

Tourism Brings Record Number of Visitors; Abbotsford and Surrey Attract Investors

International travel bodes well for Vancouver hotels. Vancouver's coastal location and proximity to mountain destinations drive tourism and visitation, benefiting hotel demand. Last year, more than 10.3 million travelers visited the city, the highest number of overnight trips on record. Non-local Canadians, U.S. and Chinese travelers typically lead overall travel volume. The increased number of visitors last year boosted hotel occupancy and Vancouver maintains the highest occupancy rate among Canada's largest cities. This year, room demand will persist as added flights to the Vancouver International Airport potentially bring additional international travelers to the region, in part with new campaigns to attract Chinese tourists. One campaign promotes Vancouver's winter sport outlets, luring Chinese visitors excited about the upcoming Beijing's 2020 Winter Olympics. Many of these international travelers will stay in hotels within the city and outlying tourist and sporting venues, raising occupancy and fueling revenue growth.

Buyers find additional opportunities outside of the city. High occupancy and a steady pace of growth in the average daily rate and RevPAR draw investors to hotels in the Greater Vancouver area. The city of Vancouver is a popular target among buyers as the proximity to local tourist attractions bodes well for hotel occupancy. For buyers priced out of the city, the Abbotsford municipality provides an attractive alternative. The area is near several mountains and the Fraser River, providing numerous recreational activities for travelers. Additionally, the University of Fraser Valley is located here, benefiting from students' travel for campus visits and other college activities. Healthy demand for properties in Abbotsford lifted the average price per room 11 percent last year.

2018 Market Forecast

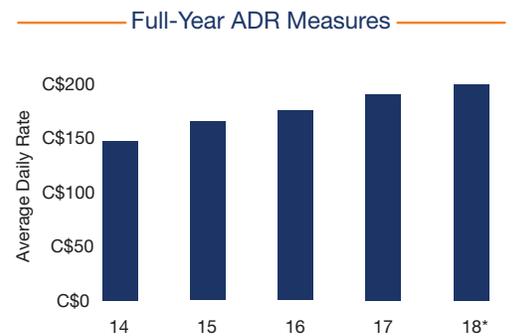
- Occupancy** up 40 bps

Hotel occupancy will rise 40 basis points to 78.6 percent this year after an 80-basis-point increase was recorded in 2017. The Vancouver South/Surrey area registered the largest occupancy gain last year.
- ADR** up 4.6%

The uptick in occupancy will underpin a 4.6 percent rise in the average daily rate this year to C\$198.80. Last year, an 8.7 percent gain was recorded.
- RevPAR** up 6.3%

Contributions from the increasing occupancy rate and ADR will boost revenue per available room by 6.3 percent to C\$158.01.
- Investment**

Southeast of downtown Vancouver is the municipality of Surrey. The area has several major cultural attractions, sports teams and events that draw visitors. As a result, occupancy jumped 260 basis points in Surrey last year, while RevPAR soared 14.8 percent. Strong growth in the area will likely sustain investor interest moving forward. Hotels in Surrey change hands with cap rates in the high-5 to low-6 percent band.



* Forecast
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

Peter Nichols | National Director
National Hospitality Group
(212) 430-5100 | peter.nichols@marcusmillichap.com

For information on national hospitality trends, contact:

John Chang First Vice President | National Director
Research Services
Tel: (602) 707-9700 | john.chang@marcusmillichap.com

Statistical Summary Note: Hotel chain scale definitions are based on information available as of December 2017. Average prices and cap rates are a function of the age, type and geographic area of the properties trading and therefore may not be representative of the market as a whole. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; AH&LA; AARP Research; Altus Data Solutions; Bureau of Economic Analysis; CoStar Group, Inc.; Federal Reserve; Moody's Analytics; PKF Hospitality; Real Capital Analytics; STR Inc.; Trepp; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Treasury Department.