

NATIONAL MARKET REPORT

August 2018

- In August 2018, the CBRE national hotel sample achieved 79.9% occupancy, virtually flat to August 2017 results at 79.8%.
- In August 2018, the national average daily room rate for hotels tracked by CBRE increased by 4.6% from August 2017 to \$181.96.
- Revenue per available room for CBRE's sample increased by 4.8% to \$145.42 in August 2018 from \$138.79 in August 2017.

2018/2019 INDUSTRY OUTLOOK

TOP LINE OUTLOOK

CBRE Hotels recently released our 2018/2019 Outlook for the Canadian Lodging Industry. This article focuses on the outlook for the industry from a regional perspective.

For the first time in a number of years, each of the Provinces in Western Canada are expected to achieve positive RevPAR growth in 2018 and the region is tops for growth nationally. British Columbia is still leading the way with projected growth of 11.5%. While Manitoba's performance is expected to be subdued relative to the growth experienced in 2017, both Alberta and Saskatchewan are expected to achieve stronger RevPAR growth than 2017 results. Overall, Western Canada is expected to see a RevPAR increase of 7.6% through to the end of 2018. The Outlook for 2019 is slightly less optimistic but still positive, with projected RevPAR growth of 4.5%. Supply growth is still a factor in both Alberta and Saskatchewan in 2019, while British Columbia and Manitoba are expecting strong growth, particularly in terms of average daily rate for BC.

Central Canada is expected to finish the year up 4.9% in RevPAR growth in 2018. This region has been the most stable in recent years, thanks to well diversified economies in the major centres and strong leisure travel. In 2019, RevPAR growth is expected to reach 4.1% due to continued growth in both demand and average daily rate and only moderate increases in room supply.

Atlantic Canada is expected to achieve RevPAR growth of 2.3% in 2018, after posting growth of 8.9% in 2017. Performance levels in Nova Scotia, New Brunswick and PEI are strong but these are offset somewhat by a weakened performance in Newfoundland, which is being struck with a combination of declining demand and increasing supply. In 2019, RevPAR performance in Atlantic Canada is projected to improve 2.6%, as Newfoundland is expected to be back into positive territory.

Across Canada, RevPAR growth is, once again, largely a result of stronger ADR performance. With moderate supply growth and a number of major markets nearing functional capacity, the largest opportunity for growth in 2019 continues to be through increases in average daily rates.

	2016	2017	2018P	2019F
Western Canada	60%	62%	63%	63%
	\$150	\$155	\$163	\$170
RevPAR	\$90	\$96	\$103	\$108
Central Canada	68%	70%	70%	71%
	\$149	\$158	\$164	\$170
RevPAR	\$101	\$110	\$115	\$120
Atlantic Canada	61%	63%	62%	62%
	\$129	\$135	\$141	\$145
RevPAR	\$79	\$86	\$88	\$90

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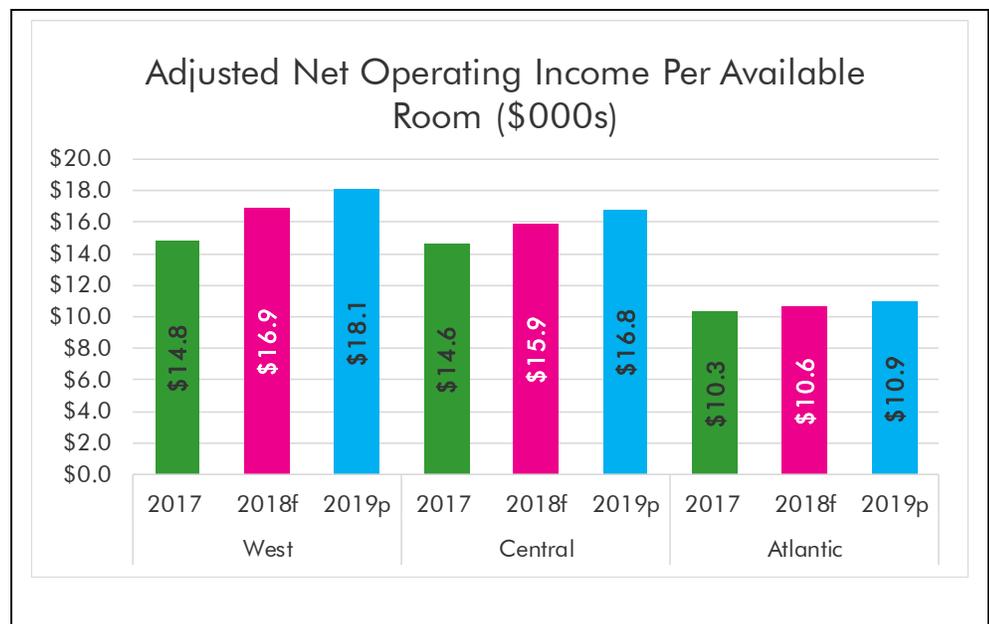
NATIONAL OVERVIEW

With RevPAR growth expected across all Canadian regions in 2018, bottom line performance is projected to improve as well. Nationally, ANOI is projected to grow by 10.6% in 2018 to reach \$15,700 per available room, following growth of 15.8% in 2017. In 2019, national ANOI is projected to grow by a further 6.8% to reach \$16,800 per available room.

In Western Canada, ANOI is projected to increase significantly at 14.1% in 2018 to reach an ANOI of \$16,900 per available room, which is largely being driven by the performance of British Columbia. ANOI is expected to increase by a further 7.1% in 2019 to reach \$18,100 per available room, an unprecedented level for the region.

In Central Canada, after posting growth of approximately 22% in 2017, ANOI growth of 8.5% (to reach \$15,900 per available room) is expected in 2018. In 2019, ANOI growth for Central Canada is projected to be 6.1%.

In Atlantic Canada, ANOI growth is expected to be just 2.9% in 2018, after posting growth of 19.3% in 2017. Further growth of 3.0% is expected in 2019. ANOI is expected to reach \$10,900 per available room in 2019, a historic high for the region.



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