Canada hotel market report

2022 year-end

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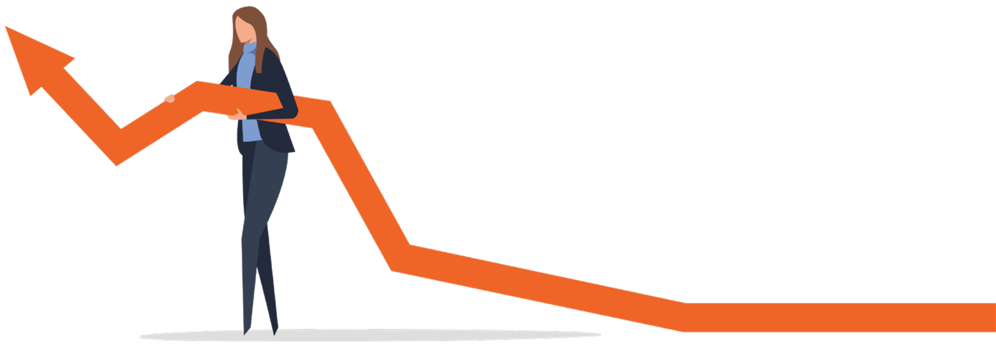
Industry performance summary

Operating results in the Canadian hotel industry recovered with vigour in 2022, surpassing pre-pandemic levels in both Average Daily Rate (ADR) and Revenue Per Available Room (RevPAR). Occupancy results lagged slightly compared with pre-pandemic levels as corporate and international travel both remained in the early stages of recovery.

With the ability to adjust ADR daily, hotels are well-positioned to respond with price increases to meet demand spikes and inflationary pressure. As a result, continued ADR increases drove positive financial results for the industry in 2022 as leisure travel and small local group demand surged in several major Canadian markets.



Canadian Major Market Hotel Metric Results – Year End December 2022 ($CAD)

City	Occupancy (%)	YoY Growth (%)	ADR ($)	YoY Growth (%)	RevPAR ($)	YoY Growth (%)
Vancouver	72.9	50.4	234.12	44.3	170.61	117.1
Calgary	58.5	69.8	152.15	29.0	88.97	119.0
Edmonton	51.8	46.8	128.10	21.0	66.35	77.6
Toronto	67.9	62.7	219.80	53.8	149.14	150.1
Ottawa	61.2	52.5	178.22	32.2	108.99	101.6
Montreal	62.1	88.6	205.15	35.1	127.45	154.8

Source: CoStar

As noted in the table above, each major Canadian market posted dramatically improved RevPAR results in 2022 compared with the prior year period. Montreal and Toronto recorded the most impressive gains.

Notable Hotel Transactions

Asset Name	City	Transaction Date	Price	Number of Rooms	Price Per Room
Coast Calgary Downtown Hotel & Suites by APA	Calgary	Apr-22	$20,475,000	120	$170,625
Four Points by Sheraton Kingston	Kingston	Jul-22	$28,700,000	169	$169,822
The Oakes Hotel Overlooking the Falls *	Niagara Falls	Jul-22	$112,500,000	237	$474,684
Quality Inn and Suites	Mississauga	Oct-22	$18,800,000	127	$148,031
Residence Inn Montreal Westmount *	Montreal	Nov-22	$63,000,000	219	$287,671
Kitchener Inn and Suites	Kitchener	Nov-22	$11,950,000	82	$145,700
Royal Canadian Lodge Banff & Charltons Banff	Banff	Nov-22	$75,678,000	164	$461,451
The Water Tower Inn BW, Premier	Sault Ste Marie	Dec-22	$19,500,000	176	$110,795
Holiday Inn Oakville *	Oakville	Dec-22	$38,000,000	147	$258,503

* Intended for alternative use or redevelopment

Through all of 2022, $580 million worth of deals took place in the major Canadian markets (Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montreal) – down 30% from 2021's total, but only down 3% compared with 2019 (pre-Covid). There were 55 transactions, which was a decrease of 41% year-over-year. Two major factors contributing to this decline in transaction velocity were the rapid increase in interest rates in the last 14 months, making debt financial more challenging; and that hotels are performing well and owners want to capture the income growth during this recovery period.

Outlook

Despite mixed opinions in the marketplace regarding the depth and severity of a potential recession, occupancy results in 2023 are expected to surpass 2022 levels and approach pre-pandemic results. Stronger group and international demand will likely continue and bolster outcomes, while performance for ADR and RevPAR could grow beyond 2022 levels – but not at the same pace as in the prior year, as inflationary pressures start to ease.

Transaction volumes are also expected to improve compared to 2022 with liquidity enhancement as lenders are enticed back to the sector's strong financial results and demonstrated resiliency during and post-pandemic. Increased interest costs will impact cash flows for hotel owners facing refinancing requirements this year. This may induce some transaction activity but certainly not at the wholesale level.

The lack of available assets to purchase will encourage more development activity. Regardless of relatively high construction costs and lingering supply-chain challenges, significant revenue growth prospects in several markets will result in more positive hotel feasibility outcomes.

For more market insights and information visit **avisonyoung.com**

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