

July – September 2008

Highlights

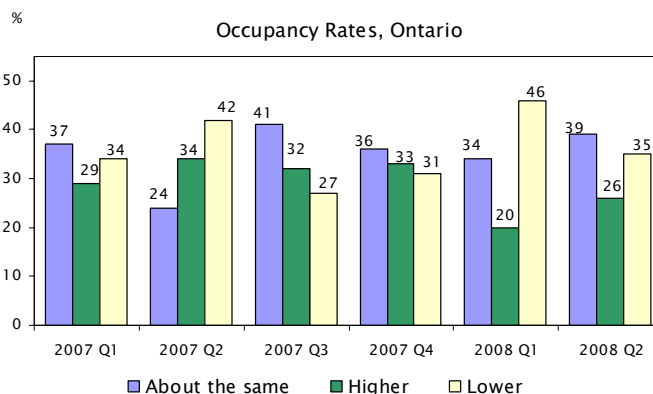
- Ontario's hoteliers indicated that performance in the second quarter of 2008 declined relative to the same period of last year. Canada's hoteliers reported even sharper declines.
- 19% of Ontario hotel operators reported no business difficulties in the second quarter of 2008, relatively unchanged from 20% in the same quarter of 2007. At the national level, 17% of Canada's hoteliers reported no business difficulties.
- Among those who reported business difficulties in Ontario, exchange rate fluctuations were by far the top impediment listed, followed by regional economic conditions and excess room supply. Canada's hoteliers were similarly concerned about the Canadian exchange rate and excess room supply, but were also concerned about labour shortages (both unskilled and skilled).

Recent Business Conditions: Q2 2008

In the second quarter of 2008, one quarter of Ontario hoteliers reported higher occupancy rates than in the same period of last year, while 35% reported that occupancy rates were lower. 40% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of -9 percentage points, 17 points above the previous quarter and 1 point below the same quarter of 2007.

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). Due to rounding, percentages may not add up.



Hoteliers across the country seemed to be reporting similar results, with 23% indicating higher occupancy rates in the second quarter, and 29% reporting lower occupancy rates than in the same quarter last year.

The resulting balance of opinion of Canadian hoteliers was -17 percentage points, similar to the previous quarter and down 20 points from that of the second quarter of 2007.

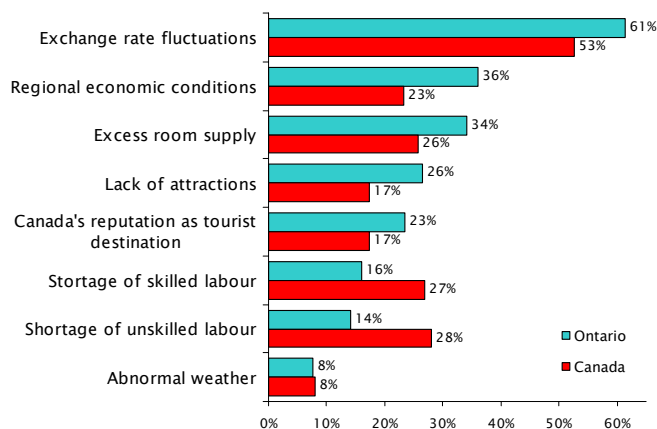
Business Impediments

In the second quarter of 2008, 19% of hotel operators in Ontario reported that their business had not been adversely affected by any business impediments. This is down 7 points from the previous quarter, but up 5 points from the same period last year.

Similarly, 17% of Canada's hotel operators also reported no specific difficulties in the second quarter of 2008, down from 22% in the previous quarter and down from 20% in the same period last year.

The exchange rate continues to be the most significant business impediment reported by Ontario hoteliers. Regional economic conditions and excess room supply were their second and third most frequently mentioned business impediments.

Business Impediments, Ontario and Canada (Q2 2008)



Exchange rate fluctuations – which was added as a specific business impediment to the survey in the first quarter of 2007 – has been a growing concern for Ontario hoteliers and is currently the dominating impediment. The concern over regional economic conditions has fluctuated in Ontario since being added to the survey in 2007, but has risen recently and now stands at an all time high of 36%. Excess room capacity has been mentioned by at least 30% of Ontario hoteliers in each of the previous six quarters, while lack of attractions has been mentioned by between 24% and 42% over the last two years.

Canada's hoteliers also reported exchange rate fluctuations as their top business impediment, though the issue is less critical than among Ontario hoteliers. Canada's hoteliers share Ontario's concern over excess room supply, but are more concerned with the shortage of unskilled and skilled labour. Like Ontario, Canada's hoteliers are paying more attention to regional economic conditions, with an all time high of 23% of respondents reporting it as an impediment. Meanwhile, the lack of attractions and complementary facilities, and Canada's reputation as a tourist destination are less significant issues for Canadian hoteliers than for those in Ontario.

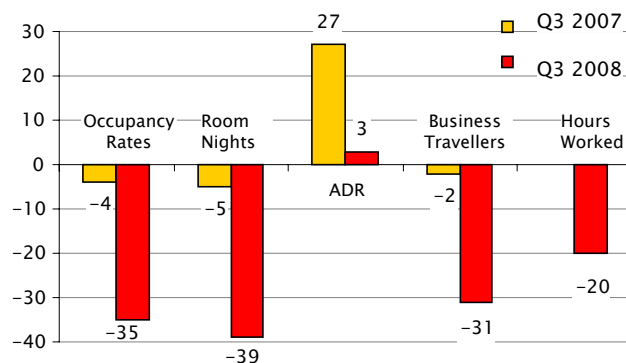
Of note for hoteliers both from Ontario and across Canada are the impediments that appear to have dropped off the radar. Few hotel operators mentioned security concerns or public health concerns.

Future Business Conditions: Q3 2008

Comparison of Canada and Ontario

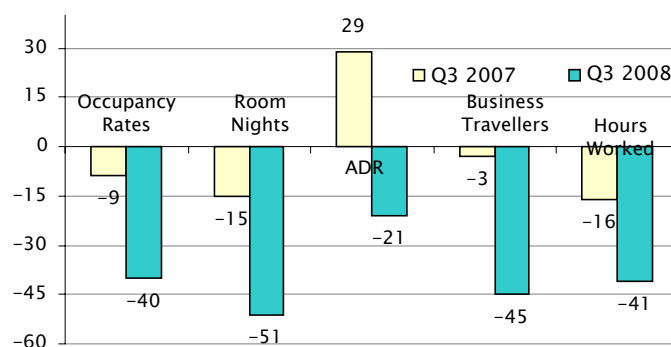
The proportion of hoteliers expecting to see a deterioration of conditions across all categories exceeds those who expect improvements, as shown by the overall negative, or declining, balance of opinion by Canadian hoteliers.

Balance of Opinion, Canada

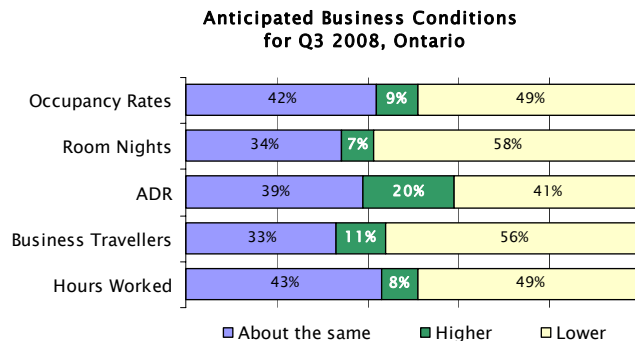


A greater proportion of hoteliers in Ontario than Canada expect to see deterioration in all areas relative to the same quarter of last year.

Balance of Opinion, Ontario



Detailed Ontario Responses



Occupancy Rates

- Only 9% of Ontario hoteliers (down from 36% last quarter) are expecting occupancy rates to increase in the second quarter, while 49% are expecting them to decrease (up from 30% last quarter).
- The large negative balance of opinion on occupancy rates (-40) for the third quarter of 2008 marks a fall over the previous quarter (+6) and from the third quarter of last year (-9).

Room Nights

- Only 7% (down from 33% last quarter) are expecting the number of room nights to rise in the third quarter, while 58% are expecting them to decline (up from 31% last quarter). The outlook is considerably more negative than the same quarter of last year, when 20% of Ontario hoteliers were expecting more room nights and only 35% were expecting fewer.
- The resulting negative balance of opinion (-51) on room nights marks a significant decline over the balance seen in the previous quarter (+1) and the third quarter of 2007 (-15).

Average Daily Rate

- Expectations around ADR are no longer strong, with 41% of Ontario hoteliers expecting to see lower rates in the third quarter of 2008 – up from 15% in the previous quarter and from 20% in the same quarter of last year. 20% reported expectations of higher rates in the coming quarter, down from 55% last quarter and from 49% in the same quarter of last year.
- At -21 percentage points, the balance of opinion is down substantially from last quarter's balance of opinion (+40) and from the third quarter of 2007 (+29).

Business Travellers

- 56% of Ontario hoteliers expect to see fewer business travellers during the coming quarter, while only 11% expect to see more of them.
- The resulting negative balance of opinion (-45) is down substantially from the previous quarter (-2) and from the same quarter of 2007 (-7).

Hours Worked

- 49% of Ontario hoteliers expect hours worked to decline in the third quarter of 2008, with only 8% expecting hours worked to increase and 43% expecting it to remain unchanged.
- The current negative balance of opinion (-41) marks a sharp decrease in conditions from the previous quarter (-1), and from the same quarter in 2007 (-16).

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.