

What is contributing to the dynamic growth of Montréal's hotel supply and demand?

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The Montréal hotel market has made a strong comeback from the pandemic, experiencing a 4.6% rise in room supply, in contrast to the declines in Downtown Toronto and Vancouver. This expansion, combined with a rebound in air travel, extensive hotel renovations, and effective tourism promotion, has positioned Montréal as the most resilient market. With substantial investments and a thriving meetings and events sector, the city's hotel industry is undergoing a significant evolution.

The Montréal hotel market has swiftly rebounded from the pandemic-induced RevPAR decline of 63.0% in 2020. While Downtown Toronto and Downtown Vancouver have experienced over 4.0% loss of hotel room inventory relative to pre-pandemic levels, Downtown Montreal over the same period has gone the opposite direction with 4.6% growth.

Considering the net increase in guestrooms, however, Montréal has emerged as the most resilient market. The hotel industry in Montréal is now undergoing a significant transformation, supported by substantial investments directed toward venue development and refurbishment, as well as highly successful marketing strategies by Tourism Montreal. This article delves into the factors driving this robust transformation and offers insights into the outlook for the market.

Montreal Downtown	Historical							Forecast
	2018	2019	2020	2021	2022	2023	2024	2025
Occupancy	71.2%	70.8%	17.1%	23.9%	55.6%	67.7%	69.4%	69.3%
Percent Change		-0.6%	(75.8%)	39.9%	132.4%	21.8%	2.5%	-0.2%
Average Rate	\$205.58	\$211.07	\$151.15	\$174.71	\$245.42	\$255.73	\$260.67	\$271.09
Percent Change		2.7%	(28.4%)	15.6%	40.5%	4.2%	1.9%	4.0%
RevPAR	\$146.37	\$149.44	\$25.85	\$41.79	\$136.45	\$173.22	\$180.90	\$187.85
Percent Change		2.1%	(82.7%)	61.7%	226.5%	26.9%	4.4%	3.8%
New Supply (# of Rooms)	329	245	203	158	457	419	93	264
Percent Change	—	(25.5%)	(17.2%)	(22.0%)	65.4%	(9.1%)	(351.0%)	64.8%

Montreal Airport	Historical							Forecast
	2018	2019	2020	2021	2022	2023	2024	2025
Occupancy	74.9%	77.0%	32.1%	44.5%	75.0%	75.4%	72.2%	73.0%
Percent Change		2.8%	(58.3%)	38.6%	68.7%	0.5%	(4.2%)	1.1%
Average Rate	\$145.61	\$151.16	\$130.32	\$140.14	\$159.36	\$188.11	\$197.98	\$205.90
Percent Change		3.8%	(13.8%)	7.5%	13.7%	18.0%	5.2%	4.0%
RevPAR	\$109.06	\$116.39	\$41.83	\$62.35	\$119.58	\$141.80	\$142.99	\$150.30
Percent Change		6.7%	(64.1%)	49.1%	91.8%	18.6%	0.8%	5.1%

New Supply (# of Rooms)	26	79	0	169	213	38	—	109
Percent Change	—	200.0%	(100.0%)	—	20.4%	(466.7%)	—	—

Source: STR/HVS

Trends in 2023: Downtown Occupancy Gains & Airport Market Rate Hikes

According to STR, the total occupancy for 2023 stood at 67.7% for the Downtown Montréal area and 75.1% for the Montréal Airport submarket, both slightly below the pre-COVID benchmarks. Despite a favourable 2.6% increase in demand in the first quarter of 2023, particularly bad weather in the summer and intense fires in Northern Québec exerted downward pressure on occupancy for the second and third quarters, resulting in declines in occupancy of 7.1% and 7.8% respectively compared to 2019. The Montréal Airport submarket outperformed expectations, driven by numerous properties securing contracts to accommodate government temporary housing demand and the sharp increase in average daily rates in the downtown core, which brought compression to the airport market.

	2023 ADR	Growth over 2022	Growth over 2019	YTD August 2024	Growth over YTD August 2023
Edmonton	\$137.89	7.62 %	10.81 %	\$147.38	7.85 %
Calgary	169.15	11.16	19.82	179.21	4.04
Downtown Montreal	255.73	4.20	19.78	261.10	1.34
Ottawa-Gatineau	196.99	10.25	17.83	195.31	1.45
Downtown Toronto	329.20	9.56	31.55	322.67	-1.03
Downtown Vancouver	319.20	13.68	19.96	342.96	6.11

	2023 Occ	Growth over 2022	Growth over 2019	YTD August 2024	Growth over YTD August 2023
Edmonton	56.61 %	9.42 %	4.96 %	59.85 %	5.06 %
Calgary	64.19	9.77	9.69	67.31	3.02
Downtown Montreal	67.73	16.09	-5.18	69.07	3.92
Ottawa-Gatineau	67.47	10.78	-2.91	67.25	0.77
Downtown Toronto	70.42	10.12	-8.69	72.12	3.53
Downtown Vancouver	78.62	7.96	-1.63	80.16	1.01

Source: STR

The ADR for Downtown Montréal reached \$255.73 in 2023, marking a 4.2% increase compared to 2022 and a substantial rise of 19.8% since 2019. Despite this significant increase, the growth in 2023 appears to be conservative compared to the 9.6% improvement in ADR for Downtown Toronto. The rate growth for Downtown Montréal has slowed amid the robust return of meeting and group demand; negotiated rates for room-night blocks have put downward pressure on room rates. In contrast, the Montréal Airport submarket's ADR increased from \$151.16 in 2019 to \$187.90 in 2023, a much

sharper rise than in the downtown market. This increase was enabled by a slight lag in ADR growth in 2022, which was due to lower contracted government rates and the opening of multiple new-build hotels between 2022 and 2023. Notably, the opening of two dual-branded hotels on Boulevard Décarie (the Hilton Garden Inn Montreal Midtown & Homewood Suites by Hilton Montreal Midtown and the Courtyard Montreal Midtown & Residence Inn Montreal Midtown), which are included in the airport submarket, boosted the ADR for the market with their brand-new contemporary products, extended-stay components, and strong branding, while adding 564 rooms to the market, representing a 10.0% increase in supply.

The resilience of this market has been supported by the strong recovery of Montréal–Pierre Elliott Trudeau International Airport, which welcomed 21,145,714 passengers in 2023, which is 839,178 more than in 2019. As of November 2024, the total number of passengers was again 1.2 million higher than for the same period last year. No other Canadian International Airport has yet returned to pre-COVID passenger counts.

In 2024, the return of meeting and group demand put downward pressure on ADR growth, all while maintaining a strong and stable occupancy. In spite of those limitations, RevPAR for the entire Montreal market reached \$161.21, which is a 3.5% increase compared to 2023.

Montréal Hotel Supply: Transformation through Modernization

While independent hotels dominate Québec's market, the potential value-add of a brand is leading underperforming properties in Montréal to be converted and as a result has reduced the independent hotels inventory from 69% to 65% between 2019 and 2024. Notable brand conversions include:

Hotel	Converted from	Number of rooms
Econo Lodge Montréal	Hotel Elegant	43
Quality Inn Centre Ville	Hotel Européenne	59
Hyatt Place Montréal Downtown	Hotel Gouverneur	353
Warwick – Le Crystal	Le Crystal	131

Source: HVS

Major renovations by large ownership groups include the \$30M Centre Sheraton, \$37M Hôtel Marriott Château Champlain Montréal and \$140M Fairmont The Queen Elizabeth (2017). New hotel developments like the Four Seasons Hotel Montreal, Humaniti Hotel Montreal, Autograph Collection, and Honeyrose Hotel Montreal A Tribute Portfolio Hotel reflect Montréal's gentrification, aided by lower land costs compared to Toronto and Vancouver.

These developments in Downtown Montréal have contributed to the steady increase in ADR since 2019. Although Montréal's ADR growth has been lower than that of Downtown Toronto over the same period (20.8% versus 31.8%), demand has played a critical role in revenue growth for the French-speaking city, which has recovered 99.6% of the demand captured in 2019. Unlike Montréal, Toronto and Vancouver are still operating well below pre-pandemic

benchmarks for accommodated demand, with significant declines in rooms sold: 12.2% for Downtown Toronto and 6.2% for Vancouver. The wave of hotel closures for alternative uses in these cities has not been balanced by the opening of new properties, which did not spur induced demand as seen in Montréal with the numerous openings that have brought people to the city. Occupancy recoveries for all three markets range between 92% and 98%, with Montréal being the highest. As the only hotel market with positive supply growth, Montréal is leading these markets in the pace of demand recovery.

By 2027, Montréal will see the addition of 15 new hotels, including the highly anticipated Moxy by Marriott in Griffintown, set in a 63-story tower that will reshape the skyline. Unique concepts like the SonoLux boutique hotel (under construction), offering a sound-experience theme with immersive light and sound shows, and the Uville hotel-museum (2019), which showcases Montréal's 1960s-70s history, highlight the city's creative approach to hospitality. Voco by IHG will debut in Old Port, marking its first Canadian location and underscoring Montréal's appeal to new brands and innovative developments.

Growth extends beyond downtown, with new developments near Montréal–Pierre Elliott Trudeau International Airport and the city's outskirts. Notable projects include a luxury hotel within the Royalmount development in Midtown, featuring high-end retail brands never before seen in Québec, and several branded hotels in the west end, like the proposed Hôtel Railwaysparc Montreal, Tapestry Collection by Hilton. Two dual-branded hotels have also been added to the Décarie corridor, the Hilton Garden Inn/Homewood Suites by Hilton and the Courtyard/Residence Inn by Marriott, reflecting developers' interest in transforming this once industrial area. Loto-Québec plans a \$150M, 200-room hotel on the casino site, aiming to establish the casino as a major leisure destination. These developments will boost demand and support continued occupancy growth in Montréal's dynamic hotel market. Recent transactions reflect the increased investment and sophistication taking place in Montréal. Several assets have recently transacted, with a notable focus on large-scale properties, demonstrating investor appetite for assets with substantial value-add potential. In April 2024, the 595-room DoubleTree by Hilton Montréal was acquired by the Artifact Group in partnership with Dorsett, marking a strategic move by established hospitality players. Additionally, hotels are now seen as a strong asset class, which is attracting first-time real estate owners who have traditionally focussed on office or condo real estate. This growing interest among first-time hotel owners highlights the sector's resilience and the advantages of owning hotel real estate. For example, Groupe Mach, a developer focussed mainly in the residential and office sector, acquired the InterContinental Montréal in early 2023, with plans to completely renovate the hotel and bring it to a higher level of luxury.

Montréal's Meeting & Event Market Outperforms Expectations in 2023

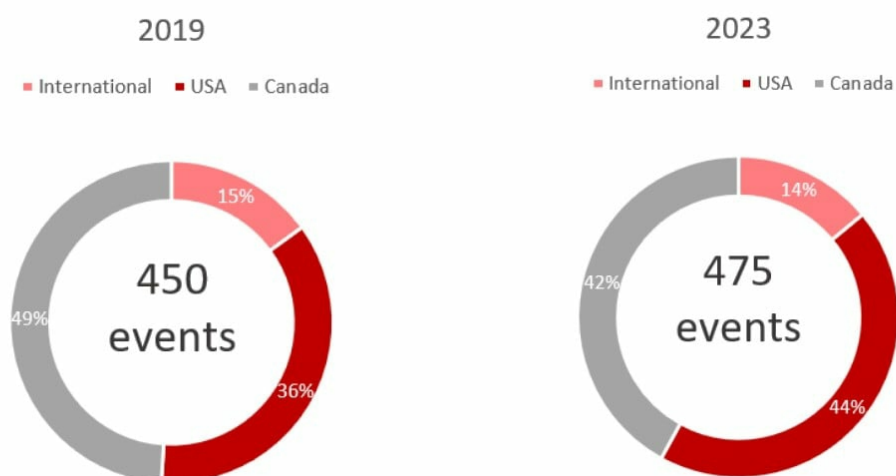
Montréal is a top destination for meetings and events in North America, ranked by the ICCA (International Congress and Convention Association) as the number one city for international association meetings in 2024 for the eighth year. This achievement highlights Montréal's unique blend of innovation, vibrant culture, and excellent infrastructure. Tourisme Montréal's rebranding, marketing, and collaboration efforts during the pandemic helped maintain this status, attracting numerous global events. Montréal also leads in sustainability, ranking first in North America and 33rd globally on the Global Destination Sustainability Index. With a 75% score, a 25-point improvement since 2019, the city's commitment to sustainable tourism enhances its appeal to business, group, and eco-conscious travelers, especially in light of the more

stringent ESG (environmental, social and governance) requirements of many international companies. Montréal's position as a leading sustainable tourism destination also acts as a draw for environmentally conscious leisure tourists.

About 35% of Montréal's tourism demand comes from its busy event schedule, fueled by congress centres, convention hotels, sports facilities, and meeting venues. This segment's recovery, coupled with leisure demand, have driven the post-pandemic rebound of the lodging market, offsetting the lack of corporate travel. While large event rates put downward pressure on ADR, compression in the market and increased occupancy boosts RevPAR and supports the city's economy through higher tourism revenues.

Montréal's strong appeal as a host city, which extends the tourist season into the off-peak months, has led to group room night levels that exceed pre-pandemic benchmarks. The city hosted several major events in 2023, solidifying its reputation as a top meeting destination. Additionally, Montréal's accessibility from the US and the favourable exchange rate attract American visitors and give Montreal a competitive edge. Montréal is also poised to benefit from the growth in the number of US passport holders. Historically, until 2021, only a third of Americans held a passport. There were about 100 million valid US passports in 2010 and 140 million in 2021, but this jumped to 161 million in 2023—that year saw the highest number of passports ever issued, indicating an increasing potential for US visitors. In addition, the bilingual population and the proximity to the US make Montréal an appealing destination for those seeking diverse cultural experiences and culinary delights. As a result, the US market share of events in Montréal increased from 36% in 2019 to 44% in 2023, reflecting a reduction in the Canadian share; the overall number of city-wide events also increased from 13 in 2019 to 15 in 2023.

From January to October 2023, Montréal recorded 810,482 group room nights, on track to meet Tourisme Montréal's goal of 1 million for the year. For 2024, the goal is now 1,250,000. This represents 133% of 2022 levels and 148% of 2019, surpassing pre-pandemic figures. This demonstrates the city's strong allure and stands in contrast to Toronto; Toronto's Metro Convention Centre hosted fewer events (276 in 2022/23 versus 446 in 2019/20). Montréal held 15 city-wide events in 2023, up from 12 in 2022 and 13 in 2019, with major congresses like the Canadian Cardiovascular Society and the World Federation of Neurology attracting thousands of delegates. In 2024, the city will welcome 19 city-wide events.



Looking Ahead: 2024 and Beyond

Montréal has several opportunities for improvement going forward. In 2023, Montréal–Pierre Elliott Trudeau International Airport (YUL) fully recovered from pandemic setbacks and surpassed the 2019 passenger count with 21,145,714 passengers. YUL welcomed almost 900,000 more passengers in 2023 than in 2019. New routes, such as Dubai and Lyon, France, and extended access to certain destinations, such as to Korea all year long, are bolstering Montréal's potential for attracting more visitors. Aéroports de Montréal is addressing through new parking facilities and plans for an automated light rail system, the REM, by 2028, which will reach the airport and provide a 20-minute connection to Downtown Montréal. The expansion of the Montreal Metropolitan Airport, which is dedicated to domestic flights, will relieve pressure on YUL, giving space for the larger airport to welcome more international and long-haul arrivals. The expanded Montreal Metropolitan Airport is expected to welcome 1 million passengers in its first year, after its opening in the summer of 2025, and up to 4 million on a stabilized basis. Additionally, there are plans for eight branded hotels in the Montréal Airport submarket, representing the addition of 1,130 rooms, or a 22.0% increase in available room nights. These new rooms are expected to be quickly absorbed given the increase in passengers at the airport and the strength of the business parks in the area. Lastly, the infamous Olympic Stadium will undergo a renovation. After a four-year closure for the replacement of the roof, which will cost about \$1 billion, the stadium should be able to host large events all year round, and generate \$150 million per year, in contrast to \$68 million as of today.

The momentum of short-term rental growth may face a slowdown or a decline with the implementation of "Loi 25" in June 2023, which is the Quebec answer to strong lobbying made on the federal level by the Hotel Association of Canada (HAC). Quebec's "Loi 25 aims to regulate short-term rentals by requiring platforms like Airbnb to enforce compliance and imposing fines for non-compliance. Before the law, only 30% of listings were compliant, signaling a potential reduction in supply, benefiting hotels by reducing competition. Montréal's short-term rental listings surged 564% from 2018 to 2023, but occupancy rates dropped from 68.8% in 2019 to 60.9% in 2023. Despite this, ADR increased by 33%, reaching \$260.18 in Downtown Montréal. The short-term rental market has been strong, which means that the local hotel market would strongly benefit if there were a reduction in the short-term rental supply. The first effects are already showing, with a 22% supply decrease from 2023 to 2024.

Conclusion

Montréal's hotel market has shown impressive resilience and growth in the post-pandemic period, driven by strategic developments, significant refurbishments to the existing room supply, strong airport performance, and very successful marketing by Tourisme Montreal, leading to a robust event calendar. The shift toward more branded hotels and extensive renovations has taken the market up a notch, enhancing its profile as a boutique hotel destination. In 2023, the market realized substantial revenue growth and stable occupancy rates, particularly in the downtown and airport areas, given Montréal's leisure demand and strong events and meetings sector. In 2024, rate growth stabilized with the comeback of meeting and groups demand, with improved occupancy. As we look to the future, continued growth is expected with new hotel openings that feature fresh brands and innovative concepts. The city's cultural allure will continue to attract more US visitors, supported by the favourable exchange rate and a growing interest in travel to Canada.

This article was written in collaboration with Luc Espallard, HVS Toronto.