

HOSPITALITY INNSIGHTS Q3 2024

Better never settles

01 Canada Hotel Performance Update

02 Cushman & Wakefield & CoStar

03 Key Takeaways from 2024 Western Canadian Lodging Conference

04 Key Takeaways from 2024 ISHC Annual Conference

Overview

As 2024 progresses through Q4, the moderating pattern of performance persists as hotel operations return to more typical supply and demand fluctuations. Economic conditions, inflation, and interest rates have slowed demand growth in the accommodation market so far this year; however, overall demand levels remain relatively healthy, allowing for moderate gains in ADR.

As of YTD Q3 2024, RevPAR performance in Canada increased by 3.5% compared to the same period in 2023. This growth was driven by a 3.7% increase in ADR, offset by a 0.2% decrease in occupancy.

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

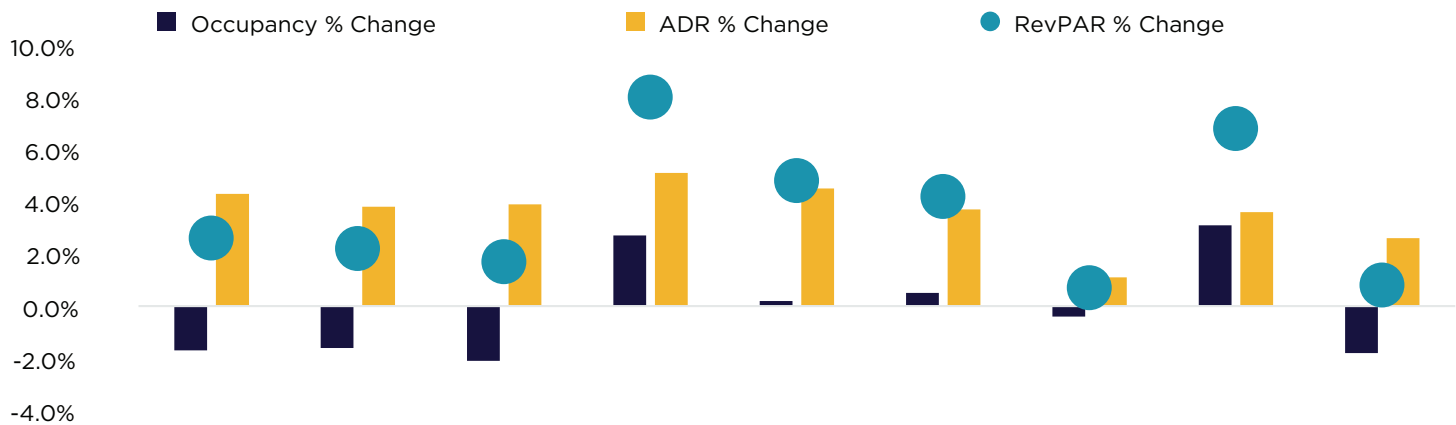
Occupancy:
67.3% (-0.2%)

Average Daily Rate (ADR):
\$211.54 (+3.7%)

Revenue Per Available Room (RevPAR):
\$142.39 (+3.5%)

Canadian Hotel Performance

KPIs % Change (Month 2024 vs. Same Period Last Year)



2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Occ	50%	58%	61%	64%	69%	75%	75%	80%	74%
ADR	\$175	\$182	\$185	\$188	\$206	\$231	\$236	\$236	\$228
RevPAR	\$87	\$105	\$113	\$121	\$142	\$172	\$178	\$188	\$169

Source: CoStar

01

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Varying Provincial Performance

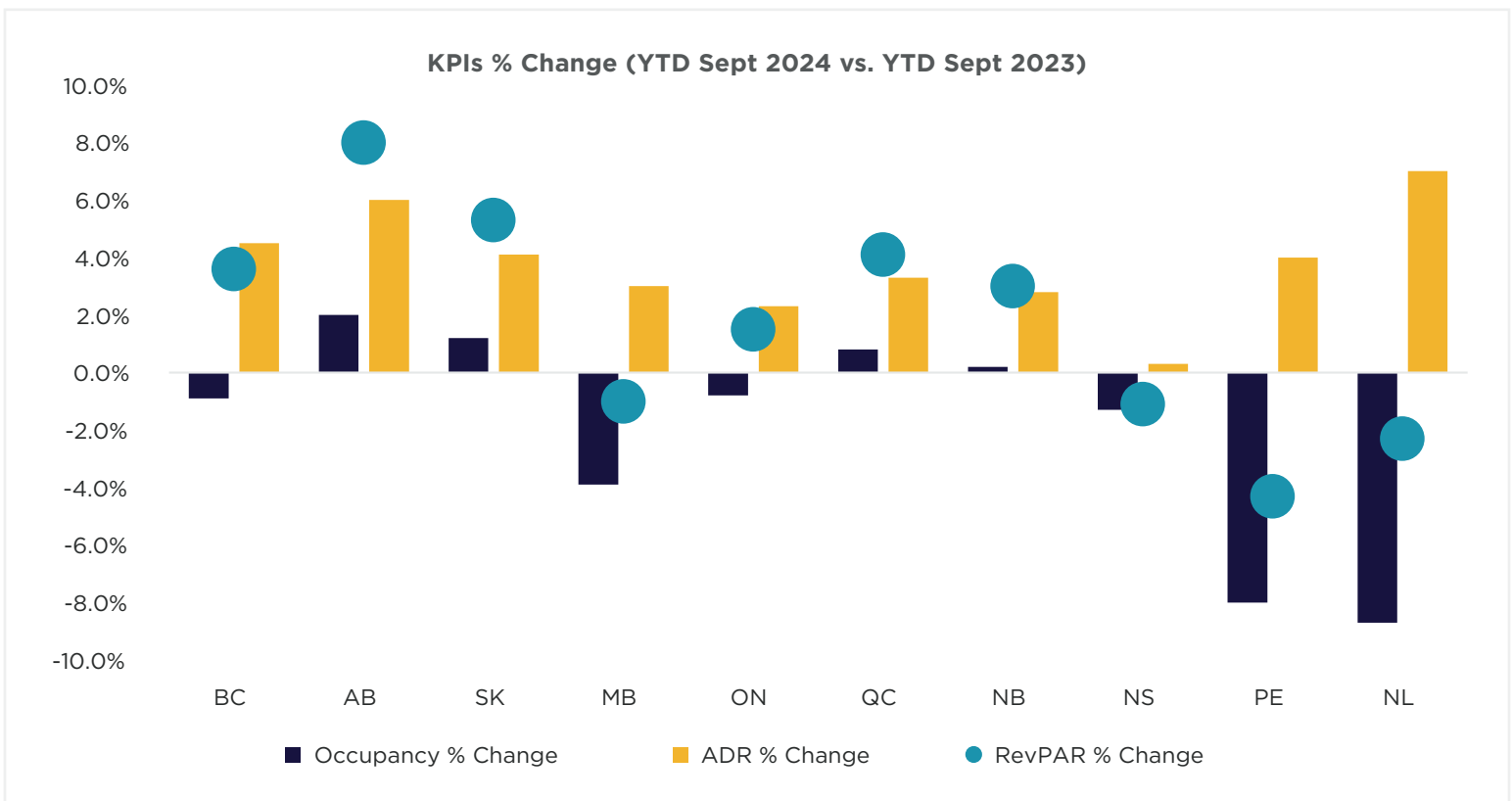
Q3 performance of provinces across the country varied, and the summer season has led to some stronger growth for some provinces, and deeper drops for others. Four of the 10 provinces showed RevPAR declines in the YTD period, while six posted positive performance. The declines were felt in demand levels as all provinces showed positive ADR growth.

Prince Edward Island saw the largest decrease in RevPAR at 4% due to a very strong first half of 2023. YTD 2024 Newfoundland also saw a decline in RevPAR of 2%. A sharp decline in demand, however, was offset by very strong ADR growth.

Manitoba also saw a sharp drop in demand, but good ADR growth, which resulted in a moderate RevPAR decline overall. In Nova Scotia, the province saw a moderate decline in demand and very minimal growth in ADR.

On the plus side, Alberta (8%), Saskatchewan (4%), British Columbia (4%), and Quebec (4%) posted the strongest RevPAR growth of all the provinces in the YTD period. This was followed by New Brunswick (3%) and Ontario (2%).

Provincial Performance



Source: CoStar

01

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02 Cushman & Wakefield & CoStar

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Coast-to-Coast Update

Major market performance was generally positive in the YTD period, with 8 of 10 major markets showing RevPAR growth.

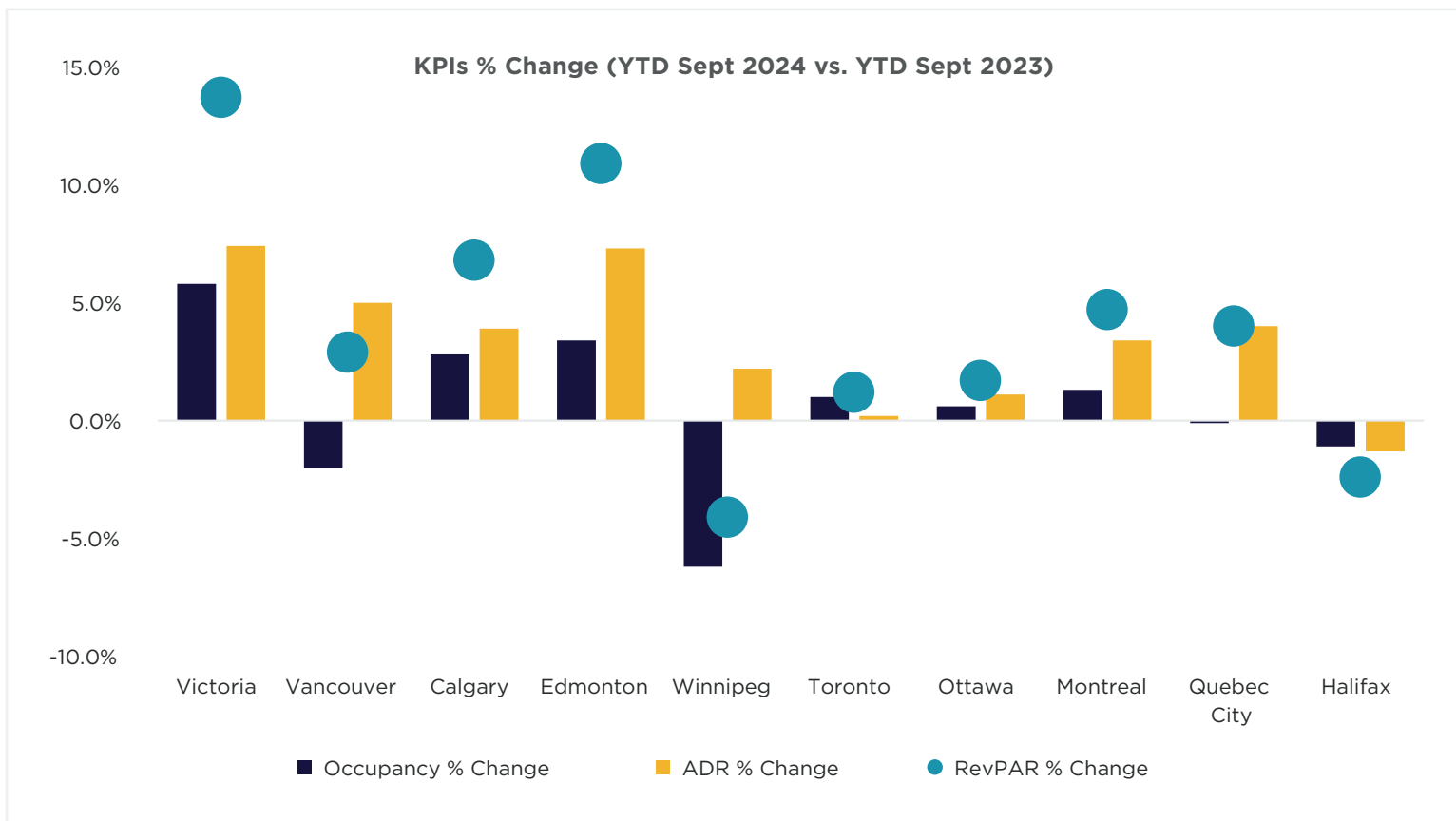
The strongest RevPAR growth in Q3 2024 was seen in Victoria (13.7%), followed by Edmonton (10.9%), Calgary (6.8%), and Montreal (4.7%).

This is followed by Quebec City (4%), Vancouver (2.9%), Ottawa (1.7%) and Toronto (1.2%).

Halifax and Winnipeg were the only major markets that reported a decline in RevPAR in Q3 YTD - at 2.4% and 4.1%, respectively. The Winnipeg market had previously benefitted from large volumes of government and contract demand, some of which has now dissipated.

Reflecting on the summer tourism season - performance in July and August was softer in Ottawa, Halifax, and Vancouver, while the Quebec major markets of Montreal and Quebec City had stronger summers.

Major Cities Performance



Source: CoStar

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Cushman & Wakefield Names CoStar Group as National CRE Data Provider in Canada

As of October 1st 2024, Cushman & Wakefield has chosen CoStar to be its primary commercial real estate information provider in Canada. CoStar will serve as Cushman & Wakefield's national property data source in Canada, supplementing the proprietary data collected and managed through the firm's internal database.

Cushman & Wakefield will now have access to the largest and most comprehensive global commercial real estate data and analytics platform, with insights on properties and spaces across office, industrial, retail, multifamily, hotel and life sciences nationally, including in Toronto, Vancouver, Calgary, Ottawa, Montreal and Edmonton.

Smith Travel Research (STR), which is part of CoStar, is a well-recognized information supplier for the hotel industry. It offers detailed insights into historical performance and future outlook for specific markets, submarkets, or custom sets of properties. The information provided includes top-line historical data, guest segmentation data, inventory details, pipeline information, market forecasts, and transaction details.

The Hospitality & Gaming group can now take advantage of CoStar's complete suite of products. This, combined with our existing internal databases, ultimately benefits our clients by providing timely and comprehensive data on markets, hotel results, new supply and transaction activity across the country.



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03

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2024 Western Canadian Lodging Conference: Hyatt Hotel Vancouver

We attended the Western Canadian Lodging Conference held on October 28-29 in Vancouver.

Some key takeaways from the conference are below:

Office to Hotel Conversion

At the end of September, the City of Calgary announced a development subsidy ranging from \$50-\$75/SF for office conversion to either residential or hotel use to offset the city's high office vacancy rates.

James Scott from PBA Development out of Calgary spoke about the extended-stay Element by Westin office to hotel conversion they currently have underway.

For PBA Development, the focus was on finding Class B and C office space with multiple elevator shafts, and good ceiling height. The conversion from office to hotel can present some potential operational challenges. In the case of the Element by Westin in downtown Calgary, the elevator shaft does not go down to the underground parking level due to the age of building, so they will have to offer valet only. The size of the floor plate allows them to have larger rooms which is why they could consider an extended-stay concept. And, this location is in a scenic part of downtown near a significant residential population, which they think blends well with the wellness positioning of the brand.

Having an experienced architect involved in the project with expertise in converting an office building to hotel can help mitigate major issues and costs.

Short Term Rentals

According to a report prepared by researchers from the Urban Politics and Governance research group, School of Urban Planning, McGill University in September 2024, Municipal Short Term Rental regulations saved British Columbia renters more than \$600 million last year.

The Hotel Association of Canada's top focus for the association over the next 12 months will be 1) to deploy \$50 million in federal short term rental enforcement fund 2) to address workforce shortages and 3) to address fraudulent hotel bookings for visa applications.



03

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02 Cushman & Wakefield & CoStar

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Greater Investor Interest in Hotels

A study from Deloitte 2025 Commercial Real Estate Outlook reports that there is more interest in the hotel asset class from real estate owners and investors going into 2025.

Hotel Profitability

The BC Hotel Association reported that labour costs are putting a damper on hotel and resort profits.

CoStar Group reports that the Luxury segment is currently seeing the greatest RevPAR growth of all hotel classes based on YTD September 2024 results.

Potential of Lower Interest Rates

There is a sentiment that investors are holding off to refinance until interest rates decrease further.

Cap rates could come down with lower interest rates in the next few months by 25 bps (source: Greg Kwong, CBRE). Lending metrics remain similar with LTV ratios in the 60-65% range, and debt coverage ratios between 1.3X -1.5X.



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2024 ISHC Annual Conference: St. Regis Dubai, The Palm

The International Society of Hospitality Consultants annual conference was held in Dubai this year. Cindy Schoenauer was in attendance as a Candidate to the society.

Some of the key conference takeaways on the International Hotel industry are discussed below:

[Dominique Exmann of Tourism Economics](#)

Dominique Exmann of Tourism Economics, an Oxford Economics company, presented at the ISHC conference. Key takeaways included:

1. Travel growth slowed in 2024 and is forecast to slow beyond the rebound phase.
2. There are economic concerns globally, but travel is still a priority, and short-haul remains crucial. Improving economic trends such as inflation coming under control, interest cuts continuing into 2025, and disposable income to increase throughout 2025 supports world GDP growth. The two largest challenges the global tourism industry faces are the cost of accommodation and increasing costs of business.
3. Travellers are looking for emerging destinations beyond traditional hotspots, seeking new experiences. The trend is for 2 billion global visitors by 2030 supported by large developments gaining share of demand (i.e. Saudi Arabia and UAE). The Middle East is well positioned to capture this demand. For Saudi Arabia, leisure travel will grow from approximately 1 million to 19 million between 2019 and 2030, a 17 times increase.

[India's Airline Capacity is About to See a Major Expansion](#)

With 157 airports in India presently, the Indian government has an aim to reach 200 airports by 2025, with another 200 being added over the course of the next 20 years. Road infrastructure has also improved in India allowing domestic travel to boom both through added road and airline infrastructure. Religious travel is a strong market for domestic tourism in India for the under 35 population. Many hoteliers are looking to develop accommodations suited toward the younger demographic. Other trends noted were that Indians are travelling for holidays many more times in a year, with a focus on domestic tourism to the northeast of India. Hotels are seeing 30-40% of their total revenues being driven by restaurants, and the increased cost of land in India is resulting in smaller hotel development sizes.

[Red Sea Global's Giga-Project](#)

Red Sea Global's giga-project is slated to open 50 hotels along the Red Sea and 29 at Amaala by 2030. The pipeline included one hotel opening in 2023, with two more slated for year-end 2024, followed by 19 new luxury hotels in 2025.

[Human Capital for Global Hotel Expansion](#)

A key topic discussed at the conference was the importance of human capital for global hotel expansion. Hotel developers recognize this and are building staff housing with resort like amenities, and ensuring good healthcare and education is in place to provide a high standard of living to attract talent.



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
Executive Vice President & Practice Leader
Direct: +1 416 359-2387
brian.flood@cushwake.com

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

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

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

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

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

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

SARAH BEY
Consultant
Direct: +1 289 799 5631
sarah.bey@cushwake.com

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

700 West Georgia Street, Suite 1200
Vancouver, BC, V7Y 1A1