

# INVESTMENT FORECAST

Hospitality  
Toronto

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2026

## Investors Bet on Toronto's Hotel Future, Despite Softer Near-Term Performance

**Supply dynamics test demand.** Toronto's hotel sector was resilient through 2025, as demand increased and key fundamentals held firm. That said, performance began to moderate amid lingering economic risks. Meanwhile, the city's under-construction inventory sits at 3.6 per cent of existing supply, nearly double the national level of 2.0 per cent, reflecting developers' confidence in long-term fundamentals. Despite elevated construction activity, demand growth has largely kept pace, though occupancy is projected to ease slightly in 2026 due to these supply-side pressures. Even so, downtown Toronto is poised to outperform, buoyed by corporate and group travel tied to major employers, convention facilities and a strengthening return-to-office trend supporting midweek stays. At the same time, Toronto's global reputation and early momentum tied to the 2026 FIFA World Cup will further underpin leisure demand. Modest rate gains should help offset small occupancy declines, keeping overall revenues on a positive trajectory. Toronto's hotel market enters 2026 from a position of strength, transitioning from a post-pandemic recovery phase into a more mature, supply-driven cycle.

## INVESTMENT TRENDS

- Investment volumes neared record highs last year, led by three high-profile sales – the Ritz-Carlton, Sheraton Toronto Airport and the BISHA.
- Pricing for these assets was strong, signaling that investors believe in ADR and demand upside over the longer term. With interest rates coming down, sales could pick up this year.

## 2026 Hospitality Trends



**40**  
**BASIS POINT**  
*change in occupancy*

### OCCUPANCY:

Following 2025's historic level, openings this year will remain elevated. A softer economic backdrop and ongoing tariff risks may also temper travel demand, pushing occupancy down to 75 per cent.



**1.6%**  
**INCREASE**  
*in ADR*

### ADR:

With high-quality supply expected and modest economic improvement likely in the latter half of the year, ADR growth is projected to gain momentum by year-end, moderately accelerating compared with 2025.

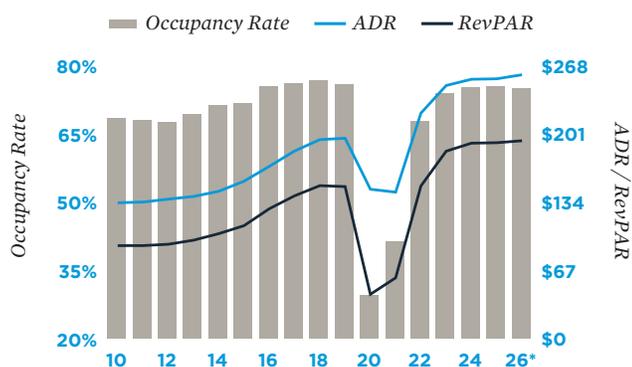


**1.0%**  
**INCREASE**  
*in RevPAR*

### RevPAR:

Gains in 2026 will be concentrated downtown, while other submarkets are expected to post mild declines. The core's outperformance reflects its prime location, constrained hotel supply and a strong, diversified demand base.

## Occupancy and Revenue Metrics



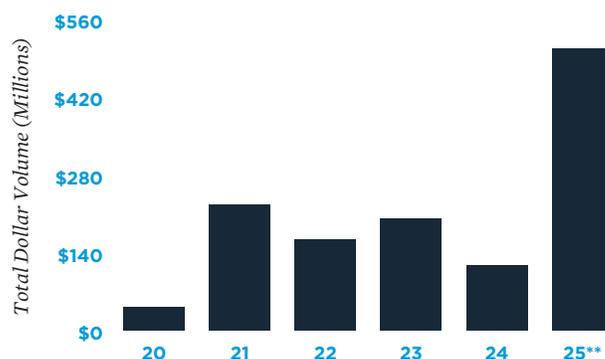
\* Forecast; \*\* Trailing 12 months through 3Q

Sources: Altus Data Solutions; Statistics Canada; STR, a CoStar Group Company

Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. 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 guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

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## Transaction Trends



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