

CBRE HOTELS UPDATE

Q2 2018

This quarterly report provides a focused look at performance in Eastern and Western Canada major markets and the variances across the provinces and major markets.

The data shows the progress of the Canadian lodging sector relative to the original CBRE Hotels 2018 forecast that was presented in the December 2017 issue of our National Market Report.

CBRE HOTELS VALUATION & ADVISORY SERVICES

NATIONAL

Brian Stanford

Senior Managing
Director
647.943.3741
brian.stanford@cbre.com

David Larone

Senior Managing
Director
647.943.3742
david.larone@cbre.com

Erin O'Brien

Senior Director
647.943.3740
erin.obrien@cbre.com

CBRE

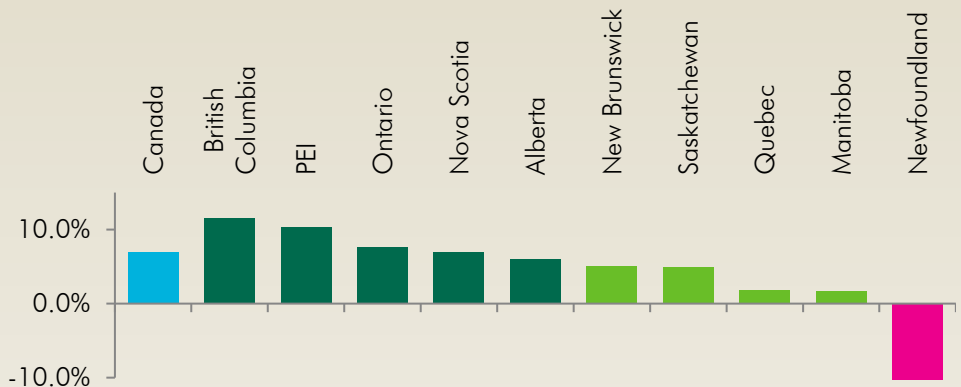
HOTEL PERFORMANCE – NATIONAL FOCUS

Though growth in the second quarter was slightly softer than the strong first quarter, continued occupancy and ADR improvement in Quarter 2 is keeping RevPAR growth nationally at 6.9%, still well above our original annual Outlook at 4.7%. Rate growth was especially strong in the second quarter for almost all provinces and territories across the country.

NATIONAL	2017	2018 OUTLOOK	2018 (YTD Q2)
Occupancy	66%	◀ 0.0 pts	▲ 1.2 pts
ADR	\$155	▲ 4.0%	▲ 4.8%
RevPAR	\$102	▲ 4.7%	▲ 6.9%

YTD Q2 2018 REVPAR GROWTH

Through the second quarter, British Columbia continues to lead the country followed by PEI, with RevPAR growth at 11.6% and 10.0% respectively. The same first quarter trends continue into the second quarter, with Newfoundland continuing in negative growth, and the balance of provinces growing in RevPAR. Alberta, Ontario, and Nova Scotia all grew more than 6.0% in RevPAR.



Q2 2018 CANADIAN CAP RATES

The following table summarizes the second quarter cap rate survey results for hotels in the major Canadian markets. There was some downward pressure for Downtown Toronto Full Service Assets, Downtown Winnipeg Full Service Assets and in all hotel asset types in Halifax, all largely based on increased investor interest, otherwise there was no other movement in cap rates across the country.

	Vancouver	Calgary	Edmonton	Winnipeg
Downtown Full Service	4.50%-6.00% ◀	7.00%-8.75% ◀	7.25%-8.75% ◀	7.00%-8.50% ▼
Suburban Limited Service	6.50%-7.50% ◀	8.00%-9.25% ◀	8.50%-9.50% ◀	8.00%-9.50% ◀
Focused Service	6.00%-7.50% ◀	7.50%-9.25% ◀	8.00%-9.50% ◀	7.50%-8.75% ◀

	Toronto	Ottawa	Montreal	Halifax
Downtown Full Service	4.50%-6.00% ▼	7.00%-8.00% ◀	7.00%-8.00% ◀	7.25%-8.75% ▼
Suburban Limited Service	7.00%-8.50% ◀	7.75%-8.75% ◀	7.75%-8.75% ◀	8.00%-9.00% ▼
Focused Service	7.00%-8.00% ◀	7.50%-8.50% ◀	7.50%-8.75% ◀	7.50%-9.00% ▼

TORONTO

145 King Street West Suite 1100
Toronto, ON M5H 1J8
416.362.2244

VANCOUVER

1021 West Hastings Street Suite 2500
Vancouver, BC V6E 0C3
604.662.3000

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CBRE HOTELS VALUATION & ADVISORY SERVICES

TORONTO

Nicole Nguyen

Director
647.943.3745
nicole.nguyen@cbre.com

Scott Forler

Analyst
647.943.3746
scott.forler@cbre.com

VANCOUVER

David Ferguson

Director
778.372.1941
david.ferguson@cbre.com

Kirstin Hallett

Director
778.372.1942
kirstin.hallett@cbre.com

TOURISM & LEISURE GROUP

Fran Hohol

Senior Director 647.943.3743
fran.hohol@cbre.com

Rebecca Godfrey Director

647.943.3744
rebecca.godfrey@cbre.com

Hildegard Snelgrove

Analyst
647.943.3748
hildegard.snelgrove@cbre.com

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HOTEL PERFORMANCE – EASTERN FOCUS

Central Canada has had strong RevPAR growth in Q2, driven largely by Ontario, in part Toronto, but with the balance of the province having seen strong growth as well. Both Quebec and Atlantic Canada are continuing weak growth in 2018 with occupancy and RevPAR dropping in the major markets of St. Johns and Montreal.

CENTRAL CANADA	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	70%	▲ 0.0 pts	▲ 1.0pts
ADR	\$158	▲ 4.6%	▲ 4.6%
RevPAR	\$110	▲ 4.9%	▲ 6.2%

ONTARIO

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	69%	▲ 0.4 pts	▲ 1.8 pts
ADR	\$155	▲ 5.0%	▲ 4.8%
RevPAR	\$107	▲ 5.6%	▲ 7.6%

QUEBEC

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	70%	▲ 0.3 pts	▼ -1.3pts
ADR	\$168	▲ 4.0%	▲ 3.8%
RevPAR	\$118	▲ 4.4%	▲ 1.8%

ATLANTIC CANADA

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	63%	▲ 0.0 pts	▼ -1.6pts
ADR	\$135	▲ 3.4%	▲ 4.5%
RevPAR	\$86	▲ 2.9%	▲ 1.6%

URBAN ANALYSIS

The drop off in performance in St. John's has continued through the second quarter, while the improved performance in Toronto has continued through the first six months of the year. Quebec City and Halifax have are outpacing our original RevPAR projections while Montreal and Ottawa are showing RevPAR declines to the end of Q2.

	2017	2018F	2018 YTD Q2		2017	2018F	2018 YTD Q2
TORONTO	Occupancy	76%	▼ 0.5 pts ▲ 2.1pts	QUEBEC CITY	Occupancy	68%	- ▲ 0.7pts
	ADR	\$172	▲ 6.0% ▲ 6.9%		ADR	\$168	▲ 2.5% ▲ 6.4%
	RevPAR	\$130	▲ 6.0% ▲ 10.0%		RevPAR	\$114	▲ 3.0% ▲ 10.9%
OTTAWA	Occupancy	75%	▼ 2.0 pts ▼ -0.9pts	ST. JOHN'S	Occupancy	63%	▼ 4.5pts ▼ -11.8pts
	ADR	\$172	▲ 4.0% ▼ -2.1%		ADR	\$149	▲ 2.0% ▼ -0.9%
	RevPAR	\$128	▲ 1.0% ▼ -3.3%		RevPAR	\$93	▼ 6.0% ▼ -21.8%
MONTREAL	Occupancy	75%	▼ 2.0 pts ▼ -4.0pts	HALIFAX	Occupancy	72%	▼ 1.0 pt ▼ -1.5pts
	ADR	\$175	▲ 6.0% ▲ 3.6%		ADR	\$149	▲ 3.5% ▲ 7.8%
	RevPAR	\$131	▲ 3.5% ▼ -2.1%		RevPAR	\$107	▲ 2.0% ▲ 5.4%

CBRE HOTELS BROKERAGE

TORONTO

Bill Stone*
416 815 2371
bill.stone@cbre.com

Deborah Borotsik**
416 815 2371
deborah.borotsik@cbre.com

Scott Duff**
416 815 2313
scott.duff@cbre.com

Sylvia Occhiuzzi**
416 874 7264
sylvia.occhiuzzi@cbre.com

CALGARY

Greg Kwong**
403 750 0514
greg.kwong@cbre.com

*Broker
**Sales Representative

www.cbrehotels.com

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HOTEL PERFORMANCE – WESTERN FOCUS

British Columbia continues to lead Western Canada's strong RevPAR growth to the end of the second quarter, due mainly to the 10% increase in ADR. In Saskatchewan and Alberta, the RevPAR growth was due to growth in Occupancy levels. Overall, the western markets are recovering very well after a weak 2017.

WESTERN CANADA	2017	2018 OUTLOOK	2018 (YTD Q2)
Occupancy	62%	▲ 1.0 pts	▲ 1.8 pts
ADR	\$155	▲ 3.3%	▲ 5.1%
RevPAR	\$96	▲ 4.7%	▲ 8.3%

BRITISH COLUMBIA

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	70%	▲ 1.5 pts	▲ 0.8 pts
ADR	\$173	▲ 5.0%	▲ 10.2%
RevPAR	\$121	▲ 7.2%	▲ 11.6%

ALBERTA

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	54%	▲ 0.6 pts	▲ 3.1 pts
ADR	\$130	▲ 1.0%	◀ 0.0%
RevPAR	\$70	▲ 2.1%	▲ 6.0%

SASKATCHEWAN

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	54%	▲ 0.3 pts	▲ 3.6 pts
ADR	\$119	▲ 1.0%	▼ 2.0%
RevPAR	\$64	▲ 1.5%	▲ 4.9%

MANITOBA

	2017	2018 Outlook	2018 (YTD Q2)
Occupancy	69%	▲ 0.8 pt	▼ 0.5 pts
ADR	\$123	▲ 2.5%	▲ 2.4%
RevPAR	\$84	▲ 3.7%	▲ 1.7%

URBAN ANALYSIS

In terms of the major urban centres in Western Canada, Vancouver continues its strong RevPAR growth to the end of the second quarter with strong ADR growth. Similarly, strong rate growth in Calgary and Regina are pushing RevPAR well above our original projections.

	2017	2018O	2018 YTD Q2		2017	2018O	2018 YTD Q2	
VANCOUVER	Occupancy	79% ▲	1.0pts ▲	REGINA	Occupancy	56% ▲	1.0pts ▲	
	ADR	\$190 ▲	6.7% ▲		ADR	\$121 ▲	1.0% ▲	1.0%
	RevPAR	\$150 ▲	7.5% ▲		RevPAR	\$68 ▲	2.5% ▲	7.5%
CALGARY	Occupancy	59% ▼	0.0pts ▲	SASKATOON	Occupancy	60%	- ▲	
	ADR	\$144 ▲	1.2% ▲		ADR	\$125 ▼	0.5% ▼	3.0%
	RevPAR	\$85 ▲	0.7% ▲		RevPAR	\$75	- ▼	1.0%
EDMONTON	Occupancy	57% ▼	0.0pts ▲	WINNIPEG	Occupancy	71%	- ▼	
	ADR	\$130 ▼	2.0% ▼		ADR	\$129 ▲	2.5% ▲	3.0%
	RevPAR	\$74 ▼	2.0% ▲		RevPAR	\$92 ▲	3.0% ▲	1.0%