

NATIONAL MARKET REPORT

August 2019

- In August 2019, the CBRE national hotel sample achieved 78.5% occupancy, down 1.4 points relative to August 2018 results.
- In August 2019, the national average daily room rate for hotels tracked by CBRE declined 0.7% from August 2018 to \$181.12.
- Revenue per available room for CBRE's sample decreased by 2.5% to \$142.24 in August 2019 from \$145.84 in August 2018.

2019/2020 INDUSTRY OUTLOOK

TOP LINE OUTLOOK

CBRE Hotels recently released our 2019/2020 Outlook for the Canadian Lodging Industry. This article focuses on the outlook for the industry from a regional perspective.

Nationally, we are seeing record levels of occupancy in 2019, which is expected to continue in 2020. However, at the same time, we are seeing supply slightly outpacing demand in several key markets for the first time in the last several years. While a number of markets have seen ADR shortfalls in 2019, we expect some improvement in 2020. Moreover, as several key markets are at functional capacity, the opportunity to drive RevPAR growth will be dependent on ADR growth.

Western Canada remains a mixed region with both leading and lagging markets. British Columbia is still leading the way with projected RevPAR growth of 5.3% in 2019 and 4.1% in 2020. Manitoba is expected to see slow RevPAR growth of approximately 1% in both 2019 and 2020. In both Alberta and Saskatchewan, 2019 is projected to bring slight RevPAR declines of -0.9% in Alberta and -1.3% in Saskatchewan, before rebounding in 2020 to just under 2% growth in both provinces.

Overall, Western Canada is expected to see a RevPAR increase of 2.3% by year end 2019 to reach \$105, and 2.8% growth in 2020 to reach \$108.

In Central Canada, RevPAR is expected to grow by 2.7% by year end 2019, reaching \$118. While this region continues to be the most stable, economic forecasts are slowing for Central Canada; however, travel outlooks remain strong. While markets in this region are seeing a large influx of new supply in 2019 and 2020, supply and demand remain in balance. Ontario's RevPAR is projected to grow by about 2% in both 2019 and 2020, while RevPAR in Quebec is projected to grow approximately 4% in both years. RevPAR in Central Canada is expected to grow 2.9%, reaching \$122 by 2020.

RevPAR growth in Atlantic Canada is projected to remain flat (0.1%) in 2019, though moving in an upward direction relative to 2018 (-0.2%). Performance levels in Prince Edward Island are healthy, with Nova Scotia and New Brunswick relatively flat. Newfoundland is still projected to have negative RevPAR in 2019 before improving to positive RevPAR growth in 2020 as the market demand absorbs the supply spike from 2018. RevPAR for Atlantic Canada is projected to finish at \$86 in 2019 and grow 2.5% in 2020 to reach a new high of \$88.

		2017	2018	2019 F	2020 P
Western Canada	Occupancy	62%	63%	63%	63%
	ADR	\$155	\$163	\$166	\$171
	RevPAR	\$96	\$103	\$105	\$108
Central Canada	Occupancy	70%	70%	70%	70%
	ADR	\$158	\$165	\$170	\$175
	RevPAR	\$110	\$115	\$118	\$122
Atlantic Canada	Occupancy	63%	61%	62%	62%
	ADR	\$135	\$140	\$139	\$142
	RevPAR	\$86	\$86	\$86	\$88

CBRE HOTELS

The World's Leading Hotel Experts.

Toronto

145 King Street West
Suite 1100
Toronto, ON
M5H 1J8
416.362.2244 (T)
416.362.8085 (F)

Vancouver

1021 West Hastings Street
Suite 2500
Vancouver, BC
V6E 0C3
604.662.3000 (T)
604.689.2568 (F)

NATIONAL BOTTOM LINE OVERVIEW

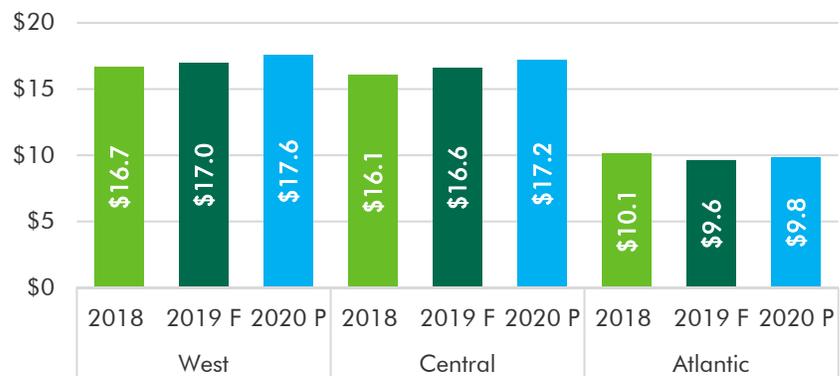
While RevPAR is expected to grow across most Canadian regions in 2019, growth levels in 2019 are slightly cooler than the significant growth the market has seen in the last few years. Bottom line performance is projected to reflect the cooling markets, showing softer growth. National ANOI is projected to grow by 2.4% in 2019 to reach \$16,100 per available room, following growth of 10.7% in 2018. Although double digit growth was not achieved in 2019, ANOI levels have never been higher. In 2020, as performance projections improves, national ANOI is projected to grow by a further 3.5% to reach \$16,700 per available room.

In Western Canada, ANOI is projected to grow at 1.8% in 2019, on top of the 12.9% growth in 2018, to reach an ANOI of \$17,000 per available room. As in previous years, this growth is largely being driven by British Columbia's performance. In 2020, ANOI is expected to increase again by 3.4% reaching \$17,600 per available room.

In Central Canada, building on a strong growth of 21.9% in 2017 and 9.8% in 2018, ANOI in 2019 is projected to increase by 3.3% to reach \$16,600 per available room. In 2020, ANOI growth for Central Canada is projected at 3.6%, reaching \$17,200.

In Atlantic Canada, with softer RevPAR projections in 2019, ANOI is expected to decline by 4.8% to \$9,600, a further drop following the slight 1.6% decline in 2018. However, in 2020 ANOI is projected to increase 2.1% to reach \$9,800 per available room, just below 2017 levels.

Adjusted Net Operating Income Per Available Room
(\$000s)



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