



The results are in for the Canadian Hotel Industry Survey launched June 23, 2009.



1 SURVEY RESPONDENTS (QTY 342)

Answer	0%	100%	Response Ratio*
Hotel Ownership			31.5 %
Corporate Hotel Management			11.7 %
Hotel Management (onsite and regional level)			26.1 %
Hotel Development and/or franchising			9.9 %
Lending			5.1 %
Hotel Industry Advisor/Supplier (e.g., consultant, broker, lawyer, architect)			24.9 %
Other			14.1 %

*multiple responses permitted

2 THE 'ECONOMIC RECOVERY' WILL CLEARLY BE VISIBLE BY:

Answer	0%	100%	Response Ratio
3rd quarter of 2009			4.3 %
4th quarter of 2009			14.9 %
1st quarter of 2010			16.3 %
2nd quarter of 2010			18.7 %
Last half of 2010			23.3 %
I have no idea			17.2 %
No Response(s)			5.2 %
TOTAL 100%			

Comments

We may see improvements in the general economy, but I do not think this will translate to improvements of significance to the lodging sector until the 2nd quarter of 2010.

Lots of false starts so far. As long as unemployment is an issue so will be our current condition.

Researchers are indicating 4th quarter this year but we do not see it on our end.

We are seeing signs now that the hospitality industry recovery is starting.

There are more bounces to come. Luxury and consumerism are under attack. Recovery will be uneven at best - government intervention is assuring that. While the overall economic situation may improve, there will definitely be a lag in terms of the hotel market catching up, especially as it pertains to meetings and conference bookings. In some cases, traditional urban properties may suffer further as companies which show strong rebound or outcome, then decide to "reward" their people with a "resort" or U.S. site.

In some cases, companies will look back and determine that reduced travel and meetings should be the new norm.

We are seeing an increase in pre-bookings for the 1st quarter of 2010 due to the Olympics in Vancouver.



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3 THE SUMMER OF 2009, AS COMPARED TO SUMMER 2008, WILL SEE THE CANADIAN HOTEL INDUSTRY EXPERIENCE:

Answer	Lower	Stay the Same	Greater	Number of Response(s)
Occupancy	66.6%	24.3%	9.1%	201
Rate	59.8%	33.6%	6.6%	244

Comments

Leisure demand is up for Canadian hotel markets and is shifting to markets with better value (often translating into better rates & price-points compared to nearby similar U.S. & CDN markets).

Lower rate and occupancy and lower RevPAR. Many companies are playing a dangerous rate game right now in Canada. We need an intervention!

Occupancy is off by about 10% and will not be regained. Most of the loss is in the leisure segment. Families and seniors are just not traveling and the weekend business is off significantly.

Less visitors from US & abroad will be offset by more Canadians vacationing at home. Expect lower ADR's for budget & economy category and competitive packaging of meals & experiences with accommodations at luxury destinations.

My market is primarily in the Niagara Falls area. Although occupancy started 2009 in better than expected condition, as soon as the USA Memorial holiday started it became apparent that the passport issue would have a significant negative impact on USA travel. This is not expected to alter during 2009.

4 FOR EACH OF THE FOLLOWING DEMAND SEGMENTS, IS THE BALANCE OF 2009 (FROM JULY 1ST FORWARD) EXPECTED TO GET WORSE, STAY THE SAME OR IMPROVE:

Answer	Get Worse	Stay the Same	Improve	Number of Response(s)	Rating Score
Individual leisure	42%	45%	12%	290	1.7
Group leisure	57%	38%	5%	281	1.5
Individual corporate	43%	43%	13%	276	1.7
Group corporate (convention, meeting, incentive)	62%	30%	6%	276	1.4

Comments

I believe we will see continued erosion from 2008 until sometime in late September or early October and then should expect to see year over year numbers improve.

There is a general consensus in an adverse economic climate that every segment becomes budget conscious. Even though there may be quite a few conventions/meetings booked the attendance to these functions may be lower than anticipated. Overall all segments mentioned above are affected by a struggling economy.

All depends on the Canadian Dollar.

Individual leisure occupancy will increase year-over-year but ADR will decrease.



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5 THE PROGNOSIS FOR THE FINANCIAL HEALTH OF THE CANADIAN HOTEL INDUSTRY OVER THE BALANCE OF 2009 IS:



Comments

Perhaps somewhere between “not so bad” and “dreadful”.

Hotel lending is virtually shut down in North America and by far a less preferred asset class.

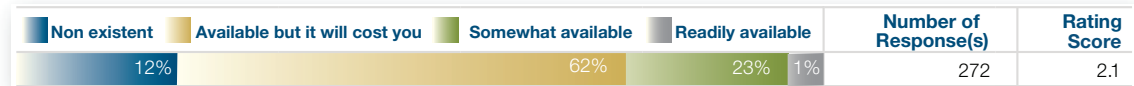
It is a storm we have weathered before.

The issue really is that people are not staying the extra nights. Where they used to stay 3 nights, now they are staying 2 nights.

Regionally dependent. East will be worse than the west.

More “bad” than “dreadful”.

6 THE AVAILABILITY OF DEBT TO REFINANCE EXISTING HOTELS BY YEAR END 2009/EARLY 2010 WILL BE:



Comments

We have not had any problem re-financing as long as the debt is below \$10 million. Rates have been fair with most of our 5 year mortgages being at 6% although we are letting most of our new debt float at this time.

Longer-term rates will continue to increase to reflect the bond market. Lenders will be more mindful of limiting their exposure to the hotel sector. Premiums on shorter-term rates will increase while the prime is at its current nadir.

The cost of debt is unattractive, therefore very few deals will get done.

Only for those that have a longtime relationship with the lender. Only 50% loan to value, if the property has been well managed and the bottom line is good.



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7 A HOTEL OWNER LOOKING TO SELL IN Q3 OR Q4 2009, SHOULD EXPECT VALUES TO BE:

Answer	0%	100%	Response Ratio
Greater than 10% above 2008 value			1.1 %
0% to 10% above early 2008 value			1.1 %
The same as early 2008 value			4.9 %
0% to 10% less than 2008 value			24.2 %
11% to 25% less than 2008 value			38.0 %
More than 25% less than 2008 value			6.7 %
No Response(s)			22.2%
TOTAL 100%			

Comments

Optimism plays a roll here...the realty values have change very little in this neck of the woods...

Regionally dependent.

Don't sell in 2009.

8 THE MOST PROLIFIC HOTEL BUYERS DURING THE BALANCE OF 2009 WILL BE:

Answer	0%	100%	Response Ratio*
Opportunity/vulture funds			38.5%
Pension and investment funds			16.9%
Private equity groups			29.9%
REITs and public companies			12.9 %
Private owners/operators			43.7%
Other			3.5%

*multiple responses permitted

Comments

I do not think anybody will buy or sell.

The only buyers will be cash rich investors looking for select service, or heavily discounted (possibly underwater) full-service hotels.

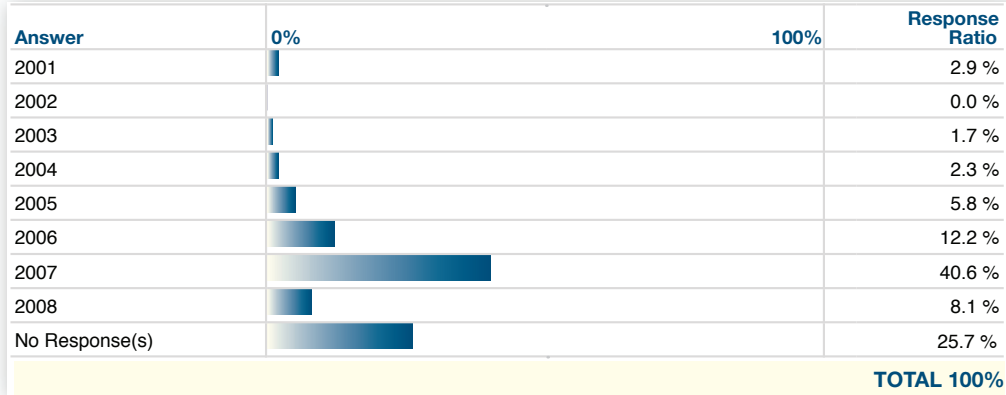
I believe the volume of deals will be very limited...consequently smaller one-off deals will predominate favoring private owners. Larger deals that will provide greater upside will be focused in the US.



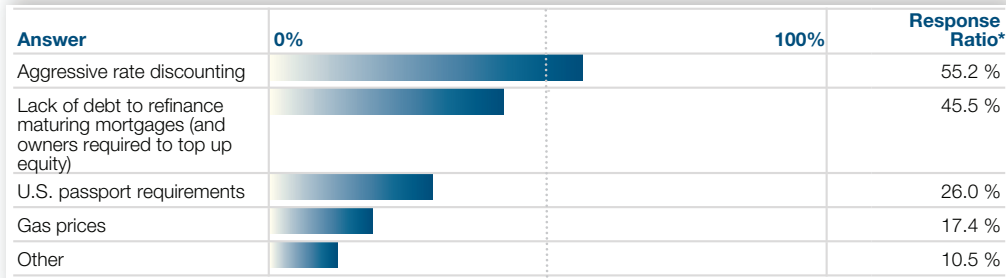
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9 IN WHAT YEAR, OVER THE PAST DECADE, DID CANADIAN HOTEL VALUES PEAK?



10 WHAT IS THE “ELEPHANT IN THE ROOM” ISSUE WITHIN THE CANADIAN HOTEL INDUSTRY?



*multiple responses permitted

Comments

Things are not that bad if you manage and market your properties properly.

Passports are a non issue except for day trippers.



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11a THINKING OF THE FIRST SIX MONTHS OF 2009, WHAT HAS BEEN THE MOST SIGNIFICANT (PLEASANT) SURPRISE IN THE CANADIAN HOTEL INDUSTRY?

- ▶ Buoyancy of occupancy levels in certain sectors.
- ▶ The drop in economy did not impact all regions of Canada at the same rate of decline.
- ▶ Companies are continuing to send the individuals travelers out on the road. Major construction projects are still underway.
- ▶ How well room rates held up early in the year.
- ▶ Relative to the US, the Canadian industry is in far better shape.
- ▶ RevPAR for luxury accommodations has not declined more dramatically.
- ▶ The number of new rooms that have come on stream.
- ▶ There haven't been many hotel foreclosures in Canada, which is surprising given the situation in the US, as well as the early '90s.
- ▶ Occupancy and ORNs have proven to be stronger than initially expected. Corporate IT and Leisure IT seem to have the strongest support.
- ▶ The huge success of many Western Canadian markets.
- ▶ ADR did not drop as much as thought initially, but then the chains started price wars.
- ▶ That so few saw this coming!
- ▶ Resilience of the Canadian economy.
- ▶ The strong start of the 1st quarter.
- ▶ I haven't gone bankrupt yet.

11b WHAT HAS BEEN THE BIGGEST DISAPPOINTMENT?

- ▶ Government has done little to support our industry.
- ▶ Hoteliers continue to cut rates to try maintain market share. I thought that the industry had learned but it seems not.
- ▶ Opaque site dumping.
- ▶ Toronto going from no 5-star hotels to a proposed four 5-hotels, and no developer/lender had the foresight to cancel/shelve at least one project.
- ▶ Leisure group cancellations.
- ▶ Lower numbers participating in conventions.
- ▶ Extremely tough to get financing or refinancing.
- ▶ The lack of a coordinated effort to boost tourism.
- ▶ Massive drops in April/May for transient/groups and leisure travel. Big drops in sporting tournament room demand in certain markets.
- ▶ The non-existent US Corporate or transient traveler, it's as if they have forgotten Canada as a great economical destination.
- ▶ The announcement of the Harmonized Sales Tax and the negative impact that it will have on the Hotel Industry making Ontario the highest taxed hotel rooms in the world. Are they crazy? If this goes through it will be the end of the DMF. Very bad news for tourism in Toronto and surrounding area.
- ▶ The slow write-downs of lender debt.