

## NATIONAL MARKET REPORT

July 2018

- In July 2018, the CBRE national hotel sample achieved a 76.7% occupancy level, a 1.0 point increase from July 2017.
- The national average daily room rate for hotels tracked by CBRE increased to \$181.09 in July 2018, up 4.4% over July 2017.
- Revenue per available room for CBRE's sample increased by 3.1% to reach \$138.89 in July 2018 from \$134.75 in July 2017.

### 2017 INDUSTRY OVERVIEW

#### NATIONAL OVERVIEW

The Canadian accommodation industry continues to perform at record levels from both a top line and bottom line perspective. This industry growth is led by British Columbia and Ontario, with bottom line gains of almost 20% in 2017. While Alberta and Saskatchewan have had their challenges in recent years, the worst appears to be over and both markets have seen some modest recovery in the last 2 years. With the exception of Newfoundland, where performance continues to erode, the prospects for growth in the balance of Atlantic Canada remain strong.

This improvement in industry profitability is a function of a strong economy, modest increases in supply, and continued leisure and business travel growth. This has supported strong occupancy performance and maybe more importantly, strong Average Daily Rate growth.

With occupancy levels holding fairly steady in recent years, strong ADR growth and an added 2 points in occupancy in 2017 resulted in a significant increase in bottom line performance of \$14,556 per room, up from \$12,298 per room in 2016, or 18.4% growth. Unlike 2016, Departmental and Undistributed Expenses grew alongside Revenues, resulting in better than anticipated increases in bottom lines.

#### REGIONAL REVIEW

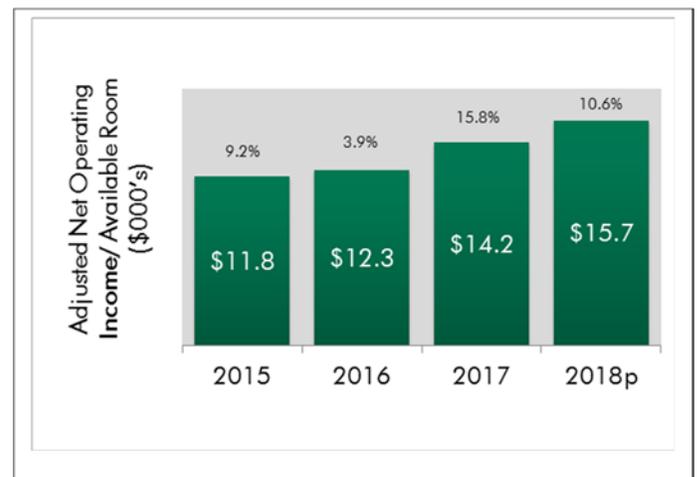
From a Regional perspective, Western Canada turned a corner in 2017, with ANOI growth tracking at 8% after a 7% decline in 2016, and finally surpassing 2008 levels at \$14,800 Per Available Room. While B.C. led the pack in this region, it should be noted that the worst appears to be over for Alberta and Saskatchewan, both of which are showing modest recovery.

Central Canada continued to achieve positive ANOI growth, tracking at 22% growth, after 16% in 2016. Both Quebec and Ontario tracked ANOI growth levels of over 20%, with considerable increases in leisure and corporate demand.

With the exception of Newfoundland where performance continues to erode, ANOI in Atlantic Canada remains strong, with growth levels reaching 19% in 2017, over 6% in 2016.

- **Central** – increased 21.9% over 2016
- **Western** – increased 8.3% over 2016
- **Atlantic** – increased 19.3% over 2016

The graph highlights historic Adjusted Net Operating Income at the national level, inclusive of management fees, franchise fees and capital reserves.



## CBRE HOTELS

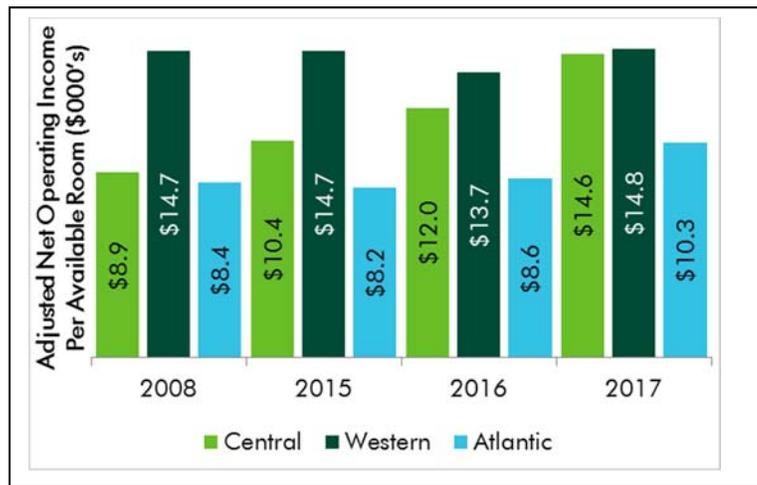
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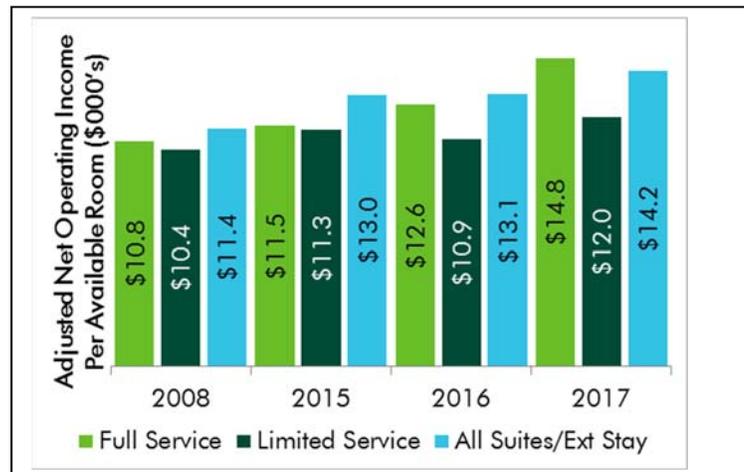


### PRODUCT SEGMENT REVIEW

At the National level, all property types achieved strong ANOI growth in 2017, showing a distinct change over 2016. Growth levels range from 9% to 18%, with the full-service segment leading the charge in 2017.

Limited service properties, which had the poorest performance of the three product types in 2016 with a decrease of almost 4%, surpassed growth in the all suite/extended stay segment in 2017 (10%). Extended stay properties showed the greatest variance, fluctuation from 18% ANOI growth in 2015 to less than 1% in 2016, and ending 2017 at 9% over the year prior. As in 2016, Full Service properties showed the strongest increase in 2017 at 18%, surpassing the 2014 growth rate, and ending the year at \$14,800 Per Available Room.

- **Full Service** – increased 17.5% over 2016
- **Limited Service** – increased 9.8% over 2016
- **All Suite/Extended Stay** – increased 8.7% over 2016



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