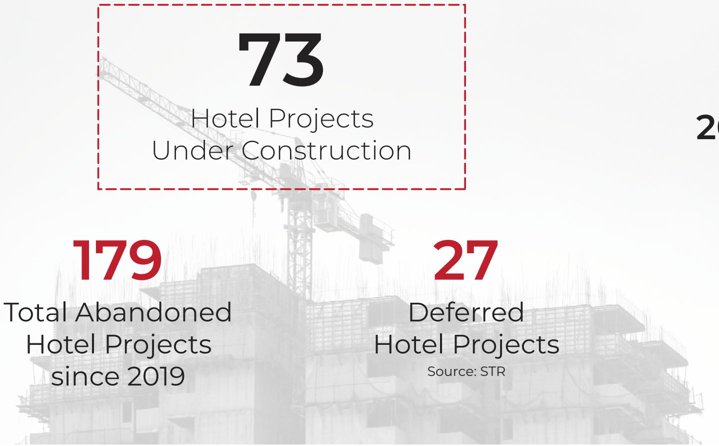
HOTEL INVESTMENT CLIMATE

Canada’s hotel sector has the potential to be one of our most powerful economic engines, but it’s stuck in neutral.

KEY ISSUE

An uncompetitive tax and investment climate is discouraging investments and chasing capital out of the Canadian market.

- ***Lower Returns:*** Tax policies lead to lower returns compared to other asset classes and hotel markets abroad.
- ***Limited Reinvestment Flexibility:*** Capital gains taxes make it harder for investors to access or reinvest their money when new projects arise.
- ***Stronger U.S. Investment Incentives:*** New legislation — known as the “Big Beautiful Bill” — is making the U.S. a more attractive place to invest.



73
Hotel Projects Under Construction

179
Total Abandoned Hotel Projects since 2019

27
Deferred Hotel Projects

Source: STR

By 2030, Canada could have a **20,000-hotel room shortfall** costing

$5 BILLION

in lost annual revenue

Source: HAC Estimate based on Destination Canada and HAC/CBRE BI Report

RECOMMENDATIONS

Stimulate private sector investment in hotels and tourism-related infrastructure with:

- Accelerated Capital Cost Allowance with 100% write-off in the first year.
- The deferral of Capital Gains tax when proceeds are re-invested in capital property.
- Reduced Capital Cost Allowance recapture rate when sale proceeds are re-invested in capital property.

OUTCOME

Stalled projects are unlocked with billions in new private-sector investment.

Closing the hotel gap could create an additional $430M in revenue annually and over 13,000 jobs.

HOTEL INVESTMENT CLIMATE

Hotel developers help unlock more homes for Canadians.

CONTEXT

Mixed-use projects (hotels/residential) are a growing trend, potentially adding thousands of units to Canada's housing market.

KEY ISSUES

High interest rates, development fees, cost of materials, and inflation are slowing the development of mixed-use projects.

CMHC mortgage insurance could make these investments viable, but the program is **restricted to projects with 70%+ floor space dedicated to residential**, which excludes hotel/residential hybrids.

RECOMMENDATION

Provide **access to CMHC mortgage insurance programs** for mixed use hotel/residential housing projects.

- **100% access** for projects with **50-70%+ residential**
- **Proportional access** for projects with **less than 50% residential**

OUTCOME

The expansion of CMHC Mortgage Insurance to mixed-use hotel/rental apartment projects could result in **50,000 new rental units** in the next 10 years.

- Accelerate the creation of incremental housing units in high demand areas originally zoned as commercial.
- Increase hotel supply, economic impact, and jobs.

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