

CBRE HOTELS UPDATE

Q4 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 2018 progress of the Canadian lodging sector and the revised 2019 outlooks.

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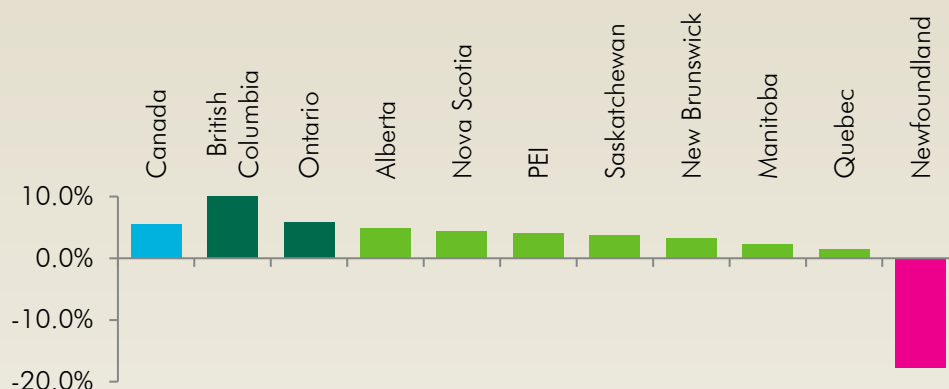
HOTEL PERFORMANCE – NATIONAL FOCUS

Hotel markets across the country finished the year with strong RevPAR growth, driven by significant gains in ADR growth. Most provinces saw positive RevPAR growth in 2018, though Manitoba and Quebec had weaker occupancy growth, and Newfoundland's substantial drop in occupancy led to negative RevPAR growth. Looking forward, national RevPAR is expected to continue growing in 2019, though at a more modest pace.

NATIONAL	2018	2019 FORECAST	2018-2019
Occupancy	66%	66%	▲ 0.1 pts
ADR	\$162	\$168	▲ 3.9%
RevPAR	\$107	\$112	▲ 4.0%

YTD Q4 2018 REVPAR GROWTH

Through the fourth quarter, British Columbia continues to lead the country followed by Ontario, with RevPAR growth at 10.1% and 5.8% respectively. While almost all provinces showed positive growth, only British Columbia and Ontario maintained RevPAR growth over 5% through the fourth quarter—the exception being Newfoundland, which finished the year with -17.7% RevPAR. Canada overall finished with 5.5% RevPAR growth, just below the 5.8% CBRE 2018 forecast.



Q4 2018 CANADIAN CAP RATES

After an extended period of modest national supply growth, the development pipeline in many cities is expanding as investors look for alternative ways to enter markets where acquisitions opportunities are scarce. The fourth quarter saw downward pressure applied to hotels cap rates in Calgary and Edmonton, signaling a willingness from investors to accept lower yields in the short term in exchange for potential upside. The following table summarizes the fourth quarter cap rate survey results for hotels in the major Canadian markets.

	Vancouver	Calgary	Edmonton	Winnipeg
Downtown Full Service	4.50%-6.00% ◀▶	6.75%-8.50% ▼	7.00%-8.50% ▼	7.00%-8.50% ◀▶
Suburban Limited Service	6.50%-7.50% ◀▶	7.75%-9.00% ▼	8.25%-9.25% ▼	8.00%-9.50% ◀▶
Focused Service	6.00%-7.50% ◀▶	7.25%-9.00% ▼	7.75%-9.25% ▼	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 finished strong in 2018, driven mainly by ADR growth. The challenge in Atlantic Canada, remains St. John's, Newfoundland. Our Outlook for both Central Canada and Atlantic Canada remains positive through 2019 based on strong economic fundamentals and continued growth in overnight travel.

CENTRAL CANADA	2018	2019 Forecast	2018 2019
Occupancy	70%	70%	▲ 0.3pts
ADR	\$165	\$171	▲ 3.6%
RevPAR	\$115	\$120	▲ 4.0%

ONTARIO

	2018	2019 Forecast	2018-2019
Occupancy	70%	70%	▲ 0.1 pts
ADR	\$162	\$169	▲ 4.0%
RevPAR	\$113	\$118	▲ 4.1%

QUEBEC

	2018	2019 Forecast	2018 2019
Occupancy	69%	70%	▲ 0.7pts
ADR	\$173	\$178	▲ 3.0%
RevPAR	\$120	\$125	▲ 4.0%

ATLANTIC CANADA

	2018	2019 Forecast	2018 2019
Occupancy	61%	61%	▼ 0.1pts
ADR	\$140	\$143	▲ 2.8%
RevPAR	\$86	\$88	▲ 2.6%

URBAN ANALYSIS

Quebec City and Toronto are anticipated to lead the Central and Atlantic Canada regions in terms of RevPAR growth in 2019. Halifax is forecast to achieve moderate RevPAR growth due to supply impacts in the market. In St. John's, the ADR remains unchanged and this market is forecast to continue to see RevPAR decline this year as additional supply enters the market.

		2018	2019F	2018 2019			2018	2019F	2018 2019
TORONTO	Occupancy	76%	76%	▼ 0.3pts	QUEBEC CITY	Occupancy	69%	70%	▲ 1.1pts
	ADR	\$183	\$194	▲ 6.3%		ADR	\$177	\$182	▲ 3.0%
	RevPAR	\$139	\$147	▲ 5.8%		RevPAR	\$122	\$128	▲ 4.6%
OTTAWA	Occupancy	74%	73%	▼ 0.7pts	ST. JOHN'S	Occupancy	53%	51%	▼ 1.3pts
	ADR	\$169	\$175	▲ 3.4%		ADR	\$142	\$142	◀▶ 0.0%
	RevPAR	\$124	\$127	▲ 2.3%		RevPAR	\$74	\$73%	▼ 2.6%
MONTREAL	Occupancy	73%	72%	▼ 0.2pts	HALIFAX	Occupancy	70%	68%	▼ 2.5pts
	ADR	\$179	\$186	▲ 3.9%		ADR	\$158	\$164	▲ 4.0%
	RevPAR	\$130	\$135	▲ 3.6%		RevPAR	\$111	\$111	▲ 0.2%

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HOTEL PERFORMANCE – WESTERN FOCUS

Western Canada's RevPAR finished strong in 2018, as British Columbia led the way with a 10% RevPAR growth. While British Columbia's gains came from strong ADR growth, both Alberta and Saskatchewan gained RevPAR growth from occupancy. 2018 marks a second consecutive year of RevPAR growth for Alberta since 2014. Manitoba saw modest growth in both occupancy and ADR. Looking forward, RevPAR is expected to grow in all western provinces led mainly by rate. Occupancy in 2019 will be slowed by additional supply entering the western markets.

WESTERN CANADA	2018	2019 Forecast	2018-2019
Occupancy	63%	63%	◀ 0.0 pts
ADR	\$163	\$170	▲ 4.4%
RevPAR	\$103	\$107	▲ 4.4%

BRITISH COLUMBIA

	2018	2019 Forecast	2018-2019
Occupancy	71%	71%	▲ 0.2 pts
ADR	\$188	\$202	▲ 7.0%
RevPAR	\$133	\$143	▲ 7.3%

ALBERTA

	2018	2019 Forecast	2018-2019
Occupancy	56%	56%	▼ 0.2 pts
ADR	\$131	\$133	▲ 1.5%
RevPAR	\$73	\$74	▲ 1.2%

SASKATCHEWAN

	2018	2019 Forecast	2018-2019
Occupancy	57%	57%	▲ 0.5 pts
ADR	\$118	\$119	▲ 1.0%
RevPAR	\$67	\$68	▲ 1.8%

MANITOBA

	2018	2019 Forecast	2018-2019
Occupancy	69%	70%	▲ 0.7 pts
ADR	\$125	\$128	▲ 2.0%
RevPAR	\$86	\$89	▲ 3.0%

URBAN ANALYSIS

Vancouver, Regina, and Calgary finished all had strong RevPAR growth in 2018 at over 5%, while Winnipeg and Edmonton had modest growth, and Saskatoon finished the year down slightly. In 2019, all major western markets are projected to grow, mainly from gains in ADR, as most western major markets will have an influx of supply resulting in modest occupancy growth.

	2018	2019F	2018-2019		2018	2019F	2018-2019		
VANCOUVER	Occupancy	80%	81%	▲ 0.5 pts	REGINA	Occupancy	60%	61%	▲ 1.2 pts
	ADR	\$212	\$229	▲ 7.9%		ADR	\$120	\$121	▲ 1.0%
	RevPAR	\$170	\$184	▲ 8.5%		RevPAR	\$72	\$74	▲ 3.0%
CALGARY	Occupancy	63%	62%	▼ 0.6 pts	SASKATOON	Occupancy	61%	61%	▼ 0.1 pts
	ADR	\$146	\$149	▲ 2.1%		ADR	\$124	\$125	▲ 1.0%
	RevPAR	\$92	\$93	▲ 1.2%		RevPAR	\$75	\$76	▲ 0.8%
EDMONTON	Occupancy	59%	58%	▼ 0.4 pts	WINNIPEG	Occupancy	70%	71%	▲ 0.3 pts
	ADR	\$129	\$130	▲ 1.2%		ADR	\$129	\$131	▲ 2.0%
	RevPAR	\$75	\$76	▲ 0.4%		RevPAR	\$90	\$92	▲ 2.4%