Ontario
Business Conditions Survey
For the Traveller Accommodation Industry
Ministry of Tourism and Culture
Released in February 2010

JANUARY-MARCH 2010

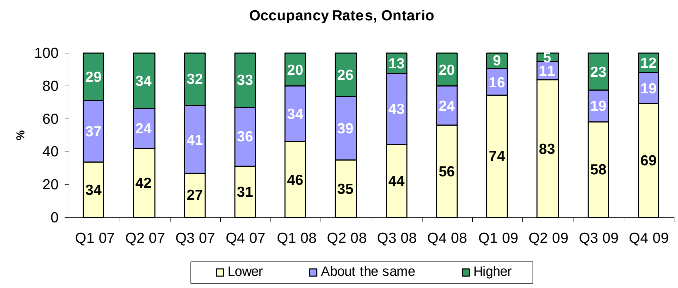
Highlights

- 69% of Ontario hoteliers indicated that occupancy rates were lower in Q4 2009 relative to Q4 2008, 12% reported rates were higher and 19% stated 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 with 67% of Ontarian and 54% of Canadian operators citing this as a business obstacle. Excess Room Supply is the second leading barrier with 44% of Ontario and 37% of Canadian hotel operators reporting this as an issue. Exchange Rate Fluctuations is also a key impediment with 31% of Ontario hoteliers and 25% of Canadian hoteliers calling it out as a concern.
- Looking ahead to the first quarter of 2010, Ontario hotel operators are less optimistic about Occupancy Rates, Room Nights, ADR, Business Travellers and Hours Worked: 54-62% of Ontario hoteliers expect each of these factors to decline in Q1 2010 compared to the previous year. Although this outlook is less favourable than that of the previous year, it is less negative than it was in the previous quarter.

NOTE: The Business Conditions Survey is a quarterly study among Canadian traveller accommodation providers. It is conducted by Statistics Canada and funded by the Ontario Ministry of Tourism and Culture, the Canadian Tourism Commission and Statistics Canada.

Recent Business Conditions: Q4 2009

69% of Ontario hoteliers reported occupancy rates were lower in the fourth quarter of 2009 than in Q4 2008; 19% indicated occupancy rates were about the same and 12% stated they were higher.



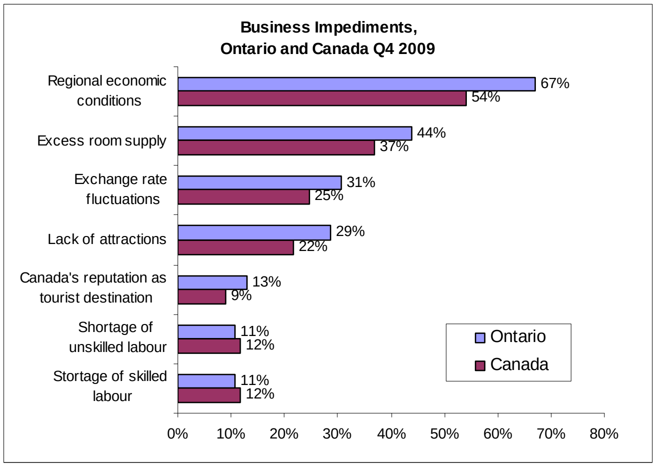
Hoteliers across the country reported similar results, with 65% of Canadian hoteliers indicating that occupancy rates were lower in Q4 2009 compared to Q4 2008. 24% stated occupancy rates were about the same and 11% reported they were higher.

Business Impediments

In Q4 2009, Regional Economic Conditions continued to be the number one business obstacle facing Ontario and Canadian hotel operators with 67% of Ontarian and 54% of Canadian hoteliers citing this as a business impediment. This compares to 58% in Ontario and 46% in Canada in Q4 2008.

Excess room supply continues to be the second largest business impediment with 44% of Ontario and 37% of Canadian hotel operators citing it as an issue.

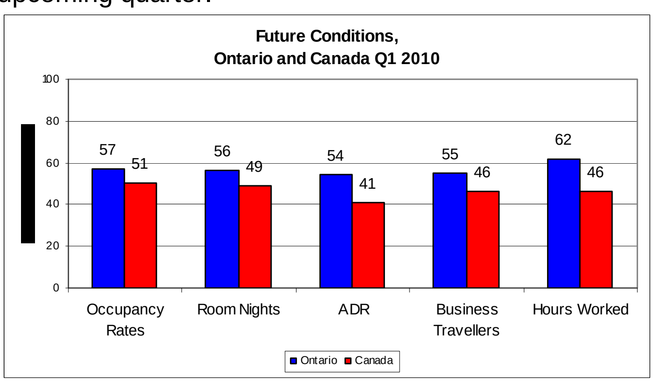
Prior to Q4 2008, Exchange Rate Fluctuations has been the primary barrier for Ontario hoteliers since Q2 2007. Although Exchange Rate is no longer the number one or number two hindrance, it is still a key impediment with 31% of Ontario hoteliers reporting it as a concern. 25% of Canadian hoteliers state Exchange Rates Fluctuations as an obstacle.



Future Business Conditions: Q1 2010

Looking ahead to the first quarter of 2010, both Ontarian and Canadian hotel operators are less optimistic about business performance relative to Q1 2009. However the outlook is less pessimistic than the previous 4 quarters.

54-62% of Ontario hoteliers expect lower results on the following 5 factors – Occupancy Rates, Room Nights, ADR, Business Travellers and Hours worked in Q1 2010 compared to Q1 2009. Canadian hoteliers are similarly not optimistic about the upcoming quarter.



Occupancy Rates

- 57% of Ontario hoteliers are expecting occupancy rates to decrease in Q1 2010 compared to Q1 2009, while 33% expect them to be similar, and 11% expect an increase. This compares to 68% expecting lower occupancy rates in Q1 2009 and 69% in Q4 2009.

Room Nights

- 56% (compared to 69% last quarter) are expecting the number of room nights to decline in Q1 2010, while 33% are expecting them to remain unchanged and 11% are expecting them to increase. This outlook is more favourable than Q1 2009, when 69% of Ontario hoteliers were expecting less room nights, 24% were expecting no change and 7% were expecting more.

Average Daily Rate

- Expectations around ADR continue to be low with 5% of Ontario hoteliers expecting to see higher rates in the first quarter of 2010 and 54% are expecting rates to be lower. In comparison to the same quarter of last year, 12% of hoteliers were expecting rates to be higher and 60% were expecting them to be lower.

Business Travellers

- The majority of Ontario hoteliers (55%) are expecting to see fewer business travelers in Q1 2010 than in the same quarter of the previous year. 7% expect to see more business travelers during the coming quarter, while 39% expect the number to be about the same.

Hours Worked

- 62% of Ontario hoteliers expect hours worked to decrease in the first quarter of 2010, while 37% expect hours worked to remain the same and 1% expect them to increase.