

NATIONAL MARKET REPORT

April 2019

- In April 2019, the CBRE national hotel sample experienced a 62.4% occupancy level, a -0.2 percentage point decrease in occupancy from April 2018.
- The April 2019 average daily room rate for hotels tracked by CBRE increased by 3.2% to \$151.69 compared with \$147.04 in April 2018.
- Revenue per available room for CBRE's sample increased by 2.8% to \$94.73 in April 2019 compared with \$92.13 in April 2018.

NATIONAL FINANCIAL TRENDS 2010 TO 2017

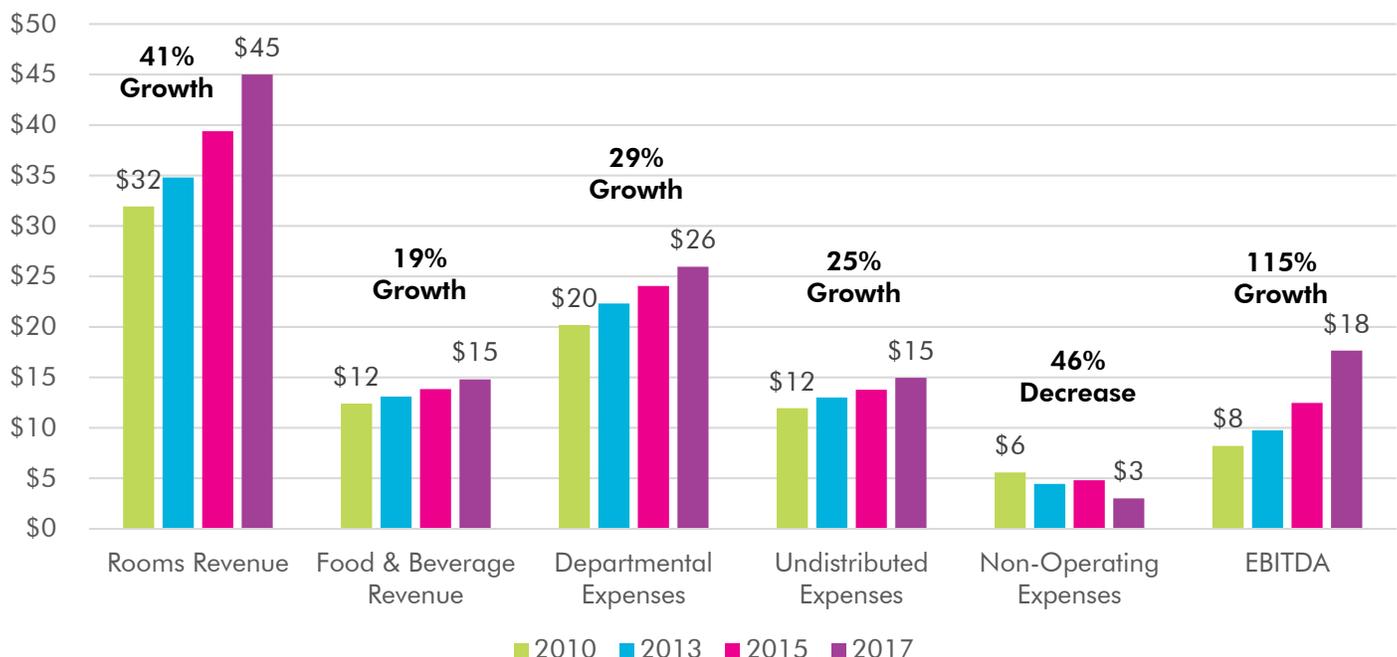
On an annual basis, CBRE publishes the *Trends in the Hotel Industry* report. This report is a statistical review of operating and financial statements from over 550 hotels, motels, and resorts from across Canada. CBRE Hotels will be releasing a new 2019 *Trends in the Hotel Industry* report in September, analyzing the 2018 financial operating year—please contact us to become a partner and receive a copy of the 2019 report.

In light of this, we are taking time to analyze the Canadian hotel industry's operational trendlines over the last 8 years. While raising labour and utility costs may cause concern at first blush, the trendlines are showing a positive story for the Canadian hotel industry. With the excellent average daily rate growth the industry has achieved over the last decade, rooms revenue has grown 41% from \$32,000 per available room in 2010 to \$45,000 per available room in 2017. Food and

beverage revenues have also grown, though at a slower pace, increasing 19% over the last 8 years. Departmental expenses grew 29% from \$20,000 per available room in 2010 to \$26,000 per available room in 2017. Similarly, undistributed expenses grew 25% from 2010 to 2018. However, the growth rates in expenses were lower than the 34% growth in total operating revenues. Hotel operators and managers have done well to shrink non-operating expenses from \$6,000 to \$3,000 per available room.

As revenue growth outpaced expense growth, EBITDA grew from \$8,000 per available room to \$18,000 per available room, more than doubling over the last 8 years. As hotel operators continue to manage expenses and drive topline revenues, the Canadian hotel industry has remained healthy and profitable over the last 8 years.

National Revenues and Expenses Per Available Room, 2010-2017 (\$000s)



CBRE HOTELS

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Toronto

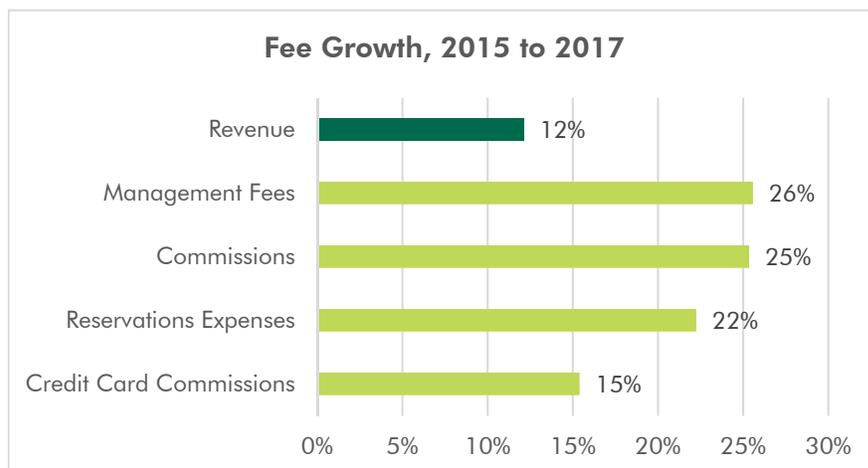
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DIGGING DEEPER



Per Available Room	2015	2017	% Growth
Revenue	\$57,000	\$64,000	12%
Management Fees	\$1,600	\$2,000	26%
Commissions	\$900	\$1,200	25%
Reservations Expenses	\$700	\$900	22%
Credit Card Commissions	\$1,100	\$1,200	15%

While top and bottom line revenues remain positive, we are seeing significant growth in third party fees and chargebacks, such as management fees, travel agent commissions, reservation fees and credit card commissions. Combined, these fees total about 8.0% of total revenue. Over the 2015 through 2017 period, operating revenues have grown 12% from \$57,000 per available room in 2015 to \$64,000 in 2017; however, management fees have grown more than double that amount at 26%. In 2015, management fees equated to \$1,600 per available room and by 2017 that number grew to \$2,000 per available room.

Similarly, commissions to third party operators and room reservation expenses have grown 25% and 22% respectively. Credit card commissions are also on the rise, growing from \$1,100 per available room in 2015 to \$1,200 in 2017.

Although these fees typically represent only 1 to 3% of a property's operating revenues, their rapid growth is worth noting. These trend lines are sure to tell an interesting story as many of the major brands turn their attention to cutting down on commissions and third-party expenses.

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