CUSHMAN & WAKEFIELD

A CUSHMAN & WAKEFIELD VALUATION & ADVISORY PUBLICATION

Canadian Lodging Industry Overview 2024

HOSPITALITY & GAMING

Better never settles

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Introduction

In 2024, the Canadian Hospitality market returned to more regular growth patterns with occupancy growth remaining relatively flat compared to the accelerated growth seen in the 2021-23 period. While RevPAR did grow by 4.4% nationally, it was driven by continued growth in ADR. Occupancy nationally was 65.7%, just 0.1% over 2023 results while ADR grew by 4.3%. National RevPAR now stands at a record high and 28% above the rate achieved in 2019.

The outlook for economic growth was positive going into 2025. However, the recent turmoil caused by a threatened and then deferred trade war with the U.S. could have broad implications for our economy. According to the Bank of Canada, even the threat of tariffs will impact economic growth going forward. How this affects the hospitality market remains to be seen, however, a weakened Canadian dollar and the ongoing threats of tariffs could positively affect the industry. Threats to Canada and other countries could be a boon to domestic and international tourism if travelers reconsider a trip to the U.S. and opt to remain in or visit Canada.

Going into 2025, the majority of forecasters indicated revenue growth in the 2-3% range this year. These forecasts will need to be monitored as the year progresses and as the drama around tariffs plays out.

Despite the uncertainty going into 2025, lower interest rates and the level of available investment capital will result in good demand for hotel investments in 2025. As detailed in our report, the transaction market grew by 22% in 2024 with several notable transactions occurring.

Our Outlook recaps the results for this past year, highlights some of the key transactions, and identifies emerging trends.

National Historical Analysis

To provide some historic context for the results in 2024, the following chart illustrates key operating performance indicators of the Canadian hotel industry from 2005 through to 2024.

Canadian Historical Operating Statistics: 2005 to 2024

Year	Supply	% Change	Demand	% Change	Eq. Index	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2005	409,561	---	93,448,131	---	---	63.6%	---	$119.63	---	$76.09	---
2006	414,322	1.2%	96,074,836	2.8%	1.6%	64.7%	1.7%	$124.35	3.9%	$80.44	5.7%
2007	418,544	1.0%	97,764,172	1.8%	0.7%	65.2%	0.8%	$128.88	3.6%	$84.06	4.5%
2008	422,539	1.0%	96,652,854	-1.1%	-2.1%	63.9%	-2.1%	$132.70	3.0%	$84.76	0.8%
2009	425,227	0.6%	89,848,904	-7.0%	-7.7%	58.9%	-7.8%	$126.25	-4.9%	$74.31	-12.3%
2010	427,644	0.6%	93,449,495	4.0%	3.4%	60.9%	3.5%	$128.79	2.0%	$78.43	5.5%
2011	429,800	0.5%	95,356,059	2.0%	1.5%	61.8%	1.4%	$127.98	-0.6%	$79.03	0.8%
2012	430,829	0.2%	96,472,904	1.2%	0.9%	62.3%	0.9%	$130.16	1.7%	$81.10	2.6%
2013	431,975	0.3%	98,042,058	1.6%	1.4%	63.3%	1.5%	$133.06	2.2%	$84.18	3.8%
2014	434,523	0.6%	100,557,907	2.6%	2.0%	64.8%	2.4%	$136.90	2.9%	$88.66	5.3%
2015	437,926	0.8%	100,352,992	-0.2%	-1.0%	64.1%	-1.0%	$142.92	4.4%	$91.62	3.3%
2016	441,878	0.9%	101,529,904	1.2%	0.3%	64.3%	0.4%	$149.19	4.4%	$95.99	4.8%
2017	442,839	0.2%	104,118,146	2.5%	2.3%	65.6%	2.0%	$156.69	5.0%	$102.81	7.1%
2018	446,805	0.9%	105,459,267	1.3%	0.4%	66.0%	0.6%	$163.25	4.2%	$107.74	4.8%
2019	451,308	1.0%	104,877,677	-0.6%	-1.6%	65.0%	-1.5%	$165.26	1.2%	$107.41	-0.3%
2020	452,893	0.4%	51,038,812	-51.3%	-51.7%	32.9%	-49.4%	$131.25	-20.6%	$43.18	-59.8%
2021	455,105	0.5%	66,319,195	29.9%	29.5%	41.7%	26.9%	$139.62	6.4%	$58.28	35.0%
2022	455,753	0.1%	98,564,586	48.6%	48.5%	61.0%	46.1%	$182.51	30.7%	$111.31	91.0%
2023	456,665	0.2%	106,754,890	8.3%	8.1%	65.7%	7.7%	$200.08	9.6%	$131.37	18.0%
2024	456,879	0.0%	107,158,798	0.4%	0.3%	65.7%	0.1%	$208.72	4.3%	$137.20	4.4%
Average Annual % Change		0.6%		0.7%		0.2%		3.0%		3.2%	

Source: CoStar

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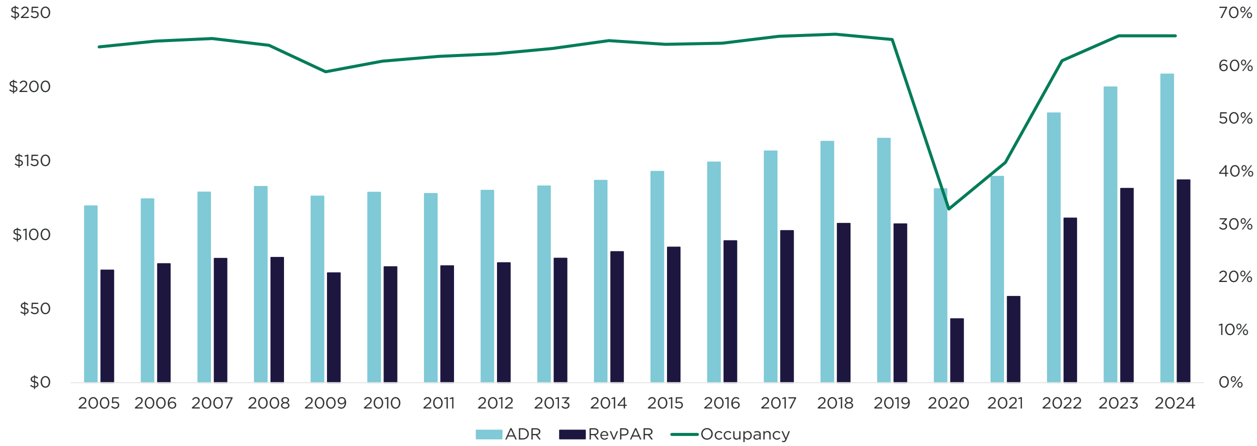
Following three years of tremendous growth post covid, the Canadian Hospitality market showed more moderate growth and a stabilizing pattern in 2024. The market still experienced overall growth, albeit at a much slower rate than preceding years. Following RevPAR growth of 35% in 2021, 91% in 2022, and 18% in 2023, RevPAR increased by 4.4% in 2024.

In 2024, the market returned to normalized operating patterns, with localized fluctuations in demand. Some markets continued to be impacted by government contract demand in 2024, while the majority saw a significant reduction in this type of demand. As a result, typical demand sources picked up the slack, resulting in an ***overall demand increase of 0.4%, amidst flat supply.***

Following exceptional ADR growth over the past few years, ***ADR increased at a more moderate pace of 4.3% in 2024, reaching a historic high of $208.72.***

Canadian Hotel Performance

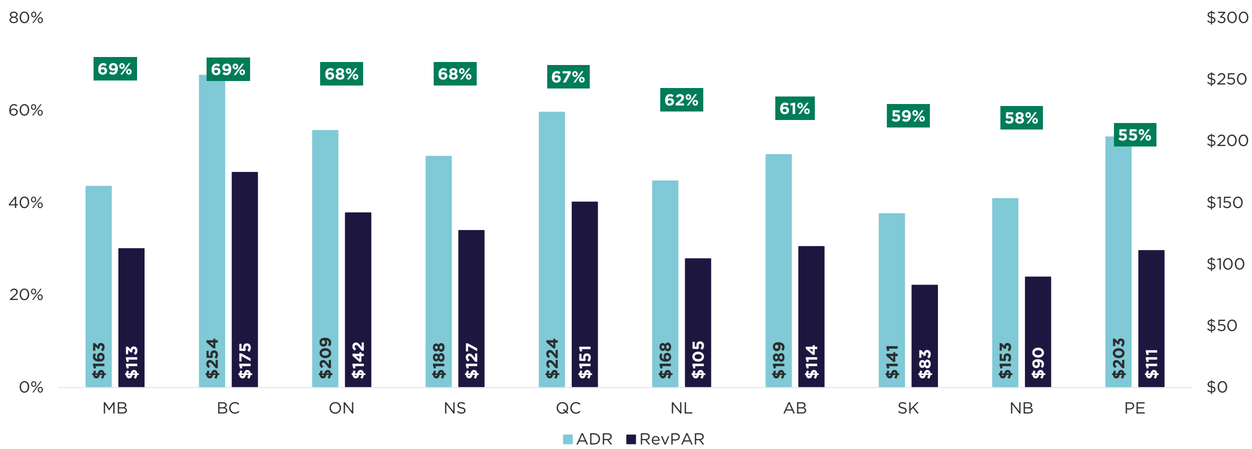
Historical Statistics: 2005 to 2024



Source: CoStar

Provincial Performance

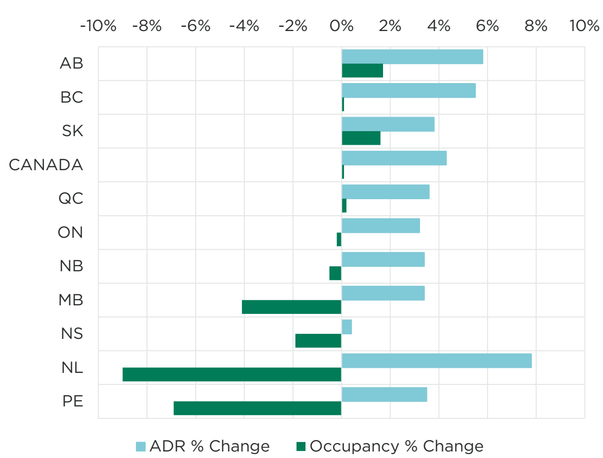
Performance by Occupancy: 2024



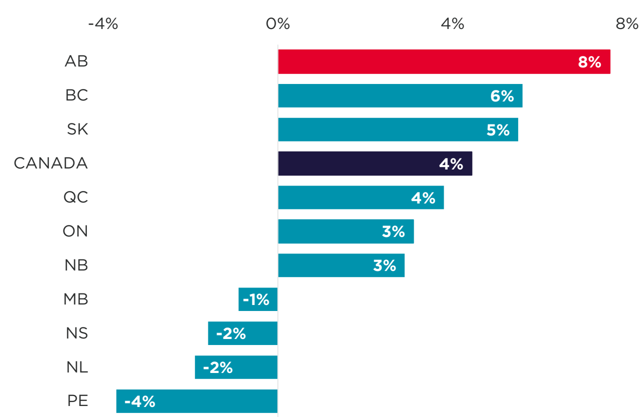
Source: CoStar

Provincial Performance

ADR and Occupancy % Changes: 2024 vs. 2023



2024 RevPAR vs. 2023



Source: CoStar

Top 10 Markets

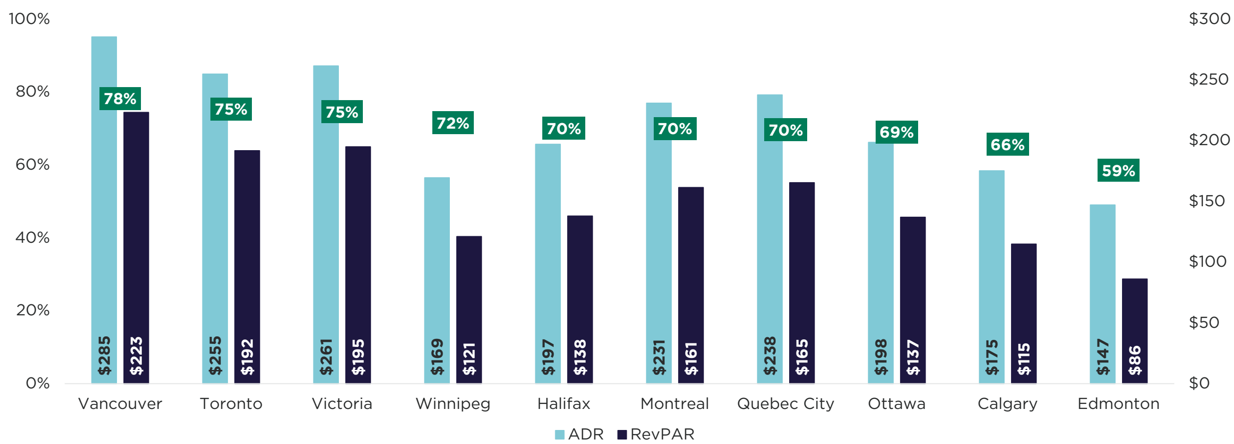
In 2020 and 2021, there was a reversal of many longstanding trends in the Canadian accommodation industry with the major cities of Toronto, Vancouver, and Montreal left struggling to fill rooms amidst the pandemic. In 2024, major markets have returned as top performers, although some continue to perform at demand levels below pre-covid levels. ***Most notably, larger city centre, boutique, and luxury hotels still have room for growth to reach pre-covid levels***

In 2024, Vancouver ($223), Victoria ($195), and Toronto ($192) lead the country in terms of overall RevPAR. This is followed by Quebec City ($165) and Montreal ($161).

Victoria and Edmonton were the two cities with the strongest RevPAR growth in 2024, of 14% and 10%, respectively. RevPAR growth was then followed by Vancouver, Calgary, and Quebec City, which all saw between 6% and 7% growth, above the national average of 4%. Toronto, Ottawa, and Montreal all saw growth around 4%. ***Only two major cities saw RevPAR decline in 2024 – Halifax and Winnipeg, both at approximately 3%.***

Major Canadian Markets

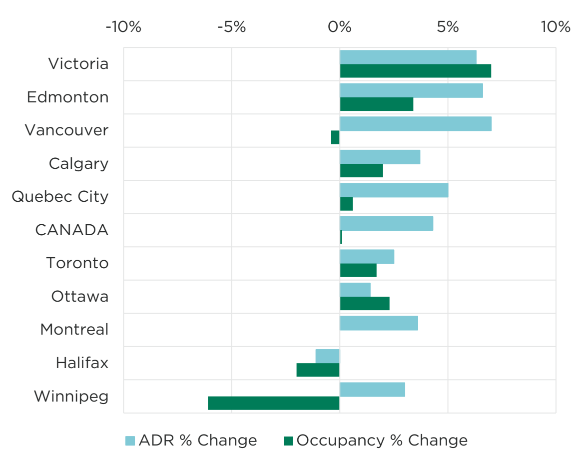
Performance by Occupancy: 2024



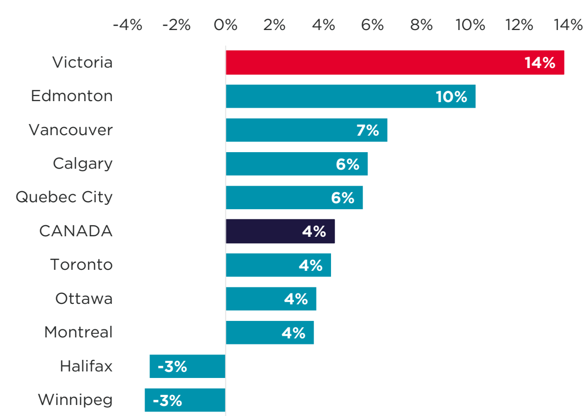
Source: CoStar

Major Canadian Markets

ADR and Occupancy % Changes: 2024 vs. 2023



2024 RevPAR vs. 2023



Source: CoStar

International Arrivals Continue to Grow

Air traffic and tourism visitation are key indicators of the health of the hotel industry. ***According to CATSA, in 2024, Canadian air passenger traffic increased by 5% over 2023 and 3% over 2019 levels.*** The country's largest airports (Calgary, Montreal, Toronto, and Vancouver) all reported higher volumes based flat/slight decline in domestic traffic and strong growth in international traffic.

Globally, IATA reports 2024 air passenger traffic growth of 10% over 2023 and 4% over 2019 levels. IATA is the International Air Transport Association representing some 340 airlines. It expects passenger demand to grow by 8% in 2025, aligned with historical averages.

Through three quarters in 2024, Destination Canada indicates the country welcomed 15.8 million international visitors (88% of 2019 levels), which comprised of 11.1 million U.S. visitors (91% of 2019) and 4.7 million overseas visitors (81% of 2019). Recovery continued to slow following a stronger start earlier in 2024. Contributing factors include fewer arrivals from Mexico following new visa requirements, and small monthly declines from the U.S. and Europe.

The outlook for international travel remains positive, as Canada was ranked as a top three recommended destination in the following overseas priority markets:

- Australia
- France
- Germany
- Japan
- Mexico
- U.S.

New Supply Expected to Accelerate

Since development lags the overall market, ***new hotel openings slowed in 2022-2024***, but CoStar is reporting significant growth for projects in both construction and planning phases. New and postponed projects are beginning to move forward as hotel performance remains strong. However, a pipeline slowdown is possible if supply chain issues and cost escalations return as a result of potential U.S. tariffs.

New hotel room openings in Canada declined from 3,197 in 2022 and 3,471 in 2023 to 1,905 in 2024. Annual net supply growth was limited to 0.5% for each of the past three years. ***CoStar estimates 6,691 new rooms to open in 2025, which would represent 1.5% growth over the existing room supply.***

The number of rooms in construction trended down from mid-2022 to mid-2023. However, construction activity improved throughout 2024 and peaked at 9,812 rooms in Q4 2024 (last reached in Q1 2018). Meanwhile, the number of rooms in planning increased from 27,009 in Q4 2022 to 36,597 rooms in Q4 2023 to 39,717 rooms in Q4 2024.

As of December 2024, ***55%*** of the national pipeline rooms were in Ontario, with British Columbia a distant second at 24%. At the market level, Toronto and Vancouver respectively accounted for ***17%*** and ***15%*** of the national pipeline rooms, followed by Ontario Central at ***12%***. By chain scale, upper midscale accounted for ***28%*** of rooms in the national pipeline, followed by upscale and upper upscale respectively at ***15%*** and ***12%. The current national pipeline (in construction and planning) represents nearly 11% of Canada's existing hotel room supply.***

Hotel Transaction Market

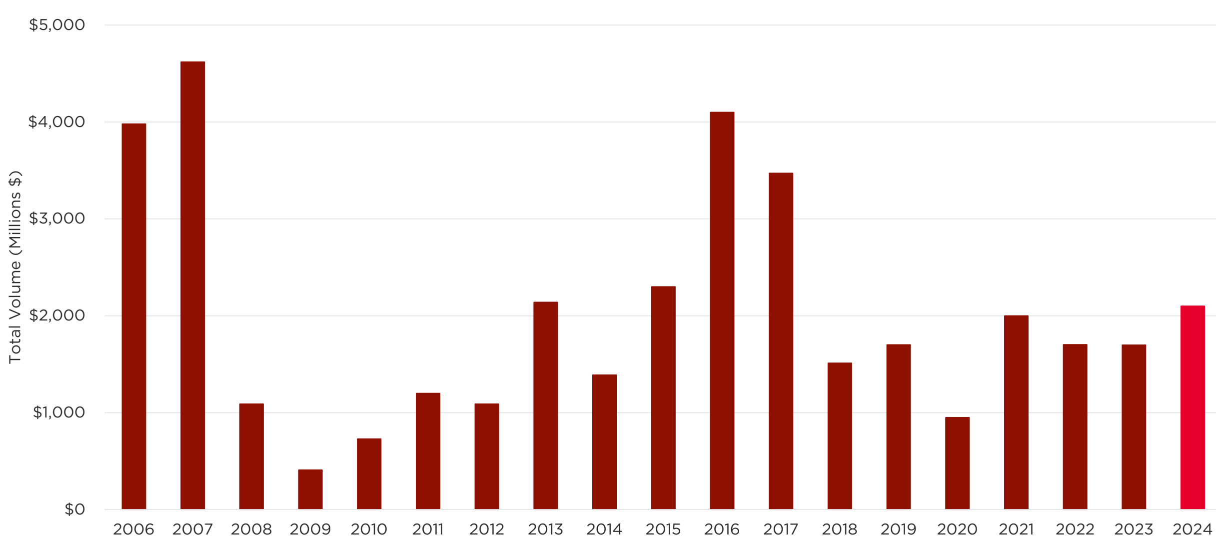
In 2024, ***Cushman & Wakefield tracked over 165 transactions, which accounted for an estimated $2.1 Billion*** in total sales volume, up from over 130 transactions of about $1.7 Billion in 2023. The average deal size in 2024 was $12.7 million, slightly lower than the $13 million average in 2023. Larger transactions which occurred in 2023, impacted the average price per room which fell from $180,000 per room to $144,000 in 2024.

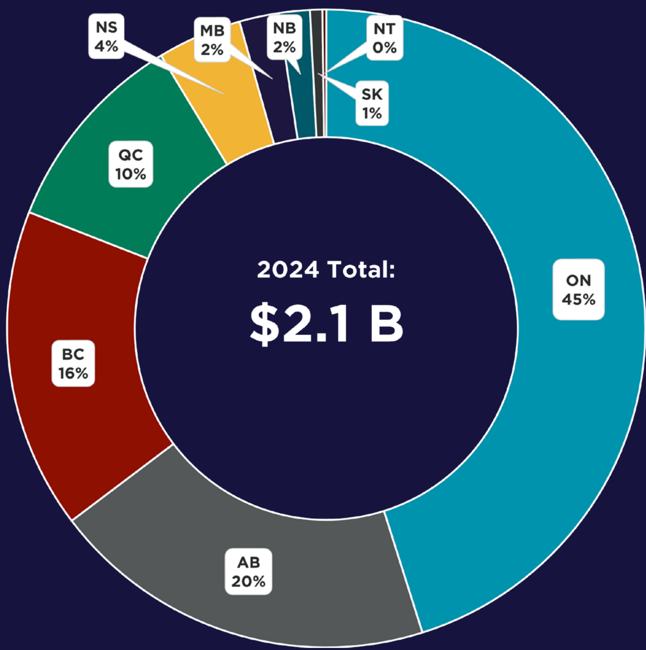
The year began strongly in Q1 when Morguard Corporation completed a $410 million disposition, transferring assets to InnVest Hotels (10 hotels, 1,737 rooms, $311 million) and Manga Hotel Group (4 hotels, 511 rooms, $99 million). Although closed in early 2024, the transaction was negotiated in Q4 of 2023.

Below is a chart showing transaction volumes over the past 19 years. Aside from the years which included sales of major portfolios, 2024 was a relatively strong year for transactions in terms of total sales volume.

Canadian Hotel Transaction Volume

2006 to 2024





Volume by Province

Central Canada continues to be the most active area of the country in terms of transactions and accounted for 55% of the national total, followed by Western and Atlantic Canada, at 39% and 6%, respectively.

Featured Transactions

Below are some of the noteworthy sales that occurred in 2024. The market saw several larger assets trade in major urban centres.

2024 Notable Transactions

Property	Buyer	Price	Rooms	Per Room
Morguard Hotel Portfolio (14 Property Hotel Portfolio)	InnVest Hotels Manga Hotel Group	$311,000,000 $99,000,000 $410,000,000	1,737 511 2,248	$179,000 $193,700 $182,400
Residence Inn Calgary Downtown/Beltline District	Manga Hotel Group	$112,250,000	390	$287,800
DoubleTree Montreal	Artifact Group	$95,100,000	595	$159,800
Hilton Québec (1)	Atenro Limited Partnership	$85,616,760	569	$295,000
Hilton Garden Inn and Homewood Suites Calgary Downtown	Manga Hotel Group	$66,000,000	320	$206,300
Radisson Hotel & Suites Fallsview	Vrancor Group	$64,000,000	232	$275,900
Future Hyatt Place Metrotown	Mundi Hotel Enterprises	$47,200,000	159	$296,900
Sheraton Ottawa	Sunray Group	$43,200,000	236	$183,100
Banff Inn	InnVest Hotels	Confidential	99	
Fairmont Winnipeg	Lombard Hospitality	Confidential	340	

(1) 51% Interest. Price per Room reflects 100% Interest.

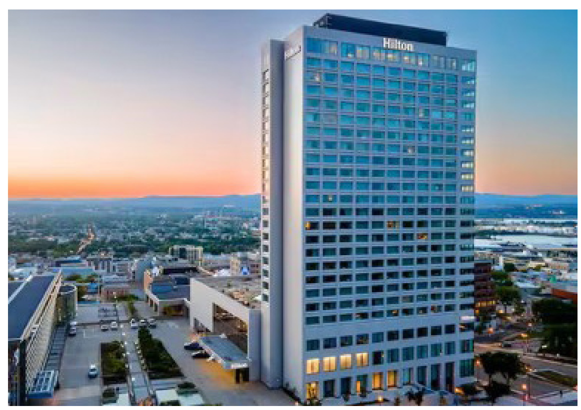
Featured Transactions 2024

Morguard

$410M

Morguard Hotel Portfolio

Where: Markham, Mississauga, Ottawa, Sudbury, Toronto, ON and Halifax, NS
Rooms: 2,248
Per Room: $182,400
Date: January 2024
Buyer: InnVest Hotels (10 Hotels); Manga Hotel Group (4 Hotels)



$112.25M

Residence Inn Calgary Downtown/Beltline District

Where: Calgary, AB
Rooms: 390
Per Room: $287,800
Date: August 2024
Buyer: Manga Hotel Group

$85.6M

Hilton Québec

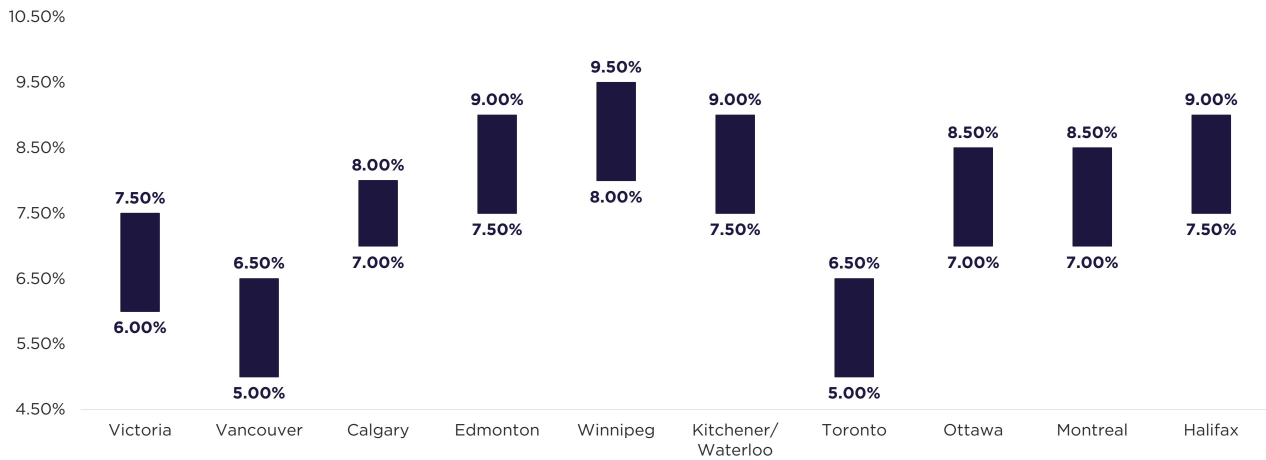
Where: Québec, QC
Rooms: 569
Per Room: $295,000
Date: December 2024
Buyer: Atenro Limited Partnership

Note: Acquired a majority stake. Hilton will continue to manage the hotel. Price per room reflects 100% interest.

Hotel Capitalization Rates (Q4 2024)

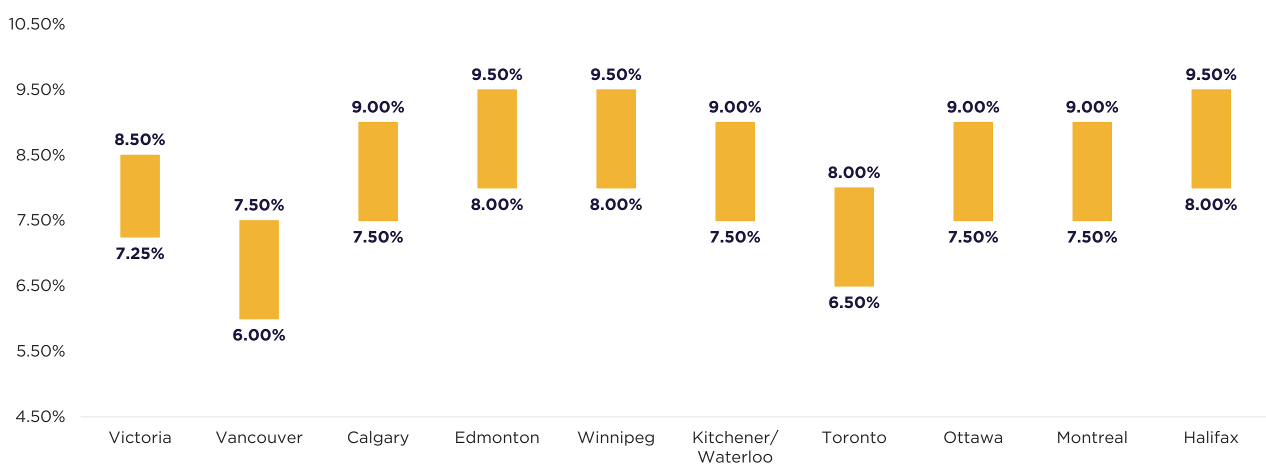
Hotel Cap Rates (Q4 2024)

Full-service Downtown



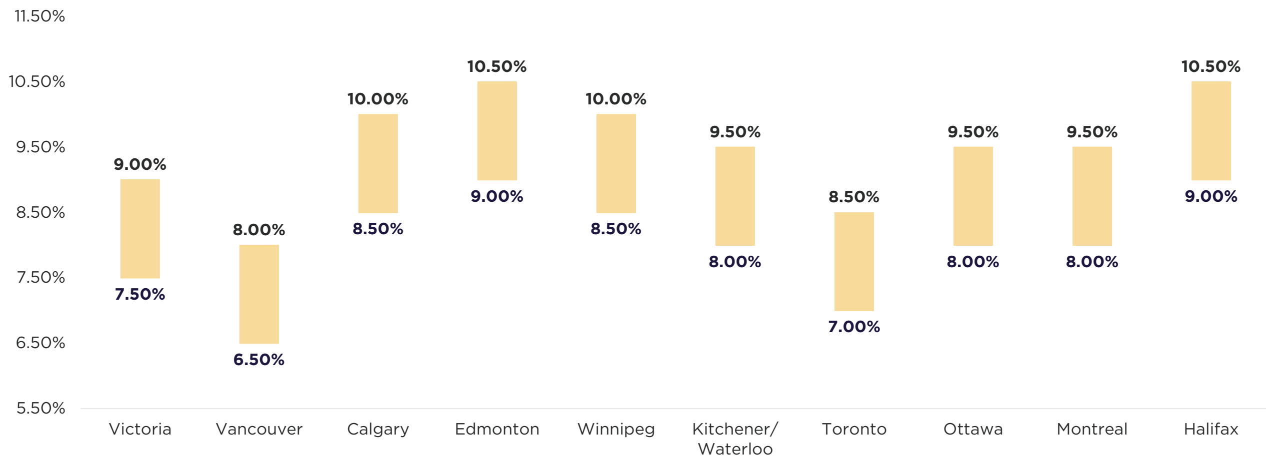
Hotel Cap Rates (Q4 2024)

Select-service



Hotel Cap Rates (Q4 2024)

Limited-service Suburban



Despite the rise in interest rates in 2022-2023, investor interest in hotels remained high as the strong recovery in the sector and the ability of hotels to hedge against higher inflation attracted investors. Economic growth slowed in 2024 however inflation concerns eased, resulting in lower interest rates which stimulated transaction activity.

In 2025, economic growth was expected to improve, however the threat of a trade war has disrupted the Canadian economy and may lead to revised outlooks for 2025. The impact of lower growth may be offset by increased domestic and international travel opting to remain in Canada as events unfold.

While interest rates have declined, return expectations are generally stable as the growth outlook for hotels has moderated compared to the post COVID period. Investor demand is largely focused on select and limited-service hotels with less availability and narrower demand for larger urban and full-service hotels.

Americas Lodging Investment Summit Takeaways

The following are several key takeaways reported by Hotel News Now from the January 2025 conference. Canada's hotel markets often mirror trends observed in the U.S.

- CoStar and Tourism Economics' latest forecast calls for U.S. RevPAR growth of 1.8% in 2025 and 2.1% in 2026, with most of the growth coming from higher ADR.
- Higher end hotels are expected to continue driving industry performance.
- Continued growth in groups and business travel will result in F&B departments reporting high growth rates.
- Obstacles remain including decreased pricing power, higher costs overall, lower profit margins, and possibly tighter labour market.
- Transaction volume is expected to pick up from opening debt markets, more clarity on interest rate directions, higher investor confidence, narrowing bid-ask gap, and upcoming property renovations.

Conclusion and Outlook

Having survived the calamity of COVID-19 and regaining its footing, the Canadian hotel market faces new challenges in 2025. While the economic outlook is generally positive and interest rates have declined, the economy now faces new challenges brought on by a threatened trade war with the U.S. Whether some or all of the threats actually occur, the uncertainty it has caused will impact on the Canadian economy and travel patterns. Early indications are that some Canadians are cancelling their travel plans to the U.S. and will now opt to travel domestically. The weaker Canadian dollar and a renewed commitment to all things Canadian will also help drive increased domestic demand. Canada may potentially benefit from increased international travel as the threat of tariffs is used against other countries around the world.

Hospitality will continue to be a favoured asset class given its demonstrated ability to produce strong returns and hedge against inflation. Lower interest rates and a good supply of investment capital will help drive transaction activity in 2025. At the same time, investor expectations should reflect a return to normalized growth patterns and the potential impacts of looming U.S. tariffs on the Canadian economy.

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- Valuation for Financial Reporting

HOSPITALITY & GAMING PRACTICE GROUP CONTACTS

BRIAN FLOOD, AACI P.App., MRICS
Vice Chairman & 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

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

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

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