

Temple REIT corners the market on hotel biz in Alberta boomtown

City investment firm owns 40% of market in Fort McMurray



Martin Cash

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IF you're going to stay in Fort McMurray, Alta. -- the closest thing Canada has to an old-fashioned boomtown -- chances are you're going to stay at a hotel owned by a little Winnipeg hotel real estate investment trust.

Temple REIT, run by Winnipeg real estate developer Arni Thorsteinson, owns close to 40 per cent of the hotel market in Fort McMurray, a holding that has helped make it by far the best performing REIT in the country over the last year and a half.

In 2007, Temple paid a record amount for a Canadian hotel -- the equivalent of \$376,667 per room -- for the 150-room Clearwater Suite Hotel. (In comparison, both the Fairmont and Delta hotels in Winnipeg sold in 2007 at a price of about \$194,500 per room.)

Temple can afford to pay that much when hotels in Fort McMurray enjoy occupancy rates of close to 80 per cent and average room rates of close to \$180 a night.

To top it off, as much as Fort Mc- Murray is booming -- there is talk of about 30,000 new jobs in the oil sands industry over the next two years in a town of about 100,000 -- there is a virtual freeze on new construction until the end of 2009 when a new water treatment plant is to be completed.

So even though demand is skyrocketing, supply is not able to keep up.

"The price of oil has doubled this year," said Thorsteinson. "It's breathtaking the effort that is going into the oil sands to accelerate development and maximize production."

Temple is reaping huge rewards from its Fort McMurray stake. Its units -- which have just about doubled in value since August -- are trading as if it, too, were part of that oil sands industry.

"They backed up the truck on that one market and it is paying huge dividends for them," said Trevor Johnson, an analyst with Blackmont Capital.

"They have some of the best occupancy and room rates you can get in the country if not North America."

Temple issued its 2007 year-end financial results this week with all of its financial metrics up dramatically, most of it attributed to the acquisition of six properties during the year, bringing its total to nine. (Earlier this month it purchase a 130-room Best Western Hotel in Lloydminster, Alta., for \$25 million.) The fund's annualized distributions have increased three times since last summer from 60 cents to 72 cents in September to 96 cent in January.

With units closing at \$7.45 on Friday (down 30 cents), it means unit holders are earning a yield of close to 13 per cent.

"It's a beautiful business and they have done a great job with it," said Blackmont's Johnson.

In addition to the 500-plus rooms it has in Fort McMurray, Temple is planning to spend about \$36 million adding a total of 150 rooms to two of its properties there and it has the right of first refusal on a 192-room airport hotel under construction.

The airport and those two additions are the only development permits that have been issued for Fort McMurray at this time. Thorsteinson's other REITs, Lanesborough and Huntingdon, have not fared as well on the market, despite the fact Lanesborough is by far the largest owner of rental apartments in Fort McMurray. Lyle Stein, who runs Red Barn Capital Inc., a small boutique wealth management fund in Toronto, said he doesn't really care about the fortunes of the Thorsteinson's other REITs. "I own it because Temple owns so much of the market in Canada's boomtown," he said. Next week, Thorsteinson is taking

about 30 institutional investors and analysts from Canada and the United States for a tour of Fort McMurray. He figures it will be a way for investors to see the town and realize that an investment in Temple may be a good way to get in on the oil sands boom.

martin.cash@freepress.mb.ca