

Hotel Occupancy Hits a Five-Month High, Up North



In recent years, one of the hardest hit industries has undoubtedly been hospitality. As was the case elsewhere in the globe, the Canadian hotel sector saw record lows in 2020, but things took a dramatic upturn in 2022, as room rates and revenue reached all-time highs.

The good news, according to a recent STR analysis is that 2022's strong performance seems to be carrying through into this year as well.

Key Metrics All On the Up

STR's figures from the first quarter show that the three key hotel metrics of Occupancy, Revenue per available room (RevPAR), and Average Daily Rate (ADR) all increased in March. Specifically:

- Occupancy shot up to 62.6% (a 4.2% increase for March, and a five-month high)
- RevPAR increased 24.6%, reaching CAD111.23, and
- ADR (which measures average revenue per occupied room per day) increased 19.6% to CAD177.72

Laura Baxter, Director of Hospitality Analytics Canada for the CoStar Group (STR's parent company), notes: "[T]he ADR increase against 2019 was the highest of the pandemic era, showing no signs of pulling back on a national level."

Baxter adds that an uptick in weekday occupancy, and high room rates at resorts and airport hotels, shows that both business and leisure travel seem to be on the increase.

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Tourism Recovery Slow but Steady

Bolstering hospitality demand is Canada's tourism industry, which has also shown signs of resilience over the past year. Statistics Canada (Canada's national statistical agency) notes that tourism spending rose 17.5% in Q4 2022, with accommodation representing the biggest slice of that growth.

Worth noting, however, is that tourism spending is still lower overall than pre-pandemic levels, leaving plenty of room for recovery in the hospitality sector.

More Hotels in the Pipeline

Meanwhile, according to the Q4 2022 Hotel Construction Pipeline Trend Report for Canada from hotel industry analysts Lodging Econometrics (LE), we should expect to see a lot of fresh supply in 2023.

LE notes that hotel building activity and new projects are "above pre-pandemic levels", with 52 projects currently under construction in the country and 87 projects scheduled to start this year.

They add that there are 128 more projects currently in the early planning stage – an all-time high for the industry.

Supply and Demand

For commercial real estate (CRE) professionals, keeping track of changes in the market as this new inventory is added to the supply will be vital. Overall, however, the numbers seem to indicate a strong start to 2023 for the Canadian hospitality sector, and a slew of potential opportunities for brokers working with hotel real estate.

