

CBRE HOTELS UPDATE

Q2 2019

This quarterly report provides a focused look at performance in Eastern and Western Canada major markets and the variances across the provinces and major markets.

The data shows the progress of the Canadian lodging sector relative to the CBRE Hotels 2019 forecast that was presented in the December 2018 issue of our National Market Report and also includes our revised forecasts for 2019.

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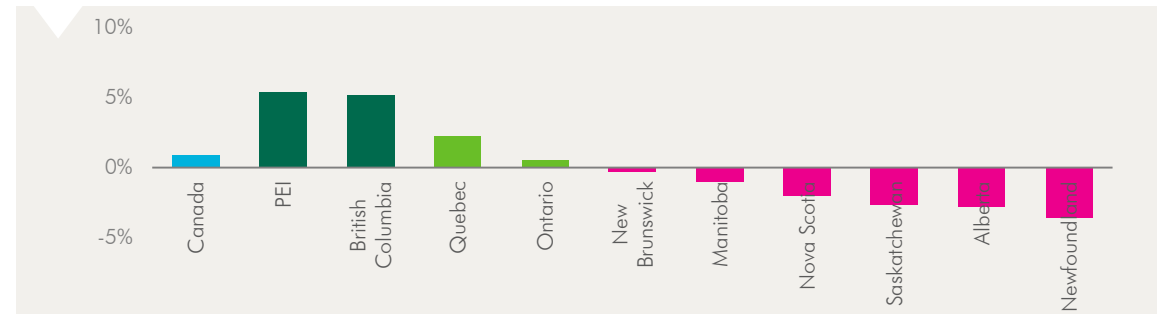
NATIONAL OVERVIEW

The National YTD hotel market gained momentum through Q2 after a slow start in Q1. ADR has grown by almost 2% while occupancies dipped slightly below same time period last year. While we remain optimistic, with respect to rate growth over the balance 2019, we have downgraded our 4% annual RevPAR growth projection to 2.3%, as summarized in our “Revised 2019 Forecast” section of this document.

NATIONAL	2018	2019 Forecast	2019 (YTD Q2)
OCCUPANCY	66%	0.1 pts ▲	0.5 pts ▼
ADR	\$162	3.9% ▲	1.8% ▲
RevPAR	\$107	4.0% ▲	0.9% ▲

YTD Q2 2019 REVPAR GROWTH

Through Q2, PEI and British Columbia led the country with RevPAR growth just over 5%, followed by Quebec with 2% RevPAR growth. Ontario and New Brunswick were relatively flat over the same time last year. Manitoba, Nova Scotia, Saskatchewan, and Alberta experienced slight declines in both occupancy and rate, equating to RevPAR declines between -1% and -3%. Despite a growth in occupancy, Newfoundland’s deteriorating rates resulted in a -4% RevPAR decline through Q2. Canada’s RevPAR grew slightly through Q2 with a 0.9% increase.



Q2 2019 CANADIAN CAP RATES

The following table summarizes the second quarter cap rate survey results for hotels in the major Canadian markets. Hotel cap rates remained unchanged, as moderating macro-economic conditions and slowing profitability are tempering expectations. The availability of capital for Hotel assets continues to be strong. The elevated liquidity coupled with low transaction volumes and limited product on the market has fueled supply growth. The combination of slowing economic growth, increasing development costs, and increasing supply is causing both buyers and sellers to adopt a somewhat cautious approach to the market.

	VANCOUVER	CALGARY	EDMONTON	WINNIPEG	TORONTO	OTTAWA	MONTREAL	HALIFAX
DOWNTOWN FULL SERVICE	4.50% - 6.00%	6.75% - 8.50%	7.00% - 8.50%	7.00% - 8.50%	4.50% - 6.00%	7.00% - 8.00%	7.00% - 8.00%	7.25% - 8.75%
SUBURBAN LIMITED SERVICE	6.50% - 7.50%	7.75% - 9.00%	8.25% - 9.25%	8.00% - 9.50%	7.00% - 8.50%	7.75% - 8.75%	7.75% - 8.75%	8.00% - 9.00%
FOCUSED SERVICE	6.00% - 7.50%	7.25% - 9.00%	7.75% - 9.25%	7.50% - 8.75%	7.00% - 8.00%	7.50% - 8.50%	7.50% - 8.75%	7.50% - 9.00%

EASTERN OVERVIEW

Central Canada's RevPAR growth is rebounding nicely after a slow start in Q1. While Ontario and Quebec's occupancies are contracting slightly from new supply in key markets, supply and demand remain in balance and ADR has grown by 2% through Q2. In the Atlantic, PEI continues its strong RevPAR growth, New Brunswick's RevPAR was flat through Q2, and Newfoundland and Nova Scotia saw RevPAR decline.

CENTRAL CANADA	2018	2019 Forecast	2019 (YTD Q2)
OCCUPANCY	70%	0.3 pts ▲	0.8 pts ▼
ADR	\$165	3.6% ▲	2.2% ▲
RevPAR	\$115	4.0% ▲	0.9% ▲
ONTARIO			
OCCUPANCY	70%	0.0 pts ◀▶	1.1 pts ▼
ADR	\$162	4.0% ▲	2.1% ▲
RevPAR	\$113	4.1% ▲	0.5% ▲
QUEBEC			
OCCUPANCY	69%	0.7 pts ▲	0.0 pts ◀▶
ADR	\$173	3.0% ▲	2.2% ▲
RevPAR	\$120	4.0% ▲	2.2% ▲
ATLANTIC CANADA			
OCCUPANCY	61%	0.1 pts ▼	0.2 pts ▼
ADR	\$140	2.8% ▲	1.4% ▼
RevPAR	\$86	2.6% ▲	1.7% ▼

URBAN ANALYSIS

In Toronto, Ottawa, and Quebec City, modest gains in rate were mitigated by contracting occupancies, rendering RevPAR essentially flat. Montreal was the outlier, with almost 5% RevPAR growth due to growth in both occupancy and ADR. In Atlantic Canada, St. John's continues to recover occupancy after a flood of new supply, however occupancy growth came at the expense of dramatically lower rates. Halifax has slowed its RevPAR decline from over 3% in Q1 to just over 2.5% through Q2 due to stronger rate increases in Q2 during peak travel months.

TORONTO	2018	2019 Forecast	2019 (YTD Q2)	QUEBEC CITY	2018	2019 Forecast	2019 (YTD Q2)
OCCUPANCY	76%	0.4 pts ▼	2.0pts ▼	OCCUPANCY	69%	1.1 pts ▲	0.1 pts ▼
ADR	\$183	6.3% ▲	1.8% ▲	ADR	\$177	3.0% ▲	0.7% ▲
RevPAR	\$139	5.8% ▲	0.9% ▼	RevPAR	\$122	4.6% ▲	0.6% ▲
OTTAWA				ST. JOHN'S			
OCCUPANCY	74%	0.8 pts ▼	1.0 pts ▼	OCCUPANCY	53%	1.4 pts ▼	2.6 pts ▲
ADR	\$169	3.4% ▲	1.9% ▲	ADR	\$142	0.0% ◀▶	8.3% ▼
RevPAR	\$124	2.3% ▲	0.4% ▲	RevPAR	\$74	2.6% ▼	3.1% ▼
MONTREAL				HALIFAX			
OCCUPANCY	73%	0.2 pts ▼	1.3 pts ▲	OCCUPANCY	70%	2.5 pts ▼	0.7 pts ▼
ADR	\$179	3.9% ▲	2.8% ▲	ADR	\$158	4.0% ▲	1.6% ▼
RevPAR	\$130	3.6% ▲	4.8% ▲	RevPAR	\$111	0.2% ▲	2.6% ▼

Hotel Performance

WESTERN | Q2 2019

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WESTERN OVERVIEW

BC and Alberta's Resorts markets' strong RevPAR growth carried Western Canada's RevPAR growth to just over 1% through Q2. Throughout Western Canada, occupancies remained mostly flat, with only Saskatchewan dropping below the 1% mark. Only BC grew ADR through Q2, while Alberta saw rate decline, and Manitoba and Saskatchewan's rate growth was essentially flat.

WESTERN CANADA	2018	2019 Forecast	2019 (YTD Q2)
OCCUPANCY	63%	0.0 pts ◀▶	0.3 pts ▼
ADR	\$163	4.4% ▲	1.8% ▲
RevPAR	\$103	4.4% ▲	1.3% ▲
BRITISH COLUMBIA			
OCCUPANCY	71%	0.2 pts ▲	0.8 pts ▲
ADR	\$188	7.0% ▲	3.9% ▲
RevPAR	\$133	7.3% ▲	5.2% ▲
ALBERTA			
OCCUPANCY	56%	0.2 pts ▼	0.8 pts ▼
ADR	\$131	1.5% ▲	1.3% ▼
RevPAR	\$73	1.2% ▲	2.8% ▼
SASKATCHEWAN			
OCCUPANCY	57%	0.5 pts ▲	1.3 pts ▼
ADR	\$118	1.0% ▲	0.3% ▼
RevPAR	\$67	1.8% ▲	2.7% ▼
MANITOBA			
OCCUPANCY	69%	0.7 pts ▲	0.5 pts ▼
ADR	\$125	2.0% ▲	0.2% ▼
RevPAR	\$86	3.0% ▲	1.0% ▼

URBAN ANALYSIS

Vancouver continues to lead RevPAR growth in Western Canada's major urban centres with a 7.5% RevPAR increase through Q2. Saskatoon gained almost 1% RevPAR through Q2 from slight rate growth and Winnipeg's RevPAR was flat over same time period last year – a slow down from the almost 4% RevPAR growth in Q1. Edmonton and Calgary's increase in hotel supply dropped occupancies slightly, however with ADR also declining, both major markets' RevPAR has declined over 4% through Q2. Regina saw the largest RevPAR decline (almost 10%), due to both occupancy and ADR decreasing almost 4%.

VANCOUVER	2018	2019 Forecast	2019 (YTD Q2)	REGINA	2018	2019 Forecast	2019 (YTD Q2)
OCCUPANCY	80%	0.5 pts ▲	0.3 pts ▲	OCCUPANCY	60%	1.2 pts ▲	3.7 pts ▼
ADR	\$212	7.9% ▲	7.1% ▲	ADR	\$120	1.0% ▲	3.6% ▼
RevPAR	\$170	8.5% ▲	7.5% ▲	RevPAR	\$72	3.0% ▲	9.6% ▼
CALGARY				SASKATOON			
OCCUPANCY	63%	0.6 pts ▼	2.2 pts ▼	OCCUPANCY	61%	0.1 pts ▼	0.1 pts ▼
ADR	\$146	2.1% ▲	0.9% ▼	ADR	\$124	1.0% ▲	1.0% ▲
RevPAR	\$92	1.2% ▲	4.5% ▼	RevPAR	\$75	0.8% ▲	0.8% ▲
EDMONTON				WINNIPEG			
OCCUPANCY	59%	0.4 pts ▼	1.3 pts ▼	OCCUPANCY	70%	0.3 pts ▲	0.2 pts ▼
ADR	\$129	1.2% ▲	2.0% ▼	ADR	\$129	2.0% ▲	0.1% ▼
RevPAR	\$75	0.4% ▲	4.2% ▼	RevPAR	\$90	2.4% ▲	0.4% ▼

Revised Forecast

MAJOR MARKETS | 2019

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VANCOUVER	2018	2019 Forecast	2018-19 Change
OCCUPANCY	80%	81%	1 pt ▲
ADR	\$212	\$226	6.7% ▲
RevPAR	\$170	\$182	7.3% ▲
CALGARY			
OCCUPANCY	63%	60%	3 pts ▼
ADR	\$146	\$147	0.4% ▲
RevPAR	\$92	\$89	3.3% ▼
EDMONTON			
OCCUPANCY	59%	57%	2 pts ▼
ADR	\$129	\$127	1.3% ▼
RevPAR	\$75	\$73	3.5% ▼
REGINA			
OCCUPANCY	60%	57%	3 pts ▼
ADR	\$120	\$116	3.5% ▼
RevPAR	\$72	\$65	8.8% ▼
SASKATOON			
OCCUPANCY	61%	60%	1 pt ▼
ADR	\$124	\$125	1.0% ▲
RevPAR	\$75	\$76	0.5% ▲
WINNIPEG			
OCCUPANCY	70%	70%	0.0 pts ◀▶
ADR	\$129	\$129	0.5% ▲
RevPAR	\$90	\$90	0.2% ▲

TORONTO	2018	2019 Forecast	2018-19 Change
OCCUPANCY	76%	75%	1 pt ▼
ADR	\$183	\$187	2.2% ▲
RevPAR	\$139	\$140	0.4% ▲
NIAGARA FALLS			
OCCUPANCY	67%	68%	1 pt ▲
ADR	\$167	\$173	4.0% ▲
RevPAR	\$112	\$117	4.7% ▲
OTTAWA			
OCCUPANCY	74%	72%	2 pts ▼
ADR	\$169	\$173	2.1% ▲
RevPAR	\$124	\$123	0.7% ▼
MONTREAL			
OCCUPANCY	73%	74%	1 pt ▲
ADR	\$179	\$185	2.9% ▲
RevPAR	\$130	\$136	4.3% ▲
QUEBEC CITY			
OCCUPANCY	69%	69%	0.0 pts ◀▶
ADR	\$177	\$180	2.0% ▲
RevPAR	\$122	\$124	2.0% ▲
HALIFAX DARTMOUTH			
OCCUPANCY	70%	70%	0.0 pts ◀▶
ADR	\$158	\$157	0.5% ▼
RevPAR	\$111	\$109	1.4% ▼
ST. JOHN'S			
OCCUPANCY	53%	54%	1 pt ▲
ADR	\$142	\$130	8.0% ▼
RevPAR	\$74	\$70	5.3% ▼

NATIONAL FOCUS

EASTERN FOCUS

WESTERN FOCUS

REVISED FORECAST

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