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2019 CANADIAN

HOTEL VALUATION INDEX

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The Canadian Hotel Market

As the end of 2019 approaches, the **CANADIAN LODGING MARKET** is seeing a marked slowdown from the average 5.0% annual RevPAR growth experienced in the previous six-year run. The RevPAR growth in 2019 is projected to decrease to 1.0%; several factors are contributing to this softer market. Although new supply nation wide is still very moderate in the 1.5% range this year, it is double that of the average of the same previous six years. Softer demand growth in 2019 has fallen to half of the previous average at 1.0% and the biggest contributor to the decrease in RevPAR decrease is the decrease in average rate growth. The average rate growth was closer to 4.0% in the six-year time run and in contrast to the 1.5% projected for 2019.

What does all this mean? This market slowdown is being experience globally however there are a few homegrown contributors in Canada. Lodging demand has been heavily impacted by the oil crisis in our three resource-based provinces, thereby impacting the national average. The Canadian lodging market benefitted from the aggressive visa requirements in the US in 2017 and 2018 by capturing significant displaced meeting and group demand which has now dissipated somewhat. Canada has caught international investment interest and we are seeing significant new brands entering our urban markets. New supply is notably stronger than in recent years which takes time to be absorbed by the markets but then bolsters rate growth once absorbed. Going forward we see greater RevPAR growth as the markets stabilize. These factors translate into hotel values growing at consistent moderate rates in the medium term in contrast to the bullish levels that we have seen in the past few years; more in line with long term average growth rates.

In 2018 the value per room in Canada increased to $147,600, up from $133,400 in 2017, ending the year in a stronger position than what had been projected in the 2018 HVI.

Historically there has always been a close correlation between hotel demand and GDP growth. Canada is projected to realize GDP growth of 1.4% in 2019, down slightly from 1.9% seen in 2018. The decrease in energy exports, coupled with a decrease in investment in the oil and gas sector which is expected to fall by 8.4% this year, is putting downward pressure on national growth.

The national per-room value is projected to increase by over 3.0% in 2019, which is well below the 10.6% increase that the market experienced in 2018. The consistent impressive growth in the main urban/airport markets in Canada, namely Vancouver, Toronto and Montreal has been a driving force in the national level of growth and helped mitigate the impact of softer resource-based markets across the country.

The Vancouver Downtown and Toronto Downtown markets have long been at the top of the value rankings, but airport markets are proving to be the most upwardly mobile, in part because they are benefitting from the compression taking place in the downtown markets with which they are associated. In 2014, the Toronto Airport West market was ranked seventeenth out of 19 markets, just above the Montreal Airport market. Four years later, the Montreal Airport market was up eight spots in the ranking while Toronto Airport West was up by thirteen spots. The Vancouver Airport market had a similar trajectory where it was ninth in the overall rankings in 2014 and by 2016 had jumped to third position and has maintained that position ever since.

Montreal Downtown, and Quebec City have also sustained notable increases in value in the last 4 years. These two markets were well below the national average in 2014 and have climbed from fourteenth position to sixth and fifteenth position to ninth respectively.

What does 2020 hold?

Canada is projected to sustain a 1.8% increase in GDP in 2020, driven mainly by the growth in Central Canada and British Columbia.

The national per-room value is projected to increase by 4.4% in 2020, bringing the per-room value up to $159,100. This is slightly higher than the increase that was projected in the previous HVI report.

In 2020, the gross national room supply is expected to increase by 1.9% (over 9000 rooms), the highest increase since 2005. It should be noted that this figure does not consider any supply being taken out of inventory or being converted to alternative uses (most commonly residential or institutional). Since the downtown and airport markets of Vancouver and Toronto have strong barriers to entry, the largest supply growth will take place in less-saturated primary markets; Calgary, Ottawa, Edmonton, and Montreal will account for one-third of the new supply. Supported by the weak Canadian dollar and the relatively strong domestic economy, demand is nevertheless projected to keep up with the pace of new supply, leading to a projected consistent national occupancy of 66%.

Strong operating performance is fuelling transaction activity

Canada had a strong year for transaction activity in 2018 albeit significantly slower than 2017. The market finished with $1.5 billion in transaction volume, the eighth highest on record. The strong operating performance and barriers to entry in many markets are causing many owners to only be willing to sell their assets at below market cap rates, thereby putting notable constraints on the inventory of available product on the market.

According to Colliers Hotels, Canadian-based companies are expected to be the most active because of Chinese capital restrictions and a lessening of US interest in the Canadian market. As per the same source, Ontario was again the top spot for hotel investment in 2018, followed by British Columbia and Alberta.

The sale activity in 2018 included several large transactions, including the sale of the 611-room Marriott Chateau Champlain Montreal for $86.7 million to Tidan Hospitality Group in April. Other noteworthy transactions from that year include the Delta Toronto East Hotel, which the Sunray Group purchased for $60 million, and the Holiday Inn Ottawa East, which Crown Group of Hotels purchased for $50 million.

The outlook for hotel transaction activity in Canada is positive given the persistence of the weak Canadian dollar, the strength of accommodation markets and the international investment interest in Canada. By year's end in 2019, the transaction volume is projected to be similar to 2018, somewhere between $1.5 to $2.0 billion.

2019 HVI Highlights

The Hotel Valuation Index (HVI) is a metric used for tracking hotel values for 19 markets across Canada, including Canada as a whole. It is based on market performance and overall hotel profitability margins, as well as the current lending environment and the appetite for hotel acquisitions.

The HVI shows that the Canadian lodging market saw a 10.6% increase in hotel value in 2018 and that an additional 3.3% increase is taking place 2019. The national per-room value is projected to steadily increase over the next three years at the same moderate pace.

Of all the markets, Toronto Airport West realized the highest growth in hotel value in 2018 with an increase of 25.2%; this was one of the strongest increases realized in any market in the last eight years. Victoria followed in second place with growth of 24.9% while Vancouver Downtown registered a 23.6% increase, pushing the Toronto Downtown market out of the top three markets for growth. At the other end of the spectrum, Newfoundland and Labrador suffered the largest decrease in hotel value in 2018 with a drop of 20.7%. Edmonton also sustained a decline in value in 2018, at 6.2%.

For 2019, the Toronto Airport market has held onto the first-place position for growth with a projected increase of 15.9%; followed closely by the Vancouver Downtown at 14.1%. This market has been booming since 2016 and is expected to remain the top market in the value ranking by 2022 with a per-room value of $670,500. Toronto Downtown is projected to remain in second place ranking in 2019 with an increase of 10.8%, while maintaining this ranking through 2022 at a projected $544,300. Vancouver Airport is projected to realize the third-strongest growth in value in 2019 with a 13.9% increase.

TABLE 1 — CANADIAN VALUE TREND (2005–2022P)

Year	Value Per Room	Percent Change
2005	$98,500	—
2006	116,900	18.7 %
2007	121,400	3.8
2008	113,200	(6.8)
2009	76,600	(32.3)
2010	90,100	17.6
2011	85,400	(5.2)
2012	91,900	7.6
2013	99,100	7.8
2014	108,900	9.9
2015	114,000	4.7
2016	123,400	8.2
2017	133,300	8.0
2018	147,600	10.7
2019E	*152,400*	3.3
2020P	*159,100*	4.4
2021P	*165,400*	4.0
2022P	*170,800*	3.3

Source: HVS

TABLE 2 — VALUE PER ROOM RANKINGS (2018 VS. 2022P)

	2018	Value	2022	Value	
Vancouver Downtown	**1**	$427,300	**1**	$670,500	=
Toronto Downtown	**2**	352,866	**2**	544,300	=
Vancouver Airport	**3**	238,100	**3**	338,500	=
Victoria	**4**	190,700	**5**	251,200	↘
Toronto Airport West	**5**	182,100	**4**	257,100	↗
Montreal Downtown	**6**	180,300	**6**	234,100	=
Ottawa-Gatineau	**7**	171,800	**9**	188,500	↘
Halifax-Dartmouth	**8**	157,800	**12**	164,000	↘
Quebec City	**9**	152,000	**8**	188,800	↗
Montreal Airport	**10**	149,900	**7**	189,400	↗
Niagara Falls	**11**	148,100	**10**	176,400	↗
Canada	**12**	**147,600**	**11**	**170,800**	↗
Winnipeg	**13**	140,055	**13**	150,800	=
Calgary	**14**	135,500	**14**	137,700	=
Edmonton	**15**	110,200	**19**	102,200	↘
Saskatoon	**16**	104,400	**15**	117,600	↗
New Brunswick	**17**	100,700	**16**	117,400	↗
NewFoundland	**18**	97,800	**17**	113,100	↗
Regina	**19**	95,769	**18**	104,500	↗

Source: HVS

TABLE 3 — PER-ROOM VALUE TREND FOR TYPICAL CANADIAN HOTEL (2005–2022P)

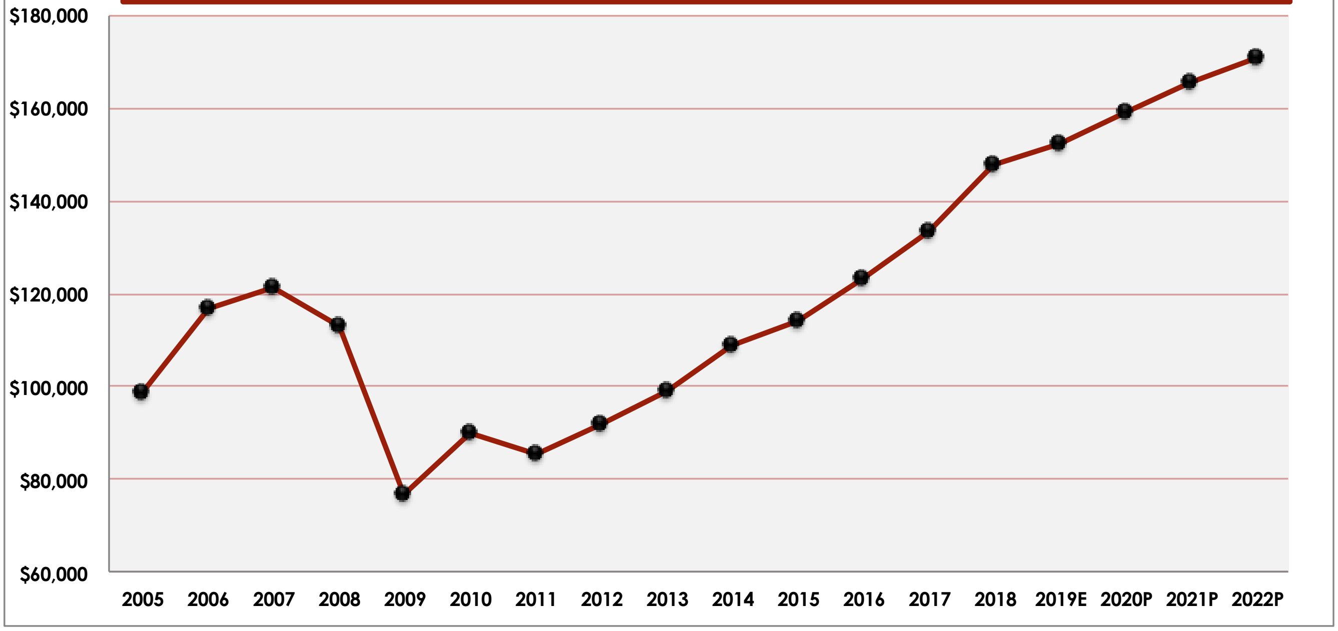
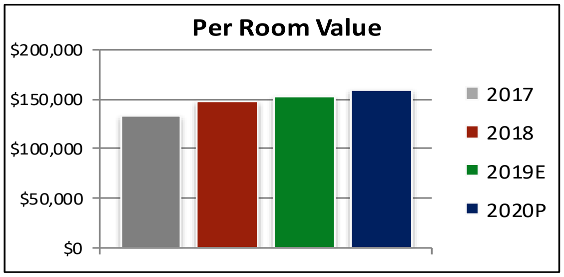


Table 4 — Canada Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$85,388	$91,875	$99,140	$108,936	$113,991	$123,568	$133,389	$147,592
y/y % Change	-5.2%	7.6%	7.9%	9.9%	4.6%	8.4%	7.9%	10.6%
Index	0.87	0.93	1.01	1.11	1.16	1.25	1.35	1.50

Table 5 — Canada Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$152,426	$159,112	$165,395	$170,835
y/y % Change	3.3%	4.4%	3.9%	3.3%
Index	1.55	1.62	1.68	1.73
Rank	12	11	11	11



CALGARY is situated in the eastern foothills of the Canadian Rocky Mountains but is known for being home to the Canadian headquarters of many energy companies. The local economy is highly dependent on the performance of the energy sector, which continues to face challenges, so much so that the downturn in the energy sector negatively affects other industries within the local economy, particularly the construction sector, which has seen a drop in total output since 2015. Given the slowness of the recovery in Alberta, Calgary is projected to see GDP decline of 0.4% in 2019.

The Alberta oil sector has faced challenges since the price of oil plummeted in 2014. OPEC cut production in 2016 to help strengthen prices, which helped the economy recover in 2017. By mid-2018, however, pipeline constraints produced a supply glut that caused producers to sharply reduce prices for Alberta oil. The unsustainably low prices forced the Province to mandate production cuts in January 2019. The price for Alberta oil quickly recovered, and the province is now in the process of easing up on production cuts.

In 2016, the Calgary market experienced a sharp drop in value per room ,from $164,600 in 2015 to $129,000 in 2016, resulting in a rank of sixth in the country. The city that had the highest room value in the country in 2014, fell to fourteenth position by 2018. After the steep decline in 2016, the room value in Calgary gradually increased in 2017 and 2018. However, the recovery is expected to be short lived because the economy is experiencing more turbulence in 2019 due to the lack of pipeline capacity to transport energy products and the low level of capital investment by the energy sector—a 4.3% decline in value is projected for that year.

The main reason for the projected decline in value is that the growth in demand for hotel rooms is lower than the expected increase in the supply of available rooms. Five new hotels opened in Calgary this year: the Hyatt Place Calgary Airport, the Westin Calgary Airport, the 390-room Residency Inn in Downtown Calgary, the Holiday Inn Hotel & Suites Calgary South, and the Best Western Executive Residency. This new supply has added further stress to the market. Demand is projected to increase by 3.5% in 2019, which is well below the projected 7.6% increase in supply. Consequently, the Calgary market is expected to register negative RevPAR growth in 2019.

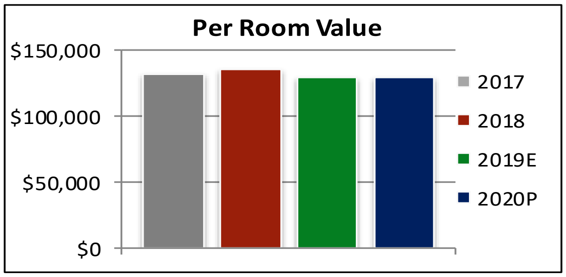
Two new hotels are expected to open in 2020, increasing the total room supply in Calgary up a further 350 rooms. The market-wide occupancy is projected to decline to below 60% in 2019 and then gradually increase, reaching 61% by 2022. In the longer term, the market is expected to see improvement in both ADR and RevPAR, and the per-room value is projected to increase to $137,700 in 2022. Despite the improvement, Calgary is projected to maintain it's fourteenth rank position.

Table 6 — Calgary Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$156,180	$184,030	$202,241	$198,150	$164,564	$129,030	$131,094	$135,498
y/y % Change	8.9%	17.8%	9.9%	-2.0%	-16.9%	-21.6%	1.6%	3.4%
Index	1.59	1.87	2.05	2.01	1.67	1.31	1.33	1.38

Table 7 — Calgary Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$129,712	$129,731	$134,429	$137,698
y/y % Change	-4.3%	0.0%	3.6%	2.4%
Index	1.32	1.32	1.36	1.40
Rank	14	14	14	14



EDMONTON, the capital of the most energy-resource-rich province in Canada, has suffered in response to the drop in oil and gas prices in 2015 and 2016. Other closely tied industries have also faced output contractions. Pipeline constraints created an oversupply problem in mid-2018, and the government was once again forced to mandate production cuts in January 2019. The Province has since eased up on production limits because prices have strengthened. With modest growth in the energy sector, the economy of Edmonton is now expected to decline by 0.4% in 2019, followed by a 2.2% growth in 2020. The weak economy has attracted fewer people to the city, which has reduced the growth in the local labour force and in demand for hotel accommodation.

Since the oil crisis that severely affected demand in 2015 and 2016, resulting in contractions of 7.3% and 5.1%, respectively, the economy has been recovering slowly. In 2018, the demand for rooms rose by 5.2%, up from the increase of just 0.1% in 2017, and the market registered a 4.0% increase in RevPAR—the first increase since 2014. In 2019, however, demand is expected to increase at a slower rate of 2.0%, which is not enough to offset the expected increase in supply. This combined with a 1.5% decrease in ADR is expected to yield a drop in RevPAR this year.

Six new hotels have opened in Edmonton: the JW Marriott, the Tru by Hilton, the dual-branded Element and Four Points Edmonton West, the Fairfield Inn & Suites near Edmonton International Airport, and the Sandman Signature Hotel in Sherwood Park. These new rooms will make it difficult for this market to realize the occupancy levels it had seen prior the downturn in the oil and gas industry.

In 2019, the value is expected to drop to a low of $99,700 with a further decrease in 2020. A resumption of growth is projected for 2021, and the per-room value is projected to reach $102,200 in 2022.

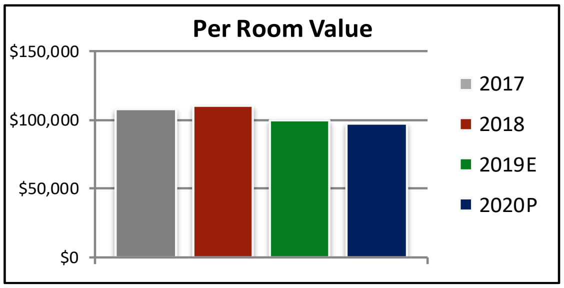
In 2018, Edmonton was ranked sixteenth among the 19 largest markets (including Canada), and it is projected to come in nineteenth in 2022, which is well below the rank of sixth place it had held in 2015.

Table 8 — Edmonton Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$122,243	$138,560	$155,204	$155,536	$134,089	$109,840	$107,996	$110,157
y/y % Change	3.8%	13.3%	12.0%	0.2%	-13.8%	-18.1%	-1.7%	2.0%
Index	1.24	1.41	1.58	1.58	1.36	1.12	1.10	1.12

Table 9 — Edmonton Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$99,682	$96,972	$100,322	$102,209
y/y % Change	-9.5%	-2.7%	3.5%	1.9%
Index	1.01	0.98	1.02	1.04
Rank	17	18	18	19



HALIFAX–DARTMOUTH plays a major role in the economy of Atlantic Canada. The manufacturing sector is expected to see healthy growth in 2019, mainly because the Halifax Shipyard has the contract to build Arctic ships for the Canadian Navy. Since 2015, manufacturing output has increased because of this project. Work at the Halifax Shipyard, and the completion of the first ship, has supported a strong 6.0% increase in manufacturing output in 2018. Businesses continue to flourish, supported by strong demand for seafood products from countries in Europe and Asia and the introduction of new flight routes at Halifax International Airport. However, the closure of the Deep Panuke and Sable Island offshore gas fields has brought growth in the primary and utilities industry in Halifax to a halt. With the increase in output across most sectors, the city is nevertheless is expected to realize GDP growth of 2.6% in 2019.

The closure of four hotels in the period from 2015 to 2017 had a positive impact on the local lodging market's occupancy. In 2017, the RevPAR increased by 14.7%, in comparison to 2018's 1.5% growth in RevPAR. The value per room jumped 21.5% in 2017 and increased a further 5.8% in 2018.

The economic outlook for Halifax is healthy. Since 2016, the ADR has been rising at a steady pace, and it is expected to continue on this upward trend, besides experiencing a minimal decline of 1.0% in 2019. This will support an increase in RevPAR, which is projected to exceed the $100 mark in 2019 for the third consecutive year. Three new hotels have opened in Dartmouth in 2019, adding 321 new rooms to the market. In 2020 and 2021 an additional 600 rooms is poised to come into the market

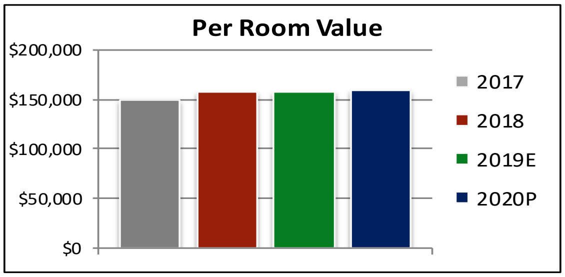
The value per room in 2018 was $157,800, which is slightly below the amount of $161,870 that was projected in HVI 2018. The city had the eighth highest per room value in the country in 2018, a significant advance from fourteenth position in 2015. However, in 2019, it is expected to rank tenth and twelfth in 2022 as the market absorbs the new supply.

Table 10 — Halifax-Dartmouth Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$95,758	$98,757	$97,913	$100,338	$106,141	$122,788	$149,160	$157,763
y/y % Change	-2.2%	3.1%	-0.9%	2.5%	5.8%	15.7%	21.5%	5.8%
Index	0.97	1.00	0.99	1.02	1.08	1.25	1.51	1.60

Table 11 — Halifax-Dartmouth Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$157,820	$159,086	$160,555	$163,992
y/y % Change	0.0%	0.8%	0.9%	2.1%
Index	1.60	1.62	1.63	1.66
Rank	10	11	12	12



The **MONTREAL AIRPORT** market has benefitted from the growth in passenger traffic at Pierre Elliott Trudeau International Airport. The airport welcomed more than 18.5 million passengers that year, supported by newly introduced flights to such destinations as Tokyo, Bucharest, and Mazatlán. In 2019, there are plans to add air service to more new destinations, including Vienna and Sao Paulo. To support the growth in volume, major projects are being undertaken at the airport, including the partial reconstruction of the B1 and B3 taxiways and the construction of the E taxiway, which are expected to continue in 2019 and 2020. In 2018, 27 new charging stations for electric vehicles were installed in support of the transition to a green economy.

The Montreal Airport market realized strong RevPAR growth in 2017 because of both demand growth and a decrease in inventory with the closure of the 214-room Best Western Montreal Airport. In 2018, the Home2 Suites Montreal Dorval and the DoubleTree Montreal Airport opened, which led to an increase in supply. This had a direct impact on the ADR, which grew by 5.2%, on the heels of growth of 11.8% in 2017.

Strong demand growth is projected for 2019, as. Montreal was host to the World Summit AI this April, which helped to boost demand, leading in turn to an increase in room rates and RevPAR.

The market-wide RevPAR growth in 2019 is projected to continue on an aggressive path for the third consecutive year. Over the next three years, the market is expected to set new records every year.

The per-room value for the Montreal Airport market rose to $149,900 in 2018, up 18.5% from the previous year. This is a stronger value than what had been projected in the previous HVI, and it was the fourth consecutive year that a double-digit increase was realized. Double-digit growth of 13.8% is projected for 2019, but slower growth of 1.6% is projected for 2020 as the nearly 10% additional inventory which opened in 2019 and will open in 2020 is absorbed in the market.

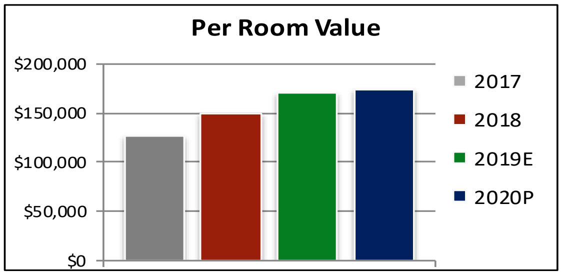
By 2022, the market is expected move up one more spot to seventh place. Even with this improvement, the Montreal Airport market will remain well below the Vancouver Airport and Toronto Airport West markets, which are expected to rank third and fourth in 2022 with a per-room value of $338,500 and $257,100, respectively, in comparison to $189,400 for the Montreal Airport market.

Table 12 — Montreal Airport Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$58,265	$63,852	$68,234	$74,987	$83,429	$96,280	$126,526	$149,872
y/y % Change	16.0%	9.6%	6.9%	9.9%	11.3%	15.4%	31.4%	18.5%
Index	0.59	0.65	0.69	0.76	0.85	0.98	1.28	1.52

Table 13 — Montreal Airport Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$170,525	$173,311	$180,234	$189,354
y/y % Change	13.8%	1.6%	4.0%	5.1%
Index	1.73	1.76	1.83	1.92
Rank	8	9	9	7



MONTREAL DOWNTOWN is supported by a robust and expanding finance, insurance, and real estate sector. In addition, modest growth is anticipated for the public administration and educational services sector. Service industries will create more than 17,000 jobs for the local economy this year, and the unemployment rate has been dropping year after year. The 67-kilometre Réseau Express Métropolitain Light Rail Train (LRT) project is expected to support growth in the construction industry.

With the re-opening of the 950-room Queen Elizabeth and the opening of three new hotels in 2018, the room supply increased by 7.7% that year. However, given a slow convention year, demand increased by just 1.9%, which negatively affected market-wide RevPAR through a drop in occupancy. The market fundamentals have remained strong and in spite of the weaker performance market values increased by 13.3%. Montreal continues to garner significant international interest from an investment perspective which was not always the case in the past.

Despite many major public infrastructure projects coming to an end, the city's GDP is projected to advance by 3.0% in 2019 and by 1.8% in 2020.

Six new hotels of varying sizes are expected to open between 2020 and 2021, including the Autograph Collection Montreal Downtown and a Hyatt Hotel. This will lead to an overall 8.0% contribution to supply which the market will take some time to absorb as it continues to push average rates upwards.

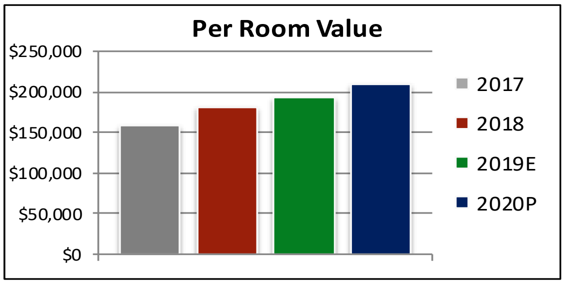
Against this backdrop, the per-room value for the Montreal Downtown market increased to $180,300 in 2018, reflecting an increase of 13.3%. This is lower than the 26.1% increase experienced in 2017 but well above previous projections. The room value is expected to rise again in 2019 surpassing the $200,000 mark in 2020 for the first time. With a projected per-room value of $234,100 in 2022, the Montreal Downtown market is expected to occupy sixth position among the 19 major markets which is a marked improvement from fourteenth position in 2014.

Table 14 — Montreal Downtown Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$72,728	$70,166	$79,069	$97,277	$106,765	$126,186	$159,101	$180,331
y/y % Change	6.0%	-3.5%	12.7%	23.0%	9.8%	18.2%	26.1%	13.3%
Index	0.74	0.71	0.80	0.99	1.08	1.28	1.62	1.83

Table 15-Montreal Downtown Forecasted Values (2019-2022)

	2019E	2020P	2021P	2022P
Per Room Value	$193,195	$209,258	$222,522	$234,099
y/y % Change	7.1%	8.3%	6.3%	5.2%
Index	1.96	2.12	2.26	2.38
Rank	6	6	6	6



NEW BRUNSWICK, the largest of the three Maritime Provinces, is situated on the eastern coast of Canada. Historically, this province relied upon mining activity, but the economy has now diversified, having moved into new sectors, such as retail and services, tourism, forestry, and industrial fabrication. The increase in demand for seafood products from Europe and Asia has made it beneficial for the trade deals with new emerging markets for the province. The United States is New Brunswick's largest export market, followed by Europe. In 2015, Canada entered into a free trade agreement with Korea and has increased exports. In 2017, TransCanada cancelled its Energy East pipeline project that would have greatly benefitted the provincial economy. According to the Conference Board of Canada, the province is expected to realize GDP growth of just 0.8% in 2019.

The closure of the Hotel V, in Moncton this year will offset the opening of the new Canvas Moncton—the very first Tapestry Collection Hotel by Hilton in Canada. Five new hotels are expected to open between 2020 and 2022, adding approximately 616 rooms to the room supply of New Brunswick. Demand is expected to grow by just 1.0% in 2019, matching the expected supply growth of 1.1%. The RevPAR is projected to increase by 2.9% that year.

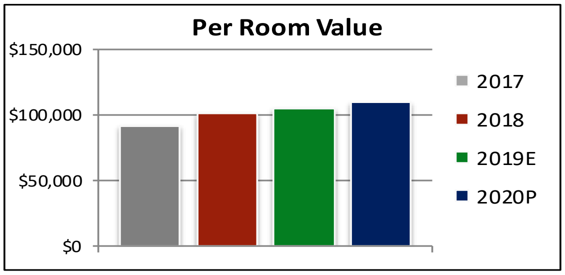
The per-room value for the province finally crossed the $100,000 mark in 2018, reaching $100,700. After three years of impressive increases in room value, a more moderate 4.2% increase is expected in 2019. With this slower growth, the room value is expected to reach $117,400 in 2022. New Brunswick is expected to move up to sixteenth place in the value-per-room ranking, up from seventeenth out of 19 in 2018.

Table 16 — New Brunswick Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$68,032	$64,079	$67,275	$69,435	$73,152	$80,873	$91,644	$100,706
y/y % Change	-8.4%	-5.8%	5.0%	3.2%	5.4%	10.6%	13.3%	9.9%
Index	0.69	0.65	0.68	0.70	0.74	0.82	0.93	1.02

Table 17 — New Brunswick Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$104,966	$109,885	$112,795	$117,352
y/y % Change	4.2%	4.7%	2.6%	4.0%
Index	1.07	1.12	1.15	1.19
Rank	16	16	16	16



NEWFOUNDLAND AND LABRADOR produces one-third of Canada's conventional light crude thanks to four offshore production facilities: Hibernia, Terra Nova, White Rose, and Hebron. Currently, the province is facing budgetary challenges; the drop in oil prices has led to deficits and rising public debt. Business investment forecasts looks good as many companies are moving forward with their projects. Even with the construction finishing at the Muskrat Falls hydroelectric project, real business investment looks bright. New investment is taking place in the mining industry, an underground expansion of the Voisey's Bay mine in Labrador. Increasing production at the Hebron offshore oil field will help the provincial economy grow this year. Because of the increase in oil production, GDP growth is projected at 4.4% in 2019 and 1.0% in 2020.

Lodging demand in the province generally declined between 2014 and 2018; the exception was a marginal 0.9% increase in 2017. A 3.6% increase in demand is projected for 2019. At the same time, the room supply is projected to increase by 1.8% with the opening of the Hilton Garden Inn St. John's later this year. The only other new supply facing the market is the 90-room Holiday Inn Express Corner Brook which is expected to open in early 2021 and the Hampton Inn Deer lake in 2020.

In 2018, the drop in demand and the increase in supply resulted in a massive drop in RevPAR to a level lower than any year in the past decade. In the years that follow, supply is expected to grow at roughly half the pace of demand, allowing for an improvement in RevPAR.

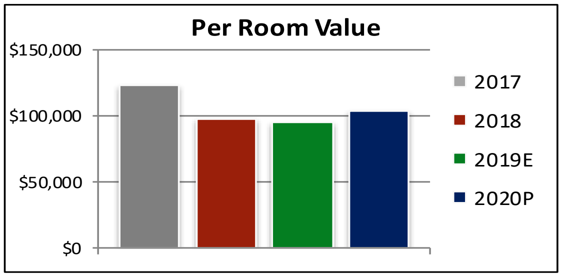
With the sharp drop in RevPAR in 2018, the per-room value for the province fell to $97,800, a decline of 20.7%. In 2019, the per-room value is projected to drop further to $94,700, representing a decrease of 3.1%. This puts the Newfoundland and Labrador market into eighteenth position for per-room value among all the major markets in Canada for the second year in a row.

Table 18 — Newfoundland Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$127,652	$138,540	$147,663	$141,462	$134,323	$124,502	$123,309	$97,751
y/y % Change	7.3%	8.5%	6.6%	-4.2%	-5.0%	-7.3%	-1.0%	-20.7%
Index	1.30	1.41	1.50	1.44	1.36	1.26	1.25	0.99

Table 19 — Newfoundland Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$94,740	$103,628	$108,246	$113,100
y/y % Change	-3.1%	9.4%	4.5%	4.5%
Index	0.96	1.05	1.10	1.15
Rank	18	17	17	17



NIAGARA FALLS, the "Honeymoon Capital of the World," is situated on the southeastern part of Ontario that faces the American Bridal Veil Falls and the Canadian Horseshoe Falls. The city is a world-class golf destination and a popular tourist destination, supported by an abundance of attractions, including the Hornblower Niagara cruise, the Journey Behind the Falls, the Niagara Zipline, and the Ripley's Believe It or Not Museum, as well as hotels, casinos, convention centres, professional golf courses, and family-style resorts. Because of these improvements, Niagara Falls is often called the Las Vegas of Canada.

New projects, such as the $132-million Niagara Falls Entertainment Centre, the new $51-million wastewater treatment plant in Niagara-on-the-Lake, and improvements to Highway 406, are expected to boost the local construction sector and, in the case of the first-named project, also the tourism sector.

Despite the weak Canadian dollar, the growth in the local manufacturing sector is expected to be modest. The Canada–United States–Mexico Agreement (CUSMA) may have lifted the threat of a 25% tariff on vehicle imports, but it is nonetheless expected to raise production costs. Moreover, the demand for vehicles from the United States is slowing down. Since the US is the biggest export market for auto parts and motor vehicles manufactured in Canada, this will greatly affect the manufacturing sector in the Niagara Falls area.

The Niagara Falls lodging market sustained double-digit RevPAR growth in both 2015 and 2016. However, more conservative growth is projected for 2019 following the modest increase registered in 2018. Demand is projected to grow by 1.5% in 2019 and by 1.0% in 2020.

In 2021 and 2022 Niagara Falls is scheduled to see over 900 rooms of new supply enter the market representing over 6.0% new inventory. These new hotels include a 350-room Hyatt Regency and a 150-room Hyatt Centric Hotel.

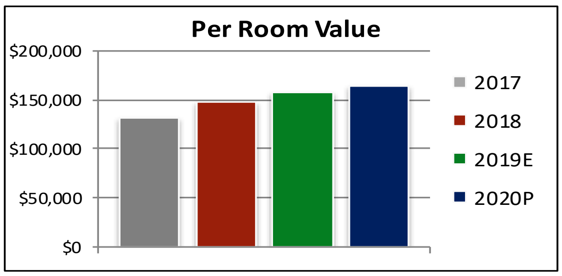
In 2018, the per-room value for the Niagara Falls market grew by 13.0%, representing the fifth consecutive year of solid growth. Less robust growth is projected for 2019, but the value is projected to grow at a steady rate through to 2022. With the growth in recent years, the Niagara Falls market moved from sixteenth place in the per-room-value rankings in 2014 to eleventh in 2018, and it is projected to move into tenth spot by 2020.

Table 20 — Niagara Falls Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$72,790	$75,647	$77,410	$86,509	$103,304	$120,197	$131,027	$148,061
y/y % Change	-6.5%	3.9%	2.3%	11.8%	19.4%	16.4%	9.0%	13.0%
Index	0.74	0.77	0.79	0.88	1.05	1.22	1.33	1.50

Table 21 — Niagara Falls Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$157,048	$163,609	$169,665	$176,374
y/y % Change	6.1%	4.2%	3.7%	4.0%
Index	1.59	1.66	1.72	1.79
Rank	11	10	10	10



As Canada's Capital Region, **OTTAWA–GATINEAU** has a significant service sector, which includes public administration. Last year, the public administration sector generated almost one-third of the region's GDP. However, this sector is expected to slow down this year, giving way to the expansion of other service sectors, such as finance, insurance, and real estate.

The region's tech sector is expected to generate new jobs. Blackberry's $350-million autonomous vehicle project at the company's Kanata campus is expected to create more than 750 jobs, and the Ottawa branch of SurveyMonkey is expected to add new jobs over the next year. Overall, the economy is projected to create 9,500 net new jobs in 2019 and 2020, although local GDP growth is projected to cool down to 1.6% this year.

Lodging demand in the Ottawa–Gatineau market decreased slightly in 2018 leading to a decline in RevPAR. In terms of supply, the closure of the 218-room Extended Stay Canada Ottawa Downtown was offset by the opening of three new hotels (the Homewood Suites Kanata, the Homewood Suites Ottawa Airport, and the Hotel Le Germain), resulting in a 1.2% increase in the room supply for 2018. As for 2019, three new hotels have opened, including the Holiday Inn Express and a dual branded Hilton Garden Inn/Homewood Suites which opened at the end of 2018 and one is slated to open in November 2019.

Seven new hotels are in the pipeline for 2021. These hotels will add approximately 995 new rooms to the market, reflecting a 6.1% increase in supply. The room count is expected to continue growing in 2022, inducing demand into the market as this market has significant unaccomodated demand. Occupancy is projected to decrease slightly as the market absorbs the new supply.

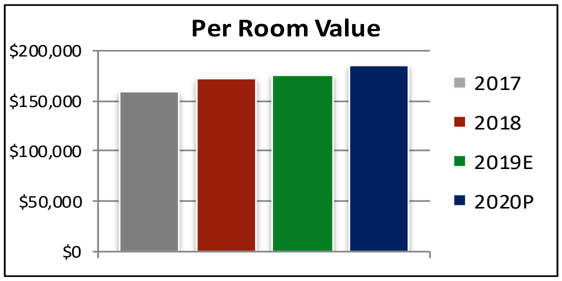
In 2018, the value per room for Ottawa–Gatineau, which had been estimated at $166,600 in the previous HVI, actually reached $171,800, representing an increase of 7.6% for the market. More moderate growth of 2.0% and 5.7% is projected for 2019 and 2020, respectively. Despite this improvement, Ottawa–Gatineau is projected to fall from seventh -highest per-room value in 2018 to ninth in 2022; this is an effect of Ottawa being a steady government based market and markets in larger urban centres growing at a faster pace.

Table 22 — Ottawa-Gatineau Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$110,195	$112,539	$111,334	$116,948	$126,323	$133,979	$159,683	$171,816
y/y % Change	8.0%	2.1%	-1.1%	5.0%	8.0%	6.1%	19.2%	7.6%
Index	1.12	1.14	1.13	1.19	1.28	1.36	1.62	1.74

Table 23 — Ottawa-Gatineau Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$175,304	$185,230	$185,204	$188,519
y/y % Change	2.0%	5.7%	0.0%	1.8%
Index	1.78	1.88	1.88	1.91
Rank	7	7	7	9



The economy of **QUEBEC CITY** is heavily oriented towards services, which account for most of the area's employment and GDP. According to the Conference Board of Canada, its real GDP is projected to grow by 2.5% in 2019 and by 1.7% the following year. The transportation and warehousing sector is expected to expand, supported by output growth in the manufacturing and construction sectors, which are the biggest users of transportation services. Several big projects are under construction, including a $2-billion hospital complex and Medicago's $245-million commercial vaccine-production facility. Work related to these projects is expected to help the overall growth of the economy. The upcoming projects include the long-awaited $755-million Phare de Quebec development and the construction of a tramway and trambus network in the city; these projects are expected to begin work later this year and in 2022, respectively.

The Quebec City lodging market has been fairly stable from the perspective of supply. The only new supply entering the market in 2019 was the Hampton Inn & Suites Beauport and The Capitole de Quebec. Going forward, the only anticipated supply changes are the renovation of the Hotel Le Priori, which suffered a fire in 2017 and reopened in 2018. Hotel Clarendon also suffered a fire in January 2019 and following major renovations, reopened in December 2019. There will also be a year-long closure and renovation of the 571-room Hilton Quebec that is planned for 2020.

In 2017, Montreal's 375th anniversary celebrations helped Quebec City realize a 7.6% increase in RevPAR. In 2018, the market performed equally well—both demand and room rates increased, resulting in RevPAR growth of over 5.0%. In June 2018, Quebec City acted as a lodging alternative for Charlevoix while the G7 Summit took place. As a result of this event, approximately 6,000 room nights were generated between May and mid-June. The ADR increased in response to the higher occupancy levels. Overall, this event had a very positive effect on the market-wide RevPAR.

The value per room in 2018 rose by 14.9%, given the strength of the market with little new supply on the horizon.

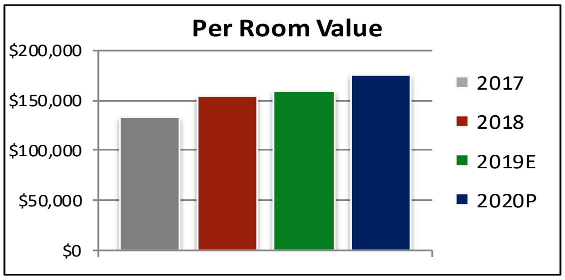
In terms of value per room, a more modest increase of 3.6% is projected for the Quebec City market in 2019. The projected value of $188,800 per room in 2022 moves Quebec City into eight place in the ranking, a notable change from fifteenth place ranking in 2014.

Table 24 — Quebec City Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$80,755	$82,942	$79,873	$92,065	$96,184	$110,047	$133,855	$153,791
y/y % Change	6.1%	2.7%	-3.7%	15.3%	4.5%	14.4%	21.6%	14.9%
Index	0.82	0.84	0.81	0.93	0.98	1.12	1.36	1.56

Table 25 — Quebec City Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$159,289	$175,529	$180,405	$188,819
y/y % Change	3.6%	10.2%	2.8%	4.7%
Index	1.62	1.78	1.83	1.92
Rank	9	8	8	8



REGINA, the capital of Saskatchewan, is dominated by the finance, insurance, and real estate industry. The oil crisis was a major blow to the province's resource-based economy in 2014 and 2015, and the negative effects were exacerbated by difficulties in agriculture and challenging pricing for potash and uranium. This led to negative GDP growth and an increase in unemployment, although the unemployment rate nonetheless remained below the provincial and national averages.

The output from Regina's construction sector is projected to grow by 2.5% in 2019, supported by the construction of the $1.9-billion Regina Bypass, which is nearing completion. Output growth in the transportation and warehousing sector is projected to slow over the next two years. The Global Transportation Hub, an inland port, has struggled to meet sales targets, forcing the provincial government to sell it off. In addition, a drop in total net immigration is expected in 2019.

GDP growth resumed in 2017, but this improvement was not immediately transferred to the lodging market. In 2018, demand increased, leading to an increase in RevPAR, following a double-digit drop of in 2017. Consequently, the value per room also increased by 5.9% in 2018, a much needed increase after four consecutive years of decline. With the 23.5% decrease in room value in 2017, the index fell below 1 for the very first time, meaning that a hotel room in Regina in 2017 was worth less than what a comparable hotel room in Canada was worth in 2005.

In 2018, the local economy continued to recover. For the first time since 2013, the per-room value for the Regina market increased, reaching $95,800. However, this improvement is projected to be short lived: the per-room value is projected to decline by 4.9% in 2019.

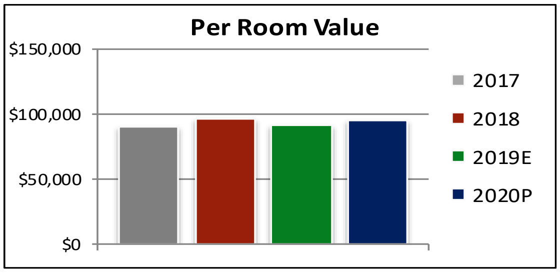
As a result of this weak performance, the Regina market will be at the bottom of the value ranking from 2018 to 2021, with a slight improvement projected for 2022.

Table 26 — Regina Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$125,976	$132,881	$151,012	$134,616	$120,879	$118,289	$90,450	$95,769
y/y % Change	12.4%	5.5%	13.6%	-10.9%	-10.2%	-2.1%	-23.5%	5.9%
Index	1.28	1.35	1.53	1.37	1.23	1.20	0.92	0.97

Table 27 — Regina Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$91,031	$95,637	$99,501	$104,536
y/y % Change	-4.9%	5.1%	4.0%	5.1%
Index	0.92	0.97	1.01	1.06
Rank	19	19	19	18



SASKATOON is home to the world's largest potash producer, PotashCorp. The region is known for its natural resources, mainly potash, oil, and wheat. Canola crop sales crashed after China cancelled export licences for Richardson International and Viterra, claiming pest infestation. Alternative buyers have been hard to find, and the local economy has suffered as a result.

The city's construction sector experienced a decline in output in 2018, but the level of construction activity is expected to remain high. The $300-million residential and commercial project on Parcel Y at River Landing is still under construction and scheduled for completion in 2021, and work on the $18-million refurbishment of Saskatoon's John G. Diefenbaker Airport to increase capacity and modernize technology is likely to be completed by the end of this October. GDP decline of 0.2% is projected for Saskatoon in 2019.

Since 2015, Saskatoon has suffered from the oil crisis, which led to a drop in both demand and room rates. Since 2017, the economy has been slowly recovering.

Demand has been slowly increasing, and it is expected to grow at a stronger pace of 6.0% in 2019 resulting in the strongest RevPAR growth since 2012. In spite of the stronger demand, supply is projected to outpace it resulting in a marginal decrease in RevPAR projections for 2020.

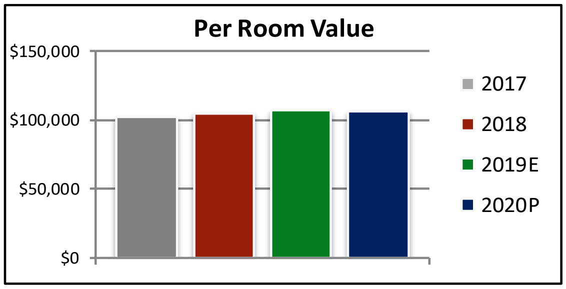
The per-room value for the Saskatoon market is expected to increase in 2019, reaching $107,300. Saskatoon is the only resource-based market in Canada that is projected to see a positive increase in room value in 2019. Additional value growth is projected in 2021 and 2022. By 2022, the value per room for Saskatoon is projected to be $117,600. Despite the improvement, this value is still lower than the 2011 level, putting the market near the bottom of the ranking, three positions above Regina. The fact that the two major cities in Saskatchewan occupy the fifteenth and eighteenth positions in the value ranking is an indication of how much the decrease in oil prices and the downturn in other commodity markets have negatively affected the lodging markets.

Table 28 — Saskatoon Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$140,253	$150,457	$159,780	$155,897	$137,803	$113,385	$101,902	$104,441
y/y % Change	1.2%	7.3%	6.2%	-2.4%	-11.6%	-17.7%	-10.1%	2.5%
Index	1.42	1.53	1.62	1.58	1.40	1.15	1.03	1.06

Table 29 — Saskatoon Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$107,323	$106,383	$112,997	$117,562
y/y % Change	2.8%	-0.9%	6.2%	4.0%
Index	1.09	1.08	1.15	1.19
Rank	15	16	15	15



The **TORONTO AIRPORT WEST** lodging market is anchored on Toronto Pearson International Airport, which is located in Mississauga and acts as the primary airport for the Golden Horseshoe, Canada's largest urbanized area. Toronto Pearson is the largest and busiest airport in Canada. Renovations are underway to allow the airport to accommodate 50 million passengers a year, which is expected to be a reality by the end of this year. In 2018, the passenger count reached 49.5 million, making the airport a mega hub. Last year, new flights to Kiev, Bucharest, Porto, and Zagreb were initiated.

With the increase in passenger counts due to airport renovations in 2017, lodging demand grew by 2.3% in 2018 and is expected to remain stable in 2019 before gradually increasing over the next three years. Because almost no new supply has entered the market since 2014, the increase in demand is putting upward pressure on room rates. The market-wide ADR grew significantly in 2018, and it is expected to moderate it’s growth this year, allowing the market to surpass the $100 RevPAR mark for the third consecutive year. The new hotels that are in the pipeline for 2020 and 2021 include the Hyatt Place Toronto Airport, the Tru by Hilton Toronto Airport, the Element Toronto Airport, and a Holiday Inn Express. These developments will bring more than 10% new rooms to the market. Given the strength of the marker we expect the new supply will be absorbed quite rapidly based on the growth in passenger counts at the airport.

The strong growth in this market will have a positive effect on the value per room, which is projected to reach $211,000 in 2019, a 15.9% increase, which is healthy but modest relative to the 25.2% increase registered in 2018. More modest growth of 5.1% is projected for the per-room value in 2020 as new supply is absorbed. The value per room has more than tripled over the past ten years, as much of the supply has been renovated and up-branded and lower rated demand pushed to the outlying markets. Market values are expected to reach $257,100 by 2022.

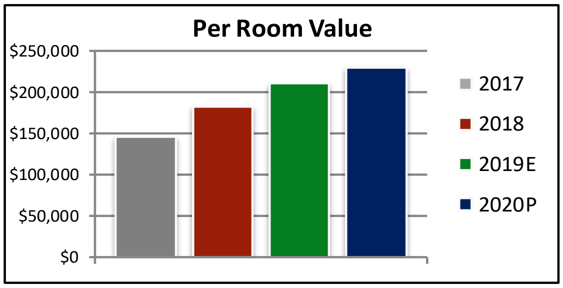
This strong growth will position the market in fourth place in 2022, sneaking in ahead of Victoria and one spot behind the Vancouver Airport market.

Table 30 — Toronto Airport West Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$72,358	$71,612	$74,178	$84,473	$98,100	$117,679	$145,393	$182,089
y/y % Change	-4.9%	-1.0%	3.6%	13.9%	16.1%	20.0%	23.6%	25.2%
Index	0.73	0.73	0.75	0.86	1.00	1.19	1.48	1.85

Table 31-Toronto Airport West Forecasted Values(2019-2022)

	2019E	2020P	2021P	2022P
Per Room Value	$211,008	$230,599	$240,140	$257,106
y/y % Change	15.9%	9.3%	4.1%	7.1%
Index	2.14	2.34	2.44	2.61
Rank	4	4	4	4



TORONTO DOWNTOWN is a vital financial and technological hub for Canada; 38% of corporate headquarters in Canada are in Downtown Toronto. The city's real GDP is expected to grow by 2.0% both this year and next. The manufacturing sector is expected to slow down despite the persistence of the weak Canadian dollar. With a decline in housing starts, construction output will remain moderate. The provincial government is undertaking billion-dollar subway extensions and adding the new Ontario Line in the Greater Toronto Area. Tremendous output growth is expected in the information and cultural sector; Amazon plans to hire 600 workers, and Netflix is planning to open a production hub in Toronto. Last year, Pinterest opened its first Canadian office in Downtown Toronto.

In 2018, Hotel X opened with 404 rooms, counterbalancing the loss of two hotels being temporarily closed; the Park Hyatt, which closed for renovation and is expected to re-open in 2020 with a smaller room count of 220, and the temporary closure of the Marriott Bloor, which is under renovation for a conversion to a W Hotel. New hotels are poised to open in the market, including the Canopy by Hilton Toronto Yorkville, the Ace Hotel, and the Andaz Hotel, representing more than 1,000 new rooms in total. Even with this new supply, the market will continue to operate at a high occupancy level, creating many periods when demand cannot be accommodated. This compression is putting upward pressure on room rates. The market-wide RevPAR is projected to exceed the $200 mark for the first time in 2021. In 2022, the Downtown Toronto market will see further occupancy compression with the planned closure of the 1590 room Chelsea Hotel.

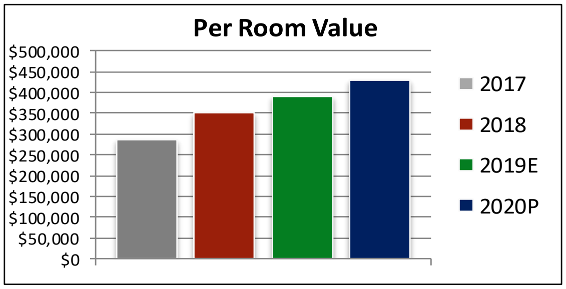
In this dynamic environment, the value per key for Toronto Downtown is projected to increase by 10.8% this year, and close to double-digit value growth is also projected for 2020. For 2021 and 2022, the value is projected to increase by double digits once again with the lack of new supply in the pipeline for downtown Toronto. The value per key is projected to increase from $390,900 in 2019 to $544,300 in 2022. Toronto Downtown is projected to have one of the highest per-room values in the country, second only to that of the Vancouver Downtown market. These high values are driven principally by not only the performance of the hotels but also the high cost and scarcity of available land.

Table 32 — Toronto Downtown Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$120,787	$130,197	$143,708	$156,909	$184,450	$225,874	$287,421	$352,866
y/y % Change	-6.8%	7.8%	10.4%	9.2%	17.6%	22.5%	27.2%	22.8%
Index	1.23	1.32	1.46	1.59	1.87	2.29	2.92	3.58

Table 33 — Toronto Downtown Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$390,884	$429,101	$478,849	$544,296
y/y % Change	10.8%	9.8%	11.6%	13.7%
Index	3.97	4.36	4.86	5.53
Rank	2	2	2	2



VANCOUVER AIRPORT Vancouver International Airport serves more than 24 million passengers annually with 50 airlines providing access to 125 destinations, including four airlines that are specifically dedicated to China. The airport is in Richmond, where immigrants from China make up 30% of the population. An increase in visitation from Mexico has been taking place since the Government of Canada eliminated visa requirements for Mexican travellers in December 2016.

The room supply has been either stable or in decline since 2013. However, the supply is projected to increase by 2.1% in 2020, and supply growth is expected to reach a new high of 7.9% in 2021. A 1.3% decline in demand was experienced in 2018 and a further decline of 1.0% is projected in 2019. This decrease in demand has been partially driven by ADR increases which registered at 12.0% in 2018, followed by 6.0% is projected for 2019. Since 2014, the RevPAR has grown by double digits in each year. A slight slowdown is projected for 2019 and 2020 given the slowdown in demand particularly noted from China. New supply in the market includes the 313-room dual-branded Residence Inn/Courtyard by Marriott that is slated to open in February 2021 as well as a 97 room Hyatt Place. The market is expected to immediately absorb this new supply—the market-wide occupancy is projected to remain at or above 80% through 2022.

In this environment, the value per room for the Vancouver Airport market continues to register strong gains. The per-room value surpassed the $200,000 mark in 2017, and it realized an increase of 15.2% in 2018, which is stronger than the increase of 12.5% that had been projected in the previous HVI report. Moreover, the value per room is projected to exceed $300,000 by 2021, supported by steady growth each year.

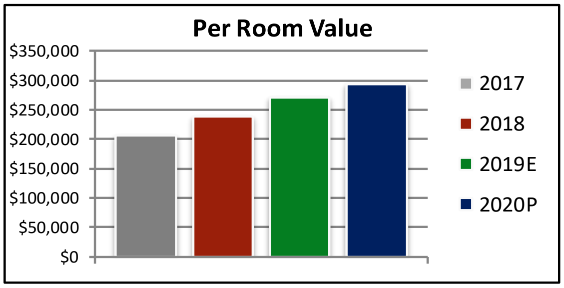
The Vancouver Airport lodging market was third in the value rankings in 2018, and it is projected to remain in this position as of 2022.

Table 34 — Vancouver Airport Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$98,722	$97,523	$105,373	$117,586	$140,575	$169,530	$206,700	$238,146
y/y % Change	-19.2%	-1.2%	8.0%	11.6%	19.6%	20.6%	21.9%	15.2%
Index	1.00	0.99	1.07	1.19	1.43	1.72	2.10	2.42

Table 35 — Vancouver Airport Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$271,170	$292,638	$315,680	$338,494
y/y % Change	13.9%	7.9%	7.9%	7.2%
Index	2.75	2.97	3.20	3.44
Rank	3	3	3	3



VANCOUVER DOWNTOWN, which is known for its ethnically diverse population, has developed into Canada's main business hub for trade with Asia and the Pacific Rim. The city is the industrial, commercial, and financial heart of British Columbia. The cultural diversity and the strong economy, coupled with the picturesque setting and mild climate, have also made the city a magnet for new immigrants.

The demand for Vancouver's manufactured exports has risen in recent years, supported by the weak Canadian dollar. The manufacturing and construction sectors are projected to grow at a more moderate rate, and the city's GDP is projected to increase by 2.8% in 2019 and 2.6% in 2020. Vancouver's most important industry, the transportation and warehousing sector, is expected to grow over the next two years.

The Vancouver Downtown lodging market has maintained a fairly stable supply base in recent years. In 2017 and 2018, four new hotels opened, bringing 887 new rooms to the market; however, the closure of the Empire Landmark and the Coast Plaza together removed 557 rooms from the market in this period, offsetting the increase from the new hotels.

Minimal demand growth is projected for Vancouver Downtown because the market is running at capacity. The World Rugby Sevens Series will take place in Vancouver in late 2019 and early 2020, and the passenger count for Alaska cruise ships disembarking from Vancouver is expected to reach one million. The Vancouver Downtown market has significant unaccommodated demand that permits hoteliers to increase rates with little impact on occupancy.

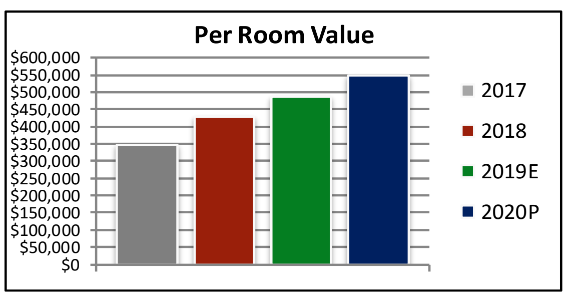
The outlook for the Vancouver Downtown lodging market continues to be very positive. The value per room grew by double digits for the fourth consecutive year in 2018 – a 23.6% increase. The rate of growth that is projected for 2019 is slightly lower but nonetheless strong at 14.1%, and double-digit growth is projected for both 2020 and 2021. For 2022, more moderate growth of 8.9% is projected given the anticipated level of new supply. In 2019, the value per room is expected to reach $487,600, making Vancouver Downtown the most expensive market among the 18 being ranked. By 2022, the per-room value is projected to reach $670,500. The Vancouver Downtown market is projected to see slightly stronger value growth than the Toronto Downtown market, retaining its top position in the rankings.

Table 36 — Vancouver Downtown Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$172,060	$166,844	$173,901	$190,802	$230,223	$288,664	$345,669	$427,269
y/y % Change	-2.6%	-3.0%	4.2%	9.7%	20.7%	25.4%	19.7%	23.6%
Index	1.75	1.69	1.77	1.94	2.34	2.93	3.51	4.34

Table 37 — Vancouver Downtown Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$487,610	$549,372	$615,643	$670,465
y/y % Change	14.1%	12.7%	12.1%	8.9%
Index	4.95	5.58	6.25	6.81
Rank	1	1	1	1



VICTORIA, the city named after Queen Victoria, is the capital of British Columbia. It relies heavily on the public sector, which supports one-third of jobs in the region and contributes to one-fourth of economic activity.

The city's GDP is expected to grow by 2.6% this year, which is slightly ahead of the 2.5% GDP growth experienced in 2018.

Since 2013, the market-wide ADR has been increasing at a strong pace. The strongest increase of 10.1% was registered in 2018. The 180-room Harbour Towers Hotel closed in late 2017, and no new supply is expected to enter the market to compensate for the loss of rooms until 2020. Demand is expected to decline by 4.0% this year given a decrease in demand from China, but gradual increases are projected over the next three years. In this context, the occupancy is poised for a decline this year but is then expected to remain stable for 2020 and 2021, and an increase is projected for 2022. The RevPAR is projected to decline in 2019 but then rebound in 2020. The ADR is expected to increase gradually and cross the $200 mark in 2021.

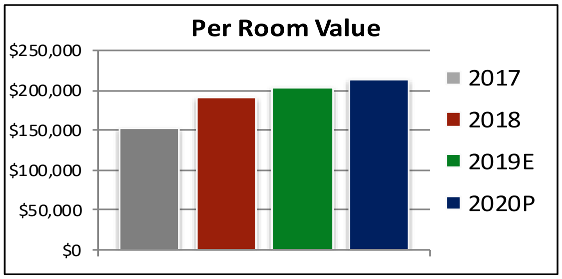
The outlook for this market is positive. The per-room value is estimated to be $202,700 in 2019, and it is projected to reach $251,200 in 2022. Since 2013, the market has sustained consistent value growth of almost 15% per year. The Victoria market is projected to have the fifth highest per-room value in the rankings in 2022, up one place from 2017.

Table 38 — Victoria Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$90,156	$88,852	$97,111	$108,197	$120,900	$140,207	$152,749	$190,698
y/y % Change	-9.1%	-1.4%	9.3%	11.4%	11.7%	16.0%	8.9%	24.8%
Index	0.92	0.90	0.99	1.10	1.23	1.42	1.55	1.94

Table 39 — Victoria Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$202,704	$213,940	$233,141	$251,223
y/y % Change	6.3%	5.5%	9.0%	7.8%
Index	2.06	2.17	2.37	2.55
Rank	5	5	5	5



WINNIPEG is the administrative, financial, and distribution centre for Manitoba. The city has a diversified economy anchored in the manufacturing sector. Winnipeg occupies a central location in Canada close to the US border, which enhances its distribution capabilities. Since the recession in 2011, the city has realized steady GDP growth; an increase of 1.7% is projected in 2019.

Supported by a solid economy and a relatively affordable housing market, the population of Winnipeg is expected to increase by 1.5% this year. The construction and manufacturing sectors are healthy at present, thanks to the low Canadian dollar and the health of the US economy. Slow growth is on the horizon for the local tourism industry, but several new hotels are expected to enter the market this year.

The Winnipeg lodging market had a stronger year in 2017. Demand and RevPAR increased. In 2018, the market went though a year of adjustment; as there was a slight contraction in demand, however the RevPAR still managed to grow by 1.8%.

In 2019, lodging demand is projected to increase by 1.0%, which is not enough to offset the expected increase in supply, resulting in a decline in RevPAR. New hotels have opened this year, including the Residence Inn Winnipeg Airport, the Best Western Premier Winnipeg, and the Best Western Plus Morden. More than five new hotels have been announced for the market, including the Sutton Place Hotel Downtown Winnipeg, the Hilton Garden Inn Winnipeg Downtown, and the Hyatt Place Winnipeg Downtown. In total, approximately 500 rooms will be added to the market between 2020 and 2022.

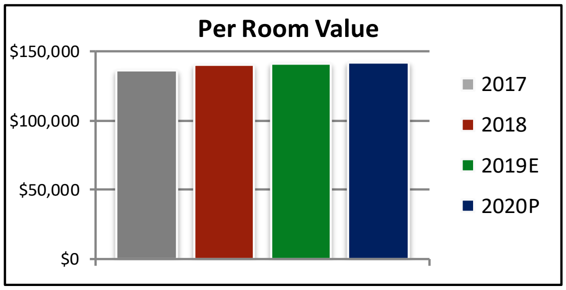
The per-room value for the Winnipeg lodging market is projected to grow by 1.0% in 2019 to $141,500 with the greatest future growth projected in 2022 as the impact of new supply eases. This leaves Winnipeg in a consistent thirteenth position ranking among the markets.

Table 40 — Winnipeg Historical Values (2011–2018)

	2011	2012	2013	2014	2015	2016	2017	2018
Per Room Value	$118,591	$117,303	$113,346	$115,589	$121,625	$128,430	$136,302	$140,055
y/y % Change	6.8%	-1.1%	-3.4%	2.0%	5.2%	5.6%	6.1%	2.8%
Index	1.61	1.60	1.54	1.57	1.66	1.75	1.86	1.91

Table 41 — Winnipeg Forecasted Values (2019–2022)

	2019E	2020P	2021P	2022P
Per Room Value	$141,471	$142,195	$144,908	$150,763
y/y % Change	1.0%	0.5%	1.9%	4.0%
Index	1.93	1.94	1.97	2.05
Rank	13	13	13	13



HOTEL VALUE FORECAST

With the exception of resource-based markets, Canadian lodging markets generally registered an increase in per-room value in 2018. By the end of the forecast period in 2022, all non-resource-based markets are expected to achieve higher values than at the previous national peak in 2007.

The markets with the highest projected rate of growth in value in 2022 over 2018 are Vancouver Downtown and Vancouver Airport, followed by Toronto Downtown and Toronto Airport West, with Victoria ranking fifth and Montreal Downtown ranking sixth in the country. Vancouver Downtown is projected to retain the highest per-room value in the country while Edmonton remains at the bottom with the lowest per-room value.

As a recovery in energy prices is slower than expected, Canada is witnessing a serious contrast in lodging market values between markets which are resource dependant and those which are not. Alberta, Saskatchewan, and Newfoundland are the provinces where hotel values are far below historical highs; non dependant resource are witnessing the highest market values in their histories.

More temperate growth is projected for those provinces currently benefitting from weak oil prices and the low dollar at the same time that a slow recovery is expected to get underway for the regions that suffered from the downturn in the oil sector. This should lead to more consistent and stable pattern of hotel-value growth across the country.

INDUSTRY OUTLOOK

The decline in oil and gas prices has pushed investors and developers into seeking greater opportunity in Eastern Canada's lodging markets. According to Colliers International Hotels, Eastern Canada accounted for more than 60% of the transactions in Canada through the second quarter of the 2019. Moreover, the transactions in Ontario alone accounted for 41% of all the transactions in the country.

Overall, the Canadian lodging market has benefitted from the weak Canadian dollar and welcoming immigration/travel policies, which have stimulated more lodging demand. As such, another record-breaking year is projected for 2019. With a higher RevPAR comes an improvement in NOI. Interest rates and the Loonie are both low, which is fostering a very strong interest in acquiring hotel assets. There is notable debt available from lenders in the markets. Global investors in are attracted to the market because they perceive the market as safe with big bargains by virtue of the devalued Canadian dollar.

The value of a hotel room in Canada peaked in 2007 at $121,400. With the recession in 2009, the value fell sharply to $76,600, a drop of 32.3%. Since 2011, the overall value of a hotel room in Canada has steadily risen. In 2018, the Canadian per-room value reached $147,600, well surpassing the previous peak.

The Canadian lodging industry is poised to continue in a very positive stage of its lifecycle, albeit at a slower pace. In 2019, the per-room value of a hotel in Canada is projected to reach a new high of $152,400. Moreover, the value is projected to rise steadily through to 2022, reaching $170,800 per room in that year. On a more somber note, global economic fragility and current geo-political unrest, particularly the serious trade wars that are ramping up, could potentially mitigate future growth in the Canadian lodging industry.

Understanding the HVI

The Hotel Valuation Index (HVI) tracks hotel values in 19 major markets, including Canada as a whole. Derived from an income capitalization approach, the HVI utilizes market area data provided by STR combined with historical operational information from HVS's extensive global experience in hotel feasibility studies and valuations. The data are then aggregated to produce a proforma performance for a typical hotel in each respective Canadian market. Based on our experience of real-life hotel financing structures gained from valuing hundreds of hotels each year, we then apply appropriate valuation parameters for each market, including loan-to-value ratios, real interest rates, and equity return expectations. These market-specific valuation parameters are applied to the net operating income for a typical full-service hotel in each city.

The HVI is an indexed value that uses the 2005 value of a typical Canadian hotel (2005 = 1.0000) as a base. Each market area is then indexed off this base with a number showing the value relationship of that market area to the base. For example, the index for the Toronto Downtown market in 2005 was 1.41, which means that the value of a hotel located in downtown Toronto was approximately 40% higher than that of a similar hotel in Canada as a whole in 2005.

The HVI allows one to not only compare the value of hotels in local markets against the national market, but also value differences between hotels in two different Canadian cities. For example, say that a hotel in Ottawa, Ontario, sold in 2008 for $100,000 per room. If a similar hotel were situated in Calgary, Alberta, it would probably have sold for $184,990 per room in 2008. This figure is calculated by taking the 2008 HVI for Calgary and dividing it by the 2008 HVI for Ottawa to determine the value adjustment.

$$\frac{\text{2008 HVI Calgary}(2.2118)}{\text{2008 HVI Ottawa }(1.1956)} = 1.8499$$

The 2008 sale price of $100,000 per room is then multiplied by the amount of the previously calculated factor of 1.8499, yielding the estimated 2008 sale price per room for Calgary.

$$\$100{,}000 \times 1.8499 \ = \$184{,}990$$

The HVI can also be used to determine the percentage change in value in the same market over time. To calculate, divide the HVI for the last year by the HVI for the first year and then subtract 1 from this calculation. For example, the HVI for Edmonton was 1.7657 in 2006 and 1.8613 in 2008. To calculate the estimated percentage change in value for a typical Edmonton hotel from 2006 to 2008, divide the 2008 HVI for Edmonton by the 2006 HVI and then subtract 1 to get an approximate 5% increase in value from 2006 to 2008.

$$\left(\frac{1.8613}{1.7657}\right) - 1 = 0.0541, \text{or } 5\%$$

Interpreting the HVI

HVS routinely receives numerous inquiries as to how the Hotel Valuation Index data can be interpreted by hotel owners, investors, and lenders considering their own assets and investment strategies. The Canadian HVI tracks hotel values in Canada as a whole, as well as for 18 lodging markets. It is calculated using occupancy and average rate data provided by STR for each of the markets reviewed. These market data represent the aggregate performance of the vast majority of hotels within the defined geographic market.

The HVI is an index, a statistical concept reflecting a measure of the difference in the magnitude of a group of related variables compared with a base period. As such, it is a measure of broad market trends rather than a conclusion as to the specific value of any asset, and it cannot be applied to an individual asset. A good comparison is the Consumer Price Index. While this index provides a reliable measure of the overall rate of inflation in a region, it does not indicate how the price of milk has changed at one grocery store.

In any market, the aggregate nature of the STR occupancy and average rate data limits its comparability to an individual asset. In the case of the STR data used in developing the HVI, the breadth of the sample included in the report is a material factor. The sample for each market area includes virtually all the hotels in the defined market, ranging from economy to luxury properties; limited-service to full-service operations; assets in poor to excellent condition; and a wide array of locations, from Tier 1 urban settings to peripheral locations in tertiary submarkets. The resulting data, while an excellent measure of the overall trends in the market as a whole, cannot be applied to any individual submarket or asset group, much less any one hotel. For example, the addition of new supply, or a change in the performance of an individual submarket within the broader market, can cause that submarket to have significantly different results than the market as a whole.

Numerous factors influence the value of an individual asset, including the property's age, condition, location, amenities and services, brand, management expertise, and reputation. These factors must all be considered in the context of the hotel's specific competitive market, including the nature, strength, and trends in demand generators, the character and competitive posture of the existing hotels, and the potential addition of any new properties. The value of any individual asset can only be concluded after a thorough investigation of all these factors. That conclusion will invariably differ, often materially, from the index indicated by the HVI.

How, then, can the HVI be of use to an individual investor? Although the HVI cannot tell you what a particular hotel is worth, it does provide excellent "big picture" data, indicating which market areas are experiencing positive trends and may thus present good investment opportunities. The HVI for Canada is a measure of the strength of the lodging industry as a whole and, specifically, the hospitality investment market. The HVI for the various identified markets can provide a basis to evaluate and compare different geographic regions for investment purposes.

About HVS

HVS, the world's leading consulting and services organization focussed on the hotel, mixed-use, shared ownership, gaming, and leisure industries, will celebrate its 40th anniversary in 2020. Each year, HVS performs more than 4,500 assignments for hotel and real estate owners, operators, and developers around the world. HVS principals are regarded as the leading experts in their respective regions of the globe. Through a network of more than 50 offices and 350 professionals, HVS provides an unparalleled range of complementary services for the hospitality industry. **HVS.com**

Superior Results through Unrivalled Hospitality Intelligence. *Everywhere.*

HVS Canada performs major portfolio appraisals and single-asset consulting assignments and appraisals from coast to coast. HVS Canada celebrated its 26th year in 2019. Our professional team are experts in hospitality appraisal work, feasibility studies, market studies, portfolio valuation, strategic business planning, and litigation support. The managing partners and senior members in the Calgary, Montreal, Toronto, and Vancouver practices have their AACI, MAI, and MRICS/FRICS appraisal designations, and all associates are candidate members of the Appraisal Institute of Canada. HVS partners and associates are also members of the Appraisal Institutes of Alberta, New Brunswick, and Nova Scotia. Our bilingual associates enable us to work in French, which is of utmost importance in the provinces of Quebec and New Brunswick.

About Authors

Monique Rosszell is a Senior Managing Partner of the Toronto and Montreal offices of HVS. Upon attaining a bachelor's degree in economics from Queen's University, she subsequently enrolled in the Master's program in Hotel and Restaurant Management at the Ecole Hôtelière de Lausanne and then attained both her AACI and her MRICS appraisal designations in Canada. She is also a member of the International Society for Hospitality Consultants (ISHC). Monique has completed hundreds of valuations and feasibility studies throughout Canada, including transaction and portfolio valuations. She also offers litigation and expert witness support, speaks at numerous conferences, and is a trusted advisor within the lodging industry in Eastern Canada.

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Steven Millar is a professional editor and has been the backbone of editing for HVS Canada since 2003. He received a B.A. (Hons.) with Distinction in Religious Studies from Mount Allison University in 2000 and an M.A. in Theory & Criticism from the University of Western Ontario in 2003. He currently resides in Wakefield, Quebec.