White Paper on Canada Tourism Investment Climate

By:
Scott Wayne, President
SW Associates, Washington, DC

North America Investments

Published by

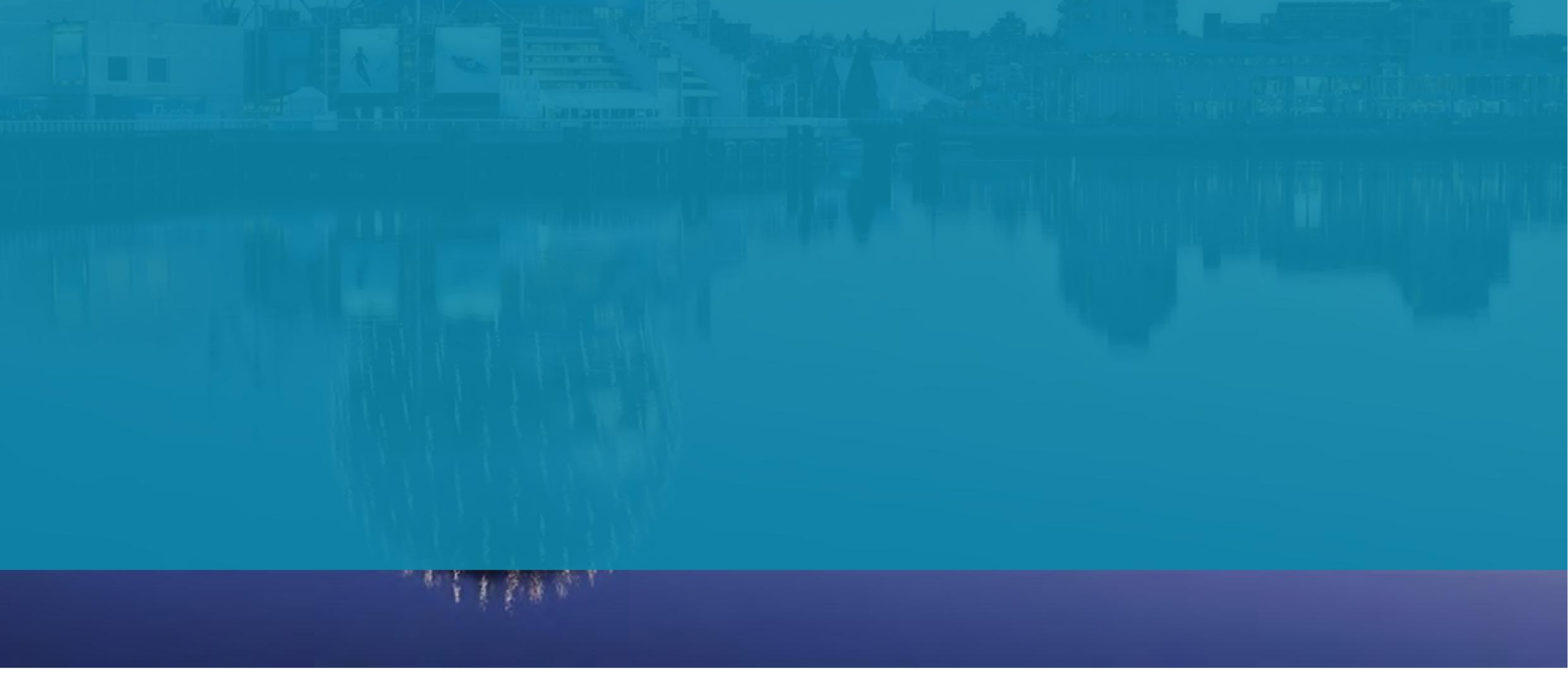
QUESTEX HOSPITALITY GROUP

hotel MANAGEMENT

As one of the most competitive tourism economies in the world, Canada has long been one of the world's top destinations. The country's diverse geography, history, culture and demographics have historically fueled growing global and national interest in investing and doing business in Canada along with interest in visiting the country. Key economic and tourism-related data are testimony to this interest. The following is a summary of this data, comprising key facts and figures about the tourism investment climate of Canada, and highlighting three key trends.

"In 2014, Canada was recognized as the top country in the world to visit, live in, study and attend or organize events." (David Goldstein, president and CEO, Canadian Tourism Commission)

Overall, with some positive growth that occurred during the past two years, including record-breaking hotel revenue per available room, the forecast for the next few years is optimistic for visitors, residents, operators and investors. Some of the demand is driven by three key trends: technology, especially the rise of the "sharing economy," the rise of the millennials as a key traveler segment within Canada and in target markets, and the continued travel demands of baby boomers. And, internationally, increased disposable income, among especially the Chinese, is also helping to drive demand. It is a great time to be in tourism and be a tourist in Canada.



Key Country Facts:
Variety and vastness help tourism demand

GEOGRAPHY
At nearly 10 million square kilometers, Canada is the second largest country in the world after Russia. It is about half the size of Russia and Latin America, a third the size of Africa and double the European Union. Stretching along a nearly 9,000-kilometer border, Canada encompasses six time zones, 2 million lakes (including the Great Lakes), the rugged Rocky Mountains, vast prairies and the huge inland sea of Hudson Bay. Its varying landscapes, bodies of water and coastal zones are a source of many nature-based attractions for visitors.

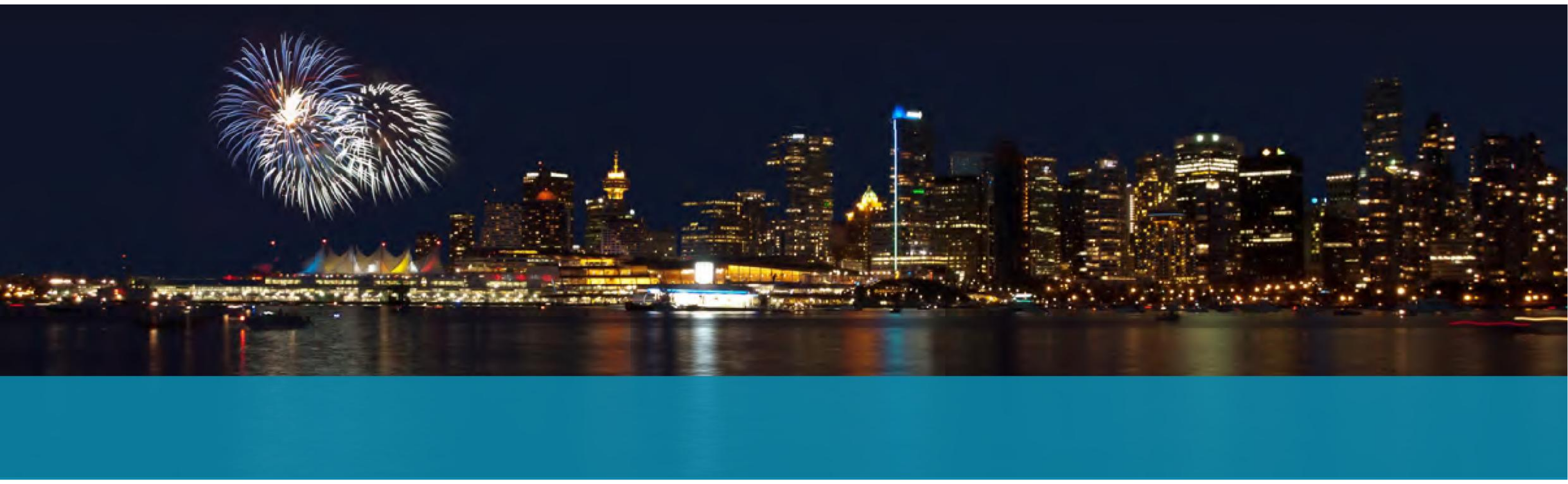
DEMOGRAPHICS
With a population of 35.7 million, the country has multiple ethnic groups, many tracing their roots to Northern and Central Europe, China and the Middle East, as well as a substantial indigenous Aboriginal population. While the median age is almost 42 years, more than 30 percent are 55 and older while about 20 percent are millennials in the 18-35 year bracket.

The Canadian Economy Stimulated by U.S. Growth

Until 2015, the Canadian economy was still showing lackluster growth that could be traced, at least in part, to slow post-2009 recovery. With increased economic growth in the United States, however, some promising prospects began to appear that could bode well for growth in services, particularly travel and tourism.

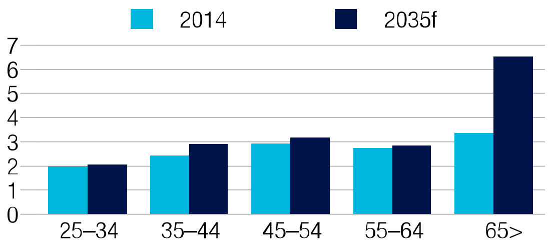
With gross domestic product of approximately US$1.8 trillion (2014 est.) and per capita GDP of $50,420, Canada is the 11th largest economy and has the 13th highest GDP per capita, thus helping to drive demand globally for some industries. According to Statistics Canada, approximately two thirds of Canada's GDP is generated by services, of which travel and tourism are an important component. WTTC estimates the direct and total contribution of travel and tourism to Canada's GDP at nearly US$21 billion and US$80 billion, respectively.

> "[T]he economy will approach its full potential in late 2015… [and then it]will experience a gradual deceleration in growth… The main cause of this drop is slower population growth and the effects of an aging population on labour force growth."
> (Canadian Outlook 2015, The Conference Board of Canada)



In its 2015 report, "Canadian Outlook: Long-Term Economic Forecast," the Conference Board of Canada estimated that the Canadian economy would reach its full potential by the end of 2015 and then over the next five years advance at an average annual pace of just 2.2 percent, slower than the 2.6 percent pace averaged over the previous 20 years. The group explained that "the main cause of this drop is slower population growth and the effects of an aging population on labour force growth." ("Canadian Outlook," Conference Board, p. 6)

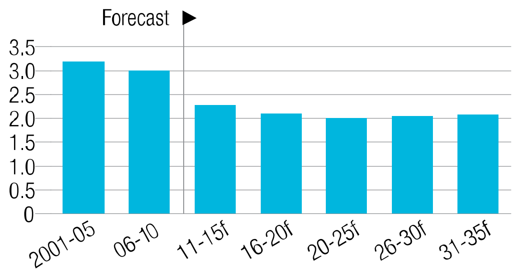
Number of Older Households Set to Soar
(households by age cohort, millions)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

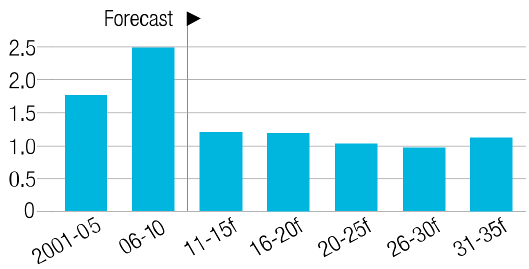
Nevertheless, the Conference Board is relatively optimistic that despite the slower economic growth, consumers will continue to spend as disposable income continues to grow.

Consumers Continue to Spend
(real consumption, average annual compound growth, per cent)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Disposable Income Will Continue to Grow
(real personal disposable income, average annual compound growth, per cent)

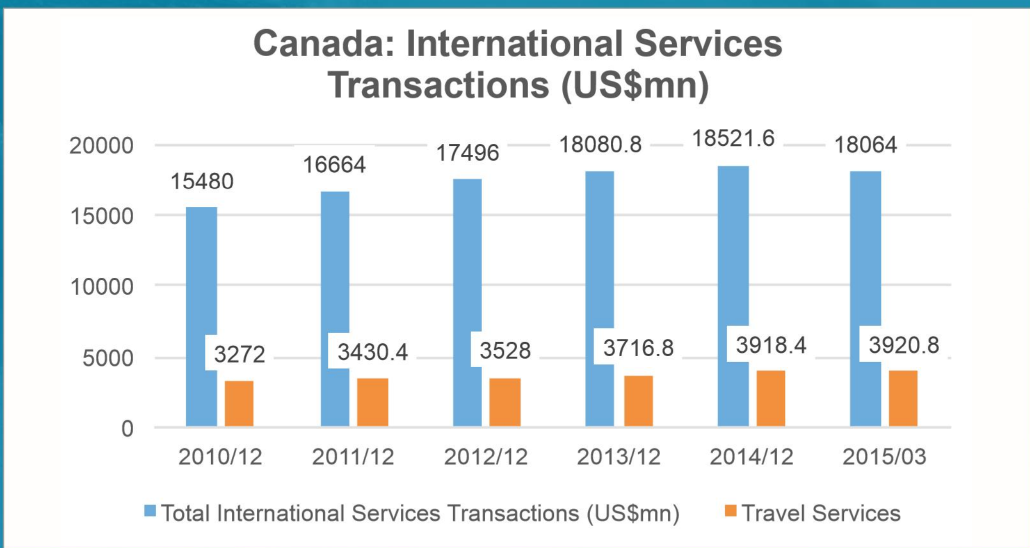


f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

The Conference Board also noted that as baby boomers retire, their propensity to spend more of their income on services such as leisure and recreational services will also increase, rising from 55.4 percent in 2013 to reach 60 percent in 2035.

Employment trends have been relatively modest. As of May 2015, Canadian unemployment was at 6.8 percent. The unemployment rate hit a high point of 9.2 percent in August 2009, and has fluctuated between 6 percent and 7.7 percent since then. For 2014, though, it is notable that full-time employment increased by 158,000, a larger gain than the 46,000 in 2013.

In another area of the economy – international services transactions, which count as export earnings –the following chart based on Statistics Canada data shows relatively brighter growth. International services, which include international tourism, have been a steadily growing economic driver. Since the fourth quarter of 2010, travel services have increased about 20 percent.



Source: Statistics Canada

According to Statistics Canada, exports in goods increased 6 percent in 2014, thus outpacing the 2.3-percent service industry growth.

The depreciation of the Canadian dollar, especially against the U.S. dollar, Chinese yuan, and the U.K. pound, beginning in the second half of 2014 and continuing in 2015 helped boost exports in goods and services, including international tourism to Canada. The number of visitors from all three countries increased 4.8 percent or more during the first four months of 2015.

Figure 1: Canadian $ per 1 US$

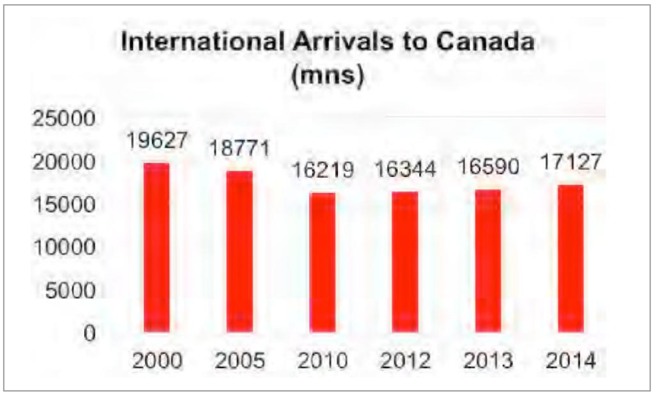
Figure 2: Canadian $ per Chinese yuan

Figure 3: Canadian $ per 1 UK

Source: www.x-rates.com

Tourism Growth in Canada

Canada's top 10 generating markets – the USA, U.K., France, China, Germany, Australia, Japan, India, South Korea and Mexico – comprised 83 percent of total arrivals to Canada in 2014. The United States is overwhelmingly the dominant generating market with 66 percent of all arrivals, which is not surprising given its proximity and the depreciation of the Canadian dollar against the U.S. dollar. Increases in arrivals from China and the U.K. also were helped by the depreciation of the Canadian dollar against the currencies of those countries.



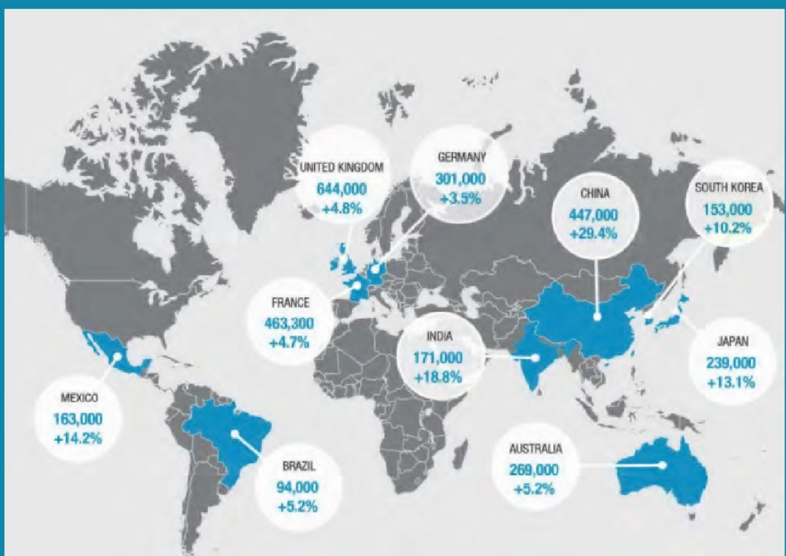
Source: UNWTO and the Canadian Tourism Commission

The Canadian Tourism Commission reported increases in all major tourism indicators for 2014: tourism revenue, GDP, arrivals and employment. Overall, Canada saw a 10 percent increase among its top 10 markets. The following chart shows individual increases in arrivals, with some generating double-digit growth: Mexico, India, China, Japan and South Korea. Arrivals from France, Australia, Brazil, China and India were record-breaking totals.

2014 Inbound Travel to Canada[5]

Markets	Overnight trips (000s)	2014/2013	Tourism spending in Canada ($ millions)	2014/2013	Average spend per traveller per trip ($)
United Kingdom	638.7	4.8%	1,123.2	18.6%	1,759
France	473.5	4.7%	783.8	12.3%	1,655
Germany	323.9	3.5%	572.9	12.9%	1,769
Japan	249.9	13.1%	464.9	14.3%	1,861
Australia	283.7	5.2%	699.0	6.1%	2,464
China	442.8	29.4%	1,055.6	33.0%	2,384
South Korea	166.9	10.2%	323.6	21.4%	1,939
India	183.7	18.8%	247.5	23.5%	1,347
Mexico	170.2	14.2%	294.8	16.9%	1,732
Brazil	90.0	5.2%	236.4	2.0%	2,625
Total CTC key markets	3,023.4	10.0%	5,801.7	16.9%	1,919
United States	11,479.5	0.1%	7,162.7	7.3%	624
Rest of world	1,914.2	8.2%	N/A	N/A	N/A
Total	16,417.0	2.7%	N/A	N/A	N/A

Sources:
[1] Statistics Canada's National Tourism Indicators Q4 2014.
[2] CTC Research, A reconciliation between the Tourism Satellite Account and Statistics Canada's Canadian Business Patterns (December 2013) at the establishment level. Canadian Business Patterns methodological changes implemented by Statistics Canada makes the 2013 figures not comparable to previous year's figures.
[3] Statistics Canada's National Tourism Indicators, Q4 2014.
[4] Ibid.
[5] CTC Research Estimates based on Statistics Canada International Travel Survey (ITS) December 2014 from which is removed same-day air travellers. Tourism spending based on 2013 estimates adjusted for inflation and exchange rates.



Countries with the largest total growth percentages are China (29.4 percent), India (18.8 percent), Mexico (14.2 percent), Japan (13.1 percent) and South Korea (10.2 percent). According to the Conference Board of Canada's Tourism Insights Autumn 2014 Report, these countries are forecasted to grow at the following average annual rates from 2015 to 2018:

- China – 15 percent
- India – 5.35 percent
- Japan –1.6 percent
- Mexico – 5.77 percent
- South Korea – 2.8 percent
- Arrivals from the U.S. are expected to increase an annual average of only 2 percent.

All of this bodes relatively well for tourism investments in the pipeline, especially lodging, and for new investors planning to enter the market.

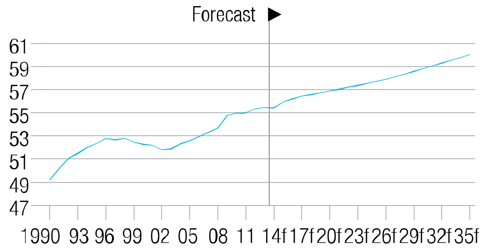
Table 2
Overseas Visits
(percentage increase/decrease in visits, by country)

	2013e	2014f	2015f	2016f	2017f	2018f
Australia	2.8	6.1	3.3	3.0	3.6	2.0
China	22.6	24.5	17.0	16.0	14.0	13.0
France	0.8	3.6	2.4	2.0	6.0	0.0
Germany	0.0	3.6	2.8	1.5	2.5	1.5
India	0.6	12.5	6.2	5.2	5.0	5.0
Italy	-1.1	14.5	5.0	1.5	2.0	1.5
Japan	-0.6	7.9	5.0	0.5	0.5	0.5
Mexico	6.2	8.9	7.0	5.5	5.4	5.2
South Korea	5.3	7.8	3.2	3.0	2.5	2.5
Spain	-4.2	11.8	1.4	1.6	1.5	1.6
Switzerland	-1.4	5.5	4.0	3.0	4.0	3.0
Taiwan	18.5	7.7	6.0	3.3	3.0	2.8
United Kingdom	-1.2	3.0	1.5	1.5	3.0	1.0
Other arrivals	2.7	4.3	2.6	2.8	3.5	3.4
Total	**2.5**	**6.9**	**4.1**	**3.7**	**4.3**	**3.5**

e = estimate; f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Canada's domestic tourism also is a significant source of tourism growth for the country, especially as baby boomers in Canada retire and begin spending more on services such leisure and recreation. According to the Tourism Industry Association of Canada, domestic tourism generates approximately 80 percent of all tourism spending. As of 2013, Canadians took 322 million domestic trips, about a third of which were overnight trips.

Spending on Services Will Rise Steadily
(spending on services as a share of total consumer spending, per cent)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

In a September 2014 Conference Board Report, "Tourism Insights for Canada," the total for domestic and international "overnight province visits" was 134 million in 2014 and forecasted to grow to 137 million in 2015. Combined, according to the CTC's Tourism Industry Fact Sheet, domestic and international visitors generated **US$70 billion in total revenue, contributed US$27.4 billion to GDP, which generated at least US$57.5 million in federal tax revenue and directly supported more than 627,000 jobs.**

Supporting this spending is **substantial transportation infrastructure**, especially the air transport infrastructure, which the World Economic Forum's 2015 Travel and Tourism Competitiveness Index ranked as **the best in the world**. Road and port infrastructure do not fare as well on the Index with a ranking of 46 out of 141. Canada counts 1,467 domestic and international airports that serviced 85.2 million international and domestic passengers on 6.1 million take-offs and landings in 2013 (Source: Transportation Canada - https://goo.gl/YJCKYp). The number of passengers is almost exactly one tenth the amount of U.S. traffic.

Ground transportation infrastructure is equally substantive, with just over 1 million kilometers of roads and 48,000 kilometers of rail lines. As in the U.S., the lower rating on the WEF TTCI underscores the need for continued public and private investment to improve and expand the system.

The federal agency Infrastructure Canada launched a US$42 billion New Building Canada Plan in 2007, which is providing long-term, flexible funding to provinces, territories and municipalities for a wide range of infrastructure projects. Some of this investment is financed by the US$11 billion New Building Canada Fund and the US$17.4 billion federal Gas Tax Fund. The tax is US$0.8 cents per liter of gasoline, although with other taxes added, the total can be as much as US$0.31 a liter. With the New Building Fund and the Gas Fund, combing with province and municipal level funding, thousands of infrastructure projects are supported. In the U.S., lower fuel prices mean less revenue for the Highway Trust Fund; this is not the case in Canada. The federal Gas Tax flows into the government's general revenue account. The allocation to provinces and municipalities that is based on this tax is fixed until 2023 at US$1.6 billion.

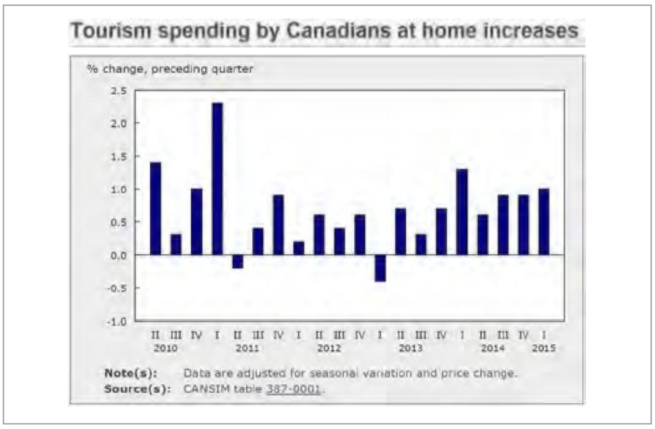
Figure 2: Weekly Regular Gasoline Prices

Source: Natural Resources Canada - http://goo.gl/QL9bN5

Although gas prices began to increase in early 2015, as the chart above shows, the prices were still lower than one and two years ago. It was unclear whether the drop in prices could stimulate more travel by Canadians in the country because similar savings that Americans experienced did not transfer to Canadians. As the Toronto Sun reported in June 2015, the weakened Canadian dollar actually results in higher prices per barrel because the latter are priced in U.S. dollars. Limited refining capacity also tends to keep pricers higher. (Source: Toronto Sun - http://goo.gl/rE2aeP)

According to Greg Hermus, associate director of the Canadian Tourism Research Institute at the Conference Board of Canada, the "lower gas prices (compared to last year) and weaker Canadian dollar will help boost domestic Canadian tourism, but not by a lot… maybe 1 to 2 percent." The weaker dollar, he explained, also encourages Canadians to stay in Canada and not visit the now more expensive destinations in the U.S. However, importantly, the Conference Board emphasized that "a weaker economic environment — subdued employment, GDP and income growth — has negated much of the positive influence of the lower dollar and cheaper gas prices." Normally, Canadians would be planning more overnight road trips, but Hermus said that "longer duration trips, say, trips lasting six or seven nights or more, Canadians weren't still looking to do more of that." This is a possible warning sign, at least for domestic tourism demand and lodging. (Source: The Conference Board of Canada - http://goo.gl/VGyo1x)

Another issue that impacts domestic travel, but perhaps not to the same extent as in the U.S., is the propensity for some Canadians not to use their vacation time. The government mandates 10 days of paid vacation time. In March 2014, a survey for TD Canada Trust (the Canadian retail bank of the TD Bank Group) found that 43 percent of working Canadians do not take their full allotment of vacation days each year, although 93 percent consider vacation time important. A similar survey for Robert Half Management Resources painted a somewhat more optimistic picture with 26 percent not using their allocated vacation time. Nevertheless, a significant number of Canadians are not taking vacations. On the other hand, this also means that well over half of those in the country are taking vacations, so as the following Statistics Canada chart shows, domestic tourism spending is increasing.



Given increases in domestic tourism spending and the promising forecasts for international travel to Canada mentioned above, the tourism industry is doing well and seems to be well positioned to continue thriving for the next several years.

In 2014, international visitors streamed (in order of popularity) to:

1. Toronto
2. Vancouver
3. Montreal
4. Niagara Falls, Ontario
5. Calgary
6. Quebec City
7. Ottawa
8. Victoria
9. Whistler
10. Edmonton

Interestingly, only Whistler ranked in the top 10 for average daily rates (as calculated on Hotels.com's Hotel Price Index).

Key Demand Drivers - Technology

As with every destination in North America and, frankly, most of the rest of the world, technology is profoundly influencing traveler interests, planning and booking habits and what destinations can offer, especially in terms of accommodations and transport.

With Internet access increasingly faster, cheaper and more available on multiple devices from tablets and smartphones to smartwatches, the amount of destination information is feeding more independent decision-making on where to go, stay, play and eat. This access has also spawned a vast and growing sharing economy – networks of peer-to-peer platforms – around the world where people share travel reviews and tips (TripAdvisor, Facebook and Twitter), travel photos (Pinterest and Instagram), travel videos (YouTube), cars (Uber) and homes (Airbnb). The influence of these and other sharing-economy leaders is having a profound effect on travel and tourism – disruptive for traditional suppliers, but potentially opening destinations to more visitors and new and perhaps innovative investment opportunities.

In a 2013 Phocuswright report for TripAdvisor, the following highlights provided significant indicators of a trend that seems set to continue:

- 77 percent usually or always reference TripAdvisor reviews before selecting a hotel.
- 80 percent read 6-12 reviews before booking accommodations.
- 50 percent usually or always reference TripAdvisor reviews before selecting a restaurant.
- 44 percent usually or always reference TripAdvisor reviews before selecting an attraction.

And in a study by research agency Sparkler conducted for Facebook, 95 percent of people use Facebook for travel-related activities prior to going on vacation. In fact, Facebook UK's measurement solutions lead, Andy Pang, said that Facebook is present throughout the five stages of travel.

Then after selecting a holiday destination, perhaps with tips from TripAdvisor and Facebook friends, there is an increasing chance that the traveler will not select a hotel, but instead opt for private accommodations through Airbnb.

In 2014, Airbnb conducted an analysis of its economic impact in Montreal. It found that without Airbnb as an option, “36 percent of guests would not have visited Montreal or stayed as long.” Airbnb estimates that a typical guest spends approximately US$313 in the neighborhood where he or she is staying, which totals about US$43.3 million. It also found that most Airbnb hosts were using the income to help pay off their mortgages. (Source: Airbnb - http://goo.gl/orYT07)

In mid-June, 2015, Airbnb was close to raising US$1 billion in financing that values the company at US$24 billion, which exceeds the 2015 market valuations of Hyatt Hotels Corp. (US$8.14 billion), Starwood Hotels & Resorts Worldwide (US$14 billion), Marriott International (US$21 billion), Wyndham Worldwide (US$10 billion), InterContinental Hotels Group (US$9.87 billion), and Choice Hotels International (US$3.24 billion). With 1.2 million rooms/listings, Airbnb also had the largest inventory – and growing globally. The provinces of Nova Scotia and Quebec are considering changes in regulations to begin taxing owners as accommodation providers.

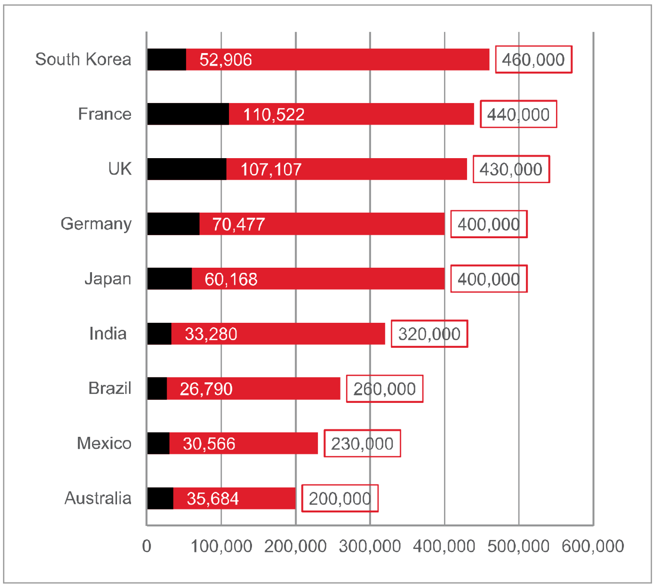
Rise of the Millennials

Millennials or “Gen Ys” are children of baby boomers (born around 1980 to the mid 2000s), comprise about 20 percent of the population and are the fastest-growing generation of customers. In Canada, at least while retiring baby boomers still want to travel, the data presented earlier shows that spending on services will most likely increase among boomers. In addition to the market potential domestically, the Canadian Tourism Commission is also deliberately marketing to millennials in its key international markets.

While the millennials are one of the reasons for the fast growth of the sharing economy, it is not because they are tech savvy, according to millennial/gen Y expert Jason Dorsey. It is because they are, he claims, “tech dependent and can’t live without it and as a result their communications skills are more focused on SMS-length messages and not much longer.” For the travel industry, technology helps unlock personalized experiences and enables travelers to connect with one another to share these experiences. They see it as liberating, enabling them to do what they want, when and how they want to. As Michael Tiedy, senior VP of brand design at Starwood explains, “Millennials like to be alone together.” For the tourism industry, particularly hotels, this means providing experiences and spaces that are and feel more personal and enable both virtual and real connectivity.

The CTC has developed a millennial travel program focused on presenting Canada as “THE” destination for authentic adventures and extraordinary experiences. The CTC estimates that millennials will spend approximately US$1,200 per trip.

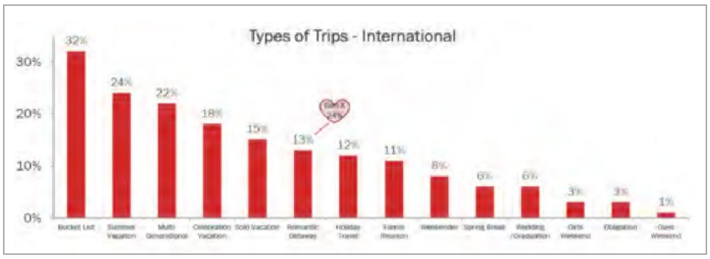
The CTC is optimistic that millennial visitors will not only increase from inside Canada and the U.S., but also from each of its other key generating markets. The following chart shows **in red what the CTC estimated as the potential millennial market from each country in 2012.**



Domestically, the millennials are a potentially a powerful travel segment. In its March 2015 millennial report, the CTC said that "as of 2014, there were an estimated 8.25 million Canadians in the 18-to-34 age group, accounting for approximately 23 percent of Canada's total population and 29 percent of the national adult population… 4.6 million are interested in traveling." The CTC sees this segment as a way to solve Canada's travel deficit: Canadians made over 32 million trips outside Canada compared to 16 million international trips to Canada by non-residents. Their average trip length within Canada of 13.6 nights bodes well for accommodations in the country, although as the report emphasizes, they tend to be cost-conscious, especially when selecting accommodations.

Decline of Boomers?

Hardly. The rise of the millennials does not mean the decline of boomers as an important travel segment. On the contrary, boomers are living longer, have accumulated substantial disposable income and want to travel the world. According to an AARP study, "Travel Research: 2015 Boomer Travel Trends," 97 percent of respondents expect to travel in the U.S. in 2015 on at least one trip with almost 40 percent expecting to take four or more domestic trips. The types of trips anticipated, as shown in the following chart, provide lots of food for thought for tourism industry investment and offers.



Technology also plays a significant role in their decision making with 85 percent having researched their trips online. Of the review sites used, TripAdvisor tops the list at 86 percent followed by Yelp at 23 percent. Popular booking sites include Expedia for 55 percent of respondents, Travelocity for 51 percent and Orbitz for 37 percent. However, 54 percent of the respondents have also gone directly to hotel, airline and rental car sites.

Lodging Sector Shining Brightly in 2014 and 2015

Reports by HVS, Lodging Econometrics and Colliers released in the first quarter of 2015 show that the Canadian lodging sector is shining brightly on all key indicators for the country as a whole and selected provinces. As Monique Rosszell, managing director of HVS Canada, reported in the "Canadian Lodging Outlook," the lodging sector grew well in 2014, showing a RevPAR increase of 5.9 percent to US$70 with record RevPAR growth projected for 2015 and 2016. In 2014, the occupancy rate was 65 percent and is forecasted to increase to 66 percent for both 2015 and 2016. And the average daily rate is expected to rise from US$108 in 2014 to US$113 and US$116 respectively for 2015 and 2016. This growth is a response to positive tourism growth in Canada, low interest rates and a strengthening economy in the United States. Inbound tourism from the U.S. is forecasted to increase as the Canadian dollar remains weak, thus increasing the value proposition for American visitors to Canada.

In its Hotel Valuation Index for Canada, HVS shows how Canadian lodging has steadily grown in value on a per-room basis and, for most cities, it is forecasted to continue growing. As the chart below shows, values have been steadily increasing since 2011. The value per room, however, will not return to the 2007 high point of CDN$120,000 ($US95,000) until 2016.

Increased flows of domestic and foreign institutional capital have been helping to finance the hotel investments. In its "2015 Canadian Hotel Investment Report, Colliers International Hotels forecasts that this trend will continue over the medium to long term. Included in the institutional capital investors are pension funds, private equity and hedge funds, many of which are attracted to the midscale and upscale segments of the market. Among foreign investors, Colliers believes that Chinese capital will increasingly flow to stable markets such as Canada, especially as the Chinese yuan appreciates against the Canadian dollar.

Source: HVS

In 2013, the top 10 destinations in terms of value per room were:

1. Calgary
2. Vancouver Downtown
3. Saskatoon
4. Edmonton
5. Regina
6. Newfoundland
7. Toronto Downtown
8. Winnipeg
9. Ottawa
10. Vancouver Airport

Lodging Econometrics' spring 2015 executive summary report reinforces the HVS conclusions and forecasts. LE reported that in the first quarter of 2015, the hotel construction pipeline was at 193 projects/24,062 guestrooms with upscale and upper-midscale projects dominating the pipeline. LE forecasts that 50 hotels and 5,291 guestrooms will come on-stream in 2015 followed by 54 new hotels and 6,119 rooms in 2016. In the first quarter of 2015, Canadian lodging real estate logged US$582 million in total transactions from 29 trades.

TABLE 1 — CANADIAN VALUE TREND (2006–2017P)

Year	Value Per Room	Percent Change
2006	$116,900	18.7 %
2007	121,400	3.8
2008	113,600	(6.4)
2009	76,600	(32.5)
2010	90,100	17.6
2011	85,200	(5.4)
2012	92,100	8.1
2013	99,100	7.6
2014F	*108,200*	*9.1*
2015P	*113,900*	*5.3*
2016P	*119,700*	*5.1*
2017P	*125,600*	*4.9*

Source: HVS

Despite the growing pipeline of projects, HVS stated in its "Canadian Lodging Outlook" for 2015 Q1 that "demand growth is expected to outpace supply [pipeline] growth…[and] the national occupancy is forecast at 66 percent in 2015, up from 65 percent in 2014, and it is projected to remain at 66 percent in 2016." HVS concludes in its "2014 Hotel Valuation Index" that given the indicators, "the overall outlook for hotel transaction activity in Canada [is] extremely favourable."

A Few Key Challenges

Recovering the U.S. market – This is, perhaps, one of the biggest challenges facing Canadian tourism. International tourism is forecasted to increase to Canada from 2015 to 2018 in average annual rates of growth ranging from 1.8 percent (Japan) to 15 percent (China). Growth in arrivals from the U.S. is anticipated to be only 1.8 percent annually to 2018, which is well below the growth a decade ago. The new focus on millennials will help recoup some of the lost market share, but global competition is fiercer than a decade ago.

Capturing the Canadian and American baby boomers – Canada is well-positioned to increase its market share of baby boomers, but as with attracting millennials, competitors are also strongly pursuing these markets.

Increasing the domestic market – Canada's travel deficit is serious – double the amount of export earnings from international tourism. Increased domestic tourism can offset the imbalance. The government is deliberately pursuing more domestic tourism, but again foreign competitors will be competing for these tourists as well.

Concluding Thoughts

Despite growing global competition and a somewhat static U.S. outbound market for Canada, the country is ranked as the 10th most competitive country on the World Economic Forum's Travel & Tourism Competitiveness Index. It also ranks among the top 10 on infrastructure, air transport, human resources, natural resources, property rights, the cost to start a business and the number of World Heritage Sites. International and domestic tourism demand have been increasing and are forecasted to continue increasing. For now, this demand has also been translating into hotel demand that exceeds supply in several Canadian cities and provinces, thus fueling record-breaking RevPAR and generating high occupancy rates and ADRs. While trends such as diversification of travel booking options through a rapidly expanding sharing economy compete with traditional supply channels, the tourism industry and thus investors will adapt to and adopt the trends, as well as influence them. Expect to see the sharing economy become increasingly mainstream as major investment flows in and travelers begin to demand consistent quality from the offers. For the tourism industry, investors and travelers, even more opportunities are becoming available and anticipated for the next several years.

About the Author:

Scott Wayne is the President of SW Associates (www.sw-associates.net), a Washington, DC-based tourism development and strategy consultancy. He is a frequent strategic advisor to companies, investors, destinations and the World Bank Group/IFC in over 45 countries.

HVS (www.hvs.com) and Lodging Econometrics (www.lodgingeconometrics.com) provided invaluable input to the White Papers. HVS is a world leader in hotel consulting, valuation, management and multiple other areas of industry expertise. Lodging Econometrics is a preeminent industry consulting partner for global real estate intelligence and analysis of trends.

Published by

QUESTEX HOSPITALITY GROUP

hotel MANAGEMENT

With thanks to

LODGING Econometrics
Your Global Partner for Real Estate Intelligence

HVS