull his sleigh. This year, for the European leg of his journey, his elves are working to the following schedule, that will form a single line of nine reindeer:

Comet behind Rudolph, Prancer and Cupid. Blitzen behind Cupid and in front of Donder, Vixen and Dancer. Cupid in front of Comet, Blitzen and Vixen. Donder behind Vixen, Dasher and Prancer. Rudolph behind Prancer and in front of Donder, Dancer and Dasher. Vixen in front of Dancer and Comet. Dancer behind Donder, Rudolph and Blitzen. Prancer in front of Cupid, Donder and Blitzen. Dasher behind Prancer and in front of Vixen, Dancer and Blitzen. Donder behind Comet and Cupid. Cupid in front of Rudolph and Dancer. Vixen behind Rudolph, Prancer and Dasher.

Can you help the elves work out the order of the reindeer?



Answer
 From front to back: Prancer, Cupid, Rudolph, Dasher, Blitzen, Vixen, Comet, Donder then Dancer.