

January – March 2008

Highlights

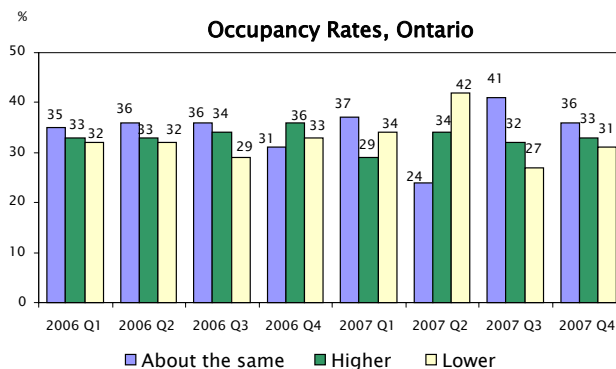
- Ontario's hoteliers indicated that hotel performance in the province in the fourth quarter of 2007 declined somewhat relative to the same period of last year. Canada's hoteliers reported similar results.
- 21% of Ontario hotel operators reported no business difficulties in the fourth quarter of 2007, down from 29% in the same quarter of 2006. At the national level, 21% of Canada's hoteliers also reported no business difficulties.
- Among those who reported business difficulties in Ontario, exchange rate fluctuations were by far the top impediment listed, followed by the lack of attractions or facilities in the vicinity and excess room supply. Canada's hoteliers were also concerned about the Canadian exchange rate, but continued to see labour shortages (both unskilled and skilled) along with excess room supply as their next most significant business impediments.
- Ontario hoteliers have mixed expectations about the first quarter of 2008. They are less optimistic about occupancy rates and future room nights than they were in the same quarter of 2007, but are a somewhat more optimistic about average daily rates.

Recent Business Conditions: Q4 2007

In the fourth quarter of 2007, 31% of Ontario hoteliers reported lower occupancy rates than in the same period of last year, while 33% reported that occupancy rates were higher. Meanwhile, 36% reported that occupancy rates were about the same.

This resulted in a balance of opinion¹ of 2 percentage points, 2 points below both the previous quarter and the same quarter of 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.



Relative to hoteliers in Ontario, fewer hoteliers from across Canada reported higher occupancy rates than in the same quarter of last year (30% vs. 33%) and fewer reported lower occupancy rates (28% vs. 31%).

The resulting balance of opinion of Canadian hoteliers was 2 percentage points, 8 points below the previous quarter but unchanged from that of the same quarter of last year.

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:

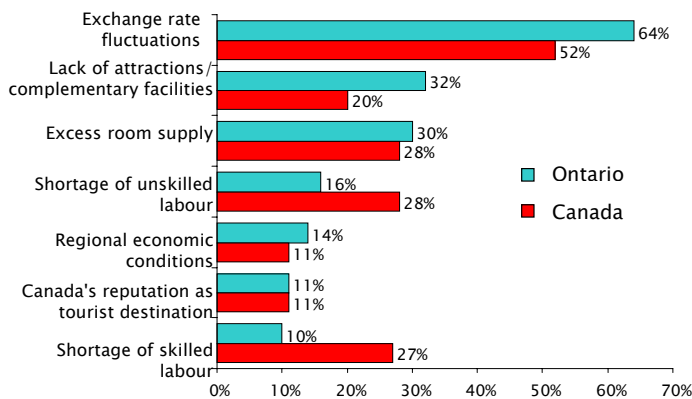
- Access to financing;
- Public health and safety concerns;
- Third party distribution channels; and
- General economic conditions.

In the fourth quarter of 2007, 21% of hotel operators in Ontario reported no business impediments. This is unchanged from the previous quarter but down from the 29% of hoteliers who reported no difficulties in the same period last year.

Similarly, 21% of Canada's hotel operators also reported no specific difficulties in the fourth quarter of 2007, up slightly from 19% in the previous quarter but down from the 26% in the same period last year.

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

Top 6 Business Impediments, Ontario and Canada (Q4 2007)



Exchange rate fluctuations, which were added as a specific business impediment on the survey in the first quarter of 2007, have increased steadily as a concern for Ontario hoteliers - from an initial low of 23% to the current 64%. The lack of attractions has been of constant concern, with between 24% and 42% of Ontario hoteliers reporting it as an impediment over the last six quarters. Meanwhile, excess room capacity has been mentioned by at least 30% of Ontario hoteliers in each of the previous four quarters.

Canada's hoteliers also reported exchange rate fluctuations as their top business impediment (52%), though the issue appeared a little less critical than among Ontario hoteliers. Beyond their exchange rate concerns, the shortage of unskilled and skilled labour continued to be major impediments in the fourth quarter for Canadian hoteliers – much more so than for Ontario hoteliers. Excess room capacity has also become an impediment for Canadian hoteliers. Meanwhile, the lack of attractions and complementary facilities appears to be a less significant issue 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 (only 2%), while public health concerns were not mentioned at all.

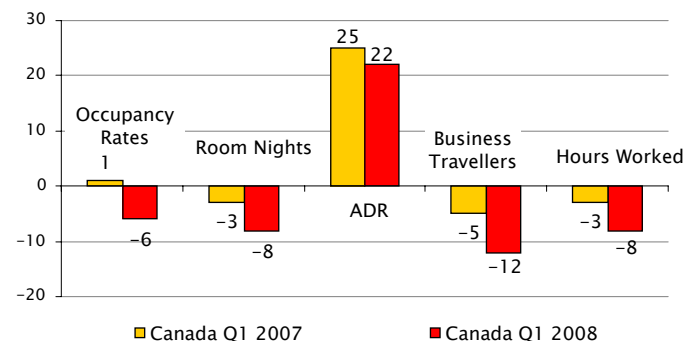
Future Business Conditions: Q1 2008

Comparison of Canada and Ontario

Looking ahead to the first quarter of 2008, Canadian hotel operators are less optimistic about business conditions than they were in the previous quarter. Ontario hotel operators are less optimistic about occupancy rates and room nights but are slightly more optimistic about the average daily rate (ADR).

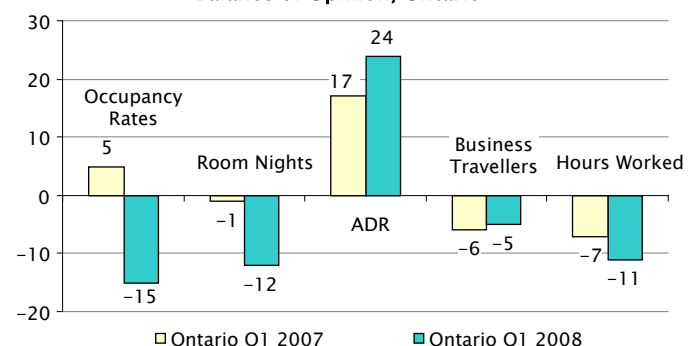
Meanwhile, compared to expectations in the first quarter of 2007, Canadian hoteliers are less optimistic in all areas (see chart below), with the proportion of hoteliers expecting to see a deterioration of conditions across all categories exceeding those who expect improvements, as shown by the overall negative, or declining, balance of opinion by Canadian hoteliers.

Balance of Opinion, Canada

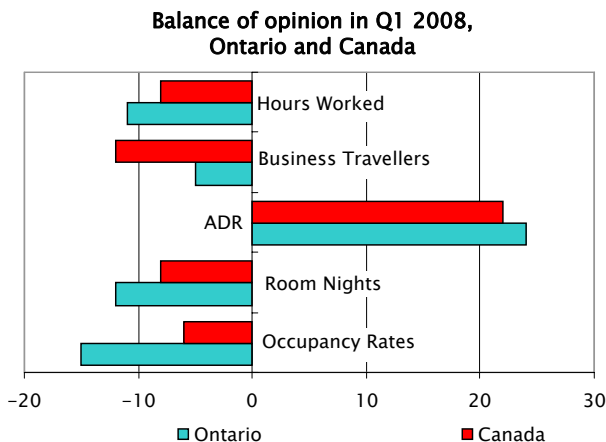


Ontario hoteliers are also not very optimistic about the first quarter of 2008 compared to the same quarter of last year (see chart below). A greater proportion of them expect to see improvements in terms of average daily rates though fewer expect improvements in occupancy rates, room nights and hours worked. Expectations about business travellers are similar to those reported in the same quarter of last year.

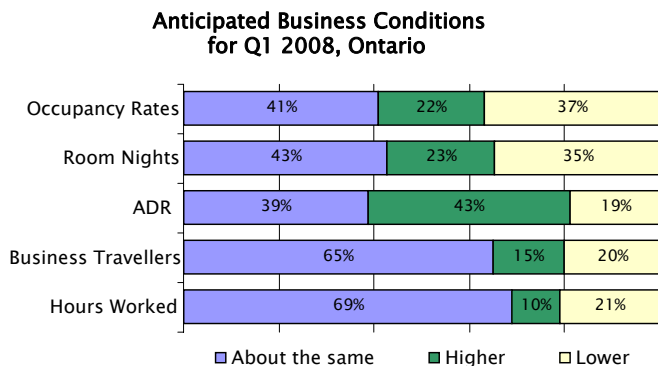
Balance of Opinion, Ontario



Ontario hoteliers are showing more optimism about the ADR and business travellers than their Canada-wide counterparts, though they are more pessimistic than Canadian hoteliers in terms of hours worked by employees, room nights and occupancy rates for the first quarter of 2008 versus the same quarter of last year.



Detailed Ontario Responses



Occupancy Rates

- 22% of Ontario hoteliers (down from 25% last quarter) are expecting occupancy rates to increase in the first quarter, 37% are expecting them to decrease (up from 30% last quarter). The outlook is less optimistic than that expressed by hotel operators last year, when 33% were expecting them to increase and 28% were expecting them to decrease.
- The negative balance of opinion on occupancy rates (-15) for the first quarter of 2008 marks a decline over the previous quarter (-6) and the same quarter of last year (+5).

Room Nights

- 23% (down from 25% last quarter) are expecting the number of room nights to rise in the first quarter, while 35% are expecting them to decline (up from 29% last quarter). The outlook is considerably more negative than the same quarter of last year as well, when 31% of Ontario hoteliers were expecting more room nights and 32% were expecting fewer.
- The resulting negative balance of opinion (-12) on room nights marks a noticeable decline over the -4 point balance seen in the previous quarter and the essentially neutral balance (-1) reported for the first quarter of 2007.

Average Daily Rate

- Expectations around ADR remain strong, with a full 43% of Ontario hoteliers expecting to see higher rates in the first quarter of 2008 – up from 37% in the previous quarter and from 41% in the same quarter of last year. 19% reported expectations of lower rates in the coming quarter, up slightly from 17% last quarter but down from 24% in the same quarter of last year.
- At +24 percentage points, the balance of opinion is up 4 points from last quarter's (+20) points and from the first quarter of 2007 (+17).

Business Travellers

- Almost two thirds of Ontario hoteliers (65%) don't expect much change in terms of business travellers in the first quarter of 2008 relative to the same quarter last year. 15% expect to see more business travellers during the coming quarter, while 20% expect to see fewer of them.
- The resulting neutral balance of opinion (0) is unchanged from the previous quarter (-3 points) and similar to the same quarter of 2007 (-6 points).

Hours Worked

- 69% of Ontario hoteliers expect hours worked to remain the same in the first quarter of 2008, while 21% expect hours worked to decrease and only 10% expect them to increase.
- The current negative balance of opinion (-11) is similar to that of the previous quarter (-12) but down from the same quarter of last year (-7).

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.