

A photograph of a hotel reception area. A man with a beard, wearing a grey blazer over a dark shirt, is seated behind a wooden reception desk. He is smiling and looking towards a woman standing in front of him. The woman has long dark hair and is wearing a light-colored blazer. She is handing a card or document to the man. The background features a wall with a grid pattern and several vertical gold-colored light fixtures hanging from the ceiling.

Canada hotel market report

2023 review and
2024 outlook

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Industry performance summary

In 2023, the Canadian hotel industry staged a robust recovery, demonstrating remarkable confidence as it surpassed pre-pandemic levels in key performance indicators such as Average Daily Rate (ADR), Revenue Per Available Room (RevPAR), and Occupancy. Across all major markets in Canada, there was notable high single-digit or low double-digit year-over-year growth in Occupancy, accompanied by gradual increases in ADR and significant growth in RevPAR. Hotels demonstrated agility in adjusting ADR daily, positioning them to respond effectively to spikes in demand and inflationary pressures. Consequently, the industry recorded positive financial outcomes driven by continued ADR increases, fueled by a surge in leisure travel and small local group demand across several major Canadian markets. Upscale, Upper Upscale, and Luxury hotel segments experienced a notable resurgence in occupancy, each recording double-digit year-over-year growth. Overall, the positive year-over-year growth across all performance metrics signals a promising trajectory for the Canadian hospitality industry.



Canadian hotel performance metric results – year-2023 (\$)

Major markets

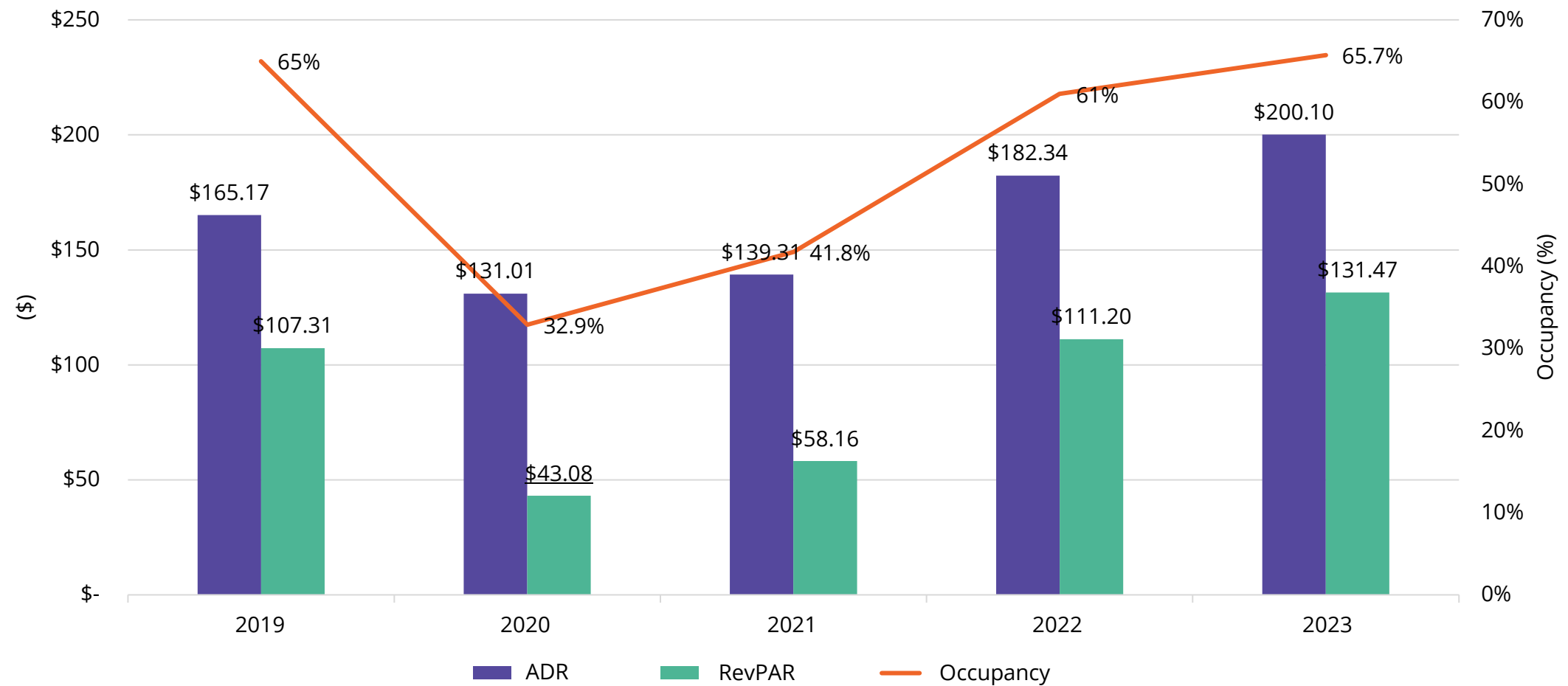
City	Occupancy (%)	YoY Growth (%)	ADR (\$)	YoY Growth (%)	RevPAR (\$)	YoY Growth (%)
Vancouver	79%	8%	\$266.59	13.8%	\$209.34	23%
Calgary	64%	10%	\$169.02	11.1%	\$108.43	22%
Edmonton	57%	9%	\$137.91	7.6%	\$78.17	18%
Ottawa	67%	11%	\$196.99	10.3%	\$132.92	22%
Toronto	74%	10%	\$248.57	12.4%	\$184.25	23%
Montreal	70%	12%	\$224.55	9.4%	\$156.39	23%

Classes

Class	Occupancy (%)	YoY Growth (%)	ADR (\$)	YoY Growth (%)	RevPAR (\$)	YoY Growth (%)
Luxury	65%	11%	\$389.94	5%	\$252.90	17%
Upper Upscale	68%	11%	\$251.72	10%	\$172.06	22%
Upscale	68%	10%	\$189.45	10%	\$129.48	21%
Upper Midscale	68%	5%	\$162.19	10%	\$111.06	16%
Midscale	63%	6%	\$142.95	7%	\$89.56	14%
Economy	55%	2%	\$126.08	8%	\$69.71	11%

Source: CoStar

Canadian Year End Occupancy, ADR and RevPAR



Source: CoStar

Notable hotel transactions

Asset Name	Location	Transaction Date	Price*	Number of Rooms	Price Per Room*
The Rimrock Resort Hotel	Banff, AB	Jun-23	\$170,000,000	333	\$510,500
The Hazelton Hotel	Toronto, ON	Jun-23	\$105,000,000	77	\$1,363,600
Ottawa Marriott Hotel	Ottawa, ON	Jul-23	\$86,500,000	489	\$176,900
GEC Granville/Hotel Residence (formerly: Best Western Plus Downtown)	Vancouver, BC	Nov-23	\$70,000,000	143	\$489,500
Intercontinental Hotel Montreal	Montreal, QC	Feb-23	\$47,000,000	357	\$131,700
Holiday Inn Express & Suites Toronto - Markham	Markham, ON	Dec-23	\$38,800,000	117	\$331,600
SpringHill Suites Old Montreal	Montreal, QC	Nov-23	\$35,297,500	124	\$284,700
Le St-Martin Montreal Hotel Particulier	Laval, QC	Oct-23	\$28,000,000	116	\$241,400
Best Western Premier Toronto Airport Carlingview Hotel	Etobicoke, ON	Jun-23	\$26,200,000	118	\$222,000
MTN House by Basecamp	Canmore, AB	Jan-23	\$24,000,000	99	\$242,400
Travelodge by Wyndham Edmonton South	Edmonton, AB	Aug-23	\$22,000,000	219	\$100,500

**Rounded*



Throughout 2023, major Canadian markets (including Vancouver, Calgary, Edmonton, Toronto, Ottawa, and Montreal) posted a total of \$780 million in hotel transactions – an increase of 38% from the previous year and 17% higher than pre-pandemic levels in 2019. Despite economic challenges, including the health crisis of Covid-19, the hotel market displayed remarkable resilience, with 49 transactions occurring, mirroring the number of transactions recorded in 2022.

This resurgence in hotel transaction volume reflects the increased demand for this asset class. This was accomplished despite economic pressures, including a challenging debt financing market and the lingering effects of the pandemic. Despite these various challenges, hotels have continued to perform well.

Looking ahead, this positive trend underscores the enduring appeal and resilience of the Canadian hotel market, positioning it for further growth and opportunity in the coming years.



2024 outlook

Over the past year, the commercial real estate market continued its rebound from the pandemic, showcasing the resilience and strengthened efficiency of hotels. Despite economic pressures and the potential for a recession, hotels have proven adept at navigating difficult times and emerging successful. Looking ahead, while the longer-term future appears promising, challenges may arise with travelers (individuals and corporations) seeking to reduce costs amid uncertainty in the economy.

While growth is anticipated in 2024, it may not be as robust as in the previous year, with the market likely to move towards more normalized conditions. The limited new supply coming online in the near term and sustained interest in the sector will serve as a safeguard for property values. Transaction volumes are expected to increase compared to 2023, driven by improved liquidity and lenders returning to the sector due to its strong financial performance. In addition, investors looking for assets that meet higher return thresholds than other traditional real estate investments have seen that hotels have demonstrated resiliency post-pandemic. However, hotel owners facing refinancing requirements will likely encounter increased interest costs, potentially prompting some transaction activity – albeit not at significant discounts due to the limited supply of investment opportunities and increased demand for the asset class. The scarcity of available assets for purchase will stimulate more development activity despite high construction costs and lingering supply-chain challenges. Regardless of these obstacles, several markets show significant revenue growth potential, resulting in more favourable hotel feasibility outcomes.



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