HOSPITALITY INNSIGHTS Q2 2024

CUSHMAN & WAKEFIELD

Canada Hotel Performance Update

Into the second half of 2024, the moderating pattern of performance has continued as hotel operations return to more typical supply and demand fluctuations. This, combined with economic conditions, inflation, and interest rates have slowed growth in the accommodation market so far this year.

In the first half of 2024, RevPAR performance in Canada increased by 4.0% compared to the same period in 2023. This growth was driven by a 4.3% increase in ADR, offset by a 0.3% decrease in occupancy due to a 0.5% increase in supply for the same period.

The chart below illustrates the changes in YOY performance in 2024. Following Q1 declines, results have improved moderately over 2023 levels.

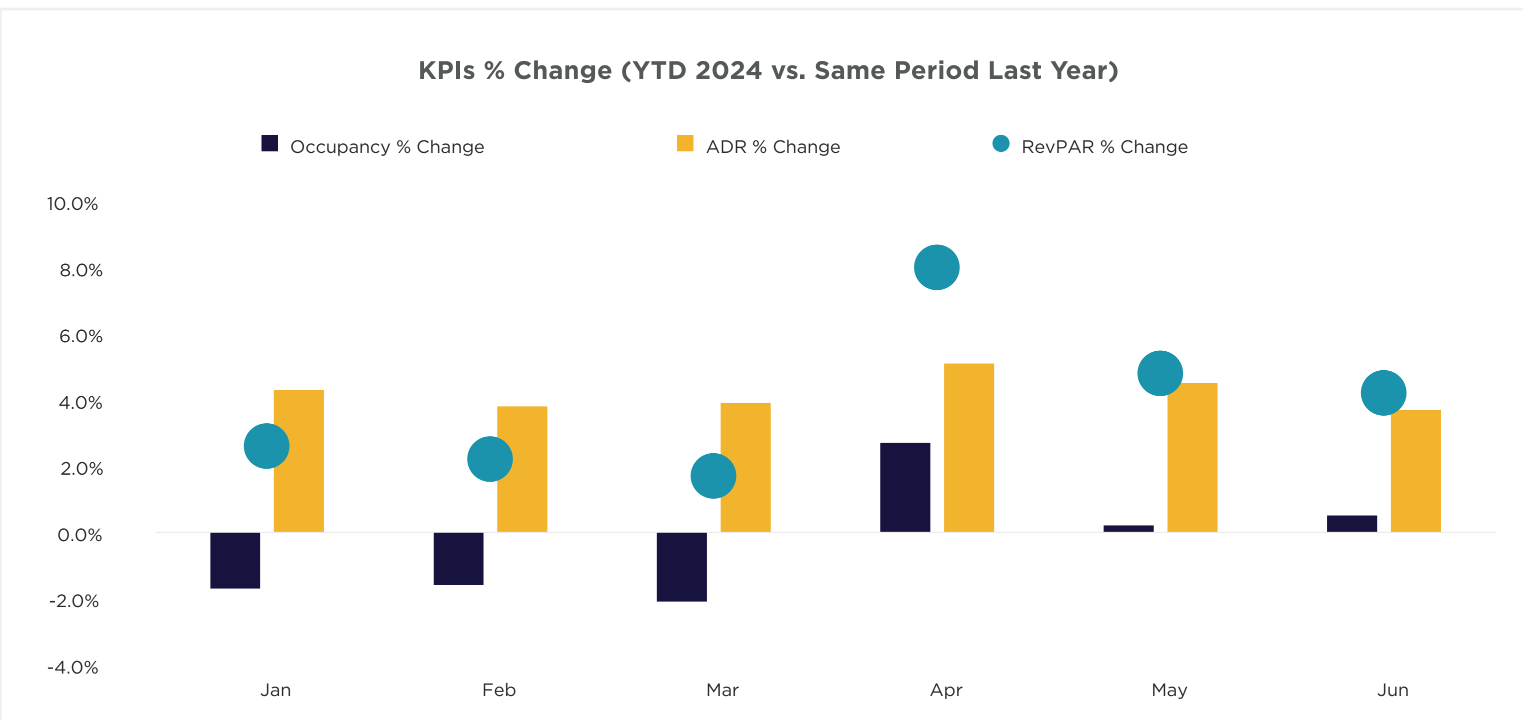
Year-to-Date June 2024 (% change from 2023)

Occupancy:
62.7% (-0.3%)

Average Daily Rate (ADR):
$197.25 (+4.3%)

Revenue Per Available Room (RevPAR):
$123.67 (+4.0%)

National Hotel Performance



Source: STR

01 Canada Hotel Performance Update

Provincial Patterns Split

YTD Q2 2024 performance of provinces across the country has varied but remains relatively modest overall. Most provinces have reported modest growth; however, a few provinces showed large RevPAR decline as a result of strong drops in occupancy.

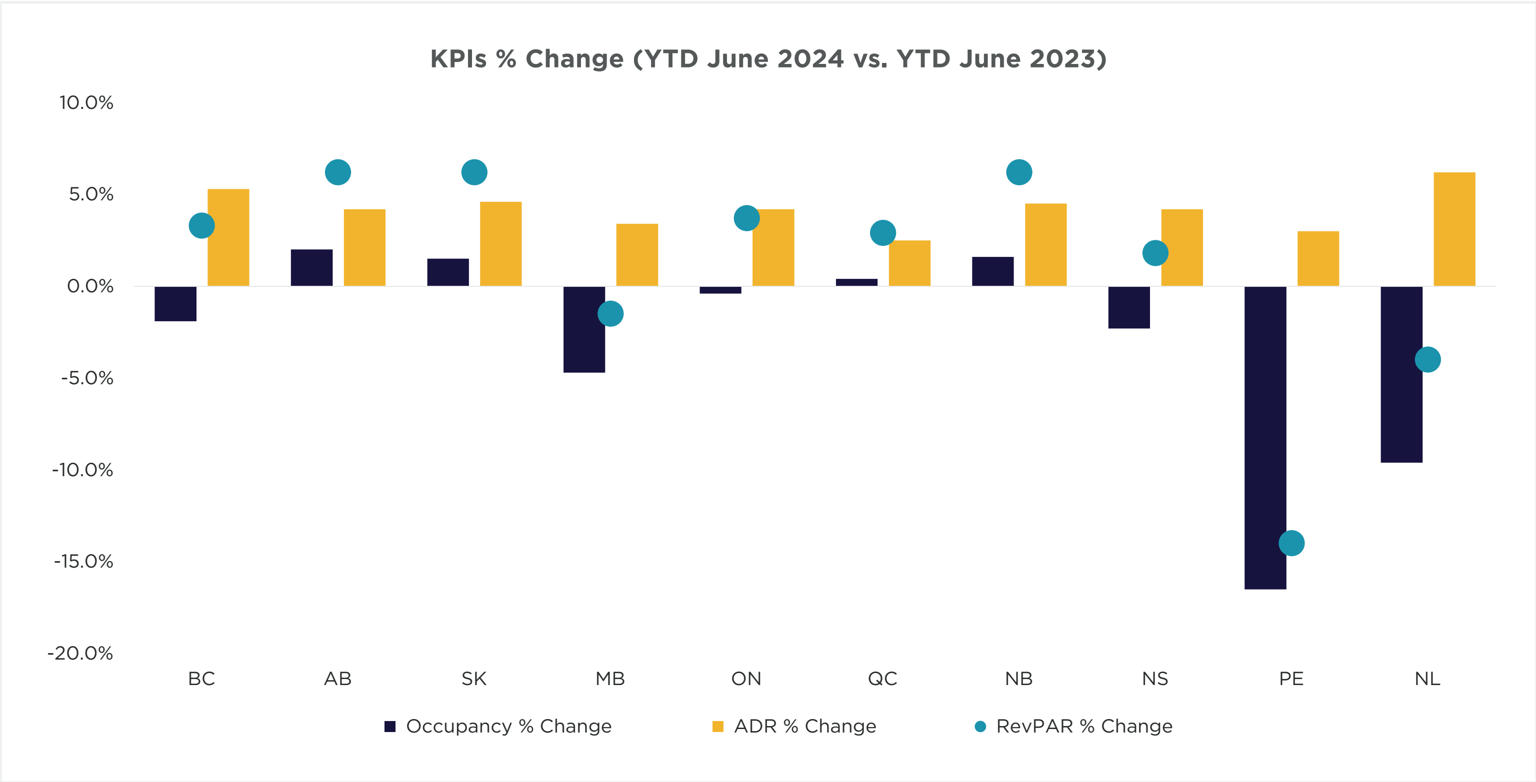
Most notably, Prince Edward Island saw a 14% decrease in RevPAR compared to a very strong first half of 2023, which saw abnormally high demand.

Newfoundland and Manitoba also saw a slight decline in RevPAR in Q2 2024, as a result of drops in demand, while British Columbia and Nova Scotia reported drops in demand that were offset by ADR growth, resulting in positive RevPAR performance.

On the plus side, Alberta, Saskatchewan and New Brunswick posted the strongest RevPAR growth of all the provinces this year at 6.2% due to growth in both occupancy and ADR. This was followed by Ontario, British Columbia, Quebec, and Nova Scotia.

Overall, between Q1 and Q2 2024, performance has improved, with six provinces showing occupancy growth, compared to only two provinces showing growth last quarter.

Provincial Performance



Source: STR

01 Canada Hotel **Performance Update**

Major Cities Update

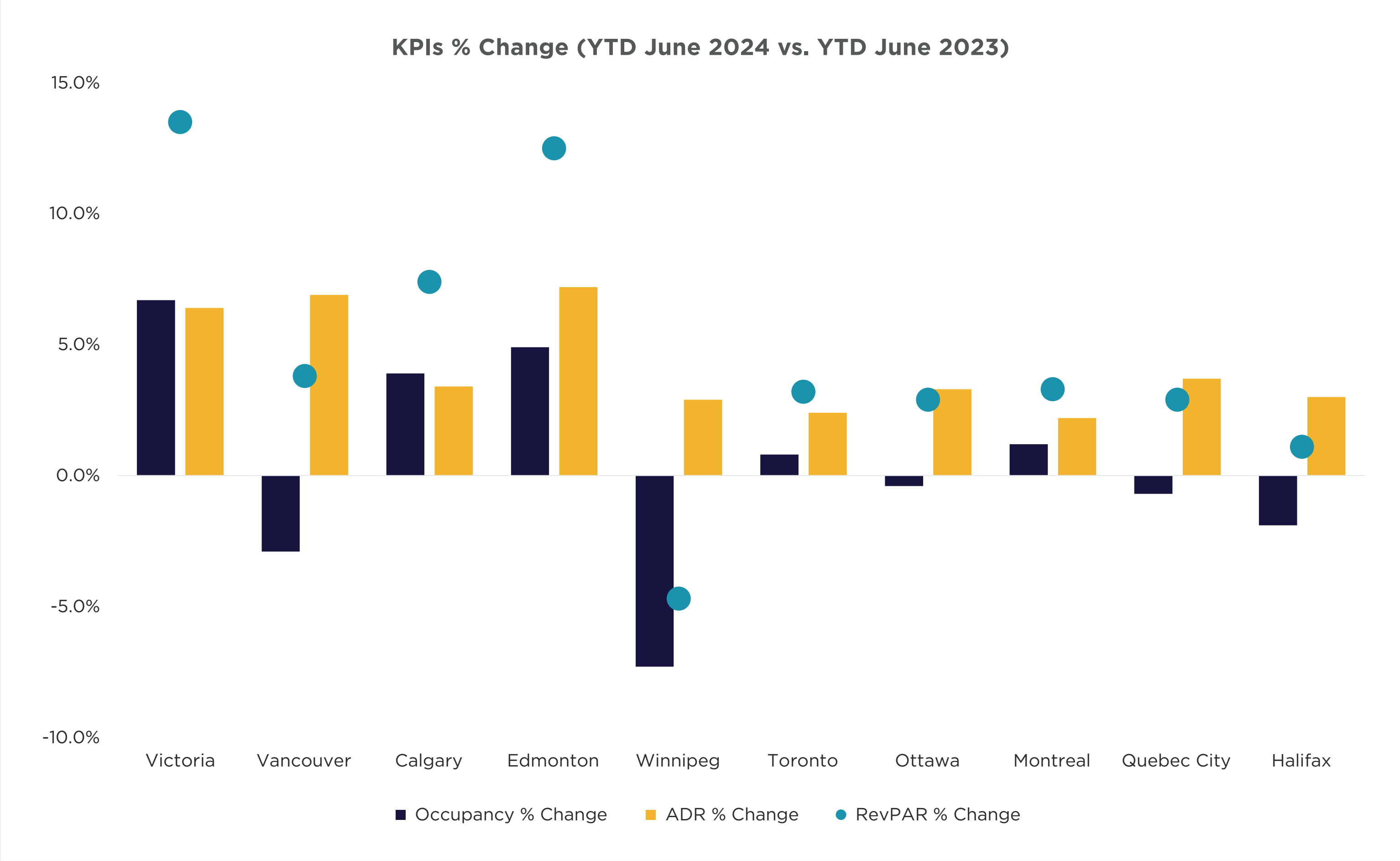
YTD Q2 2024 continues to show varying performance indicators across the major markets as a result of market specific factors, as opposed to the across-the-board recovery seen after COVID.

The strongest RevPAR growth in Q2 2024 was seen in Victoria (13.5%), followed by Edmonton (12.5%), Calgary (7.4%), Vancouver (3.8%).

Western Canadian markets comprise the top 4 performers for the first half of the year. This is followed by Montreal (3.3%), Toronto (3.2%), Ottawa and Quebec City (2.9%), and Halifax (1.1%).

Winnipeg was the only major market that reported a decline in RevPAR in Q2 2024, at -4.7%, as a result of a 7.3% decrease in occupancy.

Major Cities Performance



Source: STR

02 Economic **Trends**

ADR Outpacing Inflation

As the economy recovered from the pandemic, there was a definite correlation between ADR growth and overall inflation.

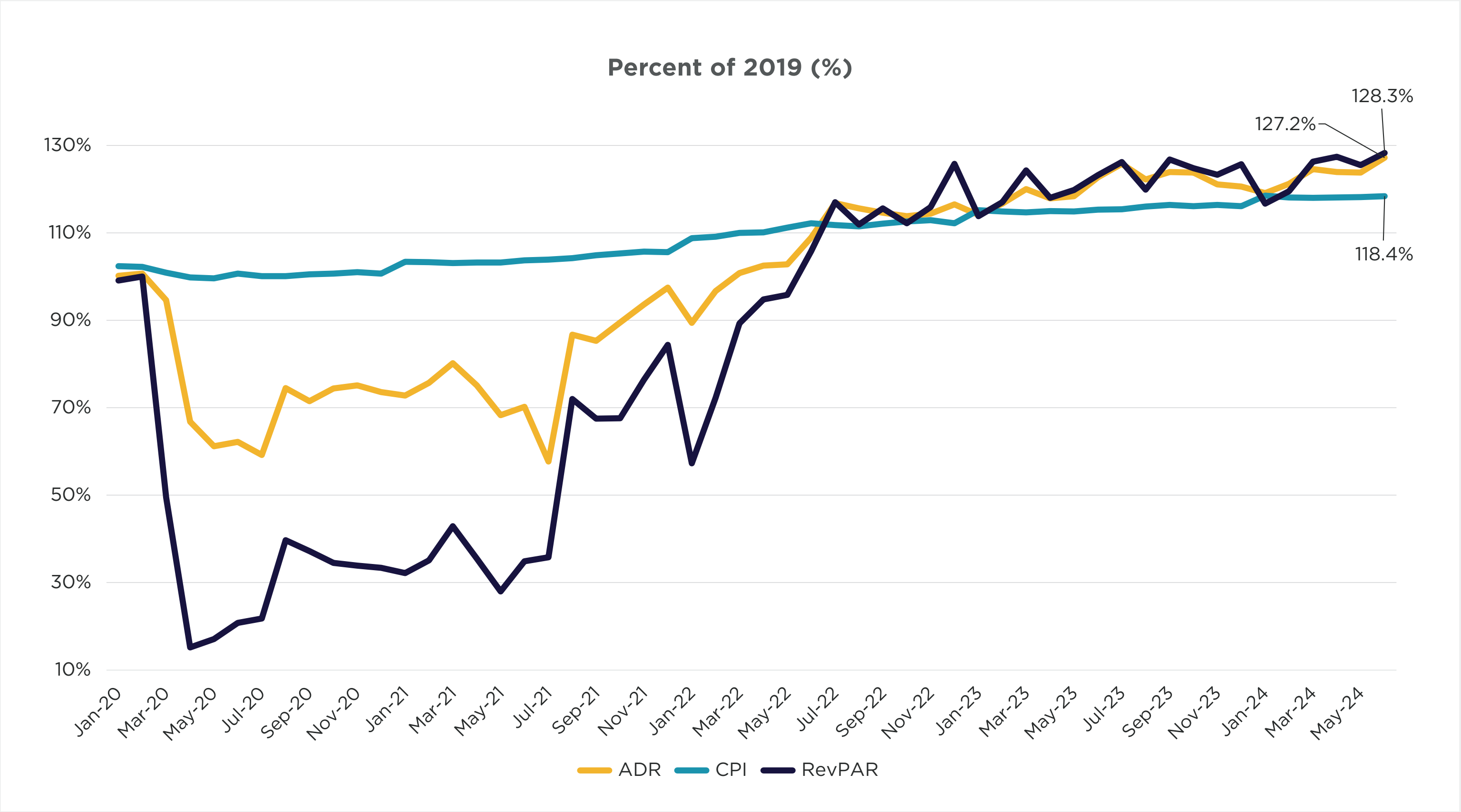
The post-pandemic period has seen a significant increase in ADR across hotels in Canada. However, inflation has had both positive and negative effects on hoteliers. On one hand, it has allowed them to raise their rates, but on the other hand, it has also driven up their costs, impacting their profitability.

The percentage changes of ADR and CPI were evaluated, by indexing the current figures against the figures from the corresponding month in 2019.

It took almost two and a half (2.5) years for real ADR to return to pre-pandemic levels. Since then, hotels have consistently recorded above fully recovered real ADR at the national level.

ADR has consistently tracked the rise in consumer prices - helping hoteliers operate amid inflationary and profit margin pressures.

ADR and CPI Relative to 2019



Source: STR, Statistics Canada. Compiled by Cushman & Wakefield ULC.

02 Economic **Trends**

ADR growth moderates in 2024

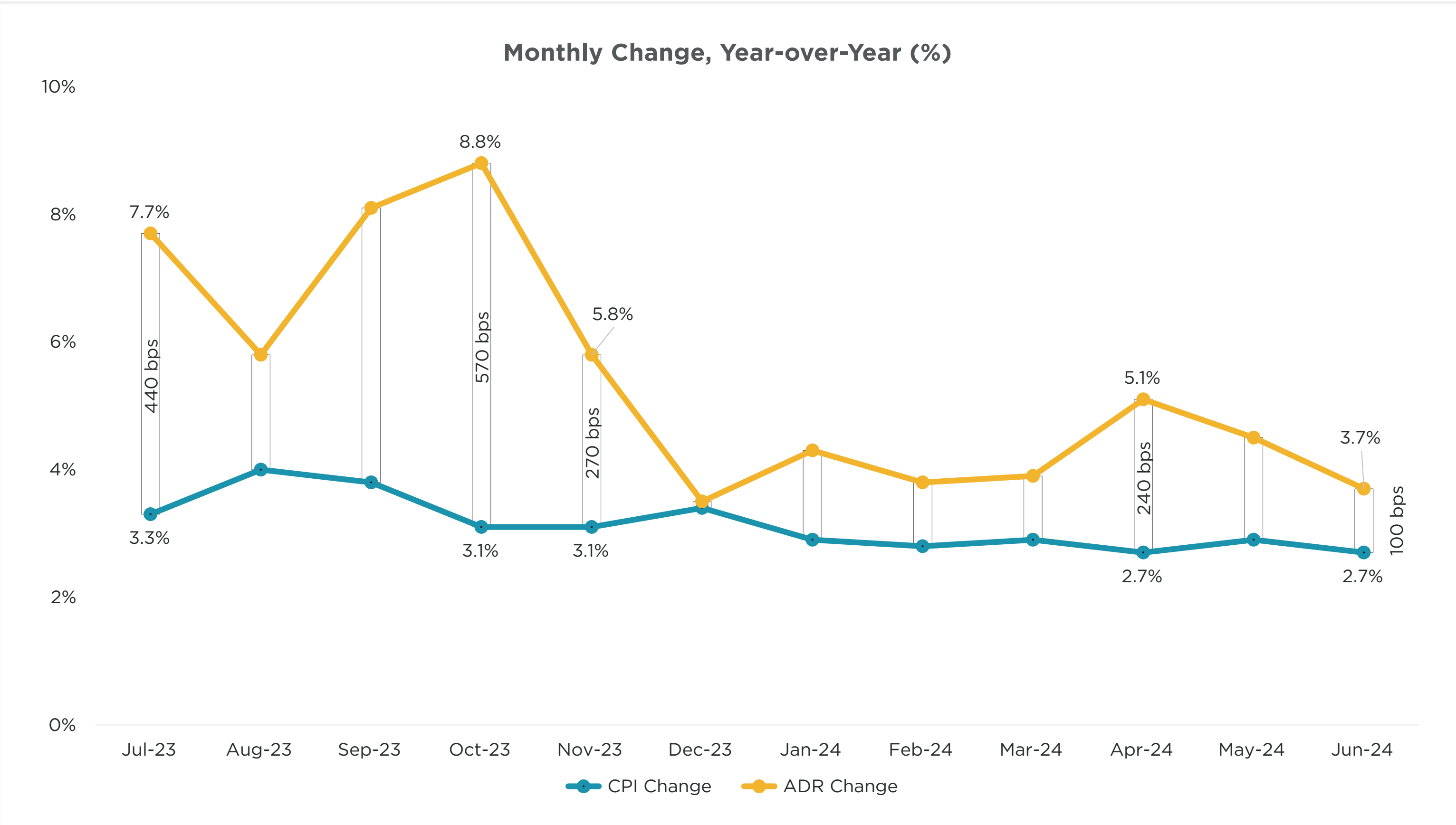
In the Bank of Canada's latest monetary policy report in July 2024, it was noted that broad inflationary pressures are easing. Consumer Price Index (CPI) inflation moderated to 2.7% in June 2024. The report anticipates that CPI inflation will come down below core inflation in the second half of this year, largely due to the base year effects on gasoline prices.

In June 2024, Canada's national ADR increased by 3.7% compared to the same period in 2023.

The consensus outlook suggests that the growth rate of ADR will continue to moderate into the second half of this year. This considers the increased price sensitivity shown by leisure travelers, and the impact of increased business travelers on overall ADR growth.

ADR growth will stabilize over the medium term, resulting in a smaller spread between ADR and CPI.

ADR and CPI Statistics



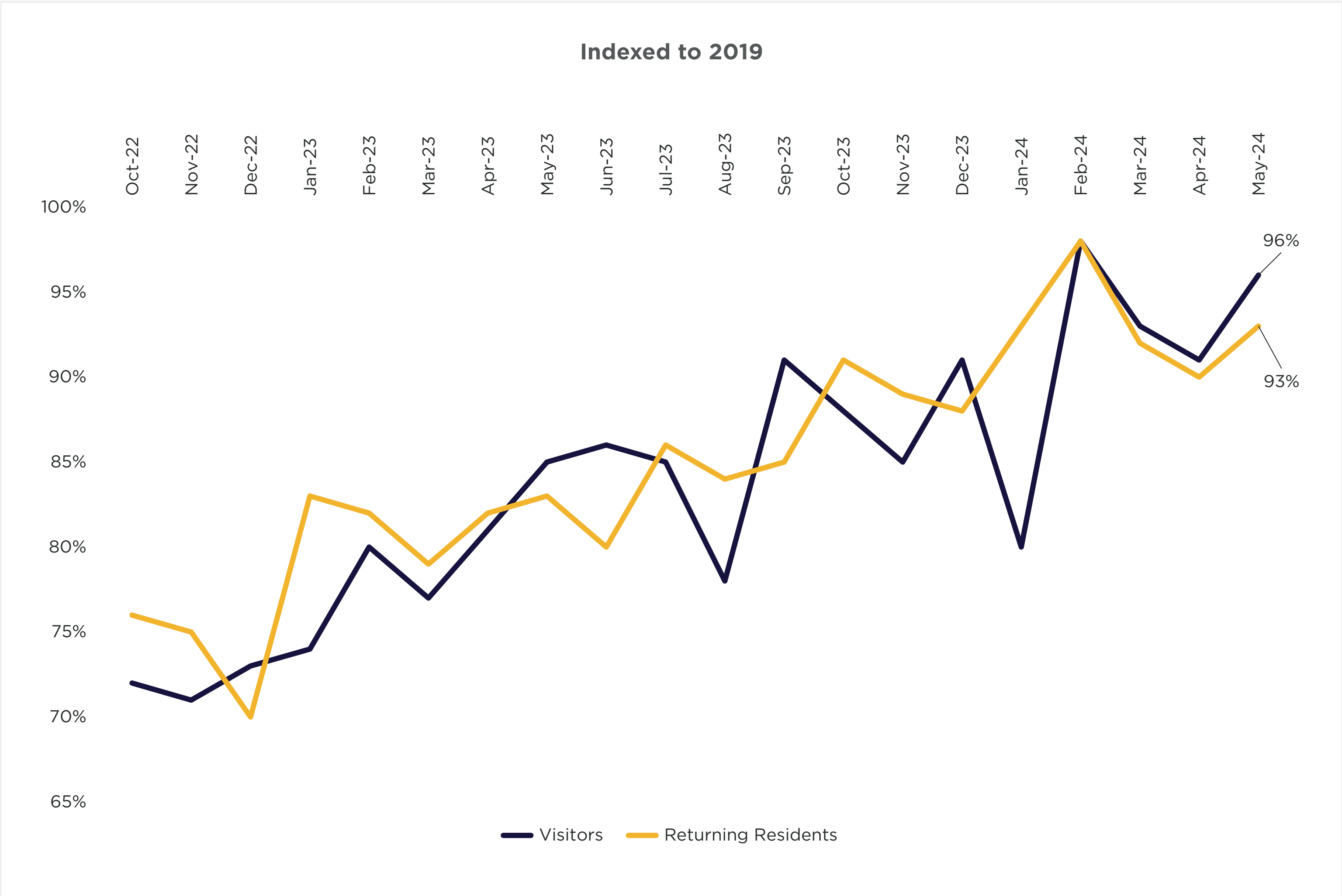
Source: STR, Statistics Canada. Compiled by Cushman & Wakefield ULC.

03 International **Travel (Inbound)**

Monthly Visitor Volume Above 90% of 2019 Levels

In October 2022, Canada removed all remaining pandemic-related border restrictions. Over the next 20 months, total visitor volume has increased from 72% in October 2022 to 96% in May 2024, as compared to the same months in 2019. The recovery pace has generally been in line with the pace for returning residents (Canadians returning from abroad).

Recovery of Inbound International Travel



Source: Statistics Canada. Compiled by Cushman & Wakefield ULC.

03 International **Travel (Inbound)**

Uneven Recovery Across Top Source Markets

While the total visitor volume as of YTD May 2024 reached 94% of 2019 levels, recovery across the top 10 source markets widely varies.

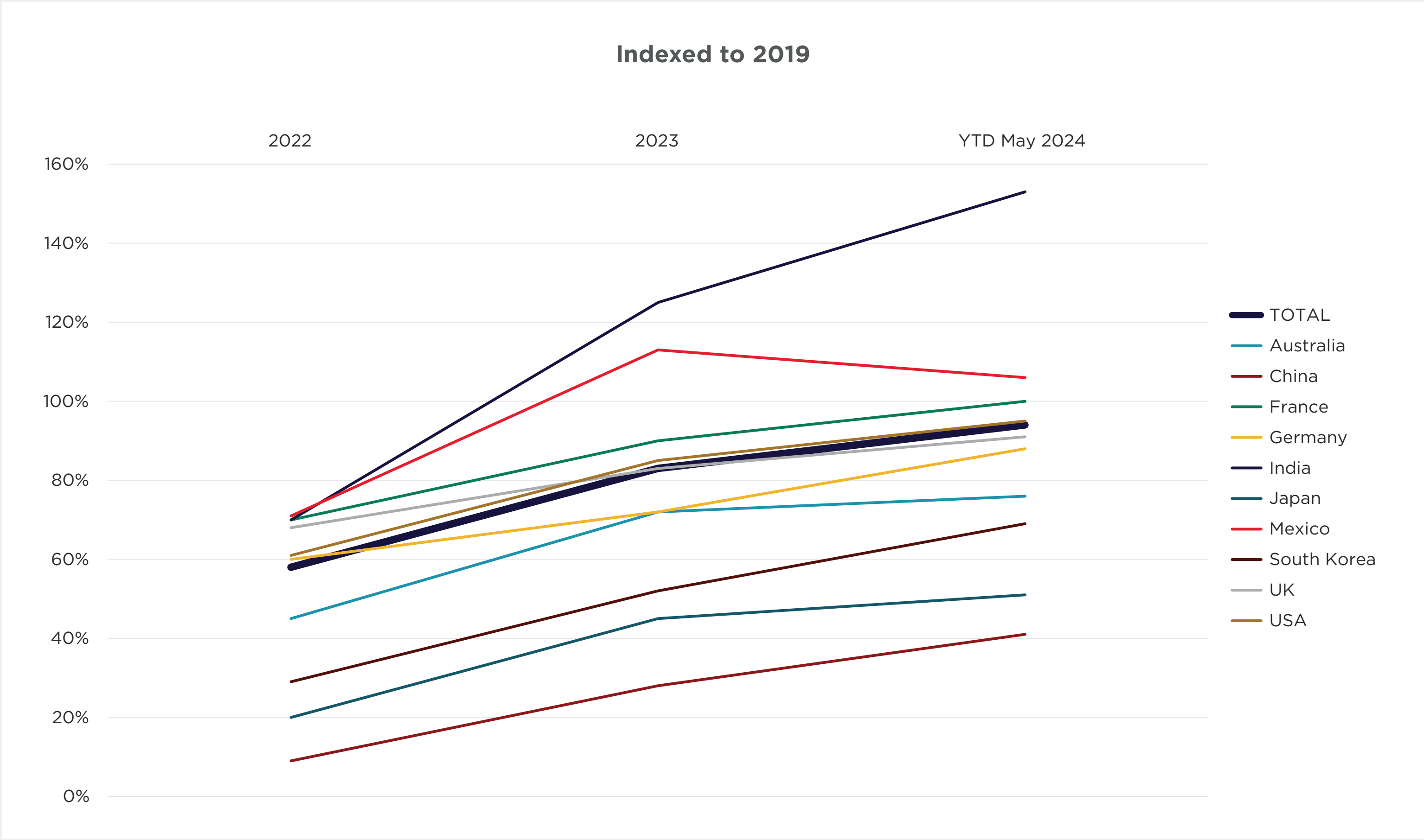
Visitation from India has far surpassed others at 153% of 2019 levels, followed by Mexico at 106% and France at 100%.

The U.S. – the dominant source market at two-thirds of total visitation – has recovered to 95%.

Recovery from Asia markets continues to lag, notably China (41%) and Japan (51%).

Travel from most markets continues to grow over 2023. The exception is Mexico, whose nationals as of this March require a visitor visa.

Recovery of International Travel for Top 10 Markets



Source: Destination Canada, Statistics Canada. Compiled by Cushman & Wakefield ULC.

VALUATION & ADVISORY

Cushman & Wakefield's Valuation & Advisory (V&A) practice is comprised of 500+ professionals across the Americas who provide clients with accurate, reliable valuations that guide intelligent debt and equity decisions in real-time. Our Valuation & Advisory expertise spans single-asset appraisals to complex real estate advisory and business valuations. We specialize in multiple asset classes requiring specific experience and technical knowledge. Exceptional research analytics, future-looking technology and highly credentialed professionals support our wide range of services, including:

- Appraisal Management
- Business Valuation
- Diligence Advisory
- Dispute Analysis & Litigation Support
- Machinery & Equipment
- Property Tax Services
- Right-of-Way & Eminent Domain
- Trusts & Estates
- Valuation for Financial Reporting

HOSPITALITY & GAMING PRACTICE GROUP CONTACTS

BRIAN FLOOD, AACI P.App., MRICS
Excutive Vice President & Practice Leader
Direct: +1 416 359-2387
brian.flood@cushwake.com

CINDY SCHOENAUER, AACI P.APP.
Senior Vice President
Direct: +1 604 340 9141
cindy.schoenauer@cushwake.com

VADESS JOHAN, AACI, P.App
Vice President
Direct: +1 416 359 2374
vadess.johan@cushwake.com

LAUREN ARNOLD, AACI, P.APP.
Associate Vice President
Direct: +1 416 359 2478
lauren.arnold@cushwake.com

VANESSA BOLAND
Senior Consultant
Mobile: +1 778 513 0857
vanessa.boland@cushwake.com

GAITH SAQQA
Senior Consultant
Direct: +1 416 359 2595
gaith.saqqa@cushwake.com

DANIEL FUNG
Consultant
Direct: +1 416 359 2479
daniel.fung@cushwake.com

DANTE MACRI
Consultant
Direct: +1 416 359 2564
dante.macri@cushwake.com

LAURIN PATERSON
Analyst
Direct: +1 416 359 2566
laurin.paterson@cushwake.com

Cushman & Wakefield ULC
161 Bay Street, Suite 1500
Toronto, Ontario M5J 2S1