

# CBRE HOTELS UPDATE

Q3 2018

*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 2018 forecast that was presented in the June 2018 issue of our National Market Report.*

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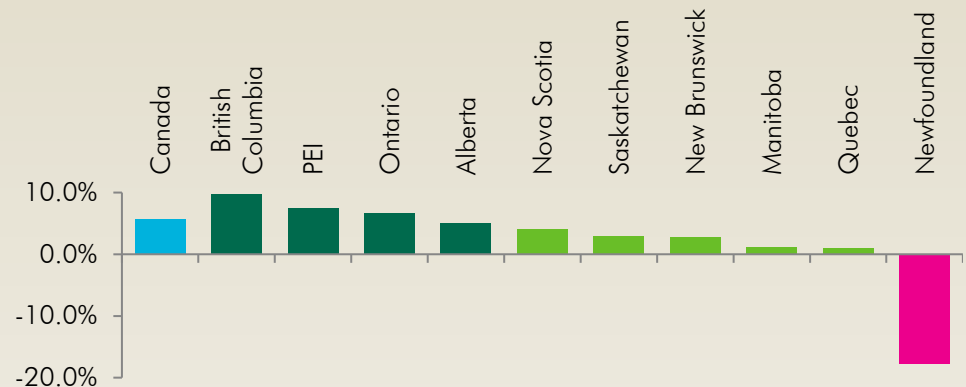
## HOTEL PERFORMANCE – NATIONAL FOCUS

Hotel markets across the country continue to have strong RevPAR growth through the third quarter, mainly driven by strong ADR growth. The majority of provinces are showing positive RevPAR growth, with weaker growth in Manitoba and Quebec, and Newfoundland declining in RevPAR growth. Nationally, hotel markets across the country are tracking in line with CBRE's RevPAR forecasts.

NATIONAL	2017	2018 FORECAST	2018 (YTD Q3)
Occupancy	66%	◀ 0.0 pts	▲ 0.6 pts
ADR	\$155	▲ 4.5%	▲ 4.7%
RevPAR	\$102	▲ 5.8%	▲ 5.7%

## YTD Q3 2018 REVPAR GROWTH

Through the third quarter, British Columbia leads the country followed by PEI, with RevPAR growth at 9.7% and 7.5% respectively. The rest of the provinces are growing in RevPAR with Newfoundland being the only province to experience negative growth through Q3. Both Alberta and Ontario have grown more than 5.0% in RevPAR. Canada overall grew 5.7% in RevPAR year to date, which is in line with the 5.8% CBRE 2018 forecast.



## Q3 2018 CANADIAN CAP RATES

The following table summarizes the third quarter cap rate survey results for hotels in the major Canadian markets. Cap rates held steady this quarter as the sector continues to perform at record levels on a national level from both a top and bottom line perspective. Significant appetite for quality assets in Toronto and Vancouver remains, which is not being met by the scarcity of product coming to market.

	Vancouver	Calgary	Edmonton	Winnipeg
Downtown Full Service	4.50%-6.00% ◀	7.00%-8.75% ◀	7.25%-8.75% ◀	7.00%-8.50% ◀
Suburban Limited Service	6.50%-7.50% ◀	8.00%-9.25% ◀	8.50%-9.50% ◀	8.00%-9.50% ◀
Focused Service	6.00%-7.50% ◀	7.50%-9.25% ◀	8.00%-9.50% ◀	7.50%-8.75% ◀

	Toronto	Ottawa	Montreal	Halifax
Downtown Full Service	4.50%-6.00% ◀	7.00%-8.00% ◀	7.00%-8.00% ◀	7.25%-8.75% ◀
Suburban Limited Service	7.00%-8.50% ◀	7.75%-8.75% ◀	7.75%-8.75% ◀	8.00%-9.00% ◀
Focused Service	7.00%-8.00% ◀	7.50%-8.50% ◀	7.50%-8.75% ◀	7.50%-9.00% ◀

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## HOTEL PERFORMANCE – EASTERN FOCUS

RevPAR growth in Central Canada is strong through the third quarter, driven mainly by ADR growth. Both Occupancy and ADR are ahead of CBRE's mid-year forecasts. Ontario continues to drive growth in this region while Atlantic Canada is decreasing in occupancy and RevPAR through Q3.

CENTRAL CANADA	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	70%	◀ 0.0 pts	▲ 0.6 pts
ADR	\$158	▲ 3.9%	▲ 4.5%
RevPAR	\$110	▲ 4.9%	▲ 5.3%

### ONTARIO

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	69%	▲ 1.0 pts	▲ 1.2 pts
ADR	\$155	▲ 4.5%	▲ 5.0%
RevPAR	\$107	▲ 6.0%	▲ 6.7%

### QUEBEC

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	70%	▲ 0.1 pts	▼ 1.3 pts
ADR	\$168	▲ 3.0%	▲ 2.8%
RevPAR	\$118	▲ 3.2%	▲ 0.9%

### ATLANTIC CANADA

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	63%	▼ 1.0 pts	▼ 2.3 pts
ADR	\$135	▲ 4.1%	▲ 3.4%
RevPAR	\$86	▲ 2.3%	▼ 0.2%

## URBAN ANALYSIS

In the major centres, Toronto has shown strong growth through the third quarter in rate and occupancy and RevPAR is up past projections at 8.6% year to date. Montreal is down 1.9% in RevPAR through the third quarter 2018 tracking below CBRE's mid-year forecast. St. John's continues to drop in RevPAR due to a 12 point drop in Occupancy with both declining demand and new supply in the market.

	2017	2018F	2018 YTD Q3		2017	2018F	2018 YTD Q3		
<b>TORONTO</b>	Occupancy	76%	▲ 1.3pts	▲ 1.3pts	<b>QUEBEC CITY</b>	Occupancy	68%	▲ 0.4 pts	▲ 1.4pts
	ADR	\$172	▲ 6.6%	▲ 6.8%		ADR	\$168	▲ 4.0%	▲ 4.7%
	RevPAR	\$130	▲ 8.5%	▲ 8.6%		RevPAR	\$114	▲ 4.6%	▲ 6.8%
<b>OTTAWA</b>	Occupancy	75%	▼ 1.1 pts	▼ 0.9pts	<b>ST. JOHN'S</b>	Occupancy	63%	▼ 12pts	▼ 11.6pts
	ADR	\$172	▼ 1.9%	▼ 2.1%		ADR	\$149	▼ 1.5%	▼ 2.7%
	RevPAR	\$128	▼ 3.3%	▼ 3.3%		RevPAR	\$93	▼ 21%	▼ 19.7%
<b>MONTREAL</b>	Occupancy	75%	▼ 2.4 pts	▼ 3.1pts	<b>HALIFAX</b>	Occupancy	72%	▼ 1.4pts	▼ 2.4pts
	ADR	\$175	▲ 2.8%	▲ 2.3%		ADR	\$149	▲ 6.5%	▲ 5.7%
	RevPAR	\$131	▼ 0.4%	▼ 1.9%		RevPAR	\$107	▲ 4.5%	▲ 2.4%

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## HOTEL PERFORMANCE – WESTERN FOCUS

Through the third quarter, Western Canada's RevPAR continues to grow, with Occupancy growth just ahead of CBRE's forecast at 1.1 points and ADR growth slightly below for a 7.0% RevPAR growth over 2017. British Columbia and Alberta are leading Western Canada's strong RevPAR growth, and British Columbia is maintaining its 10% ADR growth through the third quarter. Saskatchewan and Manitoba are also seeing RevPAR growth, though at lower rates due to offsets from ADR and Occupancy.

WESTERN CANADA	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	62%	▲ 1.0 pts	▲ 1.1 pts
ADR	\$155	▲ 5.3%	▲ 5.2%
RevPAR	\$96	▲ 7.6%	▲ 7.0%

### BRITISH COLUMBIA

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	70%	▲ 0.9 pts	▲ 0.1 pts
ADR	\$173	▲ 10.0%	▲ 9.5%
RevPAR	\$121	▲ 11.5%	▲ 9.7%

### ALBERTA

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	54%	▲ 2.0 pts	▲ 2.3 pts
ADR	\$130	▲ 0.0%	▲ 0.7%
RevPAR	\$70	▲ 3.8%	▲ 5.0%

### SASKATCHEWAN

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	54%	▲ 2.3 pts	▲ 2.7 pts
ADR	\$119	▼ 1.5%	▼ 1.9%
RevPAR	\$64	▲ 2.7%	▲ 3.0%

### MANITOBA

	2017	2018 Forecast	2018 (YTD Q3)
Occupancy	69%	▼ 0.5 pts	▼ 0.4 pts
ADR	\$123	▲ 2.5%	▲ 1.7%
RevPAR	\$84	▲ 1.7%	▲ 1.1%

## URBAN ANALYSIS

In the Western Canada major urban centres, Calgary continues its strong RevPAR growth and is pushing above our projections. Vancouver and Regina also continue to do well in RevPAR growth through the third quarter; Vancouver from ADR growth and Regina from Occupancy growth. Saskatoon's RevPAR is declining in line with CBRE's projections due to falling ADRs, despite the slight growth in Occupancy.

		2017	2018 F	2018 YTD Q3			2017	2018 F	2018 YTD Q3
<b>VANCOUVER</b>	Occupancy	79%	▲ 1.8pts	▲ 0.7 pts	<b>REGINA</b>	Occupancy	56%	▲ 3.6pts	▲ 3.8 pts
	ADR	\$190	▲ 10.7%	▲ 11.5%		ADR	\$121	▲ 1.0%	▼ 1.2%
	RevPAR	\$150	▲ 13.2%	▲ 12.4%		RevPAR	\$68	▲ 7.6%	▲ 5.4%
<b>CALGARY</b>	Occupancy	59%	▲ 2.8pts	▲ 4.0 pts	<b>SASKATOON</b>	Occupancy	60%	▲ 1.2pts	▲ 0.4 pts
	ADR	\$144	▲ 0.1%	▲ 2.1%		ADR	\$125	▼ 3.0%	▼ 1.9%
	RevPAR	\$85	▲ 4.8%	▲ 8.9%		RevPAR	\$75	▼ 1.1	▼ 1.2%
<b>EDMONTON</b>	Occupancy	57%	▲ 1.7pts	▲ 0.9 pts	<b>WINNIPEG</b>	Occupancy	71%	▼ 1.2pts	▼ 1.3 pts
	ADR	\$130	▼ 0.8%	▼ 1.6%		ADR	\$129	▲ 3.0%	▲ 2.0%
	RevPAR	\$74	▲ 2.2%	◀ 0.0%		RevPAR	\$92	▲ 1.2%	▲ 0.2%