

Colliers

Colliers Hotels

INNvestment Canada

Q2 2023

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Investment highlights presented in this Q2 2023 INNvestment Canada Report are based on preliminary transaction data collected by Colliers Hotels.

Other reports available for download:

2023 Canadian Hotel Investment Report



Q1 2023 INNvestment Canada Report



Introduction

Throughout the second quarter, there was a notable resurgence in travel demand, building upon the already impressive growth observed in the first three months of the year. This upturn is clearly evident in the robust performance of Canadian lodging operations, as illustrated in the side graphic. Activity is expected to remain strong through the peak summer season and operational performance in most markets has generally been exceeding management budgets with the outlook for full-year 2023 being positive.

This strong bounce is acting as a catalyst for investment sales, both closed and in the pipeline. Hotel investment volume in the first half of 2023 has surpassed \$1 billion, significantly above the \$550 million that traded in the first half of 2022 and exceeding the \$830 million recorded in the first half of 2019. Despite new interest rate realities, upwards pressure on cap rates has been mitigated by significantly improved in-place cash flows and greater visibility into future operating performance.

On the following page we outline tailwinds that should continue to propel the lodging industry forward over the short to medium-term.

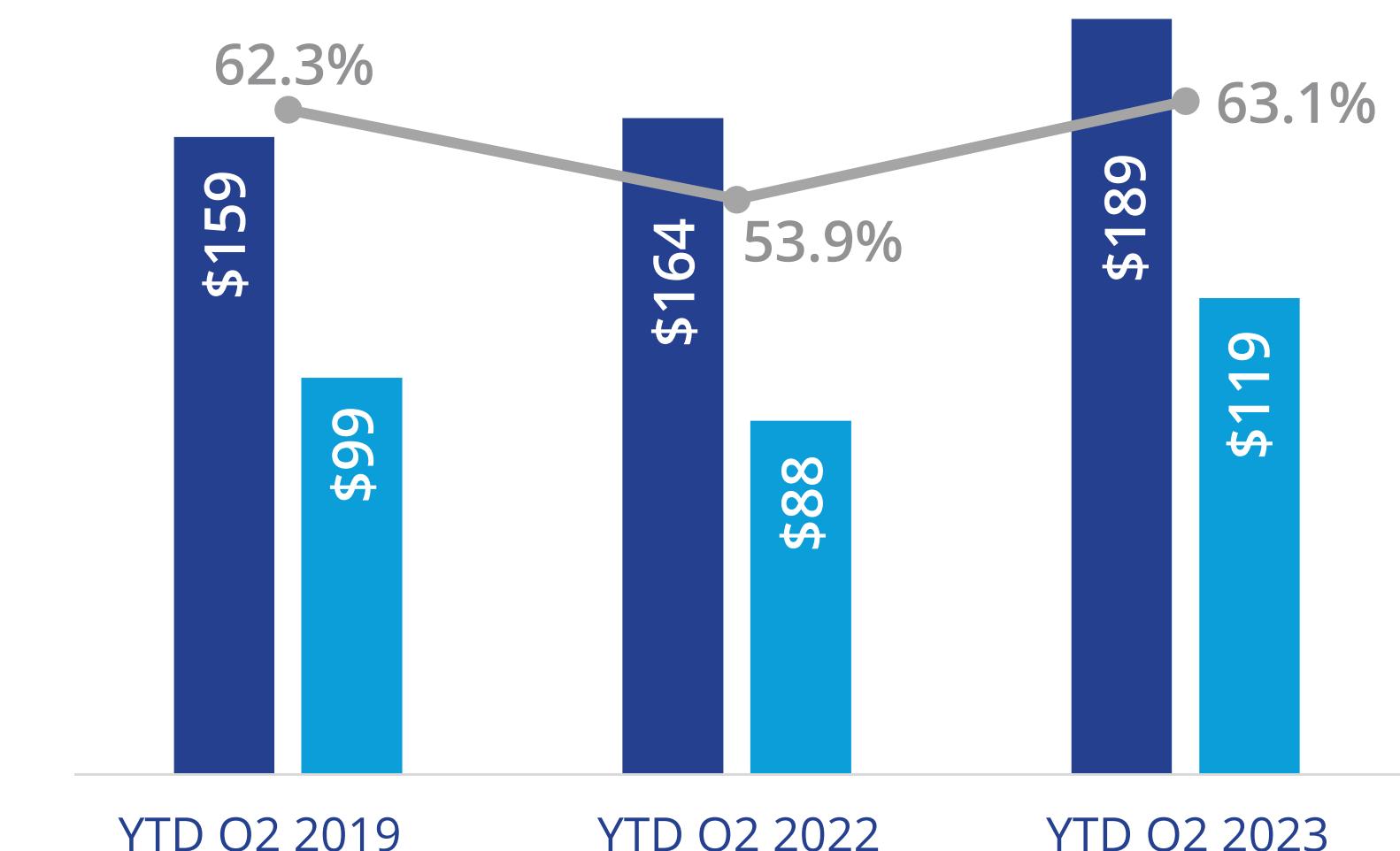
Operational Updates

YTD June 2023 National RevPAR gain vs. YTD June 2019

+20.1%

Source: STR

Canadian Top-Line Recovery



ADR | RevPAR | Occupancy

Source: STR

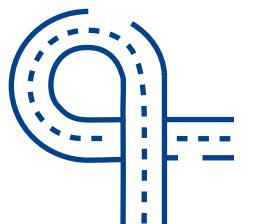
Return to Resiliency

The Canadian lodging industry is benefiting from a strong up-trend, supported by the following factors:



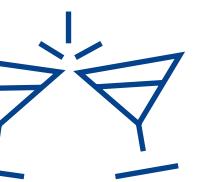
ADR Growth

Hoteliers are reaping substantial top-line gains driven by remarkable increases in average daily rates.



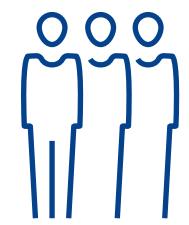
Domestic Travel

Leisure travel by Canadians continues to be an important component of lodging industry demand.



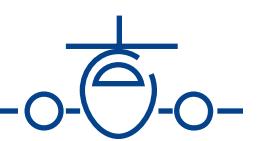
Small-to-Medium Groups

The surge in activity from smaller group business has bridged the gap and enabled operators to prioritize the highest-yielding leisure guests.



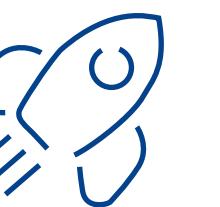
Economic Migration

Canada's population is experiencing an unprecedented surge in growth, fuelled by over one million international newcomers in the past year.



Cross Border Travel

International arrivals to Canada remain below pre-pandemic levels, although this channel of demand is expected to grow forward.



Tourism Growth Strategy

National associations, agencies, and the Federal Government are actively promoting strategies to unlock the vast potential of Canadian tourism.



Constrained New Construction of Hotels

New supply growth has been muted over the long term, averaging around 1.0% per year since 2010 and providing much of the super charge that hoteliers have needed to expand ADRs. Considering the obstacles posed by high construction costs and regulation hurdles, it is expected that new supply will continue to lag behind, offering a robust structural tailwind to hotel owners and operators.



Q2 2023 Transaction Summary

A strong pace of activity in the second quarter catapulted first half volume to more than \$1 billion with notable urban and resort market sales.

Approximately \$1.05 billion of hotels transacted in the first half of the year, nearly double that of comparable investment levels in 2022 with 90% of volume related to acquisitions for ongoing hotel use. Elevated by nine transactions over the \$25 million mark, Colliers Hotels recorded some \$740 million of sales in the second quarter representing 70% of year-to-date volume with major trades in Toronto, Banff, Kelowna, and the Atlantic coast, among others. Reflecting the influx of high watermark transactions, normalized average price per key metrics* paced at \$192,100, up more than 30% year-over-year.

Private domestic capital sources continue to drive both buy and sell side activity in the market with moderate participation from institutional capital and public companies. With a sizeable pipeline of hotel offerings recently closed and on the market, we forecast year-end volume will be in the \$1.75 to \$2 billion range.

Q2 Transaction Spotlight

The Hazelton Hotel, Toronto, ON

The Hazelton is unmatched for its luxury and excellence, with 77 oversized guest keys located at the best address in Toronto's upscale Yorkville neighbourhood. This Forbes Five Star rated hotel is just one of nine hotels in Canada that received the rating in 2023.

77

Rooms

\$110M*

Sale Price

Private Investment Firm

Buyer



* Sale included 11,250 SF of retail space, underground parkade, and a 50% interest in ONE Restaurant.

Mid-Year Transaction Highlights



\$1.05B

YTD TRADE VOLUME

YOY TREND



77

HOTELS SOLD



\$192,100

AVERAGE PRICE/KEY*



\$13.7M

AVERAGE DEAL SIZE



Source: Colliers Hotels

* Reflects normalized average price per room excluding acquisitions for alternate use/redevelopment and transactions with considerable non-hotel value.

Mid-Year Regional Highlights

YTD Q2 Transaction Volume by Province

Province	# of Hotels	# of Rooms	Price (\$M)	% Volume	Price per Key*
West					
British Columbia	19	1,098	\$187	18%	\$146,200
Alberta	9	972	\$244	23%	\$269,500
Saskatchewan	1	83	\$5	0%	\$62,700
Manitoba	1	139			Confidential
East					
Ontario	35	1,688	\$337	32%	\$216,200
Quebec	8	1,023	\$158	15%	\$154,400
New Brunswick	2	283			Confidential
Nova Scotia	2	174	\$41	4%	\$101,600
Total	77	5,460	\$1,053	100%	\$192,100

* Reflects normalized average price per room excluding acquisitions for alternate use/redevelopment and transactions with considerable non-hotel value.

Source: Colliers Hotels

Transaction Analysis by Segment

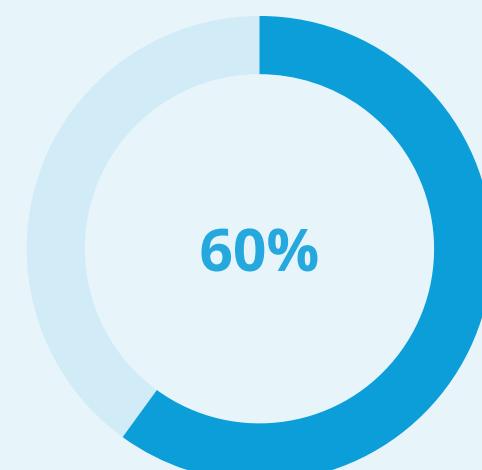
Full Service

Volume

\$627M

Avg. Price per Key

\$294,800



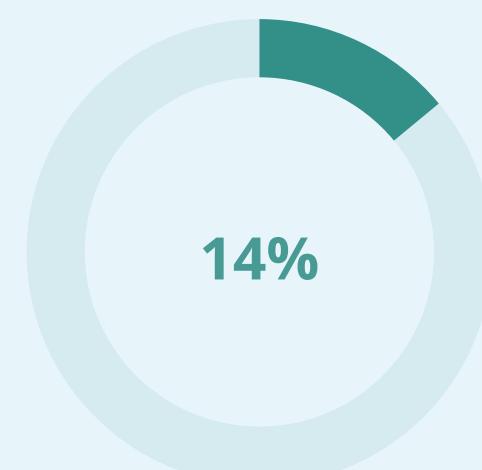
Focused Service

Volume

\$147M

Avg. Price per Key

\$206,100



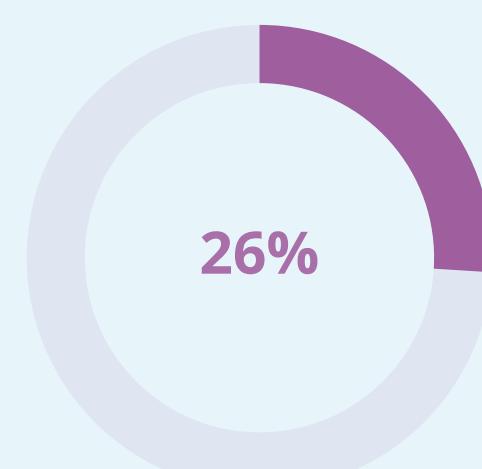
Limited Service

Volume

\$279M

Avg. Price per Key

\$103,400



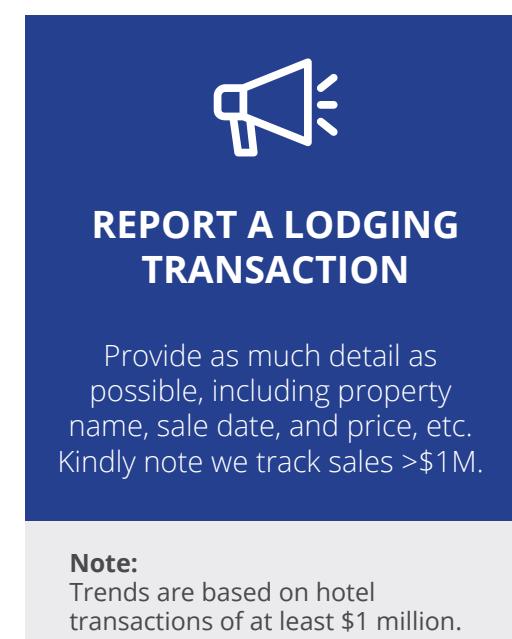
Source: Colliers Hotels



Q2 2023 Transaction List

Select transactions presented below

Name	City	Province	Keys	Date	Price	Price / Key	Notes
Best Western Premier Toronto Airport Carlingview Hotel	Toronto	ON	118	Jun-23	\$26,200,000	\$222,000	
The Hazelton	Toronto	ON	77	Jun-23	\$110,000,000	\$1,428,600	Sale included 11,250 SF of retail space, underground parkade, and a 50% interest in ONE Restaurant.
The Rimrock Resort Hotel	Banff	AB	330	Jun-23	\$170,000,000	\$515,200	Property to undergo a significant \$100 million renovation.
Fairmont Hot Springs Resort	Fairmont Hot Springs	BC	151	Jun-23	\$40,000,000	\$264,900	Sale included three golf courses, a 14-run ski hill, RV park, and +650 acres of excess lands.
Coast Osoyoos Beach Hotel	Osoyoos	BC	65	Jun-23	\$13,900,000	\$213,800	
The Algonquin Resort St. Andrews by-the-Sea, Autograph Collection	St. Andrews	NB	233	Jun-23	n/a	n/a	Sale included excess land with development potential. Sale details confidential.
Best Western Plus Kelowna	Kelowna	BC	165	May-23	n/a	n/a	Sale details confidential.
Ramada by Wyndham Jacksons Point	Jacksons Point	ON	88	May-23	\$12,500,000	\$142,000	
Stonebridge Hotel Dawson Creek	Dawson Creek	BC	100	May-23	\$11,000,000	\$110,000	
Days Inn & Suites by Wyndham Airdrie	Airdrie	AB	93	May-23	\$9,450,000	\$101,600	
Windermere House	Muskoka Lakes	ON	56	Apr-23	\$11,000,000	\$196,400	
Victoria Inn Hotel and Convention Centre	Thunder Bay	ON	182	Apr-23	n/a	n/a	Sale details confidential.



Colliers Hotels Canada and The Caribbean

In the past 30 years, Colliers' Hotels team has acted on the sale or financing of more than 850 hotels and resorts with deep transaction experience across Canada and the Caribbean. We are results-driven: whether a large portfolio or single property, our proven process delivers results via our global connections, world-class marketing and innovative strategies. Our clients choose us for our superior client service, level of specialization and unique market insights.

Brokerage & Advisory Services

- Hotel Brokerage
- Debt Placement
- Value-Add Research
- Special Situation Resolution
- Strategic Advisory & Consulting

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