

RESEARCH BRIEF

CANADA TOURISM

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Rising Domestic and Overseas Inbound Travel Powering Hospitality Growth

Tourism growth to support inbound travel recovery. Canada’s travel sector has shifted since trade tensions with the United States emerged. Visits by U.S. residents declined 3.0 per cent annually last year, contributing to a 0.6 per cent drop in total international arrivals. Although U.S. travel began recovering in the second half, visitor volumes remained below their 2024 level. In contrast, visits from non-U.S. travellers rose a robust 7.5 per cent, supported by a 9.1 per cent increase in the number of tourists. Inbound travel is projected to continue recovering this year, led by overseas markets – particularly Europe and Asia during the summer peak. While the 2026 FIFA World Cup and the normalization of Canada-Asia air connectivity will support this momentum, any deterioration in trade relations with the U.S. could weigh on inbound travel from Canada’s largest source market, offsetting gains from other markets.

Rising external tensions are boosting domestic travel. Frictions with the U.S. have prompted more Canadians to travel domestically. Official data shows that total domestic trips – including both leisure and business travel – rose 3.6 per cent through the first three quarters, while real-time card spending data indicates this momentum carried into early 2026, with travel-related expenditures up 13.9 per cent year over year in February. Ongoing geopolitical tensions in the Middle East may further encourage Canadians to stay closer to home, reinforcing this trend. As a result, domestic travel is set to serve as another key pillar supporting the travel industry in 2026.

Rising travel demand continues to drive revenue gains. The recovery in inbound tourism, alongside continued strength in domestic travel, is expected to bolster demand in Canada’s hospitality sector this year. Meanwhile, supply growth will remain elevated, with more than 5,000 rooms projected for delivery – among the highest levels in the post-pandemic era. While this influx of new supply may modestly weigh on occupancy rates, particularly in the second half of the year, robust demand should still support higher average daily rates, driving another year of steady RevPAR growth of 3.7 per cent. Among major metros, performance is expected to be strongest in Vancouver and Montreal. Vancouver, in particular, is forecast to see occupancy exceed 90 per cent from June to August amid the 2026 FIFA World Cup, with annual average occupancy reaching 80 per cent, surpassing the 2019 level by 60 basis points.

Strong appetite for hotels among investors. Multiple years of strong revenue growth have positioned hotels as highly sought-after assets among investors. Despite softening revenue metrics last year in select trade-dependent metros, total transaction volume reached an eight-year high of over \$1.1 billion. The relative scarcity of hotels available for sale, coupled with their strong cash flows and ability to adjust room rates quickly in response to inflation, continues to reinforce their appeal. High-quality hotel properties, in particular, are increasingly viewed as premium assets, attracting intense competition from both lenders and investors.

