

OCTOBER – DECEMBER 2008

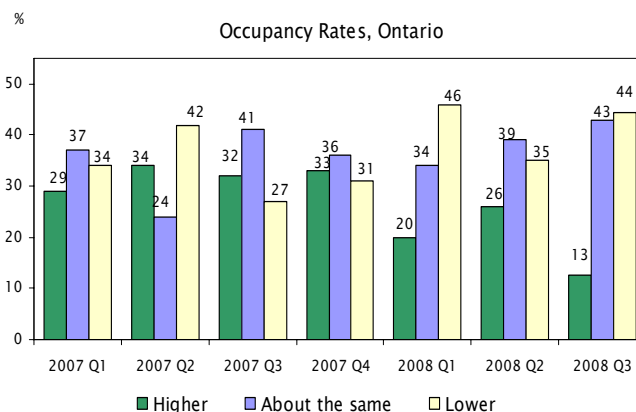
Highlights

- The percent of Ontario hoteliers that indicated that occupancy rates in the province in the third quarter of 2008 were lower, relative to the same period of last year, was substantially higher than the percent that indicated that occupancy rates were higher (44% vs. 13%). Canada's hoteliers reported similar results.
- 14% of Ontario hotel operators reported no business impediments in the third quarter of 2008, down from 21% in the same quarter of 2007. At the national level, 17% of Canada's hoteliers reported no business difficulties.
- Among those who reported business impediments in Ontario, "exchange rate fluctuations" was by far the top impediment listed, followed closely by regional economic conditions. Canada's hoteliers were also concerned about the Canadian exchange rate and regional economic conditions, but the shortage of unskilled and skilled workers continued to be among their top preoccupations (much more so than for Ontario hoteliers).
- Looking ahead to the fourth quarter of 2008, both Canadian and Ontario hotel operators are much less optimistic about business conditions than they were at the same time last year.

Recent Business Conditions: Q3 2008

Only 13% of Ontario hoteliers reported that occupancy rates were higher in the third quarter of 2008 than in the same period of last year (the lowest level since the survey began in 2005), while 44% reported that occupancy rates were lower. Another 43% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of -32 percentage points, substantially down from the value it achieved in the previous quarter (-9 points) or in the same quarter of 2007 (+5 points).



Hoteliers across the country seemed to be reporting similar results, with 18% indicating that occupancy rates had been higher in the third quarter of 2008 compared to those of the third quarter of last year and 48% reporting lower rates. Canadian hoteliers appear to be fairing somewhat better than their Ontario counterparts. A few more hoteliers from across Canada are reporting higher occupancy rates (18% vs. 13% in Ontario) but a few more are also reporting lower occupancy rates (48% vs. 44% in Ontario).

The resulting balance of opinion of Canadian hoteliers was -29 percentage points, 12 points below the previous quarter and -39 from that of the third quarter of 2007.

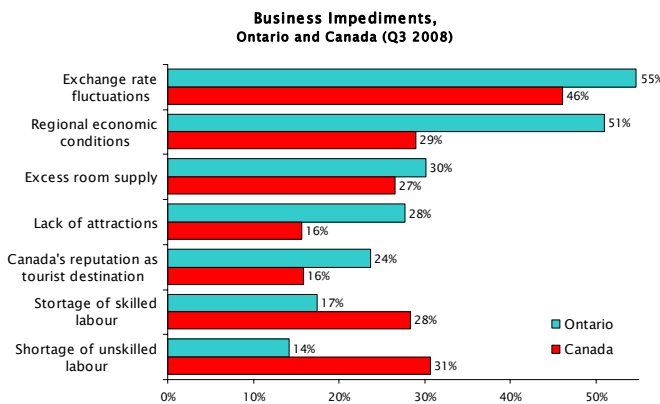
Business Impediments

In the third quarter of 2008, 14% of hotel operators in Ontario reported no business impediments. This is down 5 and 7 points, respectively, from the previous quarter and the same period last year.

Similarly, 17% of Canada's hotel operators also reported no specific impediments in the third quarter of 2008, unchanged from the previous quarter but down 2 points from the same period last year.

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 to 100%.

The exchange rate continued to be the most significant business impediment reported by Ontario hoteliers, followed closely by regional economic conditions which was mentioned by 51% of Ontario hoteliers (up from 36% last quarter and only 8% in the same quarter of last year). Excess room supply, the lack of attractions/complementary facilities and Canada's reputation as a desired tourist destination were also mentioned by significant proportions of the province's hotel operators.



Canada's hoteliers also reported exchange rate fluctuations as their top business impediment (46%). While they are also concerned about regional economic conditions, the shortage of unskilled and skilled workers continues to be among their top preoccupations (much more so than for Ontario hoteliers). Meanwhile, excess room supply, the lack of attractions and complementary facilities and Canada's reputation as a tourist destination appear to be less significant issues for Canadian hoteliers than for those in Ontario.

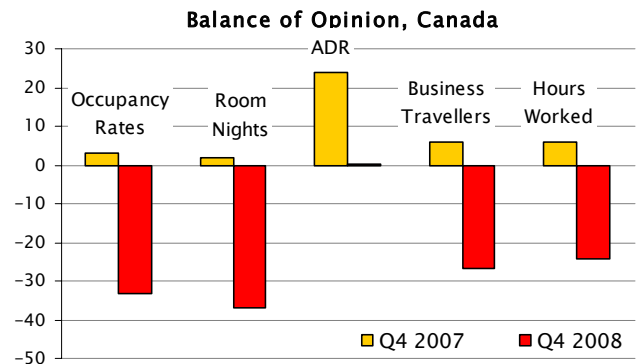
Of note for hoteliers both from Ontario and across Canada are the impediments that appear to have dropped off the radar. Few hotel operators mentioned security concerns or public health concerns.

Future Business Conditions: Q4 2008

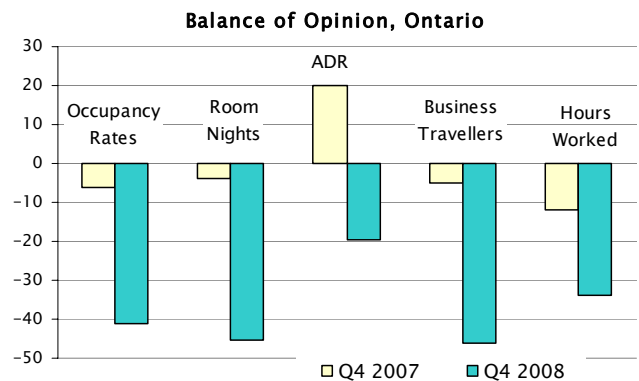
Comparison of Canada and Ontario

Looking ahead to the fourth quarter of 2008, both Canadian and Ontario hotel operators are much less optimistic about business conditions than they were at the same time last year.

Compared to expectations for the fourth quarter of 2007, Canadian hoteliers are less optimistic in all areas (as indicated in the chart below by the overall negative or declining balance of opinion), with the proportion of hoteliers expecting to see a deterioration of conditions across all categories exceeding that of those who expect improvements. Expectations around the average daily rate (ADR), which has been resilient until recently, have moderated in the fourth quarter of this year, with the balance of opinion moving from +20 in the fourth quarter of 2007 to a zero balance in the fourth quarter of 2008.

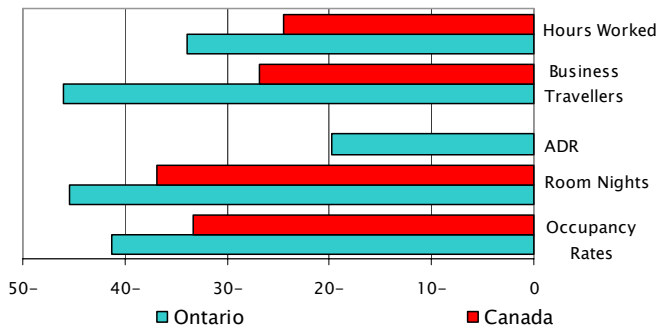


Ontario hoteliers are similarly not very optimistic about the fourth quarter of 2008 compared to the same quarter of last year (see chart below).



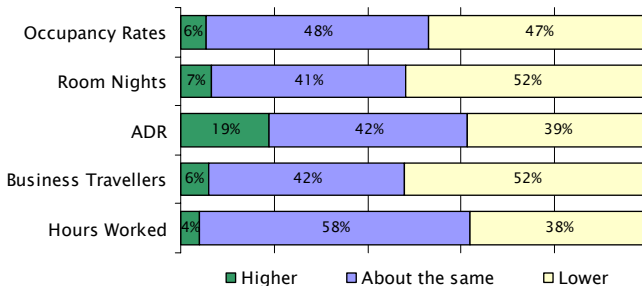
Relative to Canadian hoteliers overall, Ontario hoteliers are less optimistic across all categories (see chart below).

Balance of opinion in Q4 2008, Ontario and Canada



Detailed Ontario Responses

Anticipated Business Conditions for Q4 2008, Ontario



Occupancy Rates

- Only 6% of Ontario hoteliers (down from 9% last quarter) are expecting occupancy rates to increase in the fourth quarter, while 47% are expecting them to decrease. This outlook is similar to last quarter but less optimistic than that expressed by hotel operators last year, when 25% were expecting an increase and 30% were expecting a decrease.
- The negative balance of opinion on occupancy rates (-41) for the fourth quarter of 2008 is similar to the previous quarter (-40), but represents a notable decline from the fourth quarter of last year (-6).

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.

Room Nights

- Only 7% (same proportion as last quarter) are expecting the number of room nights to rise in the fourth quarter, while 52% are expecting them to decline (down from 58% last quarter). The outlook is considerably more negative than the same quarter of last year, when 30% of Ontario hoteliers were expecting more room nights and only 19% were expecting fewer.
- The resulting negative balance of opinion (-45) on room nights is similar to the previous quarter (-51), but marks a substantial decline from the fourth quarter of 2007 (-4).

Average Daily Rate

- Expectations around ADR, which had remained strong until the second quarter of 2008, have shown less optimism for two consecutive quarters. Only 19% of Ontario hoteliers are expecting to see higher rates in the fourth quarter of 2008 – while 39% are expecting rates to be lower. In contrast, in the same quarter of last year, 37% of hoteliers were expecting rates to be higher and only 17% were expecting them to be lower.
- At -20 percentage points, the balance of opinion is similar to the previous quarter (-21) but down substantially from the same quarter of 2007 (+20).

Business Travellers

- More than half of Ontario hoteliers (52%) are expecting to see fewer business travellers in the fourth quarter of 2008 than in the same quarter of last year. Only 6% expect to see more business travellers during the coming quarter, down from 11% in the previous quarter and from 24% in the fourth quarter of 2007.
- The resulting negative balance of opinion (-46) is similar to that of the previous quarter (-45) but down substantially from the same quarter of 2007 (-5 points).

Hours Worked

- 58% of Ontario hoteliers expect hours worked to remain the same in the fourth quarter of 2008, while 38% expect hours worked to decrease and only 4% expect them to increase.
- The current negative balance of opinion (-34) marks an improvement in conditions from the previous quarter (-41) but a deterioration over the same quarter of last year (-12 points).