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CANADIAN MONTHLY LODGING OUTLOOK A LOOK AT THE CANADIAN LODGING INDUSTRY IN 2011 AND AHEAD TO 2012

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A Look at the Canadian Lodging Industry in 2011 and Ahead 2012

It is the time of year when many in our industry are looking ahead to determine what the year to come is going to look like, so I will share with you some of our thoughts on how 2011 is expected to finish and provide a general indication of what we can reasonably expect to happen in 2012 for Canada as whole and the major urban markets of downtown Vancouver, downtown Toronto, Ottawa, and downtown Montreal.

National Trends

As it stands today, the RevPAR for Canada will end 2011 at a level similar to 2010, at approximately \$79. This will be the result of a slightly higher occupancy and a slightly lower average room rate. The country will note a decline in ADR in 2011, but this is primarily the result of statistics normalizing after the rate spike created by the Vancouver Winter Olympic Games in 2010. Generally speaking, the average rate growth in the country was fairly insignificant in 2011, the exceptions being Newfoundland and Saskatchewan, which were buoyed by strong resource economies.

For 2012, there is a good chance that hotel demand growth will outpace the increase in supply, resulting in a higher occupancy level for the country. The supply pipeline data provided by Smith Travel Research indicate that the national room supply will increase 1.3% in 2012. Historical analysis shows that changes in GDP correlate to changes in hotel demand, and the national GDP growth for 2012 is projected to be between 1.7% and 2.5%. The difference between the expected supply growth and demand growth being positive, it is reasonable that we would expect to see some upward movement in the nation-wide occupancy level.

We also anticipate modest but positive ADR growth in 2012. Hoteliers continue to capitalize on the limited increase in new supply and positive demand growth. The continued global economic uncertainty is likely to hamper the rate growth potential, but we are optimistic that hoteliers will recognize the sound fundamentals in place and continue to move rates in a positive direction.

HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR - CANADA

	2007	2008	2009	2010	2011F	2012F
Occupancy	65%	64%	59%	61%	62%	63%
ADR	\$129	\$133	\$126	\$129	\$128	\$131
RevPAR	\$84	\$85	\$74	\$78	\$79	\$83

Source: STR and HVS - Canada

Downtown Vancouver

As a result of the 2010 Winter Olympic Games, the RevPAR of downtown Vancouver peaked at \$128 in 2010. This was an increase of 19%, or \$21, over the low recorded in 2009. The overall performance of this market was quite strong in 2011, and the RevPAR of downtown Vancouver is expected to be only 5% lower than the high peak recorded in 2010. Several factors contributed to the strength in the market in 2011: the new convention centre, which resulted in the strongest convention year ever in the city, a 20% increase in cruise ship passengers, and what has been deemed the "Olympic afterglow," which has brought additional visitors to see the city.

For 2012, the outlook for the downtown Vancouver lodging market is quite positive. No new rooms are under construction in the downtown market, and the most recent hotel opening was the 156-room Hotel Georgia in July 2011. With no new supply and the continued growth in demand, the RevPAR for the market is expected to increase by 5% in 2012, back to the high recorded in 2010.

HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR - DOWNTOWN VANCOUVER

	2007	2008	2009	2010	2011F	2012F
Occupancy	75%	74%	68%	73%	72%	73%
ADR	\$165	\$168	\$157	\$176	\$170	\$175
RevPAR	\$123	\$124	\$107	\$128	\$122	\$128

Source: STR and HVS - Canada

Downtown Toronto

The downtown Toronto market is expected post a modest decline in RevPAR in 2011. The occupancy fell one percentage point because of a 4% increase in supply with the opening of the Ritz-Carlton, the Le Germain Maple Leaf Square, and the Thompson Hotel. The small increase in the market-wide average rate was not sufficient offset the occupancy decline, and as a consequence the RevPAR for 2011 is expected to be a dollar lower than what the market recorded in 2010.

Nevertheless, the RevPAR of the downtown Toronto market is projected to improve a modest 2% in 2012, even though the room supply is expected to grow further with the planned opening of the Four Seasons, the Trump Hotel, and the Templar Hotel. These new hotels will increase the supply by as much as 3% and put downward pressure on occupancy. Given that all the new supply is in the luxury segment, the market will retain the potential for rate growth. We project a 3% increase in the average room rate in 2012, which will be enough to push the RevPAR for the market up \$3 over what was registered in 2010.

HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR - DOWNTOWN TORONTO

	2007	2008	2009	2010	2011F	2012F
Occupancy	71%	72%	68%	74%	73%	72%
ADR	\$170	\$169	\$148	\$159	\$161	\$166
RevPAR	\$121	\$121	\$100	\$118	\$117	\$120

Source: STR and HVS - Canada

Ottawa

In 2011, Ottawa noted the strongest RevPAR growth of the four urban markets under discussion. The city-wide RevPAR was up 5% over the level recorded in 2010, driven by increases in both occupancy and average room rate. The improvement in 2012 is expected to be less dramatic. The opening of the 395-room Courtyard by Marriott Ottawa East will increase the room supply by 4%, which is expected to contribute to a one-point decline in occupancy. At the same time, modest growth is projected for average room rate in 2012.

HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR - OTTAWA

	2007	2008	2009	2010	2011F	2012F
Occupancy	71%	71%	67%	69%	71%	70%
ADR	\$135	\$136	\$134	\$133	\$135	\$139
RevPAR	\$95	\$96	\$90	\$91	\$96	\$97

Source: STR and HVS - Canada

Downtown Montreal

In 2010, the Montreal market rebounded strongly, driven by sharp increases in both demand and average rate. This growth continued at a more modest rate in 2011. The supply in downtown Montreal actually contracted by 0.3% in 2011 with the conversion of a hotel to an alternative use. As no new hotels are under construction in downtown Montreal and the GDP forecast for the province is positive at over 2.0%, the occupancy is expected to increase in 2012. With the improvement in occupancy, average room rate growth is also expected, albeit at a relatively modest rate of 3%. Consequently, the RevPAR for the Montreal market is expected to be about 5% higher in 2012 than the level recorded in 2011.

HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR - DOWNTOWN MONTREAL

	2007	2008	2009	2010	2011F	2012F
Occupancy	66%	63%	61%	67%	69%	70%
ADR	\$149	\$151	\$139	\$146	\$147	\$151
RevPAR	\$98	\$95	\$84	\$97	\$101	\$106

Source: STR and HVS - Canada

Conclusion

Overall, the outlook is positive for the Canadian lodging market in 2012. RevPAR growth is expected in all four of the major urban markets. The RevPAR for Canada as a whole will have yet to return to the level recorded in 2007, but the major markets of downtown Vancouver, Ottawa, and downtown Montreal will all have recovered from the 2009 slump to reach yet unseen RevPAR levels (prior to adjusting for inflation). For downtown Toronto, the new luxury hotels that are slated to open will hold down the occupancy level, and as a result the RevPAR for this market is expected to remain slightly below the level noted in 2007 despite the general improvement.

**About the Author**

Carrie Russell has been with HVS for 14 years. Prior to joining HVS Carrie worked in the industry at a boutique hotel in Victoria, a golf course in the Okanagan Valley, as well as doing consulting for hotels and tourism projects on Vancouver Island. Carrie has a Bachelor of Commerce from the University of Victoria, has completed her Diploma in Urban Land Economics at UBC, and obtained her AACI designation through the Appraisal Institute of Canada. Carrie is also a member of the Real Estate Institute of British Columbia (RIBC). At HVS, Carrie has been involved with appraisals and/or feasibility studies for over 1,000 hotel properties throughout Canada and the United States. She has authored several articles on various topics relevant to the industry and has been invited to speak at several conferences and universities.

Canadian Lodging Outlook October 2011

STR and HVS are pleased to provide you with the month's issue of the Canadian Lodging Outlook. Each report includes occupancy (Occ), average daily rate (ADR), and revenue per available room (RevPAR) for three major markets and the Provinces.

If you would like a detailed hotel performance data for all of Canada, STR offers their Canadian Hotel Review. The Canadian Hotel Review is available by annual subscription which includes both monthly and weekly issues. Each monthly issue of the Canadian Hotel Review also includes an analysis provided by HVS. For further information, please contact: info@str.com or +1 (615) 824-8664 ext. 3504.

October 2011	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Montreal	72.0%	70.6%	\$139.60	\$135.59	\$100.58	\$95.75	-0.1%	1.9%	16,815	27,928
Toronto	73.5%	73.5%	\$141.99	\$137.98	\$104.33	\$101.36	4.0%	4.0%	31,337	37,205
Vancouver	62.6%	69.1%	\$131.41	\$142.85	\$82.22	\$98.64	0.7%	-8.7%	19,267	26,509
Provinces										
Alberta	64.1%	59.3%	\$130.15	\$128.94	\$83.48	\$76.43	1.3%	9.7%	37,112	67,605
British Columbia	56.4%	59.4%	\$122.50	\$130.37	\$69.14	\$77.49	0.6%	-4.5%	36,187	84,013
Manitoba	67.4%	68.7%	\$114.76	\$112.10	\$77.35	\$77.00	3.4%	1.5%	5,073	13,924
New Brunswick	58.1%	60.5%	\$110.78	\$110.15	\$64.36	\$66.62	0.8%	-3.2%	5,347	11,435
Newfoundland	78.7%	80.3%	\$136.86	\$132.85	\$107.70	\$106.70	0.7%	-1.3%	1,789	5,880
Nova Scotia	65.3%	66.4%	\$119.88	\$120.03	\$78.31	\$79.71	0.8%	-0.8%	6,209	13,013
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	66	1,543
Ontario	66.7%	66.0%	\$125.27	\$123.39	\$83.52	\$81.39	1.6%	2.7%	84,211	139,068
Prince Edward Island	49.7%	50.8%	\$101.11	\$103.43	\$50.25	\$52.52	2.0%	-0.2%	948	4,163
Quebec	68.2%	66.8%	\$137.83	\$135.48	\$94.04	\$90.49	-0.3%	1.8%	27,597	78,111
Saskatchewan	72.9%	74.5%	\$121.90	\$119.79	\$88.85	\$89.29	1.5%	-0.8%	7,527	17,008
Yukon Territory	INS	INS	INS	INS	INS	INS	INS	INS	332	2,265
Canada	64.7%	64.0%	\$126.56	\$126.28	\$81.87	\$80.84	1.0%	2.1%	212,398	438,442

October 2011 Year-To-Date	Occupancy Rate (%)		Average Room Rates (\$CAD)		REVPAR (\$CAD)		Room Supply	Room Demand	Number of Rooms	
	2011	2010	2011	2010	2011	2010	% chg	% chg	Sample	Census
Montreal	67.0%	64.3%	\$136.13	\$134.51	\$91.17	\$86.46	-0.2%	4.0%	16,815	27,928
Toronto	69.7%	69.9%	\$135.59	\$134.93	\$94.53	\$94.34	3.5%	3.2%	31,337	37,205
Vancouver	69.0%	70.8%	\$144.40	\$154.47	\$99.70	\$109.31	0.4%	-2.0%	19,267	26,509
Provinces										
Alberta	62.5%	59.3%	\$135.21	\$135.37	\$84.57	\$80.33	2.5%	8.1%	37,112	67,605
British Columbia	63.2%	63.7%	\$136.70	\$146.12	\$86.36	\$93.11	0.8%	-0.1%	36,187	84,013
Manitoba	66.0%	66.3%	\$112.20	\$111.53	\$74.11	\$73.98	1.9%	1.5%	5,073	13,924
New Brunswick	58.0%	58.9%	\$112.54	\$111.79	\$65.32	\$65.90	1.8%	0.2%	5,347	11,435
Newfoundland	74.4%	73.7%	\$135.36	\$129.66	\$100.77	\$95.53	0.4%	1.5%	1,789	5,880
Nova Scotia	63.5%	64.3%	\$120.32	\$119.46	\$76.42	\$76.87	1.2%	-0.1%	6,209	13,013
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	66	1,543
Ontario	63.5%	62.8%	\$123.56	\$123.33	\$78.46	\$77.44	1.5%	2.7%	84,211	139,068
Prince Edward Island	55.8%	53.2%	\$113.99	\$118.26	\$63.58	\$62.92	0.7%	5.5%	948	4,163
Quebec	65.0%	63.2%	\$135.39	\$133.48	\$87.99	\$84.30	-0.3%	2.6%	27,597	78,111
Saskatchewan	68.6%	69.4%	\$121.41	\$118.97	\$83.24	\$82.53	2.4%	1.2%	7,527	17,008
Yukon Territory	INS	INS	INS	INS	INS	INS	INS	INS	332	2,265
Canada	63.6%	62.7%	\$128.73	\$129.89	\$81.91	\$81.43	1.2%	2.7%	212,398	438,442

*INS = Insufficient Data



About STR

STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on STR data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. STR has developed a variety of products and services to meet the needs of industry leaders.

About HVS

HVS is the world's leading consulting and services organization focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. Established in 1980, the company performs more than 2,000 assignments per year for virtually every major industry participant. HVS principals are regarded as the leading professionals in their respective regions of the globe. Through a worldwide network of 30 offices staffed by 400 seasoned industry professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. For further information regarding our expertise and specifics about our services, please visit www.hvs.com

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