

JANUARY – MARCH 2009

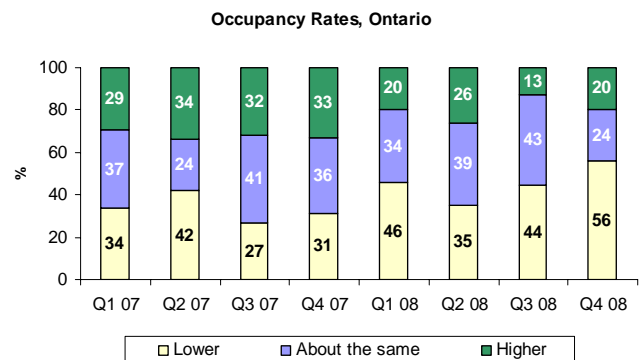
Highlights

- 56% of Ontario hoteliers indicated that occupancy rates were lower in Q4 2008 relative to the same period of the previous year, while 20% of Ontario hoteliers indicated that occupancy rates were higher and 24% indicated rates were about the same as last year. Canadian hoteliers reported similar results.
- Regional Economic Conditions surpassed Exchange Rate Fluctuations to become the primary business impediment among both Ontarian and Canadian hoteliers. Ontario hoteliers (58%) are more concerned than Canadian hoteliers (46%) regarding Economic Conditions while the two groups are similar in citing Exchange Rate as an obstacle (Ontario 42%, Canada 40%).
- Looking ahead to the first quarter of 2009, Ontario hotel operators are less optimistic about Occupancy Rates, Room Nights, ADR, Business Travellers and Hours Worked: 60-70% of Ontario hoteliers expect each of these factors to decline in Q1 2009 compared to the previous year. This outlook is considerably less favourable than that of the previous quarter where 40-50% of Ontario hotel operators were expecting declines.
- Although there is also a lack of optimism across Canada, Ontario hoteliers are even less optimistic than Canadian hoteliers.

Recent Business Conditions: Q4 2008

The majority of Ontario hoteliers (56%) reported that occupancy rates were lower in the fourth quarter of 2008 than in the same period in the previous year. 24% indicated occupancy rates were about the same while 20% stated they were higher. This resulted in a balance of opinion¹ of -36 percentage points, down from the value it achieved in Q3 2008 (-32 points) and in Q4 2007 (+2 points).

The percent of Ontario hoteliers reporting lower occupancy rates has grown from 44% in the previous quarter and 31% in the same quarter of last year.



Hoteliers across the country reported very similar results, with 55% of Canadian hoteliers indicating that occupancy rates were lower in Q4 2008 compared to Q4 2007. 25% stated occupancy rates were about the same while 20% reported they were higher.

The resulting balance of opinion of Canadian hoteliers was -35 percentage points, 6 points below the previous quarter (-29) and -37 from that of the fourth quarter of 2007 (+2).

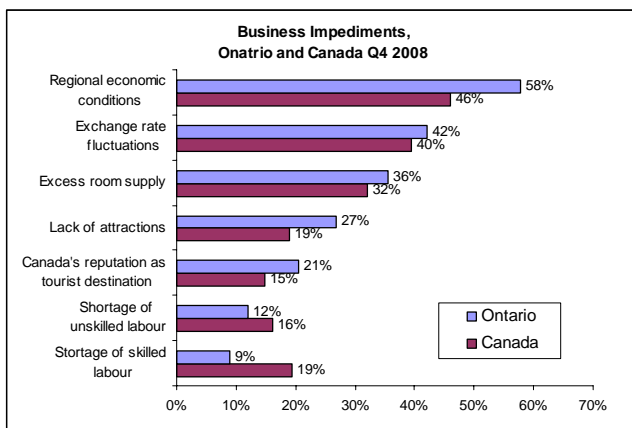
¹ Note: Balance of opinion is the difference between the percentage of respondents who report improved business conditions (higher) and those who report deteriorating conditions (lower). Due to rounding, percentages may not add up to 100%.

Business Impediments

In the fourth quarter of 2008, Regional Economical Conditions surpassed Exchange Rate Fluctuations to become the number one business obstacle facing Ontario and Canadian hotel operators. Although Economic Conditions is a worry to all Canadian hoteliers, it is even more concerning to Ontario hoteliers with 58% of Ontarian and 46% of Canadian hoteliers citing Economic Conditions as a business impediment in Q4 2008. This compares to 51% and 29% respectively in Q3 2008 and only 14% and 11% in Q4 2007.

Prior to Q4 2008, Exchange Rate Fluctuations has been the primary barrier for Ontario hoteliers since Q2 2007. Although Exchange Rate is no longer the number one hindrance, and is down significantly versus Q4 2007, it is still a key impediment with 42% of Ontario hoteliers reporting it as a concern. Similarly, 40% of Canadian hoteliers state Exchange Rates Fluctuations as an obstacle.

Excess room supply was also called out as an issue by 36% of Ontario and 32% of Canadian hotel operators.



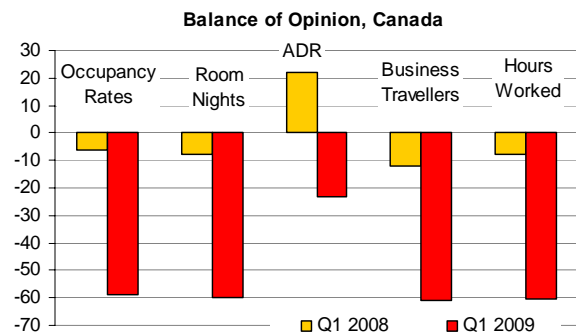
A lack of skilled and unskilled labour is not a key barrier for either Ontario or Canadian hoteliers, however it is less of a concern to Ontarian than Canadian hotel operators.

Future Business Conditions: Q1 2009

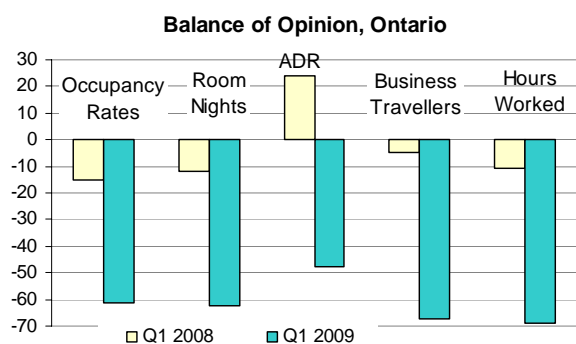
Comparison of Canada and Ontario

Looking ahead to the first quarter of 2009, both Canadian and Ontarian hotel operators are less optimistic about business conditions than they were since the survey began in 2005.

Compared to expectations for Q1 2008, Canadian hoteliers are much 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) have declined significantly in Q1 2009. Historically ADR balance of opinion has been well above 0 moving to about 0 in the second half of 2008 and plunging to -23 in Q1 2009.

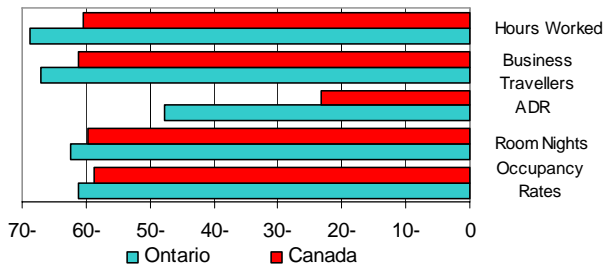


Ontario hoteliers are similarly not very optimistic about Q1 2009 compared to the same quarter of last year, especially in regards to ADR in which balance of opinion plummeting from +24 to -48.



Relative to Canadian hoteliers overall, Ontario hoteliers are less optimistic across all categories, especially Average Daily Rate, where the Ontario's balance of opinion of -48 is more than double that of Canada's -23.

Balance of opinion in Q1 2009, Ontario and Canada



Detailed Ontario Responses

Occupancy Rates

- 68% of Ontario hoteliers are expecting occupancy rates to decrease in Q1 2009 compared to Q1 2008, while 24% expect them to be similar, and 7% expect an increase. This outlook is significantly less optimistic than both Q4 2008 and Q1 2008, where 47% and 37% respectively were expecting a decrease in occupancy.
- The negative balance of opinion on occupancy rates (-61) for the first quarter of 2009 is significantly lower than both the previous quarter (-41) and the same quarter of last year (-15).

Room Nights

- 69% (compared to 52% last quarter) are expecting the number of room nights to decline in Q1 2009, while 24% are expecting them to remain unchanged (down from 41% last quarter) and 7% are expecting them to increase (unchanged from Q4 2008). The outlook is considerably more negative than the same quarter of last year, when 35% of Ontario hoteliers were expecting less room nights, 43% were expecting no change and 23% were expecting more.
- The resulting negative balance of opinion (-63) on room nights is down considerably versus the previous quarter (-45), and marks a substantial decline from Q1 2008 (-12).

Average Daily Rate

- Expectations around ADR, which had remained strong until the second quarter of 2008, have shown less optimism for three consecutive quarters. Only 12% of Ontario hoteliers are expecting to see higher rates in the first quarter of 2009, while 60% are expecting rates to be lower. In contrast, in the same quarter of last year, 43% of hoteliers were expecting rates to be higher and only 19% were expecting them to be lower.
- At -48 percentage points, the balance of opinion is more than double that of the previous quarter (-20) and down substantially from the same quarter of 2008 (+24).

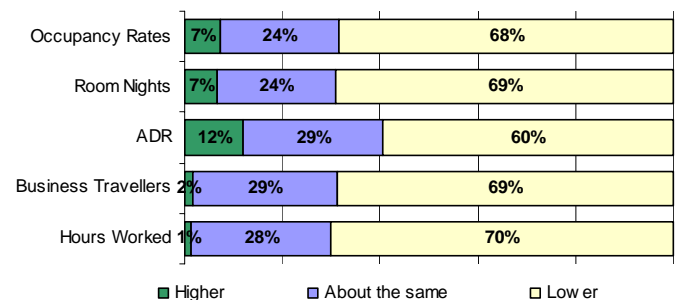
Business Travellers

- The majority of Ontario hoteliers (69%) are expecting to see fewer business travelers in Q1 2009 than in the same quarter of the previous year. Only 2% expect to see more business travelers during the coming quarter, while 29% expect the number to be about the same.
- The resulting negative balance of opinion (-67) is down substantially from both the previous quarter (-46) from the same quarter of 2008 (-5 points).

Hours Worked

- 70% of Ontario hoteliers expect hours worked to decrease in the first quarter of 2009, while 28% expect hours worked to remain the same and 1% expect them to increase.
- The current negative balance of opinion (-69) is double that of the previous quarter (-34) and considerably lower than Q1 2008 (-11 points).

Anticipated Business Conditions for Q1 2009, Ontario



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.