

# CBRE HOTELS UPDATE

Q3 2019

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*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 CBRE Hotels 2019 revised forecast that was presented in the August 2019 issue of our National Market Report.*

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### NATIONAL OVERVIEW

After a stronger Q2, the national YTD hotel market lost some of its earlier momentum in Q3. Through the third quarter ADR has grown by a less than 1.0%, while occupancies have dropped by almost 1 full percentage point, resulting in a slight RevPAR decline at -0.4%. In August, we downgraded our original 4% annual RevPAR growth projection to 2.3%. This revised forecast is reflected throughout the publication.

NATIONAL	2018	2019 Forecast	2019 YTD Q3
OCCUPANCY	66%	0.1 pts ▼	0.9 pts ▼
ADR	\$162	2.5% ▲	0.9% ▲
RevPAR	\$107	2.3% ▲	-0.4% ▼

### YTD Q3 2019 REVPAR GROWTH

The list of provinces where we are not expecting RevPAR Growth in 2019, line increased since our previous Q2 publication. With the lack of ADR growth the industry has seen throughout the year paired with softer occupancies in Q3, several provinces are showing RevPAR decline over 2018 through Q3. PEI is still leading the country with 5.1% growth while British Columbia has softened to 2.8% and Quebec to 1.5%. New Brunswick and Ontario have traded places as New Brunswick grew to 1.4% and Ontario declined to -1.2%. While some provinces, like Newfoundland and Saskatchewan have gained back some of their decline from the first half of the year, the remainder of provinces are showing RevPAR decline through Q3.



### Q3 2019 CANADIAN CAP RATES

The following table summarizes the third quarter cap rate survey results for hotels in the major Canadian markets. RevPAR expectations for 2019 have been scaled back as result of some demand softness and operator’s hesitance on ADR growth. The wide availability of debt and equity in the market and interest from new entrants is contributing to new supply growth and considerable demand for acquisitions. Some owners, however, seem to be reluctant to bring product to market given the challenges they face replacing the yields and income currently being earned. There are a few significant transactions expected to close over the remainder of the year, but full-year transaction volume will likely remain close to the 10-year average.

	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 | Q3 2019

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### EASTERN OVERVIEW

Atlantic Canada is rebounding after a tough year. Though RevPAR is still 1% below the same time last year, the gap is lessening due to growth in both ADR and occupancy. Central Canada's year over year RevPAR performance dropped into a -0.5% decline through the third quarter. Both Ontario and Quebec's rate growth shrunk as occupancies declined further, resulting in a -1.2% RevPAR decline in Ontario and a 1.5% growth in Quebec.

CENTRAL CANADA	2018	2019 Forecast	2019 YTD Q3
OCCUPANCY	70%	0.2 pts ▼	1.1 pts ▼
ADR	\$165	3.0% ▲	1.1% ▲
RevPAR	\$115	2.7% ▲	0.5% ▼
<b>ONTARIO</b>			
OCCUPANCY	70%	0.6 pts ▼	1.4 pts ▼
ADR	\$162	3.0% ▲	0.7% ▲
RevPAR	\$113	2.0% ▲	1.2% ▼
<b>QUEBEC</b>			
OCCUPANCY	69%	0.5 pts ▲	0.3 pts ▼
ADR	\$173	3.0% ▲	1.9% ▲
RevPAR	\$120	3.8% ▲	1.5% ▲
<b>ATLANTIC CANADA</b>			
OCCUPANCY	61%	0.2 pts ▲	0.0 pts ◀▶
ADR	\$140	0.2% ▼	1.0% ▼
RevPAR	\$86	0.1% ▲	1.0% ▼

### URBAN ANALYSIS

In Eastern major urban centres, Montreal and Quebec City lead the charge through Q3. Montreal's ADR dropped slightly over Q2 levels but RevPAR growth is still strong at 4.4% while Quebec City is essentially flat over the same time last year despite a slight drop in both occupancy and rate over Q2. Toronto's RevPAR declined further to -2.1% due to occupancy erosion, and Ottawa fell into decline with -2.5% RevPAR. St. John's occupancy grew slightly in Q3, however lower rates resulted in a slight drop in RevPAR from Q2 to -3.8% YTD. Halifax grew in occupancy and ADR to just below 2018 levels at -0.9%.

TORONTO	2018	2019 Forecast	2019 YTD Q3	QUEBEC CITY	2018	2019 Forecast	2019 YTD Q3
OCCUPANCY	76%	1.3 pts ▼	2.1 pts ▼	OCCUPANCY	69%	0.1 pts ▲	0.2 pts ▼
ADR	\$183	2.2% ▲	0.6% ▲	ADR	\$177	2.0% ▲	0.5% ▲
RevPAR	\$139	0.5% ▲	2.1% ▼	RevPAR	\$122	2.0% ▲	0.2% ▲
<b>OTTAWA</b>				<b>ST. JOHN'S</b>			
OCCUPANCY	74%	2.5 pts ▼	1.9 pts ▼	OCCUPANCY	53%	1.6 pts ▲	2.4 pts ▲
ADR	\$169	2.3% ▲	0.0% ◀▶	ADR	\$142	8.0% ▼	7.8% ▼
RevPAR	\$124	1.2% ▼	2.5% ▼	RevPAR	\$74	5.3% ▼	3.8% ▼
<b>MONTREAL</b>				<b>HALIFAX</b>			
OCCUPANCY	73%	1.0 pts ▲	1.2 pts ▲	OCCUPANCY	70%	0.6 pts ▼	0.4 pts ▲
ADR	\$179	2.9% ▲	2.7% ▲	ADR	\$158	0.5% ▼	1.4% ▼
RevPAR	\$130	4.3% ▲	4.4% ▲	RevPAR	\$111	1.4% ▼	0.9% ▼

# Hotel Performance

## WESTERN | Q3 2019



### WESTERN OVERVIEW

Western Canada's RevPAR growth declined to be essentially flat (-0.1%) through Q3 as both occupancy and rates declined over Q2. BC is still in the lead, however RevPAR growth dropped to 2.8%. Alberta's slight rate growth was overshadowed by occupancy declines and RevPAR declined further to -3.3%. While Saskatchewan lessened its decline through rate growth, Manitoba's RevPAR declined further due to lower occupancies.

WESTERN CANADA	2018	2019 Forecast	2019 YTD Q3
OCCUPANCY	63%	0.1 pts ▼	0.8 pts ▼
ADR	\$163	2.4% ▲	1.1% ▲
RevPAR	\$103	2.3% ▲	0.1% ▼
<b>BRITISH COLUMBIA</b>			
OCCUPANCY	71%	0.9 pts ▲	0.3 pts ▲
ADR	\$188	4.0% ▲	2.3% ▲
RevPAR	\$133	5.3% ▲	2.8% ▲
<b>ALBERTA (Excl. Resorts)</b>			
OCCUPANCY	56%	0.5 pts ▼	1.2 pts ▼
ADR	\$131	0.0% ◀▶	1.2% ▼
RevPAR	\$73	0.9% ▼	3.3% ▼
<b>SASKATCHEWAN</b>			
OCCUPANCY	57%	0.8 pts ▼	1.2 pts ▼
ADR	\$118	0.0% ◀▶	0.6% ▲
RevPAR	\$67	1.3% ▼	1.5% ▼
<b>MANITOBA</b>			
OCCUPANCY	69%	0.1 pts ▲	1.3 pts ▼
ADR	\$125	1.0% ▲	0.5% ▼
RevPAR	\$86	1.1% ▲	2.3% ▼

### URBAN ANALYSIS

While Western Canada's metro areas are showing softer performance than the same time last year, several markets improved performance over Q2 through Q3. Vancouver's RevPAR growth cooled from 7.5% through Q2 to 3.9% with declines in both rate and occupancy. Calgary slowed its RevPAR decline to -4.1%, while Edmonton declined further to -4.9% as lower occupancies dwarfed the slight rate growth. Regina came back from almost 10% RevPAR decline through Q2 to -5.5%. Saskatoon maintained its slightly positive growth at 0.7%, while Winnipeg declined further to -1.4% from both rate and occupancy declines.

VANCOUVER	2018	2019 Forecast	2019 YTD Q3
OCCUPANCY	80%	0.5 pts ▲	0.1 pts ▼
ADR	\$212	6.7% ▲	4.0% ▲
RevPAR	\$170	7.3% ▲	3.9% ▲
<b>CALGARY</b>			
OCCUPANCY	63%	2.3 pts ▼	2.1 pts ▼
ADR	\$146	0.4% ▲	0.9% ▼
RevPAR	\$92	3.3% ▼	4.1% ▼
<b>EDMONTON</b>			
OCCUPANCY	59%	1.3 pts ▼	2.1 pts ▼
ADR	\$129	1.3% ▼	1.5% ▼
RevPAR	\$75	3.5% ▼	4.9% ▼
<b>REGINA</b>			
OCCUPANCY	60%	3.2 pts ▼	2.7 pts ▼
ADR	\$120	3.5% ▼	1.1% ▼
RevPAR	\$72	8.8% ▼	5.5% ▼
<b>SASKATOON</b>			
OCCUPANCY	61%	0.2 pts ▼	0.0 pts ◀▶
ADR	\$124	1.0% ▲	0.7% ▲
RevPAR	\$75	0.5% ▲	0.7% ▲
<b>WINNIPEG</b>			
OCCUPANCY	70%	0.2 pts ▼	0.4 pts ▼
ADR	\$129	0.5% ▲	0.8% ▼
RevPAR	\$90	0.2% ▲	1.4% ▼

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