

## NATIONAL MARKET REPORT

January | February 2018

- In January 2018, the CBRE national hotel sample achieved a 51.6% occupancy level, a 2.0 percentage point increase from January 2017. In February 2018, CBRE's national hotel sample reported a 58.4% occupancy level in comparison to 57.6% in February 2017.
- In January 2018 the national average daily room rate for hotels tracked by CBRE increased by 4.4% from January 2017 to \$143.67. The national average daily room rate for February 2018 was \$146.92, an increase of 4.2% over February 2017.
- Revenue per available room for CBRE's sample rose by 8.8% to \$74.09 in January 2018. Revenue per available room increased by 5.7% to \$85.82 in February 2018 from \$81.18 in February 2017.

## NATIONAL GROWTH EXPECTED IN 2018

The National accommodation industry performance has been negatively impacted by isolated supply and demand factors in Alberta, Saskatchewan and Newfoundland in recent years. Nonetheless, with very strong performance across BC, Central and Atlantic Canada, National occupancy hit 66% in 2017, setting a new record for Canada. In 2018, occupancy is projected to remain flat and average daily rate ("ADR") growth is projected to be in the range of 4%. Growth in 2018 is again expected to be led by Central Canada, with good performance expected out of the Atlantic and Western regions as well.

### TOP LINE PERFORMANCE

While economic growth is expected to decelerate from 3% in 2017 to closer to 2% in 2018 on a National basis, economic growth is expected to be positive across all provinces this year for the first time since 2014/2015. The low Canadian dollar continues to provide a boost to tourism, both international and domestic. Manufacturing and business investment across Canada continue to be supportive of demand growth in key markets, a developing global trade landscape presents possible economic headwinds. Continued strength is expected in Ontario, Quebec, British Columbia, and Manitoba while Alberta and Saskatchewan are forecast to see growth in excess of 2% reflecting the start of a recovery in those provinces.



2017 RevPAR Growth Actual		2018 RevPAR Growth Forecast	
Western	6.1%	Western	4.7%
Central	8.9%	Central	4.9%
Atlantic	8.9%	Atlantic	2.9%

### IMPACT ON THE CANADIAN ACCOMMODATION SECTOR

The CBRE Fall Outlook forecast Atlantic Canada to finish 2017 with RevPAR growth of 5.3%, while actual 2017 results were RevPAR growth of 8.9% as a result of stronger than predicted ADR growth. The Fall Outlook projected Atlantic Canada's 2018 RevPAR to increase by 2.2%. The revised Outlook reflects higher RevPAR growth at 2.9% as a result of positive pricing momentum in a number of Atlantic Canada markets.

In Central Canada, 2017 RevPAR growth was forecast to be 6.4% at the Fall Outlook. Actual results for the region show growth of 8.9% as a result of stronger performance in both occupancy and ADR. Limited supply growth in both Ontario and Quebec along with the strong economic performance in the region resulted in higher demand and yielded improved ADR. In 2018 RevPAR was projected to grow by 4.7% as per the Fall Outlook. This projection has increased slightly to 4.9% as a result of continued strength in underlying demand fundamentals, and slightly higher ADR growth expected in major urban centres.

The 2017 RevPAR forecast for Western Canada projected an increase of 2.1% with actual performance finishing the year with a 6.1% increase in RevPAR as a result of stronger than expected occupancy and ADR performance in the second half of 2017. At the time of the Fall Outlook RevPAR projections for 2018 were for 4.3% growth. This has been revised upwards to a projected increase of 4.7% in 2018. The economic recovery in Alberta and Saskatchewan is expected to bolster the accommodation sector's performance in these provinces; and British Columbia is expected to see continued GDP growth and strong performance in the accommodation sector.

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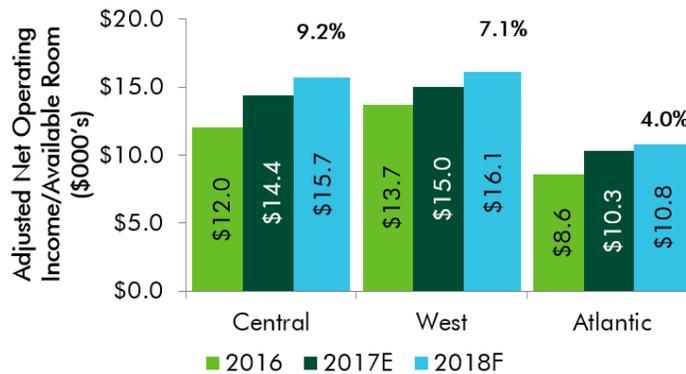
### Vancouver

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### BOTTOM LINE PERFORMANCE

In the Fall Outlook, Atlantic Canada was expected to finish 2017 with an 8.7% increase in ANOI; however, revised estimates show the region increased ANOI by 20.0% primarily due to significantly higher than expected ADR performance in the region. The Fall Outlook also projected the region to grow ANOI by 1.6% in 2018, which has now been revised upwards to growth of 4.0%. This upwards revision reflects the more positive expectations in top line performance for the region.

The Fall Outlook forecast ANOI in Central Canada to increase by 12.4% in 2017 while revised estimates show ANOI growth of 19.9%, again driven by higher than anticipated top line performance. Our Fall projections indicated the ANOI in this region was expected to grow by 8.7% in 2018, which has been revised upwards to growth of 9.2% as a result of the improved RevPAR expectations. Central Canada has performed well in recent years and is expected to continue to see strong growth as a result of the manufacturing and business services sectors, as well as strength in many of this region's tourism markets.



2017 ANOI Growth Estimate		2018 ANOI Growth Forecast	
Western	9.8%	Western	7.1%
Central	19.9%	Central	9.2%
Atlantic	20.0%	Atlantic	4.0%

Western Canada was forecast to realize an ANOI decline of 1.1% in 2017 as per our Fall Outlook, while revised estimates show an ANOI increase of 9.8%. The Fall Outlook projected ANOI growth of 6.4% in Western Canada in 2018, with revised projections expecting bottom lines to grow by 7.1% as a result of higher growth in RevPAR that is anticipated. The economic recovery in this region is expected to gain some traction this year with Alberta and Saskatchewan both forecast to see GDP growth of over 2% in 2018.

**NOTE:** Adjusted Net Operating Income is defined as income after property taxes, insurance, management fees, franchise fees, and capital reserves; but before rent, interest, income taxes, depreciation and amortization

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