

APRIL - JUNE 2009

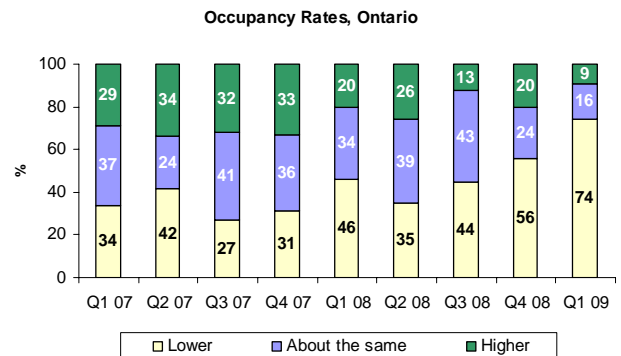
Highlights

- 74% of Ontario hoteliers indicated that occupancy rates were lower in Q1 2009 relative to the same period of the previous year, while 9% of Ontario hoteliers indicated that occupancy rates were higher and 16% indicated rates were about the same as last year. Canadian hoteliers reported similar results.
- Regional Economic Conditions continued to be the primary business impediment among both Ontarian and Canadian hoteliers. Ontario hoteliers (60%) are more concerned than Canadian hoteliers (54%) regarding Economic Conditions. Excess Room Supply is now the second leading barrier with 38% of Ontario and 36% of Canadian hotel operators citing it as an issue. Concerns over Exchange Rate Fluctuations declined in Q2 2009 dropping it from the second to third business obstacle. Ontario hoteliers (33%) are more likely to report Exchange Rate as an impediment than Canadian hoteliers (28%).
- Looking ahead to the second quarter of 2009, Ontario hotel operators are less optimistic about Occupancy Rates, Room Nights, ADR, Business Travellers and Hours Worked: 60-80% of Ontario hoteliers expect each of these factors to decline in Q2 2009 compared to the previous year. This outlook is less favourable than both that of the previous quarter and Q2 2008.

Recent Business Conditions: Q1 2009

The majority of Ontario hoteliers (74%) reported that occupancy rates were lower in the first quarter of 2009 than in the same period in the previous year. 16% indicated occupancy rates were about the same while 9% stated they were higher. This resulted in a balance of opinion¹ of -65 percentage points, down from the value it achieved in Q4 2008 (-36 points) and in Q1 2008 (-26 points).

The percent of Ontario hoteliers reporting lower occupancy rates (74%) has grown from 56% in the previous quarter and 46% in the same quarter of last year.



Hoteliers across the country reported very similar results, with 72% of Canadian hoteliers indicating that occupancy rates were lower in Q1 2009 compared to Q1 2008. 18% stated occupancy rates were about the same while 10% reported they were higher.

The resulting balance of opinion of Canadian hoteliers was -63 percentage points, 28 points below the previous quarter (-35) and -45 from that of the first quarter of 2008 (-18).

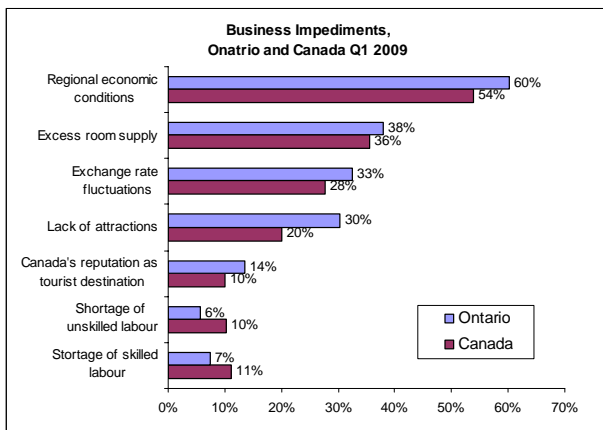
¹ Note: Balance of opinion is the difference between the percentage of respondents who report improved business conditions (higher) and those who report deteriorating conditions (lower). Due to rounding, percentages may not add up to 100%.

Business Impediments

In the first quarter of 2009, Regional Economic Conditions continued to be the number one business obstacle facing Ontario and Canadian hotel operators with 60% of Ontarian and 56% of Canadian hoteliers citing this as a business impediment in Q1 2009. This compares to 58% and 46% respectively in Q4 2008 and 21% and 12% in Q1 2008.

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 or number two hindrance, and is down versus Q1 2008, it is still a key impediment with 33% of Ontario hoteliers reporting it as a concern. 28% of Canadian hoteliers state Exchange Rates Fluctuations as an obstacle.

Excess room supply is now the second largest business impediment with 38% of Ontario and 36% of Canadian hotel operators citing it as an issue.



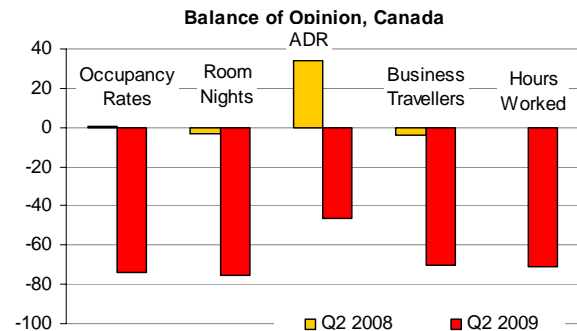
A lack of skilled and unskilled labour is not a key barrier for either Ontario or Canadian hoteliers, however it is less of a concern to Ontarian than Canadian hotel operators.

Future Business Conditions: Q2 2009

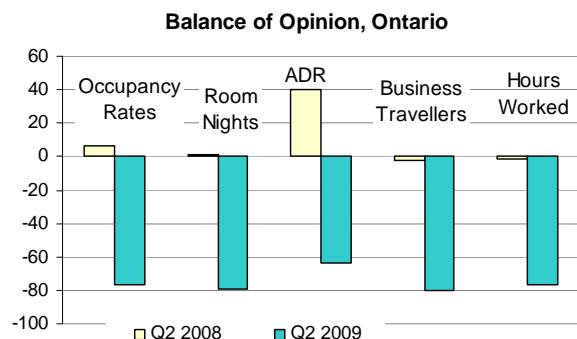
Comparison of Canada and Ontario

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

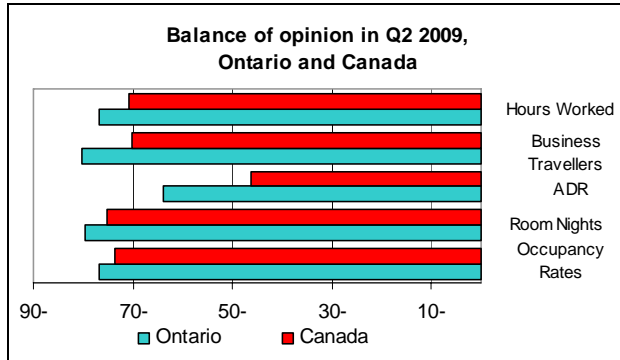
Compared to expectations for Q2 2008, Canadian hoteliers are much less optimistic in all areas (as indicated in the chart below by the overall negative balance of opinion), with the proportion of hoteliers expecting to see a weakening across all categories exceeding that of those who expect improvements. Expectations around the average daily rate (ADR) have declined in Q2 2009. Historically ADR balance of opinion has been well above 0 moving to about 0 in the second half of 2008 then dropping to -23 in Q1 and -46 in Q2 2009.



Ontario hoteliers are similarly not very optimistic about Q2 2009 compared to the same quarter of last year with 60-80% of Ontario hotel operators expecting declines in the 5 factors below in Q2 2009.



Relative to Canadian hoteliers, Ontario hoteliers are less optimistic across all categories, especially Average Daily Rate, where the Ontario's balance of opinion of -64 is much lower than that of Canada's -46.



Detailed Ontario Responses

Occupancy Rates

- 79% of Ontario hoteliers are expecting occupancy rates to decrease in Q2 2009 compared to Q2 2008, while 18% expect them to be similar, and 3% expect an increase. This outlook is less optimistic than both Q1 2009 and Q2 2008, where 68% and 30% respectively were expecting a decrease in occupancy.
- The negative balance of opinion on occupancy rates (-77) for the second quarter of 2009 is lower than both the previous quarter (-61) and the same quarter of last year (+6).

Room Nights

- 81% (compared to 69% last quarter) are expecting the number of room nights to decline in Q2 2009, while 18% are expecting them to remain unchanged (down from 24% last quarter) and 1% are expecting them to increase (down from 7% in Q1 2009). The outlook is less favourable than the same quarter of last year, when 31% of Ontario hoteliers were expecting less room nights, 36% were expecting no change and 33% were expecting more.
- The resulting negative balance of opinion (-80) on room nights is down versus the previous quarter (-63), and marks a substantial decline from Q2 2008 (+1).

Average Daily Rate

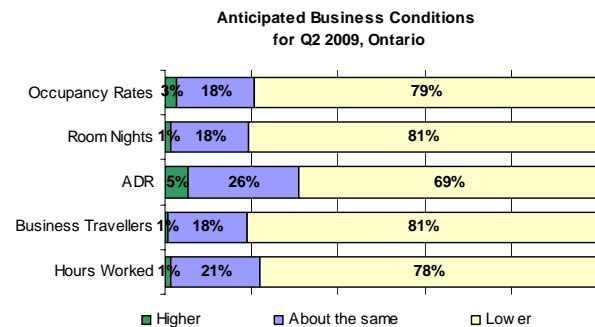
- Expectations around ADR, which had remained strong until the second quarter of 2008, have shown less optimism for four consecutive quarters. Only 5% of Ontario hoteliers are expecting to see higher rates in the second quarter of 2009, while 69% are expecting rates to be lower. In contrast, in the same quarter of last year, 55% of hoteliers were expecting rates to be higher and only 15% were expecting them to be lower.
- At -64 percentage points, the balance of opinion is lower than the previous quarter (-46) and down from the same quarter of 2008 (+40).

Business Travellers

- The majority of Ontario hoteliers (81%) are expecting to see fewer business travelers in Q2 2009 than in the same quarter of the previous year. Only 1% expect to see more business travelers during the coming quarter, while 18% expect the number to be about the same.
- The resulting negative balance of opinion (-80) is down from both the previous quarter (-67) from the same quarter of 2008 (-2).

Hours Worked

- 78% of Ontario hoteliers expect hours worked to decrease in the second quarter of 2009, while 21% expect hours worked to remain the same and 1% expect them to increase.
- The current negative balance of opinion (-77) is down from the previous quarter (-69) and lower than Q2 2008 (-1).



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.