

October – December 2007

Highlights

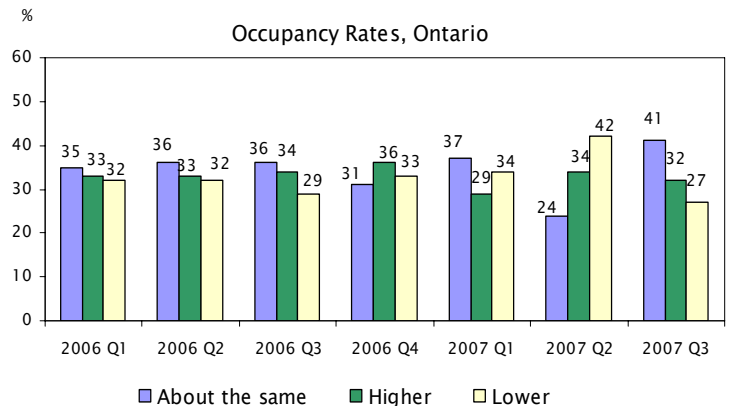
- Ontario's hoteliers indicated that hotel performance in the province in the second quarter of 2007 had declined relative to both the previous quarter and to the same quarter of 2006. Canada's hoteliers also reported declining occupancy results relative to past performance.
- 19% of Ontario hotel operators reported no business difficulties in the third quarter of 2007, up from 14% in the previous quarter but down from 29% in the same quarter of 2006. At the national level, 19% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario, exchange rate fluctuations was by far the top impediment listed, followed by excess room supply and the lack of attractions or facilities in the vicinity. Canada's hoteliers were also concerned about the Canadian exchange rate, but continued to see shortages of unskilled and skilled labour as their next most significant business impediments.
- Ontario hoteliers have mixed expectations about the fourth quarter of 2007. They are more optimistic about future room nights and business travellers than they were in the same quarter of 2006, but less optimistic about occupancy rates and average daily rates.

Recent Business Conditions: Q3 2007

In the third quarter of 2007, fewer Ontario hoteliers reported lower occupancy rates (27%) than in the previous quarter, while more reported that occupancy rates were about the same (41%). Over the same period, 32% reported higher occupancy rates. Results were similar to those seen in the third quarter of 2006.

This resulted in a balance of opinion¹ of 4 percentage points, 12 points above the previous quarter but 1 point below the same quarter of 2006.

¹ Note: Balance of opinion is the difference between the percentage of respondents who report improved business conditions (higher) and those who report deteriorating conditions (lower).



Similar to hoteliers in Ontario, fewer hoteliers across Canada reported lower occupancy rates than in the previous quarter and more reported that occupancy rates were about the same. Hoteliers across the country were also more optimistic than in the third quarter of 2006, with again fewer reporting lower occupancy rates (21% vs. 35%) and more that reporting rates were about the same (48% vs. 32%).

The resulting balance of opinion of 10 percentage points was 8 points above the previous quarter and a full 12 points above that of the same quarter of 2006.

Business Impediments

NOTE: There were changes implemented to the list of impediments in the first quarter of 2007.

Four new potential impediments were added:

- Regional economic conditions;
- Exchange rate fluctuations;
- Public health; and
- Security concerns.

These replaced four impediments that were discontinued:

- Access to financing;
- Public health and safety concerns;
- Third party distribution channels; and
- General economic conditions.

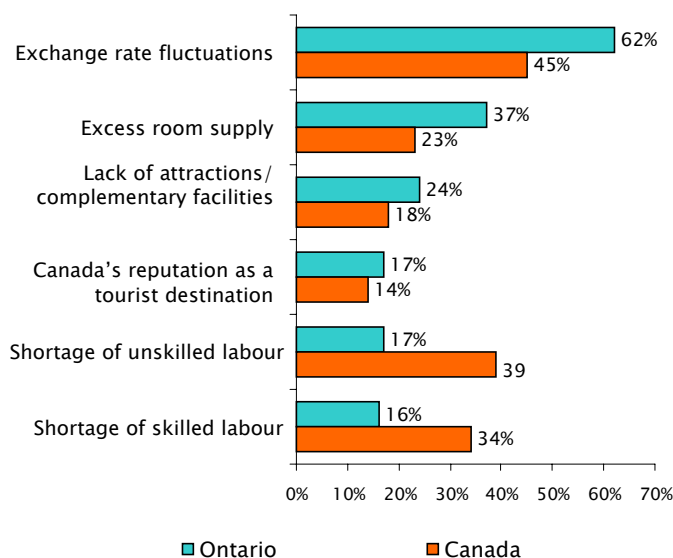
In the third quarter of 2007, 21% of hotel operators in Ontario reported no business impediments. This is up from the record low of 14% in the previous quarter and from the 29% of hoteliers who reported no difficulties in the same period last year.

By comparison, 19% of Canada's hotel operators reported no specific difficulties in the third quarter of 2007, down slightly from 20% in the previous quarter and from the 23% in the same period last year.

The exchange rate was by far the most significant business impediment reported by Ontario hoteliers. Excess room supply and lack of attractions / complementary facilities were their second and third most frequently mentioned business impediments.

Of note are the impediments that appear to have dropped off the radar for Ontario's hotel operators. No hotel operators mentioned security concerns while public health concerns and abnormal weather/ natural disasters were mentioned by only 1% and 2% of hoteliers in Ontario, respectively.

Top 6 Business Impediments, Ontario and Canada (Q3 2007)



Canada's hoteliers also reported exchange rate fluctuations as their top business impediment (45%), though the issue appeared less critical than among Ontario hoteliers.

The shortage of unskilled labour and skilled labour continued to be major impediments in the third quarter for Canadian hoteliers – more so than for Ontario hoteliers. Meanwhile, excess room supply, the lack of attractions/facilities and Canada's reputation as a desired tourist destination appear to be more significant issues for Ontario hoteliers than Canadian hoteliers overall.

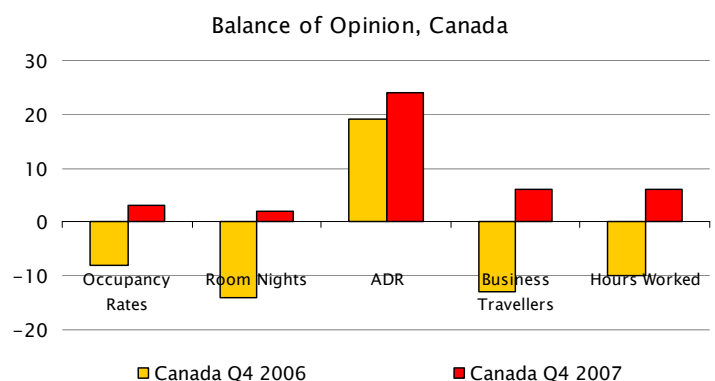
NOTE: The Business Conditions Survey of around 1,500 businesses is a quarterly survey conducted by Statistics Canada and funded by the Ontario Ministry of Tourism, the Canadian Tourism Commission and Statistics Canada. Results are based on survey questionnaires sent to traveller accommodation providers across Canada.

Future Business Conditions: Q4 2007

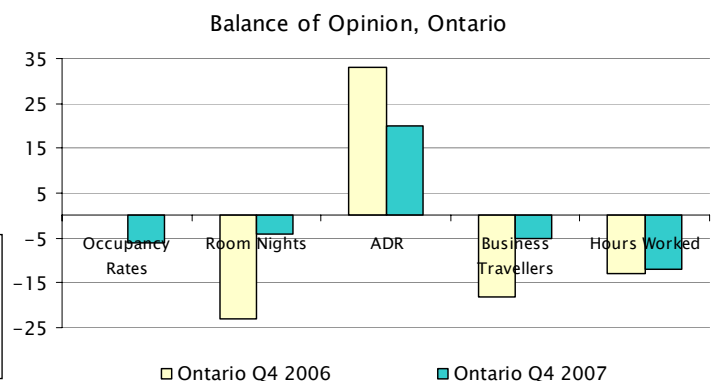
Comparison of Canada and Ontario

Looking ahead to the fourth quarter of 2007, both Canadian and Ontario hotel operators are more optimistic about occupancy rates, future room nights and hours worked than they were in the previous quarter, though they are less optimistic about average daily rates than they were just three months ago.

Meanwhile, compared to expectations in the fourth quarter of 2006, Canadian hoteliers are more optimistic in all areas (see chart below), with the proportion of hoteliers expecting to see improvements exceeding those who expect to see a deterioration of conditions across all categories, as shown by the overall positive balance of opinion by Canadian hoteliers.

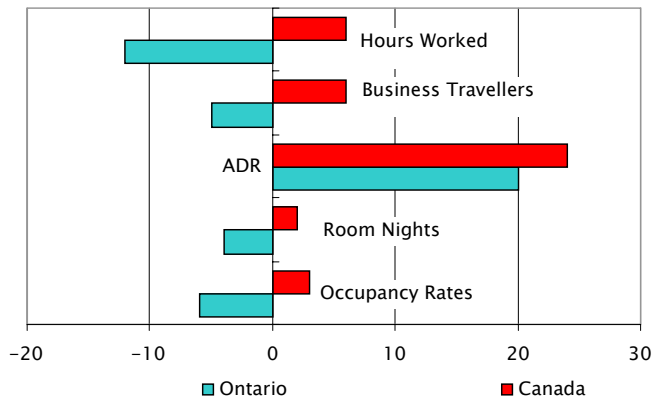


Ontario hoteliers, on the other hand, have mixed expectations about the fourth quarter of 2007 compared to the same quarter of last year (see chart below). A greater proportion of them expect to see improvements in terms of room nights and business travellers, while fewer expect to see improvements in occupancy rates and average daily rates. Expectations about hours worked are similar to those reported in the fourth quarter of 2006.



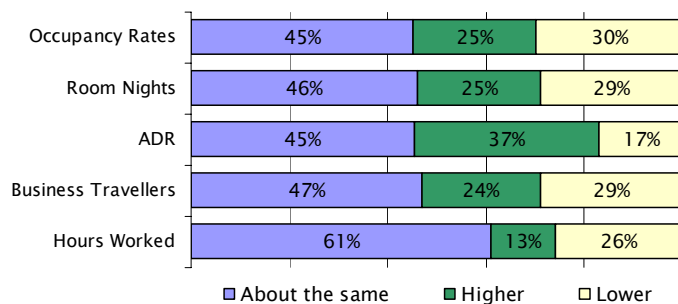
Looking ahead to the fourth quarter of 2007, Ontario's hoteliers appear less optimistic than Canadian hoteliers in all areas.

Balance of opinion in Q4 2007, Ontario and Canada



Detailed Ontario Responses

Anticipated Business Conditions for Q4 2007, Ontario



Occupancy Rates

- 25% of Ontario hoteliers (up from 22% last quarter) are expecting occupancy rates to increase in the fourth quarter, 30% are expecting them to decrease, while 45% are expecting them to be about the same. The outlook is less optimistic than that expressed by hotel operators last year, when a 26% were expecting them to increase and another 26% were expecting them to decrease.
- The negative balance of opinion on occupancy rates (-6) for the fourth quarter of 2007 marks a decline over the same quarter of 2006, when the balance of opinion was neutral.

Room Nights

- 25% (up from 20% last quarter) are expecting the number of room nights to rise in the fourth quarter, while 29% are expecting them to decline (down from 35% last quarter and from 43% in the same quarter last year).
- The resulting negative balance of opinion (-4) on room nights – though negative – marks a notable improvement over the -15 percentage points seen in the previous quarter and the -23 percentage points reported for the fourth quarter of 2006.

Average Daily Rate

- Expectations around ADR remain strong, with more than a third (37%) of Ontario hoteliers expecting to see higher rates in the fourth quarter of 2007 though this marks a decline over the previous quarter when 49% expected to see higher rates. 17% of Ontario hoteliers are expecting rates to be lower this quarter, down from 20% last quarter but up from 12% in the same quarter of last year.
- At +20 percentage points, the balance of opinion is still down from last quarter's +29 points, and down also from the fourth quarter of 2006 (+33).

Business Travellers

- 24% of Ontario hoteliers expect to see more business travellers during the third quarter of this year, while 29% expect to see fewer of them.
- The resulting balance of opinion (-5 percentage points) reflects slightly higher expectations than in the previous quarter (-3 points) and a marked improvement over expectations in this area for the same quarter of 2006 (-18 points).

Hours Worked

- 61% of Ontario hoteliers expect hours worked to remain the same in the fourth quarter of 2007, while 26% expect hours worked to decrease and only 13% expect them to increase.
- The current negative balance of opinion (-12) is a considerable change from the neutral balance of opinion expressed only a few quarters ago but on par with fourth quarter of last year (-13).