

CBRE HOTELS UPDATE

Q1 2019

This quarterly report provides a focused look at performance in Eastern and Western Canada major markets and the variances across the provinces and major markets.

The data shows the progress of the Canadian lodging sector relative to the revised CBRE Hotels 2019 forecast that was presented in the December 2018 issue of our National Market Report.

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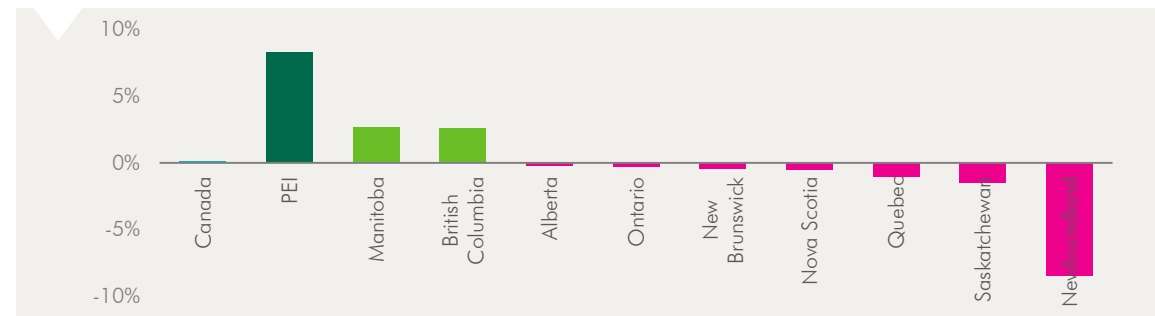
NATIONAL OVERVIEW

2019 was off to a slow start in Q1. While supply and demand growth remain in balance, the lack of ADR growth impacted the market's ability to see RevPAR growth in the first quarter. While we remain optimistic, with respect to strong rate growth over the balance of the year, we will likely be downgrading our 4% annual RevPAR growth projection down slightly when we release our revised 2019 forecasts at the end of Q2.

NATIONAL	2018	2019 Forecast		2019 (YTD Q1)	
OCCUPANCY	66%	0.1 pts	▲	0.5 pts	▼
ADR	\$162	3.9%	▲	1.0%	▲
RevPAR	\$107	4.0%	▲	0.1%	▲

YTD Q1 2019 REVPAR GROWTH

In Q1, PEI led the country with RevPAR growth at 8.3%, followed by Manitoba and British Columbia with 2.7% and 2.6% RevPAR growth respectively. The rest of the provinces had a slow start to 2019 with RevPAR decline. Provinces such as Alberta, Ontario, New Brunswick, and Nova Scotia were able to mitigate occupancy declines with rate increases, showing RevPAR declines in between 0.2% and 0.5%. Canada's Q1 RevPAR growth overall was flat with a 0.1% increase.



Q1 2019 CANADIAN CAP RATES

The following table summarizes the first quarter cap rate survey results for hotels in the major Canadian markets. Positive market and financial outlooks coupled with the considerable levels of debt financing which continues to be available in the market, have ensured that capitalization rates across the country held flat over the first quarter of 2019. Primary and secondary markets hold the greatest appeal for buyers; more than 65% of the transactions that closed in Q1 2019 were in tertiary markets.

	VANCOUVER	CALGARY	EDMONTON	WINNIPEG	TORONTO	OTTAWA	MONTREAL	HALIFAX
DOWNTOWN FULL SERVICE	4.50% - 6.00%	6.75% - 8.50%	7.00% - 8.50%	7.00% - 8.50%	4.50% - 6.00%	7.00% - 8.00%	7.00% - 8.00%	7.25% - 8.75%
SUBURBAN LIMITED SERVICE	6.50% - 7.50%	7.75% - 9.00%	8.25% - 9.25%	8.00% - 9.50%	7.00% - 8.50%	7.75% - 8.75%	7.75% - 8.75%	8.00% - 9.00%
FOCUSED SERVICE	6.00% - 7.50%	7.25% - 9.00%	7.75% - 9.25%	7.50% - 8.75%	7.00% - 8.00%	7.50% - 8.50%	7.50% - 8.75%	7.50% - 9.00%

Hotel Performance

EASTERN | Q1 2019



EASTERN OVERVIEW

Central Canada's RevPAR growth had a sluggish start in Q1. With supply entering Ontario and Quebec, occupancies slightly decreased, but supply and demand are in balance; however ADR growth is off-pace relative to our projections. While PEI saw strong RevPAR growth in Q1 and Nova Scotia and New Brunswick were relatively flat, the Atlantic's growth was negated by Newfoundland's continued RevPAR decrease.

CENTRAL CANADA	2018	2019 Forecast	2019 (YTD Q1)
OCCUPANCY	70%	0.3 pts ▲	1.4 pts ▼
ADR	\$165	3.6% ▲	1.9% ▲
RevPAR	\$115	4.0% ▲	0.5% ▼
ONTARIO			
OCCUPANCY	70%	0.0 pts ◀▶	1.3 pts ▼
ADR	\$162	4.0% ▲	1.9% ▲
RevPAR	\$113	4.1% ▲	0.3% ▼
QUEBEC			
OCCUPANCY	69%	0.7 pts ▲	1.6 pts ▼
ADR	\$173	3.0% ▲	1.7% ▲
RevPAR	\$120	4.0% ▲	1.0% ▼
ATLANTIC CANADA			
OCCUPANCY	61%	0.1 pts ▼	0.4 pts ▼
ADR	\$140	2.8% ▲	0.7% ▼
RevPAR	\$86	2.6% ▲	1.6% ▼

URBAN ANALYSIS

In the major centres, Quebec City had a strong Q1 with a 4.5% increase in rate, outweighing the slight drop in occupancy for a 3.4% RevPAR growth. Toronto and Montreal's slight declines in occupancy were matched with slight rate increases, while Ottawa and Halifax's RevPAR declined in Q1 with decreases in both occupancy and rates. St. John's absorbed the additional supply with matching demand growth, keeping occupancies relatively flat, however significant rate discounts decreased RevPAR by 8.8%.

TORONTO	2018	2019 Forecast	2019 (YTD Q1)
OCCUPANCY	76%	0.4 pts ▼	1.8 pts ▼
ADR	\$183	6.3% ▲	1.9% ▲
RevPAR	\$139	5.8% ▲	0.8% ▼
OTTAWA			
OCCUPANCY	74%	0.8 pts ▼	4.1 pts ▼
ADR	\$169	3.4% ▲	0.6% ▼
RevPAR	\$124	2.3% ▲	6.8% ▼
MONTREAL			
OCCUPANCY	73%	0.2 pts ▼	1.1 pts ▼
ADR	\$179	3.9% ▲	0.8% ▲
RevPAR	\$130	3.6% ▲	1.0% ▼
QUEBEC CITY			
OCCUPANCY	69%	1.1 pts ▲	0.6 pts ▼
ADR	\$177	3.0% ▲	4.5% ▲
RevPAR	\$122	4.6% ▲	3.4% ▲
ST. JOHN'S			
OCCUPANCY	53%	1.4 pts ▼	0.1 pts ▼
ADR	\$142	0.0% ◀▶	8.6% ▼
RevPAR	\$74	2.6% ▼	8.8% ▼
HALIFAX			
OCCUPANCY	70%	2.5 pts ▼	1.4 pts ▼
ADR	\$158	4.0% ▲	0.7% ▼
RevPAR	\$111	0.2% ▲	3.3% ▼

Hotel Performance

WESTERN | Q1 2019

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WESTERN OVERVIEW

Positive RevPAR growth in Western Canada's first quarter was driven by strong performance in BC, Manitoba, and resorts in the Rockies. Occupancies remained mostly flat, in line with CBRE's forecast, however rates did not grow as greatly as projected. BC and Manitoba saw ADR increases over 2.5%, while Alberta and Saskatchewan decreased slightly.

WESTERN CANADA	2018	2019 Forecast	2019 (YTD Q1)
OCCUPANCY	63%	0.0 pts ◀▶	0.3 pts ▲
ADR	\$163	4.4% ▲	0.4% ▲
RevPAR	\$103	4.4% ▲	0.9% ▲
BRITISH COLUMBIA			
OCCUPANCY	71%	0.2 pts ▲	0.4 pts ▲
ADR	\$188	7.0% ▲	2.0% ▲
RevPAR	\$133	7.3% ▲	2.6% ▲
ALBERTA			
OCCUPANCY	56%	0.2 pts ▼	0.4 pts ▲
ADR	\$131	1.5% ▲	0.9% ▼
RevPAR	\$73	1.2% ▲	0.2% ▼
SASKATCHEWAN			
OCCUPANCY	57%	0.5 pts ▲	0.4 pts ▼
ADR	\$118	1.0% ▲	0.8% ▼
RevPAR	\$67	1.8% ▲	1.5% ▼
MANITOBA			
OCCUPANCY	69%	0.7 pts ▲	1.1 pts ▲
ADR	\$125	2.0% ▲	0.9% ▲
RevPAR	\$86	3.0% ▲	2.7% ▲

URBAN ANALYSIS

Vancouver and Winnipeg led growth in Western Canada's major urban centres with 4.5% and 3.7% RevPAR increases respectively in the first quarter. Edmonton and Calgary absorbed the majority of new supply in Alberta, keeping occupancies flat, however Calgary grew ADR slightly in Q1. While Saskatchewan's other markets grew RevPAR in Q1, the urban centres did not; Regina is down almost 9% in RevPAR in the first quarter and Saskatoon's occupancy decrease and ADR increase resulted in little RevPAR growth.

VANCOUVER	2018	2019 Forecast	2019 (YTD Q1)	REGINA	2018	2019 Forecast	2019 (YTD Q1)
OCCUPANCY	80%	0.5 pts ▲	0.4 pts ▲	OCCUPANCY	60%	1.2 pts ▲	2.4 pts ▼
ADR	\$212	7.9% ▲	3.9% ▲	ADR	\$120	1.0% ▲	4.5% ▼
RevPAR	\$170	8.5% ▲	4.5% ▲	RevPAR	\$72	3.0% ▲	8.8% ▼
CALGARY				SASKATOON			
OCCUPANCY	63%	0.6 pts ▼	0.3 pts ▼	OCCUPANCY	61%	0.1 pts ▼	0.6 pts ▼
ADR	\$146	2.1% ▲	0.4% ▲	ADR	\$124	1.0% ▲	1.3% ▲
RevPAR	\$92	1.2% ▲	0.2% ▼	RevPAR	\$75	0.8% ▲	0.3% ▲
EDMONTON				WINNIPEG			
OCCUPANCY	59%	0.4 pts ▼	0.1 pts ▼	OCCUPANCY	70%	0.3 pts ▲	1.9 pts ▲
ADR	\$129	1.2% ▲	1.4% ▼	ADR	\$129	2.0% ▲	0.7% ▲
RevPAR	\$75	0.4% ▲	1.6% ▼	RevPAR	\$90	2.4% ▲	3.7% ▲

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