01 Hospitality **Outlook Changes**	02 Canada Hotel **Performance Update**	03 **Key Takeaways:** 2025 Canadian Hotel Investment Conference	04 Hotel **Cap Rates (Q1 2025)**

Hospitality Outlook Changes

The imposition of tariffs by the U.S. at the end of Q1 2025 had an immediate impact on the outlook for the Canadian economy. In a matter of weeks, forecasts for economic growth, inflation and unemployment have been adjusted to the downside. In recent published articles, Oxford Economics issued revised forecasts for the Canadian Economy in 2025-26. Oxford indicate their GDP growth forecast is reduced by 0.4% to just 0.7% growth in 2025. This is expected to be followed by a 0.2% contraction in 2026. Inflation is expected to increase from the current 2% to 3% by end of year and unemployment is projected to increase to 7.7% by the end of 2025.

Since hotel performance is correlated to changes in the economy and metrics such as GDP growth, employment growth and capital spending, the outlook for hotels has changed. At the beginning of 2025, CoStar (previously STR) projected national RevPAR growth of 2.0%, largely driven by ADR growth. Room demand growth had leveled off in 2024 and the expectation was for demand growth to be offset by additions to room supply. ADR was expected to revert to longer-term growth patterns and keep pace with inflation.

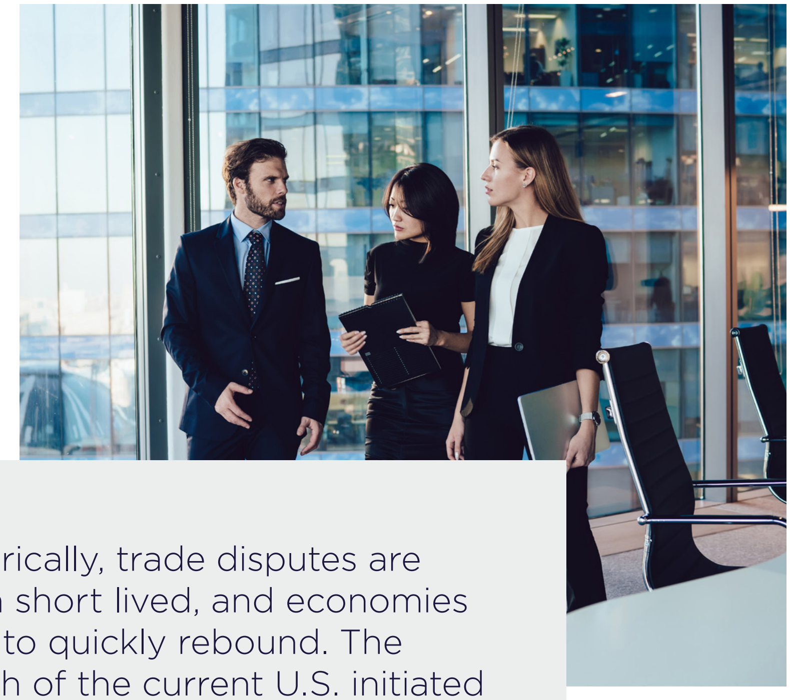
With the imposition of tariffs and a general deterioration in Canada-U.S. relations, U.S. border traffic declined in February and again in March. In March, the volume of Canadian resident return trips by automobile declined by 31.9%, while inbound U.S. resident traffic to Canada declined by 10.6%. Return trips by Canadian residents by air declined by 13.5%, while inbound trips by U.S. residents increased slightly over March 2024 levels.

The impact of tariffs and reductions in cross border travel can be seen in occupancy data for March and April. National occupancy had seen flat performance to the end of February; however, this was followed by a 2.7% decline in March. The trend has continued in April with national occupancy declining by 1% vs. the same period in 2024. The changes in demand are uneven across the country with the more industrialized markets of Ontario and Quebec respectively seeing declines in occupancy of 2.3% and 2.8% in April. British Columbia and Alberta occupancy has remained

01 Hospitality **Outlook Changes**

relatively unchanged in April 2025 compared to the same period last year.

Tariffs will impact the market in numerous ways and some regions will experience bigger impacts than others. Tariffs on steel and aluminum and manufacturing sectors such as auto will have a greater impact on the Ontario and Quebec economies. The deferral of capital investments due to the new economic and geopolitical uncertainty will also impact hotel demand, as capital investment is a key driver of room demand. For energy markets, lower prices for oil and gas will have an impact but this could be offset by concessions on energy tariffs.



Reductions in corporate and potentially some group demand, will be at least partially countered by increases in domestic demand, particularly in the leisure segment. In addition, the national hotel market may benefit from repositioning of some leisure and group demand planned in the U.S. to Canada.

We expect room demand will soften and the composition of demand will likely shift. ADR should see growth continue based on increased rate compression through the traditionally busy summer season. Occupancy and rate growth could be more challenged as the impact of tariffs works its way through the economy towards year end.

Historically, trade disputes are often short lived, and economies tend to quickly rebound. The length of the current U.S. initiated trade dispute and its lingering impact on the Canadian and other economies is uncertain. As with the economy in general, there is widespread uncertainty and heightened risk attached to any economic or industry forecasts for the balance of 2025 and 2026.

02 Canada Hotel **Performance Update**

Overview

In Q1, overall demand levels remained relatively healthy, allowing for moderate gains in ADR.

RevPAR performance in Canada has increased by 1.9% compared to the same period in 2024, driven by a 2.9% increase in ADR, which was offset by a 0.9% decrease in occupancy.

Year-to-Date Q1 2025 (% change from Q1 2024)

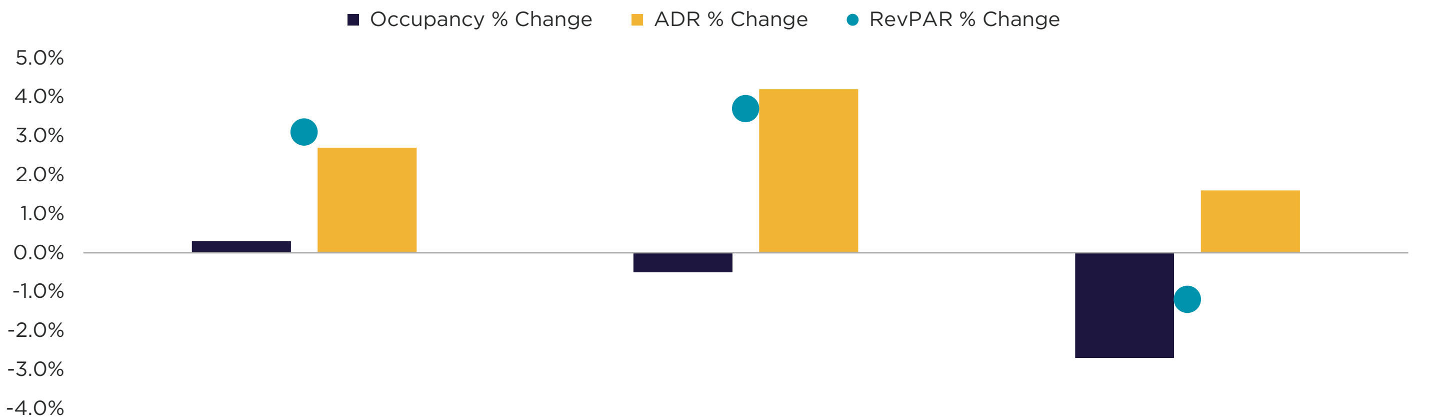
Occupancy:
55.6% (-0.9%)

Average Daily Rate (ADR):
$186.11 (+2.9%)

Revenue Per Available Room (RevPAR):
$103.46 (+1.9%)

Canadian Hotel Performance

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



2025	January	February	March
Occ	50%	58%	59%
ADR	$180	$189	$188
RevPAR	$90	$109	$112

Source: CoStar

02 Canada Hotel Performance Update

Varied Provincial Performance

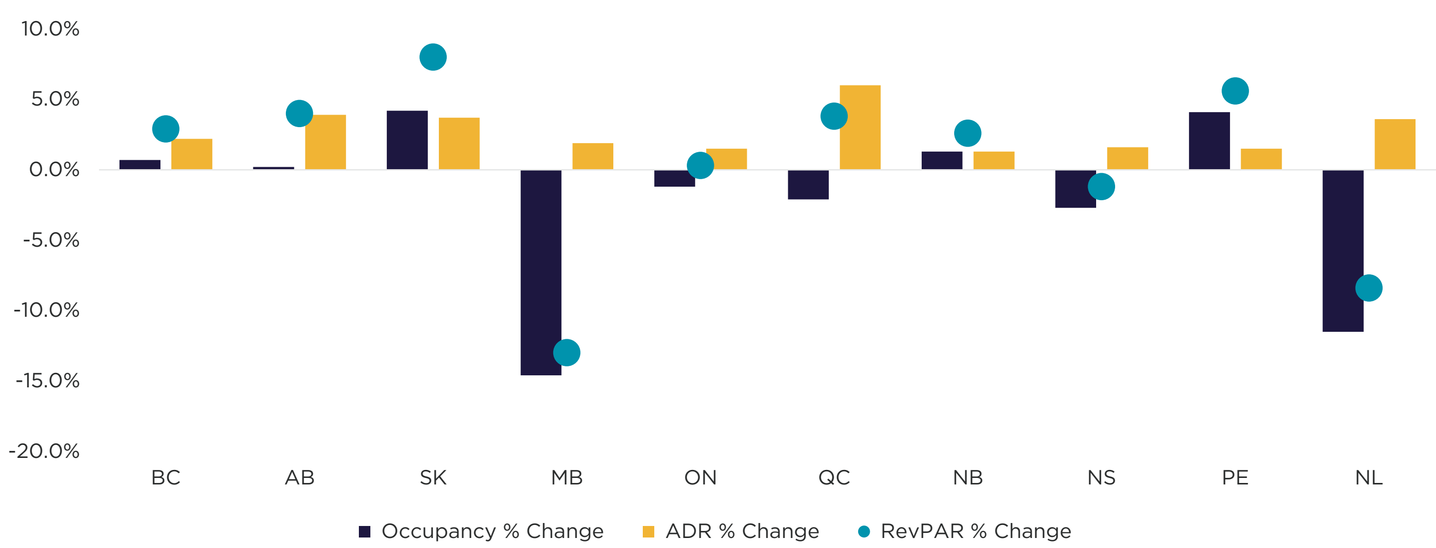
Q1 performance of provinces across the country has varied. Three of the 10 provinces showed RevPAR declines in the first quarter of 2025, while seven posted positive performance. The declines were felt in demand levels as all provinces showed positive ADR growth.

Manitoba experienced the largest decline in RevPAR, dropping by 13%. This decrease occurred as hotels in major cities within the province, such as Winnipeg, ceased to provide housing for Ukrainian refugees after the Canada-Ukraine Authorization for Emergency Travel (CUAET) program ended on March 31, 2024.

Newfoundland also saw a decline in RevPAR of 8.4% - a sharp decline in demand was offset by very strong ADR growth. Similar to Manitoba, the market was impacted by the reduction in the number of government contracts in its largest market of St. John's vs. 2024. In Nova Scotia, the province saw a moderate decline in demand.

On the plus side, Saskatchewan (8%), Prince Edward Island (5.6%), Alberta (4%), and Quebec (3.8%) posted the strongest RevPAR growth of all the provinces in Q1 2025. This was followed by British Columbia (2.9%) and New Brunswick (2.6%).

Provincial Performance
KPIs % Change (Q1 2025 vs. Q1 2024)



Source: CoStar

02 Canada Hotel **Performance Update**

Coast-to-Coast Update

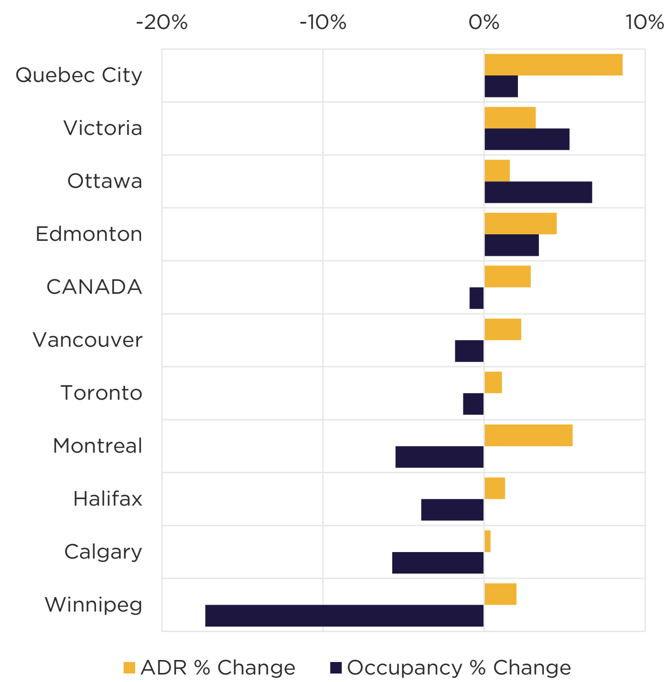
In the first quarter of 2025, major market performance showed mixed results, with half of the top 10 markets reporting growth in RevPAR.

The highest RevPAR growth in Q1 2025 was observed in Quebec City, with an increase of 10.9%. This was followed by Victoria at 8.6%, Ottawa at 8.4%, and Edmonton at 8%.

Conversely, Calgary and Winnipeg experienced significant declines in RevPAR during this quarter, with decreases of 5.3% and 15.7%, respectively. The Winnipeg market's performance has been notably affected by a high volume of government and contract demand in Q1 2024, which has skewed the overall results.

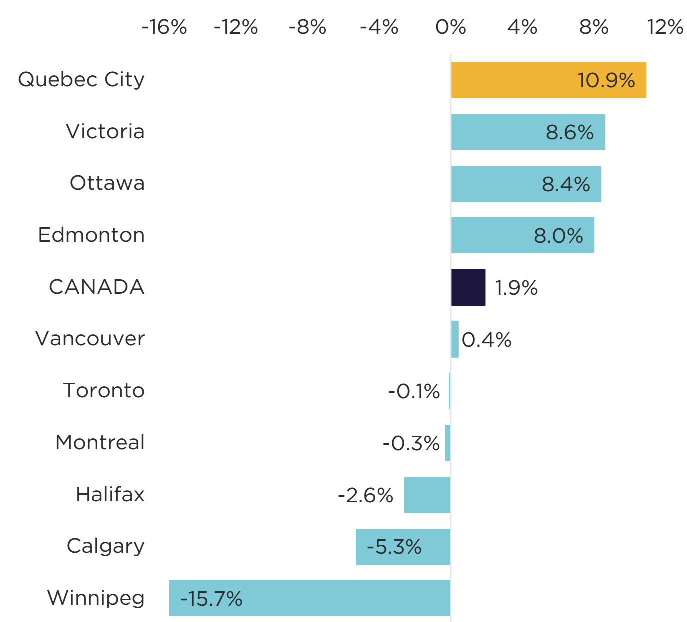
Major Canadian Markets

ADR and Occupancy % Changes (Q1 2025 vs. Q1 2024)



Major Canadian Markets

Q1 2025 RevPAR vs. Q1 2024



Source: CoStar

03 Key Takeaways: 2025 Canadian Hotel Investment Conference

2025 Canadian Hotel Investment Conference: Hilton Toronto

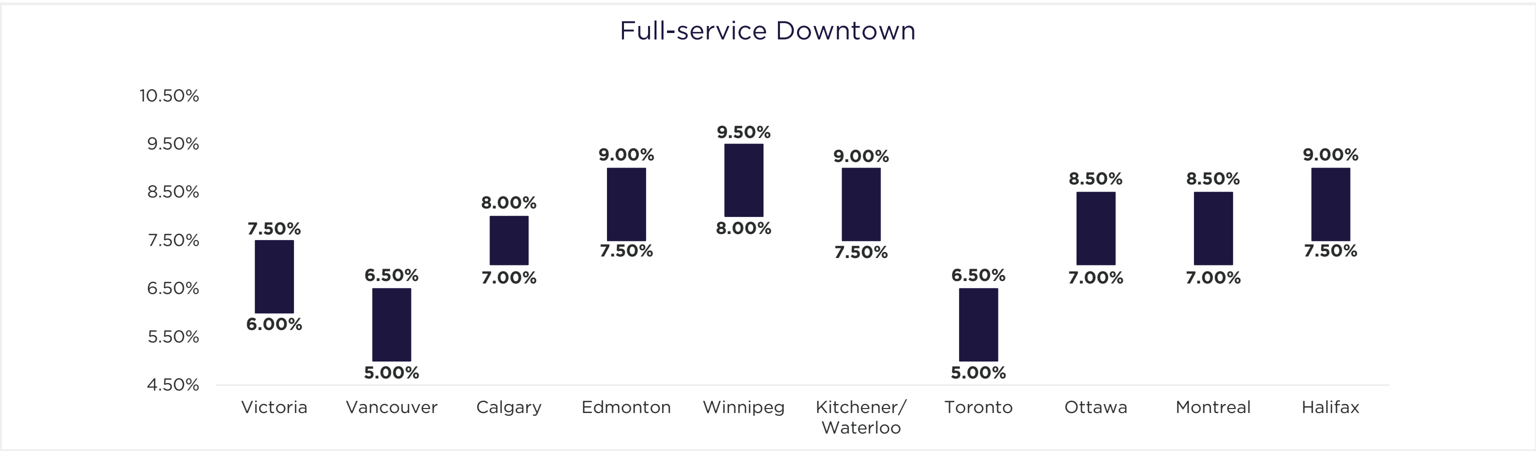
Our team attended the Canadian Hotel Investment Conference (CHIC) held on May 5 to 6 in Toronto.

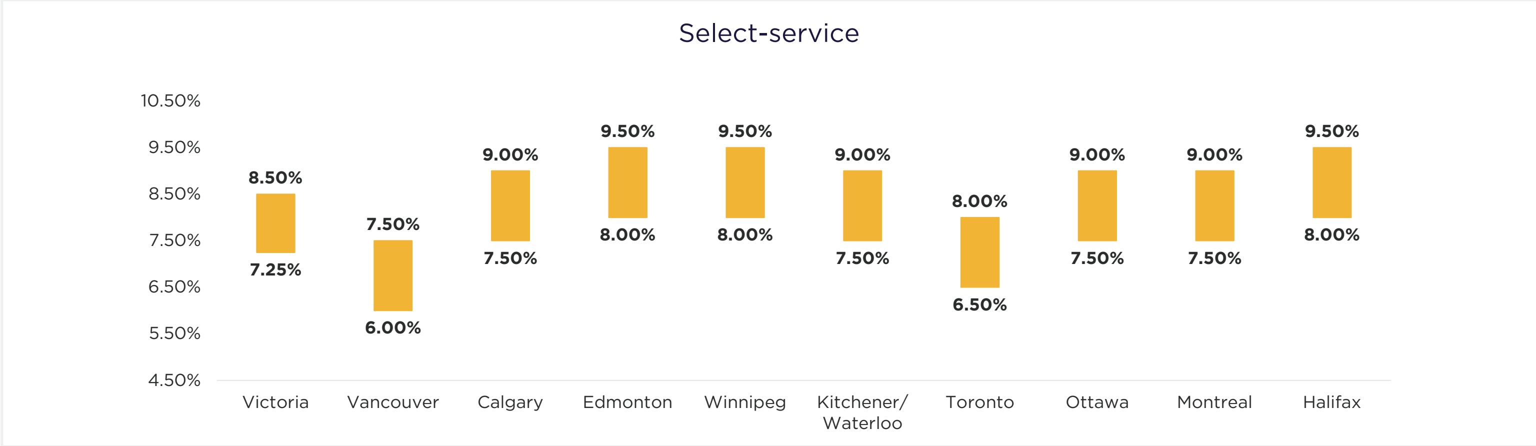
The overall mood of the conference was a sense of caution given the uncertain economic and geopolitical outlooks. Some key takeaways from the conference are below:

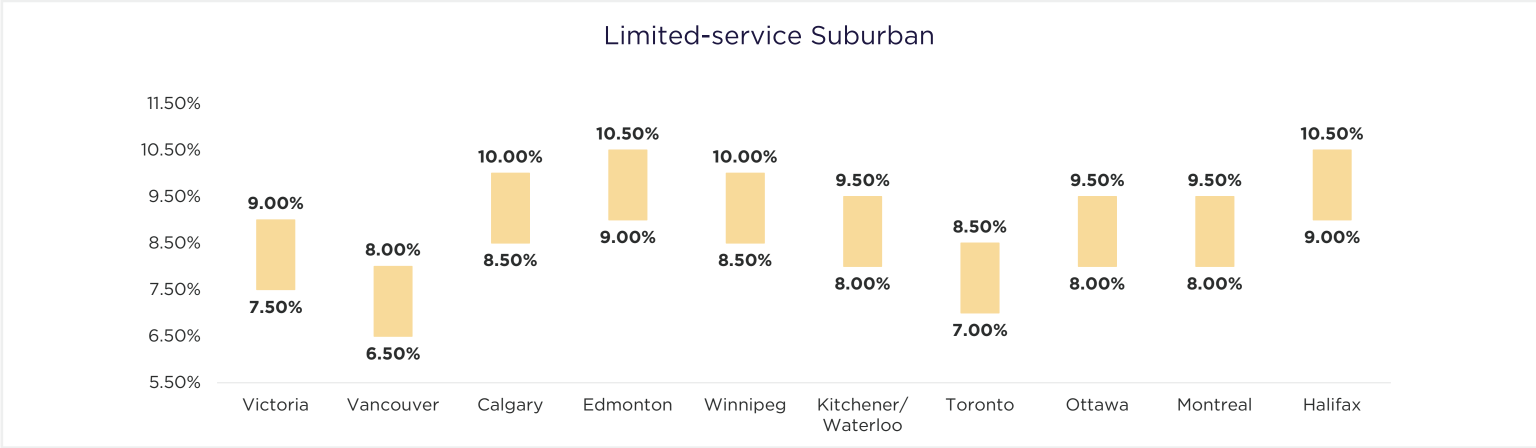
- **GDP growth forecasts for 2025** have been reduced to 1%, while the unemployment rate is expected to surpass 7%. The Bank of Canada is expected to cut rates by 25 to 50 basis points this year to stimulate the economy amid slower growth. Inflation is expected to rise as a result of U.S. imposed tariffs.
- **Capital projects** are being paused and industries directly impacted by tariffs are experiencing significant impacts. On the consumer side, lower confidence and spending are expected to keep inflation from running away.
- **The consensus hotel outlook for 2025** is flat performance based on expectations for strong leisure demand in the summer months, followed by reduced corporate and group demand in the latter part of the year. Impacts on hotel markets will be felt to varying degrees, depending on market connectivity to the U.S. economy, industry-specific tariffs, and sources of demand generators.
- **Ample equity** seeking hotel acquisition opportunities despite the downgrades in the outlook for the economy. A limited number of hotels for sale in major central Canada markets has resulted in buyer demand spreading across provinces.

- **Ray Gupta of the Sunray Group** was awarded a lifetime achievement award for his contribution to the industry over the last 20 years.
- **Financing availability** for hotels has increased and lenders have a higher comfort level in the asset class, particularly in the post COVID era. This is due in part to lenders having increased focus on the sector and higher sophistication on hotel loan underwriting.
- Lengthy pre-development timelines, high construction costs, and tariff risks will limit new hotel completions in the near term.
- Lenders underscored the importance of strong sponsorship and demonstrated borrower ability to execute, particularly for new developments and redevelopment/repositioning projects.

04 Hotel Cap Rates (Q1 2025)







VALUATION & ADVISORY

Cushman & Wakefield's Valuation & Advisory (V&A) practice is comprised of 500+ professionals across the Americas who provide clients with accurate, reliable valuations that guide intelligent debt and equity decisions in real-time. Our Valuation & Advisory expertise spans single-asset appraisals to complex real estate advisory and business valuations. We specialize in multiple asset classes requiring specific experience and technical knowledge. Exceptional research analytics, future-looking technology and highly credentialed professionals support our wide range of services, including:

- Appraisal Management
- Business Valuation
- Diligence Advisory
- Dispute Analysis & Litigation Support
- Machinery & Equipment
- Property Tax Services
- Right-of-Way & Eminent Domain
- Trusts & Estates
- Valuation for Financial Reporting

HOSPITALITY & LEISURE PRACTICE GROUP CONTACTS

BRIAN FLOOD, P.App., AACI, MRICS
Vice Chairman & Practice Leader
Direct: +1 416 359 2387
brian.flood@cushwake.com

CINDY SCHOENAUER, ISHC, P.App., AACI
Senior Vice President
Direct: +1 604 340 9141
cindy.schoenauer@cushwake.com

VADESS JOHAN, P.App., AACI
Senior Vice President
Direct: +1 416 359 2374
vadess.johan@cushwake.com

LAUREN ARNOLD, P.App., AACI
Vice President
Direct: +1 416 359 2478
lauren.arnold@cushwake.com

VANESSA BOLAND
Senior Consultant
Mobile: +1 778 513 0857
vanessa.boland@cushwake.com

GAITH SAQQA
Senior Consultant
Direct: +1 416 359 2595
gaith.saqqa@cushwake.com

DANIEL FUNG
Senior Consultant
Direct: +1 416 359 2479
daniel.fung@cushwake.com

DANTE MACRI
Consultant
Direct: +1 416 359 2564
dante.macri@cushwake.com

LAURIN PATERSON
Consultant
Direct: +1 416 359 2566
laurin.paterson@cushwake.com

SARAH BEY
Consultant
Direct: +1 289 799 5631
sarah.bey@cushwake.com

MAI-ANH VU
Consultant
Direct: +1 416 359 2609
maianh.vu@cushwake.com

Cushman & Wakefield ULC
161 Bay Street, Suite 1500
Toronto, ON, M5J 2S1

700 West Georgia Street, Suite 1200
Vancouver, BC, V7Y 1A1