

Hospitality Industry in Canada - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2020 - 2029

Market Report | 2024-02-17 | 170 pages | Mordor Intelligence

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Report description:

The Hospitality Industry in Canada Market size is estimated at USD 22.86 billion in 2024, and is expected to reach USD 27.08 billion by 2029, growing at a CAGR of 3.45% during the forecast period (2024-2029).

The tourism and hospitality sectors in Canada were among the hardest hit by the pandemic in 2020-21. One good thing for the hospitality industry is that businesses are investing more in machinery and equipment, which is a good indicator of business travel.

Q2 2022 has seen a strong recovery in the hotel sector. While occupancy continues to improve and approach 2019 levels, the strength of ADR growth has surprised many, particularly during periods of relatively concentrated demand. Hotel performance across Canada reached the 100% index in mid-June, and for the weeks ending June 18th through July 9th, RevPAR exceeded 2019 levels.

Several factors, such as the last wave of COVID-19, travel infrastructure and capacity issues, and increased gas prices, resulted in a slight slowdown in demand growth. But since there aren't any large-scale restrictions or lockdowns, it's likely that the hotel industry will keep getting better for the rest of 2022 as group and corporate demand rises. Overall, the hotel market is still on track for a strong recovery in 2022, with performance in most markets expected to recover or surpass 2019 performance in the next 1-2 years.

In Eastern Canada, Quebec is expected to lead the hotel recovery with RevPAR gains of 17% in 2023, driven by increased occupancy and rates. Montreal will be leading the pack thanks to the return of annual big-draw events like the Grand Prix and the Osheaga festival.

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Canada Hospitality Market Trends

Leisure Markets Continue to Lead the Country in RevPAR Growth

In Q2 2022, Canada saw triple-digit RevPAR growth in all of the top 10 areas, with many downtown and leisure destinations seeing the strongest growth. Strong levels of leisure travel throughout the early summer months have driven RevPAR growth above 140% in the top 3 markets.

As many Canadians become more confident with travel, they are looking to catch up on much-delayed gatherings and vacations. This has fueled a surge in domestic travel, which has remained strong into Q2.

Transborder and international travel has also increased over the last few months; however, continued issues at many major Canadian airports and reduced flight schedules have impacted inbound foreign travel. Recent weeks have also seen increased corporate travel, while there has been stronger demand for small to medium-sized meetings and events. While some larger conventions, conferences, and events have taken place in Q1 and Q2, hotels have reported seeing stronger demand for these types of large-scale events later in 2022 and into 2023.

Rising Hotel Investments Post Pandemic is Boosting the Market

The strong recovery in the hospitality sector has piqued the interest of investors who anticipate continued income growth in the near- to mid-term. The escalation in land and construction costs has also entered the calculus for investors who see existing assets as relative bargains compared to building new hotels. Acquisitions of older assets for renovation and repositioning, as well as the resort sector, continue to be popular. Normalized cap rates for hotels in the first half of the year remained steady as demand for investments kept rate increases in check.

In Q2 of 2022, it witnessed 72 sales with a total sales volume of USD 585 million. During the same period in 2021, the market witnessed 109 sales for a total volume of USD 876 million. The 2021 data was not truly reflective of market conditions at the time, as it included 35 sales that were sold for alternate uses or redevelopment. In 2022, there were fewer sales for alternate uses, and the majority of transactions continued to be properties located in secondary and tertiary markets.

Canada Hospitality Industry Overview

The hospitality industry in Canada is a combination of independent hotels and branded hotels. International brands are occupying a major share of the market. Wyndham Worldwide has the highest number of hotel properties in the country, and it offers a large portfolio of its chain brands. Moreover, Choice Hotels Canada and Best Western International offer diversified portfolios in the country. Coast Hotels occupy the highest market share in the Canadian brand segment.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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