



Colliers

Colliers Hotels

Q4 2025

INNvestment Canada

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Q4 2025 Hotel Investment Update

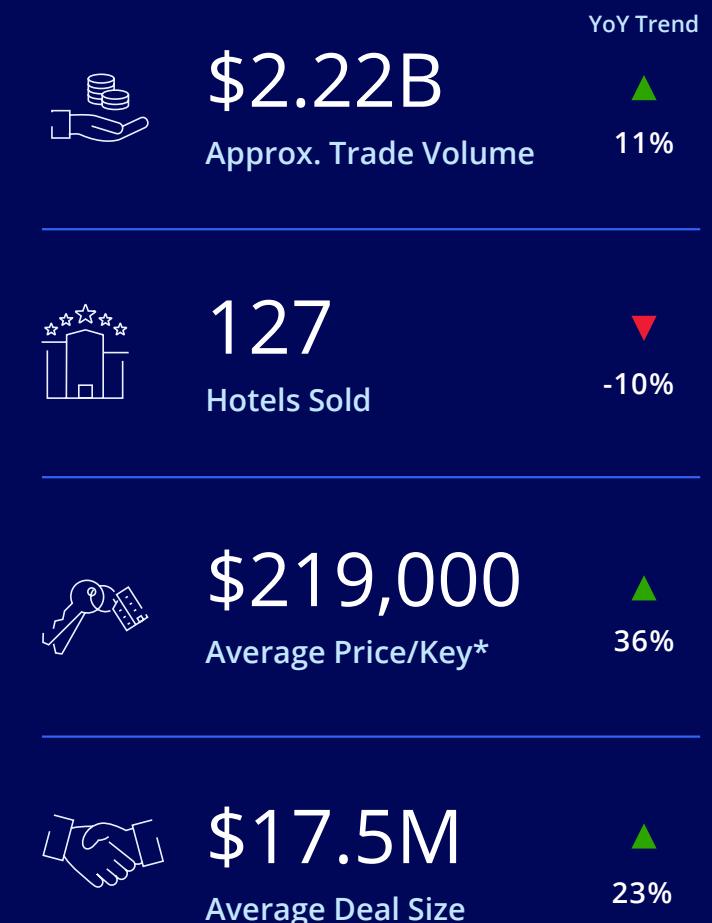
Colliers estimates more than \$2.2 billion of hotel transactions nationally in 2025, representing a 11% year-over-year increase with strong pricing across all segments, from limited-service to full-service assets. Fourth-quarter transaction volume approached \$450 million, buoyed by notable closings in Toronto, Montreal, and Ottawa.

Year-in-Review

- **Eastern Canada Leads Activity:** Approximately 75% of national sale volume took place in Eastern Canada, led by Ontario (54%), followed by Quebec (12%) and the Atlantic provinces (7%). Western Canada sale volume declined 20% year-over-year, driven by a slowdown in high-water-mark transactions in Alberta, though the province remains a leading destination for hotel investment capital.
- **Major Markets Drive Volume:** Large single-asset transactions lifted trading volume in Canada's largest metro areas (+1 million population) by 30% year-over-year, pushing total volume above \$1.4 billion. Portfolio investment opportunities remained limited in scale.
- **Record Pricing:** Average pricing reached a record \$219,000 per key, driven by significant activity in major markets. All service segments recorded year-over-year pricing gains, including double-digit growth for limited-service hotels.
- **Fluid Mid-Market Trading:** Investors continued to place significant capital in secondary/tertiary markets which accounted for nearly 70% of the hotels sold in 2025, reflecting steady investor demand beyond gateway cities.

A comprehensive review of 2025 investment activity and forward-looking market insights will be featured in Colliers Hotels' upcoming *2026 Canadian Hotel Investment Report*.

2025 Transaction Highlights



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

Metrics based on preliminary data.
Source: Colliers Hotels

Hotel Operating Performance Update

Laura Baxter, an Economist at Tourism Economics, summarizes her outlook for tourism and hotel performance in 2026. She highlights the strength of domestic tourism in 2025, while improving international inbound travel is expected to add further lift in 2026. Hotels are set for steady performance overall, with World Cup host cities poised for stand-out gains that highlight the sector's upside potential.



Laura Baxter
Economist
Tourism Economics
An Oxford Economics Company

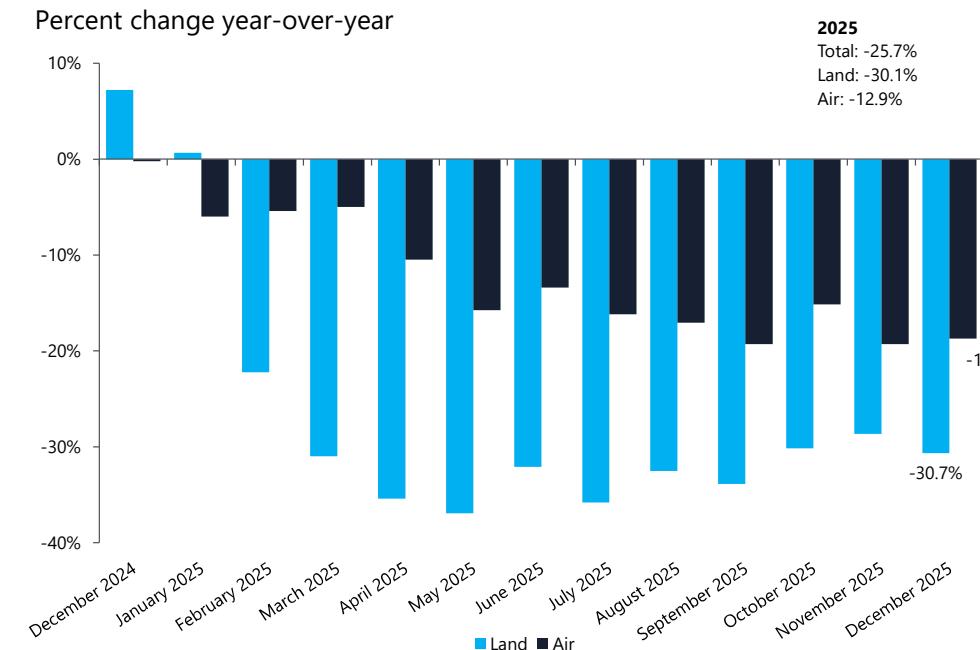


Domestic Tourism Update

- Canadian backlash to “51st state” rhetoric triggered a 25.7% decline in Canadian trips to the US and provided a powerful lift to domestic travel within Canada.
- In 2026, Canadian visitation to the US is projected to rebound 6%, but remaining 18% lower than 2024 levels. The outlook for growth carries downside risk tied to persistent negative sentiment toward the US administration’s rhetoric and trade policies.

- Canadian travelers shifted toward domestic trips in 2025, with Q2 overnight travel up 8.4% year-over-year, according to Statistics Canada. This is an early signal of substitution away from US destinations and a beneficial tailwind for Canada’s hotel sector.
- Domestic air travel strengthened as well, with passenger screenings up 5.7% through the first 11 months of 2025, reinforcing that the shift toward in-country travel continued into year-end.

Canadian visitor arrivals to the US

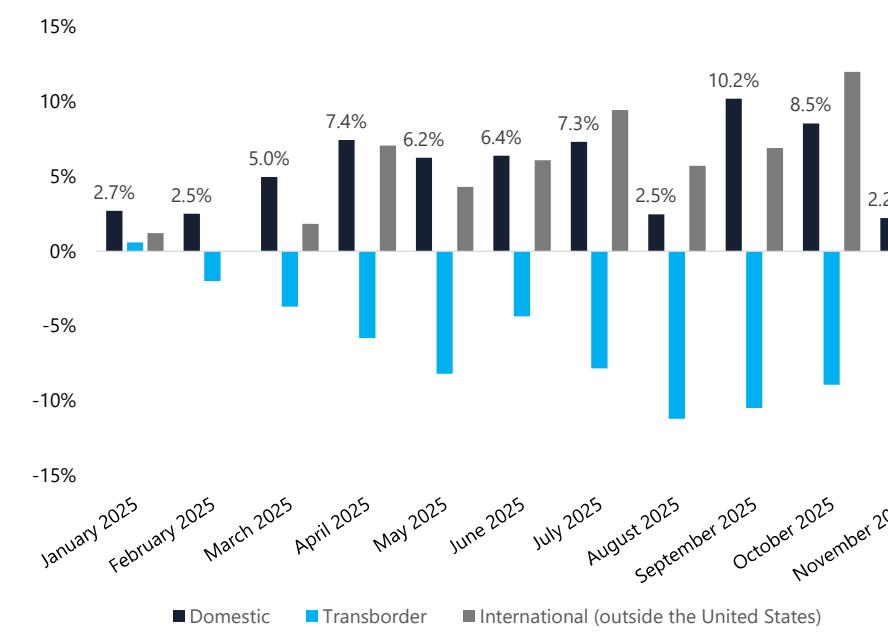


Source: Statistics Canada

Note: Dec and Nov 2025 data based on leading indicator data measuring Canadian-resident US return trips.

Screened passenger traffic at the largest airports in Canada

Percent change year-over-year



Source: Statistics Canada, Table 23-10-0312-01

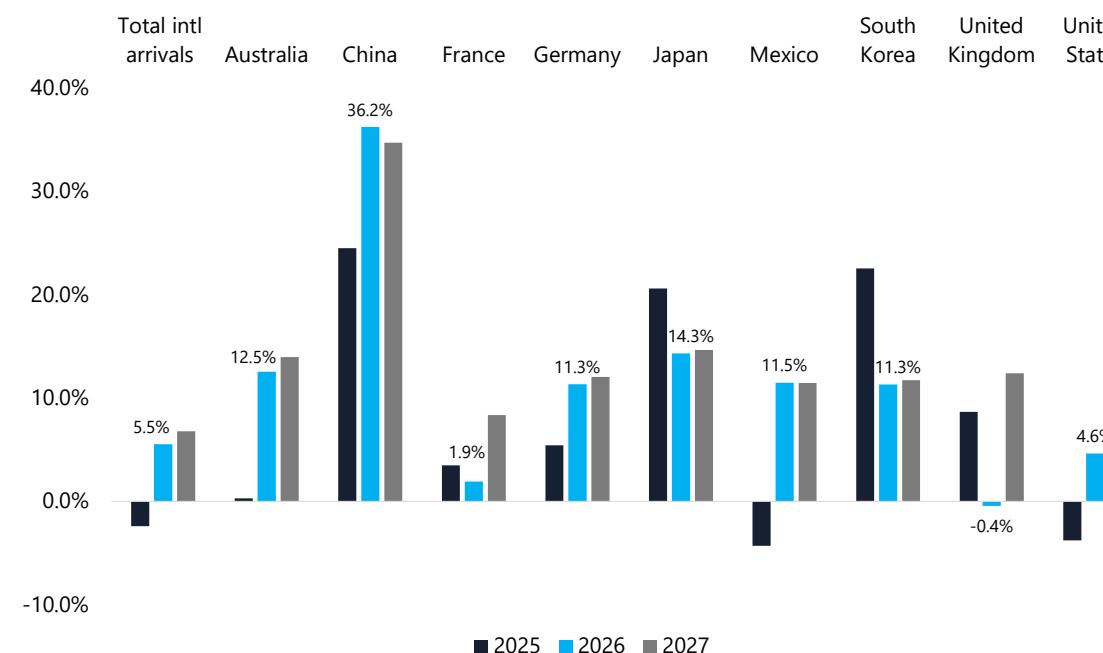
Transborder shows traffic between Canada and the United States

International Tourism Update

- International inbound travel is expected to strengthen in 2026 and 2027, with growth of 5.5% and 6.8% providing a meaningful demand tailwind for Canada's tourism and hotel sectors. By 2027, inbound volumes are projected to surpass pre-pandemic levels for the first time.
- This trend is a turnaround from what occurred in 2025. International inbound arrivals to Canada are projected to have contracted 2.4%, or 10.4% below pre-pandemic levels, mainly driven by a 4% decline in visitors from the US and Mexico.
- All nine of Destination Canada's priority markets continued to lag pre-pandemic volumes in 2025, with China down 50% due to restrictions on outbound group travel.
- A rebound in Chinese visitation is expected in 2026 following the reinstatement of Approved Destination Status in late 2025; arrivals are forecast to grow 36.2% year-over-year but remain 31.5% below pre-pandemic levels.

International inbound arrivals forecast

Percent change year-over-year



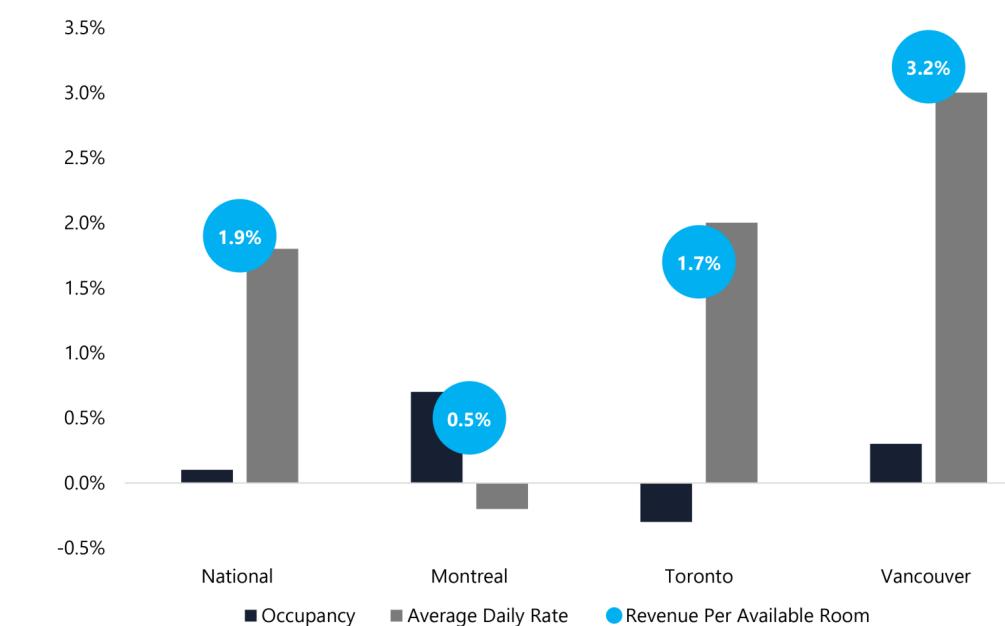
Source: Tourism Economics, GTS database

Hotel Performance Outlook

- Revenue per available room (RevPAR) rose 4.2% in 2025, primarily driven by a 3.5% increase in average daily rate (ADR). Peak performance occurred during the strong domestic travel summer season.
- Following strong gains of 4.4% in 2024 and 4.2% in 2025, RevPAR growth is expected to moderate to 1.9% in 2026, with ADR remaining the primary driver. Softer gains reflect weaker consumer and business sentiment amid trade policy uncertainty, which is likely to temper discretionary travel spending. Despite slower growth, absolute RevPAR levels remain at record highs.
- Toronto and Vancouver are positioned to outperform in 2026 as FIFA World Cup host cities, with RevPAR spikes concentrated around match dates. The uplift will be primarily ADR driven, given that June and July occupancy levels are already typically high.
- With slower economic growth tempering demand in addition to new supply, Toronto is expected to see a marginal occupancy dip in 2026. Meanwhile, the outlook for Montreal is largely flat as the market absorbs new hotel inventory.

Full-year 2026 topline forecast

Percent change year-over-year



Sources: CoStar, Tourism Economics

Colliers Hotels Canada and The Caribbean

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