HOSPITALITY INNSIGHTS Q2 2025

Hospitality Outlook Changes

Operating results for the first six months of 2025 show emerging trends caused by shifts in travel patterns largely resulting from changes in U.S. policies and announcements.

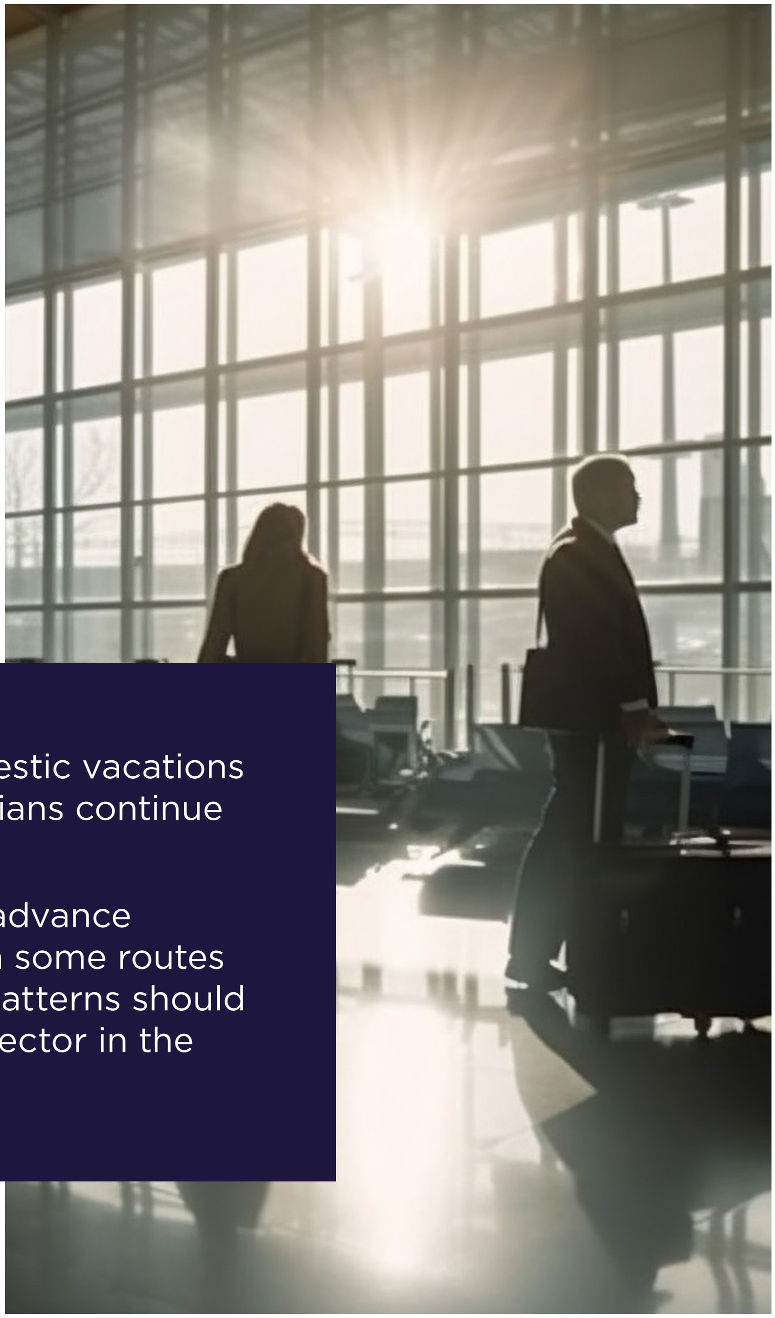
The imposition of tariffs has negatively impacted results in several U.S. trade reliant markets, primarily in Southern Ontario. The auto and steel industries have been particularly hard hit - this is reflected in the numbers for markets such as Windsor and London. Windsor in particular has been hard hit with RevPAR down by 9.4% in H1 (compared to H1 2024). While development continues on battery plants in St. Thomas and Windsor, there is uncertainty around future large scale developments due to expected shifts in auto production.

Other markets seeing impacts from trade uncertainty include suburban areas of Toronto and airport markets in Montreal and Toronto. While this is partly due to the decline in government funded Immigration, Refugees and Citizenship Canada (IRCC) demand at airport hotels, Toronto Pearson (YYZ) and Montreal Trudeau (YUL) airports reported nearly flat passenger volumes in H1 (compared to H1 2024). The Montreal airport market has also seen a significant increase in new room supply, which led to a RevPAR decline of 15.1% in the first six months of 2025.

01 Hospitality **Outlook Changes**

While H1 results show less U.S. travel to Canada, the decline has been more than offset by growth in domestic travel. This is noticeable in strong leisure markets such as Halifax, Quebec City, Banff and Victoria. Niagara Falls has seen year-over-year demand contraction and its performance also shows impact of the reduction in government funded demand; however, weaker U.S. demand has been replaced by increased domestic demand.

CoStar preliminary data for July shows national occupancy has increased by 3.1% and ADR has increased by 6.6%, as compared to July 2024. Results are particularly strong in the aforementioned summer leisure destinations.



While many expected the trend of domestic vacations to be a short-term phenomenon, Canadians continue to avoid travel to the U.S.

Air Canada and WestJet report slower advance bookings and have reduced capacity on some routes south of the border. This shift in travel patterns should bode well for the Canadian hospitality sector in the second half of 2025 and beyond.

02 Canada Hotel **Performance Update**

Overview

In H1 2025, overall demand levels remained relatively flat. Stronger demand growth in Q2 was held back by the weaker performance in Q1, resulting in just 0.1% growth for the first two quarters combined.

ADR showed stronger growth, at 2.7%, resulting in overall RevPAR growth of 2.8% for the first half of the year.

H1 2025
(% change from H1 2024)

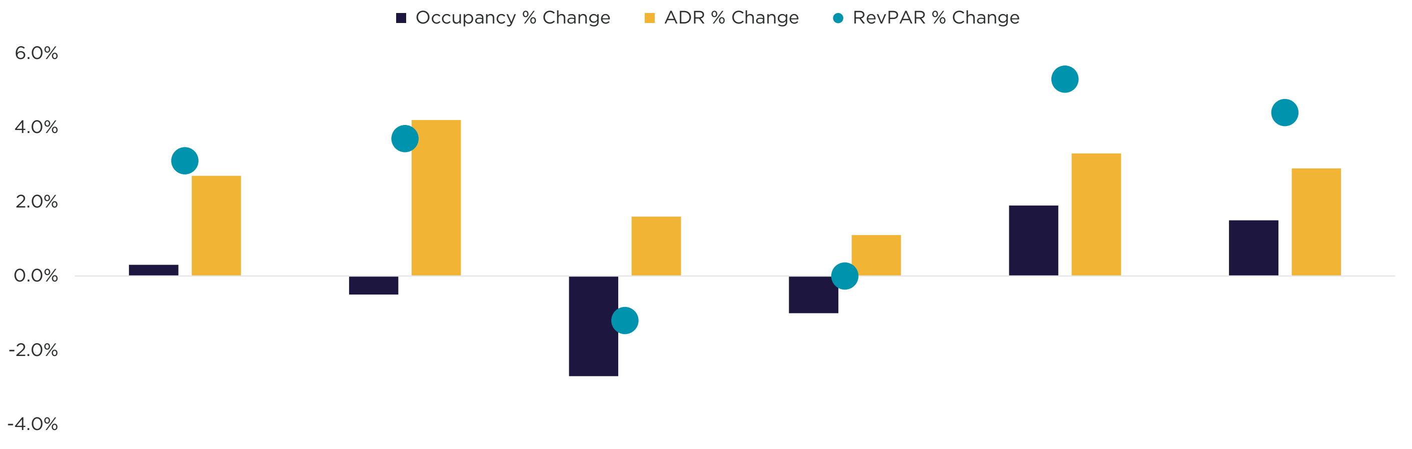
Occupancy:
62.7% (+0.1%)

Average Daily Rate (ADR):
$202.76 (+2.7%)

Revenue Per Available Room (RevPAR):
$127.21 (+2.8%)

Canadian Hotel Performance

KPIs % Change (Month in 2025 vs. Same Period Last Year)



2025	January	February	March	April	May	June
Occ	50%	58%	59%	63%	70%	76%
ADR	$180	$189	$188	$190	$214	$239
RevPAR	$90	$109	$112	$120	$150	$181

Source: CoStar

02 Canada Hotel **Performance Update**

Varied Provincial Performance

H1 performance of provinces across the country has varied. Three of the 10 provinces showed RevPAR declines in the first half of 2025, most of which contained a couple of markets with significant drops in performance. Seven posted positive performance amidst the beginning of the summer tourism season. All provinces showed growth in ADR in the YTD period.

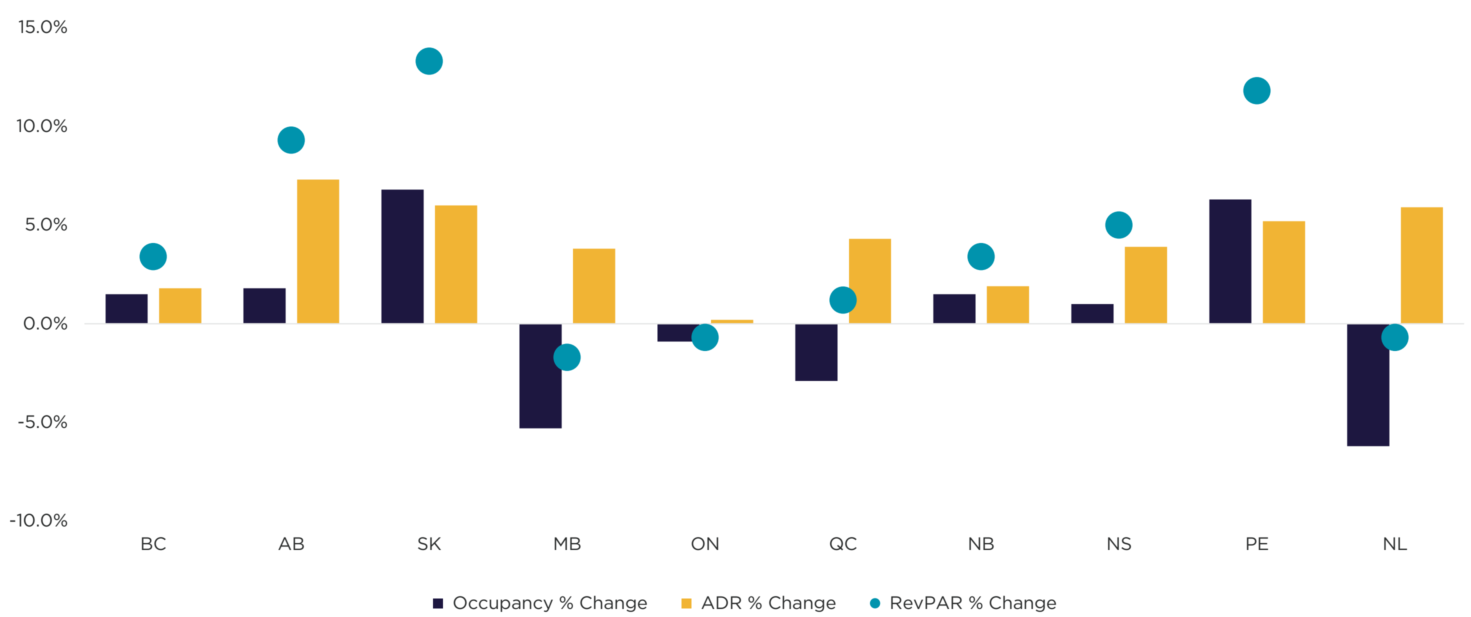
Manitoba experienced the largest decline in RevPAR in H1 2025, dropping by 1.7%. Still, this was a large improvement following a 13% decline in Q1.

Newfoundland and Ontario also saw overall declines in RevPAR of 0.7%. Newfoundland experienced improvements since Q1, while performance in Ontario was slightly softer in Q2.

On the plus side, Saskatchewan (13%), Prince Edward Island (12%), Alberta (9%), Nova Scotia (5%), British Columbia (3%), New Brunswick (3%), and Quebec (1%) all posted positive RevPAR growth in the first half of the year.

Provincial Performance

KPIs % Change (H1 2025 vs. H1 2024)



Source: CoStar

02 Canada Hotel **Performance Update**

Coast-to-Coast Update

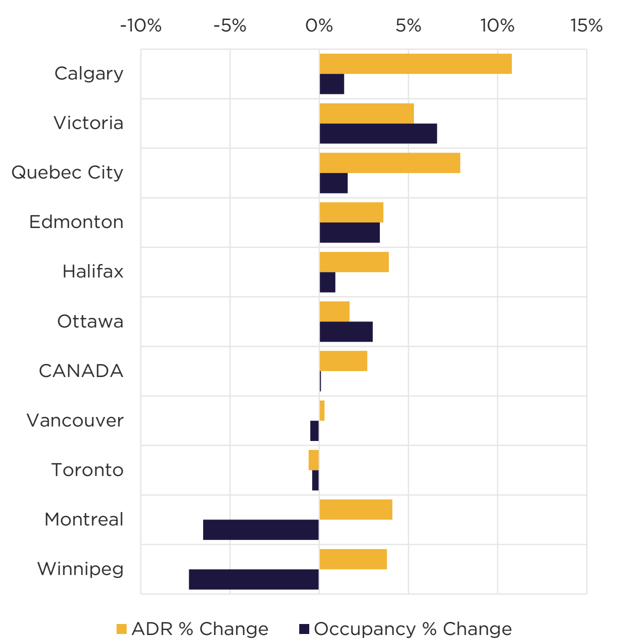
In the first half of 2025, major market performance showed mixed results, but an improvement over Q1, with most of the top 10 markets reporting growth in RevPAR.

The highest RevPAR growth in H1 2025 was observed in Calgary and Victoria, which both saw growth of 12.3% as a result of positive occupancy and ADR performance. The 2025 G7 Leaders' Summit was held in Kananaskis, Alberta, from June 15 to 17, 2025, which was positive for occupancy and ADR. This was followed by Quebec City and Edmonton. Halifax and Ottawa also showed strong performance.

Conversely, Vancouver and Toronto showed modest declines, primarily due to economic uncertainty and trade impacts on corporate travel and business sectors. Montreal and Winnipeg showed the largest declines. Winnipeg is still recovering from the decline in government contracts while similar impacts are being felt in the Montreal Airport market.

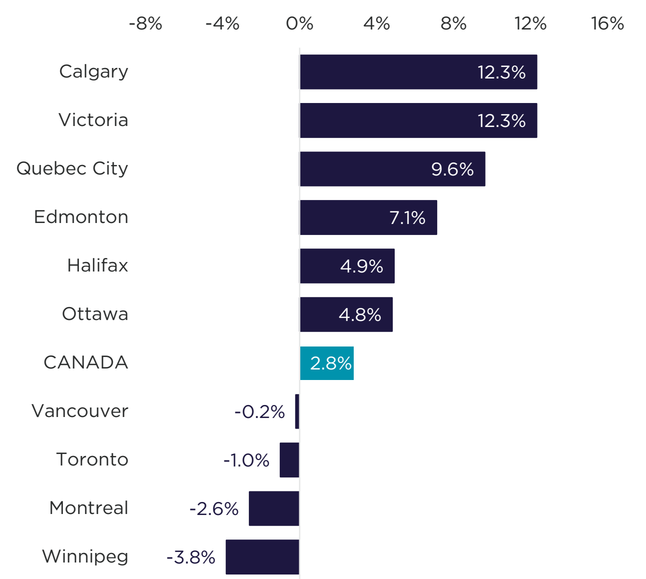
Major Canadian Markets

ADR and Occupancy % Changes
(H1 2025 vs. H1 2024)



Major Canadian Markets

H1 2025 RevPAR vs. H1 2024



Source: CoStar

03 Featured Transactions

The hotel transaction market has been robust in H1 2025 as hotels continue to attract investor interest and achieve record pricing. Continuous improvement in operating results, coupled with strong demand for available properties, supports confidence in the sector going forward.

Below are two of the higher profile transactions to occur so far this year.

The Ritz-Carlton, Toronto

Where: Toronto, ON
Rooms: 263
Per Room: ~$1.1M (reported)
Date: July 2025
Buyer: Pacific Reach Properties and Dilawri Group of Companies

Hotel occupies 20 stories in a 53-storey mixed-use tower comprising residential and hotel uses.

Note: The hotel is brand managed by Marriott. The buyer plans to renovate various hotel areas including spa and wellness facilities, common areas, and conference spaces.

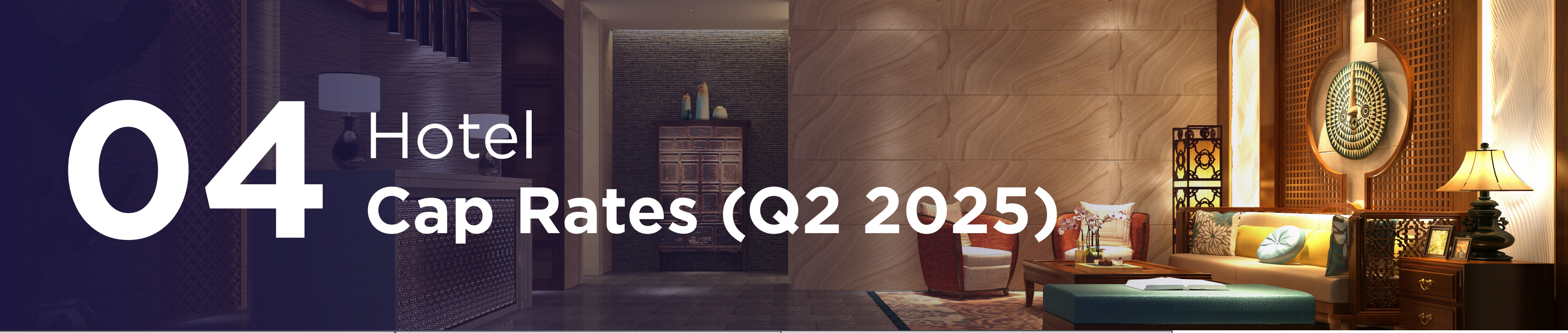
Shangri-La, Vancouver

Where: Vancouver, BC
Rooms: 119
Per Room: ~$1M (reported)
Date: June 2025
Buyer: Brookfield Asset Management

Hotel occupies 15 stories in a 62-storey mixed-use tower comprising residential, hotel, and retail uses.

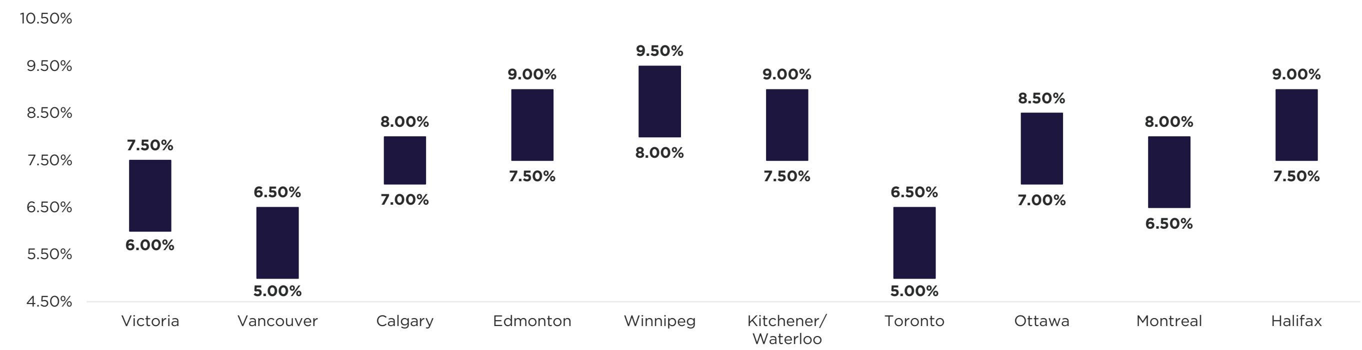
Note: Share sale. Price per room reflects hotel price allocation.

The hotel is now operated as the Hyatt Vancouver Downtown Alberni and brand managed by Hyatt. The buyer plans to renovate various hotel areas including guest rooms, public spaces, lobby, and spa. Upon renovation completion in 2026, the hotel will be rebranded as a Park Hyatt.

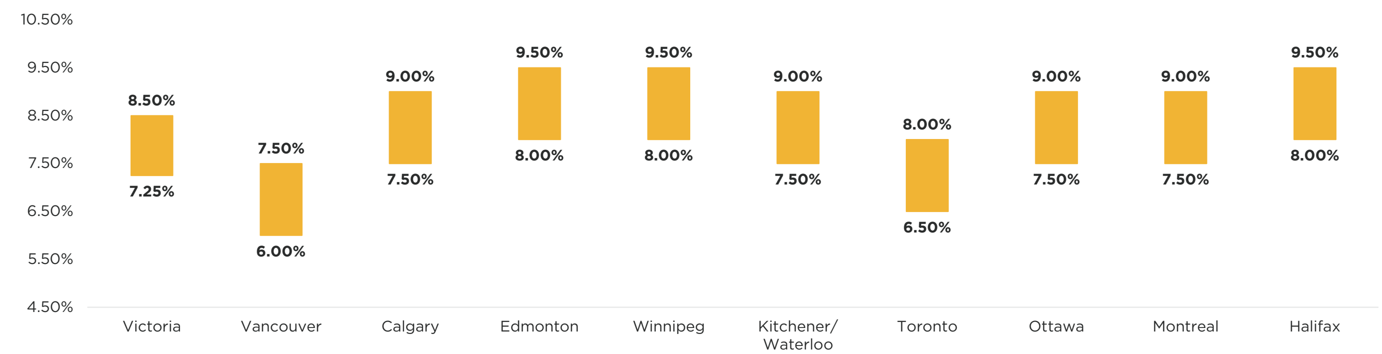


04 Hotel Cap Rates (Q2 2025)

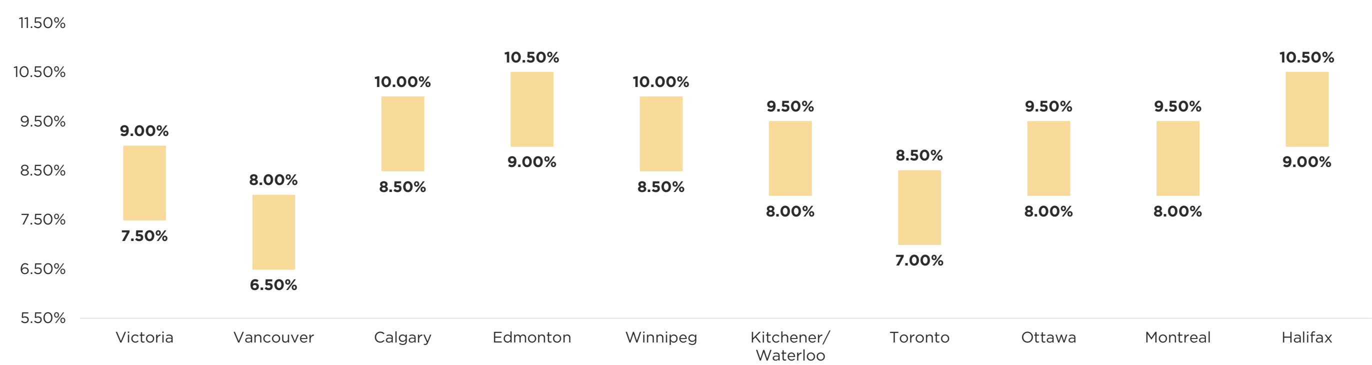
Full-service Downtown



Select-service



Limited-service Suburban



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