

CBRE Hotels

Market Update



Spring 2023



With 2022 behind us, CBRE Hotels' projections for 2023 are detailed throughout this Hotel Market Update.

Market Update

This market update report provides a focused look at the performance of Canadian regions, provinces, and major markets.

Included are the 2022 year-end results of the Canadian lodging sector in addition to CBRE Hotels' 2023 forecast.

National Overview

Stronger than Projected Recovery in 2022

Nationally, Canadian hotels experienced rocket-fueled recovery than previously projected in 2022. Gains were made with inflation aiding a faster than expected rate recovery with strong leisure demand boosting occupancies. However, leisure demand was not enough to offset lagging segments such as corporate and meeting business within the Major Urban Downtown market as this market was the only market to have RevPAR fail to reach 2019 levels in 2022.

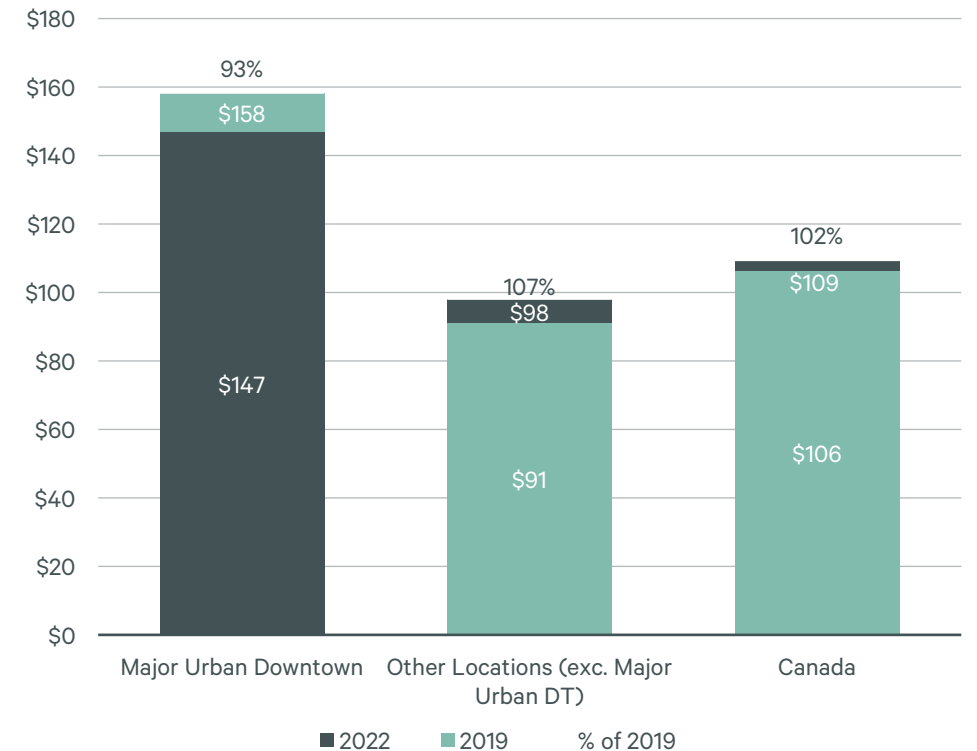
2023: Moderate Continued Growth

CBRE projects RevPAR will grow by 11% to reach \$122 in 2022 – back to 2019 levels. This is led by a strong national ADR reaching \$186. 2023 will bring continued economic growth as corporate and meeting conference travel return, but at modest growth rates compared to 2022.

Domestic leisure demand has fully recovered, but some international travel remains largely absent, depending on the source. Furthermore, markets that depend on group and corporate travel for a significant percent of demand are still facing some challenges in recovery.

While there are talks of an economic downturn, CBRE’s forecast does not take a significant downturn into account at this point, and projects that markets continue to slowly build back segmentation and bottom-line profits.

NATIONAL	2022	2023 Forecast	2022 - 2023
OCCUPANCY	61%	65%	4 pts ▲
ADR	\$179	\$186	4% ▲
RevPAR	\$109	\$122	11% ▲

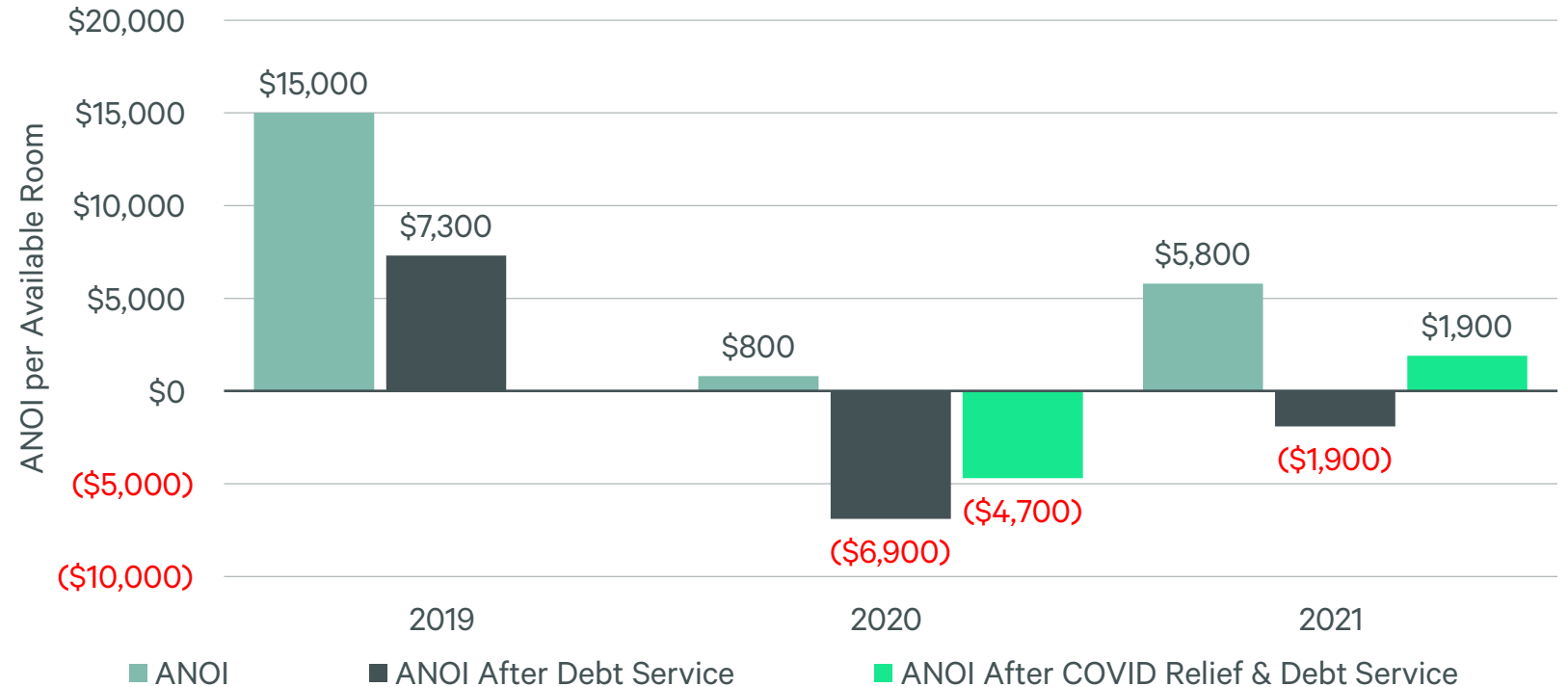


Bottom Line Impacts 2021 COVID Relief Grants & Debt Service

In 2021, national RevPAR increased by 47% after a significant 64% decline in 2020. This RevPAR increase corresponded with an 86% accretion in bottom line (ANOI) performance which grew from \$820 PAR in 2020 to \$5,800 PAR in 2021. The bottom line tracked by CBRE is ANOI before debt service—a significant cost for most owners. In 2020, assuming traditional debt financing, bottom lines fell to \$800 PAR that left owners faced with a cashflow shortfall of approximately \$6,900 PAR. Bottom line increased to \$5,800 in 2021 which reduced cashflow shortage to \$1,900 PAR. Canada was fortunate to see Government support (grant) programs in 2020 and 2021 which provided the average hotel with \$2,200 in 2020 and \$3,800 in 2021. This reduced the cashflow shortfall to \$4,700 in 2020 and doubled the cashflow back to positive in 2021 to \$1,900.

Adjusted Net Operating Income (ANOI) includes franchise fees, management fees, and capital reserve.

On average, properties received \$3,800/available room in COVID relief grant funding 2021.



Eastern Canada Provincial Overview

Eastern Canada Overview

Central Canada is expected to see RevPAR grow 14% in 2023 to reach \$131. The growth in the region is expected to be led by Quebec with projected RevPAR growth of 16% in 2023. Great improvement in 2022 ADR performance in Quebec is projected to continue into 2023 as demand will remain to lead growth. In Ontario, RevPAR is projected to grow slightly behind Quebec at 12% to reach \$127 in 2023 with modest gains in both occupancy and rates. The Atlantic region's RevPAR is projected to grow 6% in 2023 to reach \$99. Atlantic provinces saw a strong rate growth in 2022 – exceeding 2019 levels at times – and 2023 will be about building back volume in occupied room nights.

CENTRAL CANADA	2022	2023 Forecast	2022 - 2023	
Occupancy	62%	68%	6 pts	▲
ADR	\$185	\$192	4%	▲
RevPAR	\$115	\$131	14%	▲

QUEBEC	2022	2023 Forecast	2022 - 2023	
Occupancy	60%	67%	7 pts	▲
ADR	\$202	\$209	3%	▲
RevPAR	\$120	\$140	16%	▲

ONTARIO	2022	2023 Forecast	2022 - 2023	
Occupancy	63%	68%	5 pts	▲
ADR	\$179	\$186	4%	▲
RevPAR	\$113	\$127	12%	▲

ATLANTIC CANADA	2022	2023 Forecast	2022 - 2023	
Occupancy	60%	63%	3 pts	▲
ADR	\$156	\$158	1%	▲
RevPAR	\$93	\$99	6%	▲

Eastern Canada

Major Markets

Major Market Analysis


In 2022, leisure demand made a strong return while major markets across the country struggled with limited corporate and meeting conference business. However, CBRE believes in 2023 these segments will recover. In Eastern Canada, Montreal is expected to lead the major markets with RevPAR growth of 14% in 2023 to reach \$151. Toronto, Quebec City and Ottawa are projected to see RevPAR growth in the range of 10% to 12% with gains in occupancy as well as continued growth in ADR. Following a strong rate recover in 2022, Halifax and St. John's aim to build back occupied room nights to help recovery as a modest RevPAR growth of 6% and 7%, respectively, is expected in 2023.

Toronto	2022	2023 F	2022 - 2023	Montreal	2022	2023 F	2022 - 2023	Quebec City	2022	2023 F	2022 - 2023
Occupancy	67%	73%	6 pts ▲	Occupancy	63%	71%	8 pts ▲	Occupancy	57%	64%	7 pts ▲
ADR	\$202	\$212	5% ▲	ADR	\$206	\$213	3% ▲	ADR	\$215	\$221	3% ▲
RevPAR	\$136	\$155	12% ▲	RevPAR	\$130	\$151	14% ▲	RevPAR	\$124	\$140	11% ▲
Ottawa	2022	2023 F	2022 - 2023	Halifax	2022	2023 F	2022 - 2023	St. John's	2022	2023 F	2022 - 2023
Occupancy	62%	67%	5 pts ▲	Occupancy	67%	69%	2 pts ▲	Occupancy	60%	63%	3 pts ▲
ADR	\$177	\$181	2% ▲	ADR	\$180	\$184	2% ▲	ADR	\$143	\$144	1% ▲
RevPAR	\$109	\$121	10% ▲	RevPAR	\$120	\$127	6% ▲	RevPAR	\$85	\$91	7% ▲

Western Canada Provincial Overview

Western Canada Overview

CBRE expects 2023 will see a return in several non-leisure segments, however certain markets that are affected by international overnight visitation from Europe and Asia may take longer to recover. Overall, Western Canada is projected to grow by 9% to reach \$116 in 2023 with modest gain in both occupancy and ADR. Manitoba and Saskatchewan are expected to grow RevPAR by 9% and 8%, respectively, driven by continued rate and occupancy growth. Excluding resorts, Alberta's RevPAR is projected to grow 9% in 2023 to reach \$79. British Columbia will see modest growth of 9% to reach \$156 RevPAR in 2023 after seeing a strong recovery in 2022.

WESTERN CANADA	2022	2023 F	2022 - 2023	ALBERTA (EXCL. RESORTS)	2022	2023 F	2022 - 2023	BRITISH COLUMBIA	2022	2023 F	2022 - 2023
Occupancy	60%	63%	3 pts ▲	Occupancy	54%	57%	3 pts ▲	Occupancy	68%	70%	2 pts ▲
ADR	\$176	\$183	4% ▲	ADR	\$133	\$139	6% ▲	ADR	\$213	\$222	4% ▲
RevPAR	\$106	\$116	9% ▲	RevPAR	\$72	\$79	9% ▲	RevPAR	\$144	\$156	8% ▲
MANITOBA	2022	2023 F	2022 - 2023	SASKATCHEWAN	2022	2023 F	2022 - 2023	 <p>Want monthly insights? Sign up for our National Market Report. Detailed Canadian hotel data delivered straight to your inbox every month.</p>			
Occupancy	65%	67%	2 pts ▲	Occupancy	54%	57%	3 pts ▲				
ADR	\$138	\$145	5% ▲	ADR	\$124	\$130	5% ▲				
RevPAR	\$89	\$98	9% ▲	RevPAR	\$67	\$73	8% ▲				

Western Canada Major Markets

Major Market Analysis

Similar to eastern markets, leisure demand continues to be a strong driver in western major markets while the corporate and meeting conference business struggles have delayed occupancy recovery. In 2023, CBRE believes these segments will recover and major markets in Western Canada are expected to see a lift in non-peak periods with the return of more diversified segmentation. Regina and Saskatoon are expected to see 13% and 11% RevPAR growth in 2023; both markets are not expected to see any new supply resulting that gains in demands translate directly to gains in occupancy. Edmonton and Winnipeg are projected to grow RevPAR by 13% and 10% driven by both occupancy and rate growth. Calgary and Vancouver are expected to grow by 9% and 11% RevPAR, with Vancouver's RevPAR reaching \$193 in 2023.

Vancouver	2022	2023 F	2022 - 2023	Calgary	2022	2023 F	2022 - 2023	Edmonton	2022	2023 F	2022 - 2023
Occupancy	74%	78%	4 pts ▲	Occupancy	58%	62%	4 pts ▲	Occupancy	53%	56%	3 pts ▲
ADR	\$237	\$247	4% ▲	ADR	\$157	\$165	5% ▲	ADR	\$125	\$133	6% ▲
RevPAR	\$175	\$193	9% ▲	RevPAR	\$91	\$102	11% ▲	RevPAR	\$65	\$75	13% ▲
Regina	2022	2023 F	2022 - 2023	Saskatoon	2022	2023 F	2022 - 2023	Winnipeg	2022	2023 F	2022 - 2023
Occupancy	52%	57%	5 pts ▲	Occupancy	57%	60%	3 pts ▲	Occupancy	68%	71%	3 pts ▲
ADR	\$126	\$132	5% ▲	ADR	\$129	\$137	6% ▲	ADR	\$143	\$152	6% ▲
RevPAR	\$65	\$75	13% ▲	RevPAR	\$73	\$82	11% ▲	RevPAR	\$97	\$108	10% ▲

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