

RESEARCH

# MONITORING CANADA'S ACCOMMODATION INDUSTRY DURING A CHALLENGING YEAR – 2003

## THE IMPACTS OF THE IRAQ WAR AND SARS

### REPORT #3

Research  
report  
2004-6

### QUARTER 3 – 2003 RESULTS

*Discover our true nature*

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DU TOURISME



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# **Monitoring Canada's Accommodation Industry During A Challenging Year – 2003**

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The Impacts Of The Iraq War And SARS  
Report #3  
Quarter 3 – 2003 Results

Prepared For:

Ontario Ministry of Tourism and Recreation  
and  
Canadian Tourism Commission

Prepared by:

**PKF CONSULTING**

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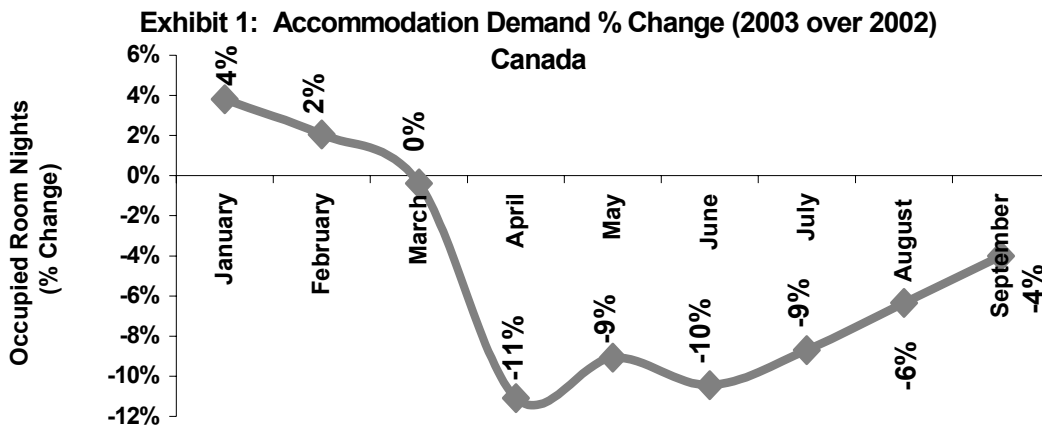
## Executive Summary

### Measuring the Impacts of the Iraq War And SARS On Canada's Accommodation Industry – Quarter 3 Results

Prior to the onset of SARS (Severe Acute Respiratory Syndrome), there were differing opinions as to where the accommodation industry in Canada was headed. Most had expected a recovery in 2002 that never materialized and generally speaking the industry was approaching 2003 with guarded optimism. In late March, the Ontario Ministry of Tourism & Recreation and the Canadian Tourism Commission retained PKF Consulting to monitor the impact of the then impending war in Iraq on the Canadian Accommodation Industry. Shortly thereafter, the study was broadened to include the impact of the SARS crisis, which today dominates the ongoing study.

#### 3.2 Million Room Nights Lost in the 2<sup>nd</sup> and 3<sup>rd</sup> Quarter Across Canada

While the Canadian accommodation industry started the year off well, posting a 2.6% increase in overnight demand in January and February 2003, demand levels started slipping by 1% in March, and thereafter fell sharply by 11% in April, and a further 9 to 10% per month in May, June and July, before seeing some recovery in August and September. April results posted a shortfall of over 662,000 occupied room nights, with May results almost as equally devastating with over 590,000 room nights lost, before the damage accelerated with the onset of Canada's peak summer travel months. June and July posted losses of 732,000 and 652,000 occupied room nights, respectively, with the situation improving somewhat in August, which recorded 507,000 lost room nights and September, which reported 281,000 room nights lost. In all since March, the industry has suffered a total deficit of over 3.2 Million room nights in comparison to last year's performance.

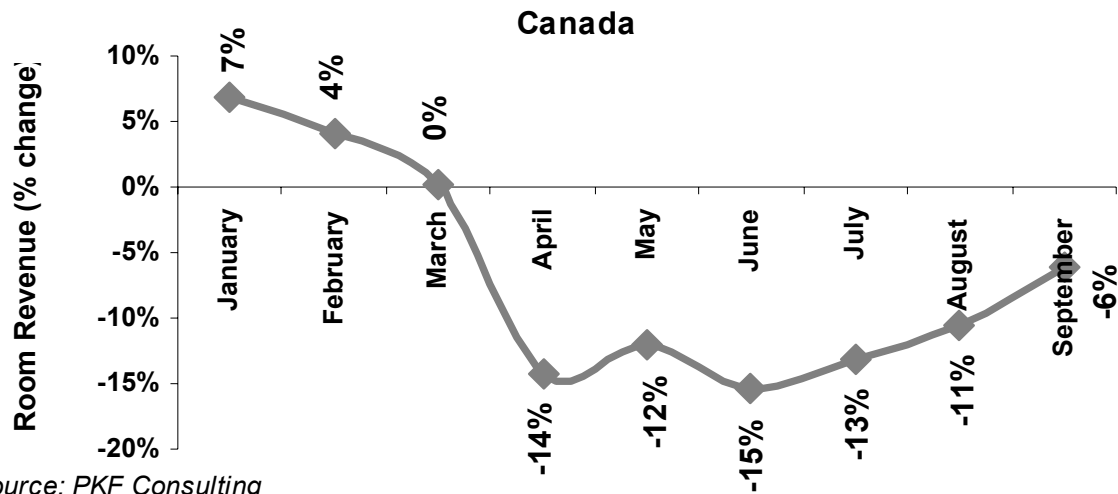


Source: PKF Consulting

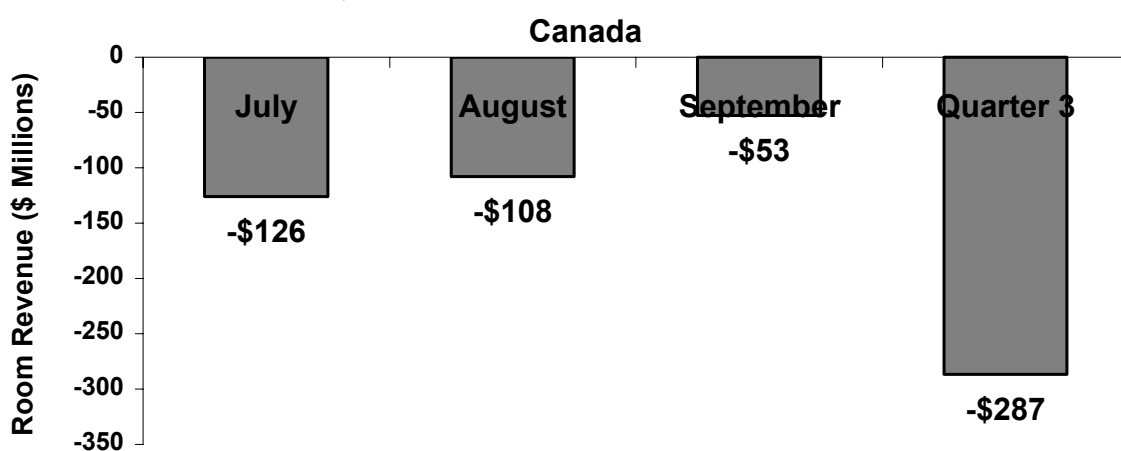
### Quarter 3 Rooms Revenue Down by \$287 Million Across Canada

During the month of April, with the onset of SARS and the lingering effects of the Iraq War, Canada as a whole lost \$92 Million in room revenue in comparison to last year. Faced with a travel advisory and a second wave of the SARS outbreak in May, the industry endured a further attrition of \$90 Million in room revenue. Already in distress, accommodation providers suffered an additional \$136 Million year-over-year decline in the month of June. Over the course of the summer months, Canada's accommodation industry as a whole, lost \$126 Million in room revenues in July, \$108 Million in August and \$53 Million in September, bringing Quarter 3 losses to \$287 Million – 90% of the losses already endured in Quarter 2. Accounting for the other on-site ancillary sources of revenue generated by the accommodation sector, Canada's combined accommodation revenue loss year-to-date is estimated at \$932 Million.

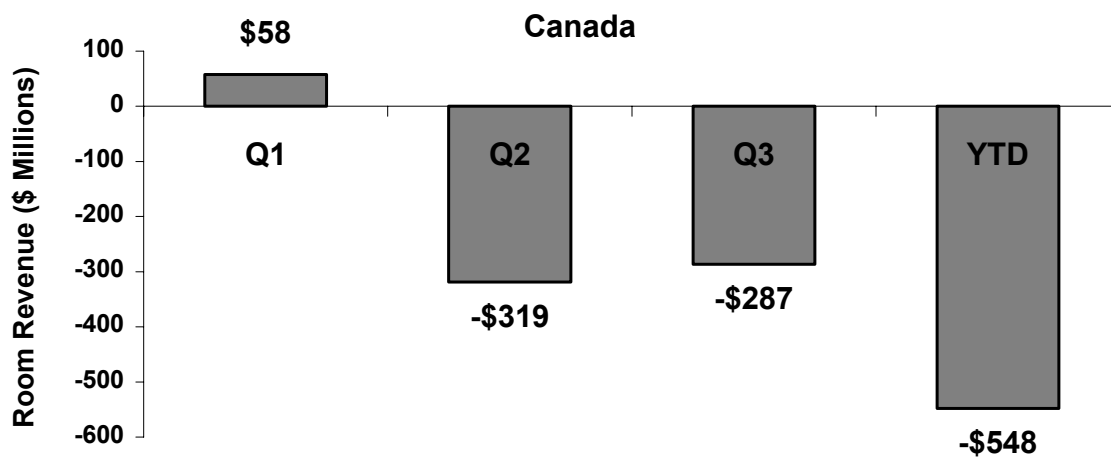
**Exhibit 2: Room Revenue % Change (2003 over 2002)**



**Exhibit 3: Quarter 3 Room Revenue Loss - 2003 vs. 2002**



**Exhibit 4: Year-to-date Room Revenue Loss - 2003 vs. 2002**



Source: PKF Consulting

**Ontario Suffers Lion's Share of Impacts – Q2 and Q3 Loss of \$339 Million in Rooms Revenue -- 56% of the National Loss to date**

Demand for Ontario's hotels was up by almost 205,000 room nights or 4% in Quarter 1, 2003, before taking a sharp turn in the other direction and reporting a loss of over 1 Million room nights in Quarter 2 followed by a further attrition of 668,000 room nights in Quarter 3. This represents a \$339 Million decline in room revenue during Quarters 2 & 3 or 56% of the national loss. Ontario's hotel occupancy during Quarter 3 this year was 65% -- 8 points below last year's Q3 occupancy of 72%. Ontario's average daily rate also eroded by \$11 in Quarter 3, from \$125 last year, to \$114 this year.

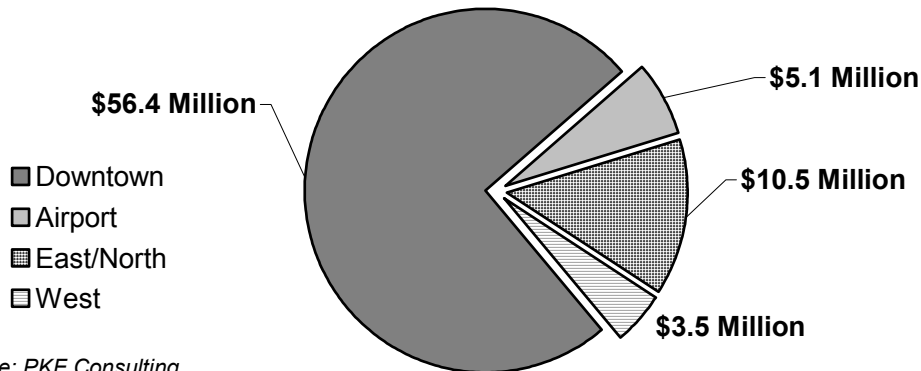
**Greater Toronto Area Continues to be the Most Distressed Market-- \$75 Million in Rooms Revenue Lost in Quarter 3, \$56 Million Amongst Downtown Toronto Hotels**

Hotel demand in the Greater Toronto Area was up by approximately 85,000 room nights during the first quarter of 2003, or 4.8%, before the phone starting ringing in April with cancellations and stopped ringing for future bookings. During Quarter 2 the GTA hotel industry lost an estimated 592,000 occupied room nights, representing over \$111 Million in room revenue. While not as devastating as the previous quarter, Quarter 3 results showed a further loss of 282,000 room nights, equating to a deficit of \$75 Million in room revenue compared to the same quarter last year.

Of the \$75 Million in room revenue lost across the GTA, \$56.4 Million was amongst Toronto's downtown hotels -- 75¢ of every dollar lost in the GTA. Downtown Toronto occupancy levels, which reached 80% last year, dropped to a low of 58% in July and on average was 66% for the quarter this year compared to an average of 77% for the same period in 2002. Toronto downtown hotels also lost rate integrity, with last year's ADR at \$173 in Quarter 3, falling to \$143 in Quarter 3 of this year.



**Exhibit 5: Third Quarter 2003 Room Revenue Loss (\$75.5 Million)  
Greater Toronto Area**



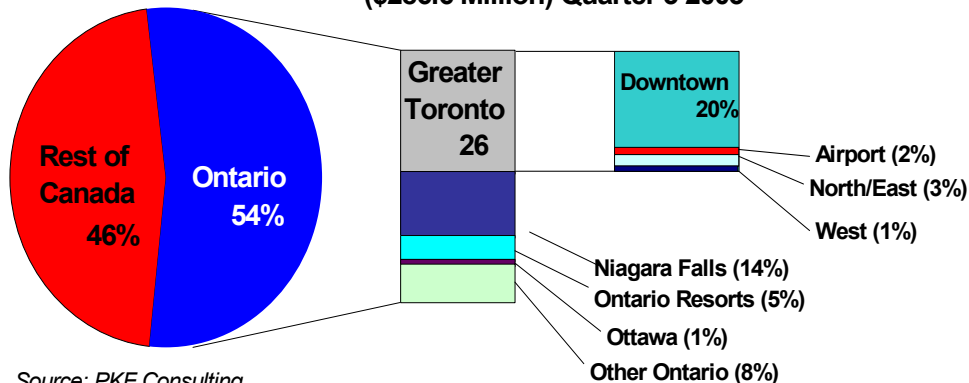
Source: PKF Consulting

**Impacts Have Spread to Other Ontario Markets**

Although downtown Toronto hotels were the hardest hit in Quarter 3, the impact of SARS and to a lesser extent the economic conditions, has had a rippling effect across Ontario’s other major markets. In particular:

- Ontario Resorts lost over \$15 Million in rooms revenue during Quarter 3 – 61,000 fewer occupied room nights than the same period last year;
- Niagara Falls lost 122,000 occupied room nights, which is close to \$39 Million in rooms revenue;
- Toronto Airport hotels were off by \$5.8 Million in rooms revenue, which is 32,000 less occupied room nights than last year;
- Toronto East/North properties were down by over 60,000 occupied room nights, representing \$10.5 Million in lost rooms revenue;
- Windsor hotels reported room revenue losses of nearly \$1.5 Million, which represents a shortfall of 7,400 in occupied room nights compared to last year’s Quarter 3; and
- Ottawa’s July revenue gain of \$400,000 was not enough to offset losses in August and September bringing total Quarter 3 losses to nearly \$3 Million compared to 2002.

**Exhibit 6: Ontario's Share of National Room Revenue Loss (\$286.6 Million) Quarter 3 2003**



Source: PKF Consulting

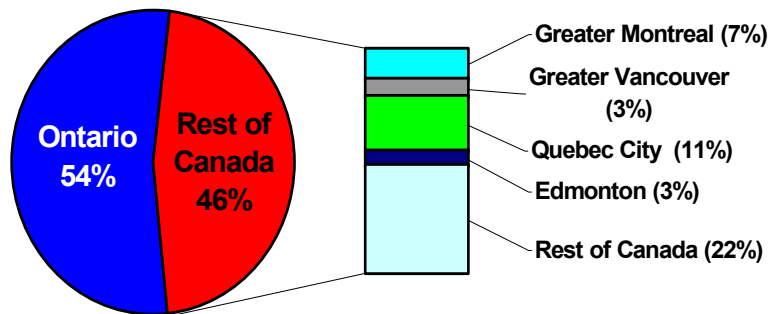
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### Impacts Also Felt Across Other Canadian Markets

Nationally, of the \$286.6 Million in lost rooms revenue in Quarter 3, 46% has been in markets outside of Ontario. Specifically,

- Greater Montreal hotels reported a loss of 113,000 occupied room nights in Quarter 3, representing over \$19 Million in rooms revenue;
- Greater Vancouver was only down by 3,500 occupied room nights during Quarter 3 but still lost an estimated \$10 Million in rooms revenue due to a 5% decline in average rate;
- Quebec City was down by 121,000 occupied room nights, equating to a loss of over \$32 Million in rooms revenue;
- Calgary hotels and Alberta Resorts reported a loss of approximately 24,000 and 95,000 occupied room nights per market respectively, equating to a room revenue loss of \$4.3 Million for Calgary and \$34.0 Million for Alberta Resorts; and
- Although the Edmonton hotel market was off by 126,000 occupied room nights in Quarter 3 (a loss of \$8.5 Million in rooms revenue), this decline was largely attributable to the conclusion of the 2001/02 phase of the Shell Athabasca project which resulted in a strong 2002 industry performance.

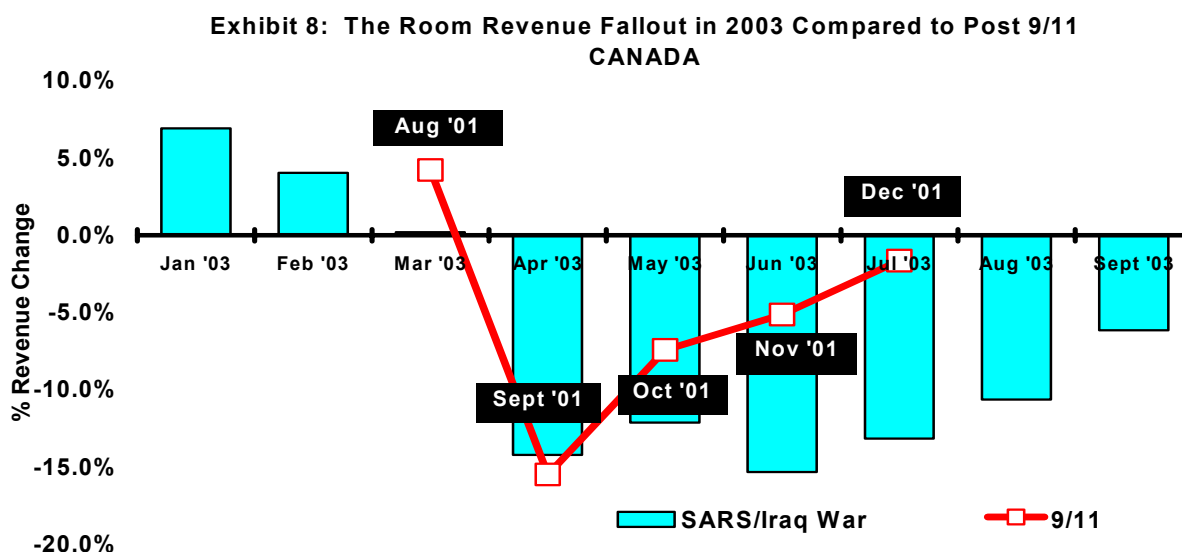
**Exhibit 7: Other Major Market's Share of National Room Revenue Loss  
(\$286.6 Million) Quarter 3 2003**



Source: PKF Consulting

## 9/11 vs. SARS

By comparing the impacts of 9/11 on Canada's accommodation industry with the outbreak of SARS and the Iraq conflict, we see that the industry impacts were felt in a very different manner. First losses associated with 9/11 were concentrated in the month of September, which realized 51% of the total room nights lost due to this event. Each month thereafter the losses were cut in half and by December 2001, direct losses associated with 9/11 were negligible. The losses conversely associated with the SARS Outbreak escalated with the approach of Canada's peak tourism season. The greatest impacts were realized in the month of June as markets dependent on international tour group business and meeting/convention demand were faced with insurmountable losses. Unfortunately, the fact that the SARS Outbreak began to impact the industry as the peak season approached magnified the absolute room night and dollar losses.



Secondly, the impact of SARS was concentrated in Ontario and more specifically in the GTA market. The impacts of 9/11 were more evenly spread throughout the country with about 40% of the loss realized in Ontario and 22% in the Greater Toronto Area. Conversely, over half of the impacts resulting from SARS were in the Province of Ontario and over one-third in the GTA.

Overall the Canadian accommodation industry suffered a **loss of over 2 million occupied room nights at an estimated value of \$350 million – post 9/11**. In comparison, **SARS and the events of 2003, have caused the industry a total deficit of over 3.4 Million occupied room nights in Quarters 2 and 3, equating to an estimated \$605 Million in lost room revenue.**

### Positive Trend Expected to Continue over the Winter Months

With the conclusion of the peak leisure travel season in most of Canada's tourist destinations and the positive trend in major market fill rates, it is expected that the upward demand trend will continue. Preliminary numbers for the month of October indicate that National demand was off by a mere 0.3% or 20,000 occupied room nights compared to 2002.

# 1. Introduction

## 1.1. On the Heels of 9/11. . . Iraq War, SARS, Forest Fires & BSE

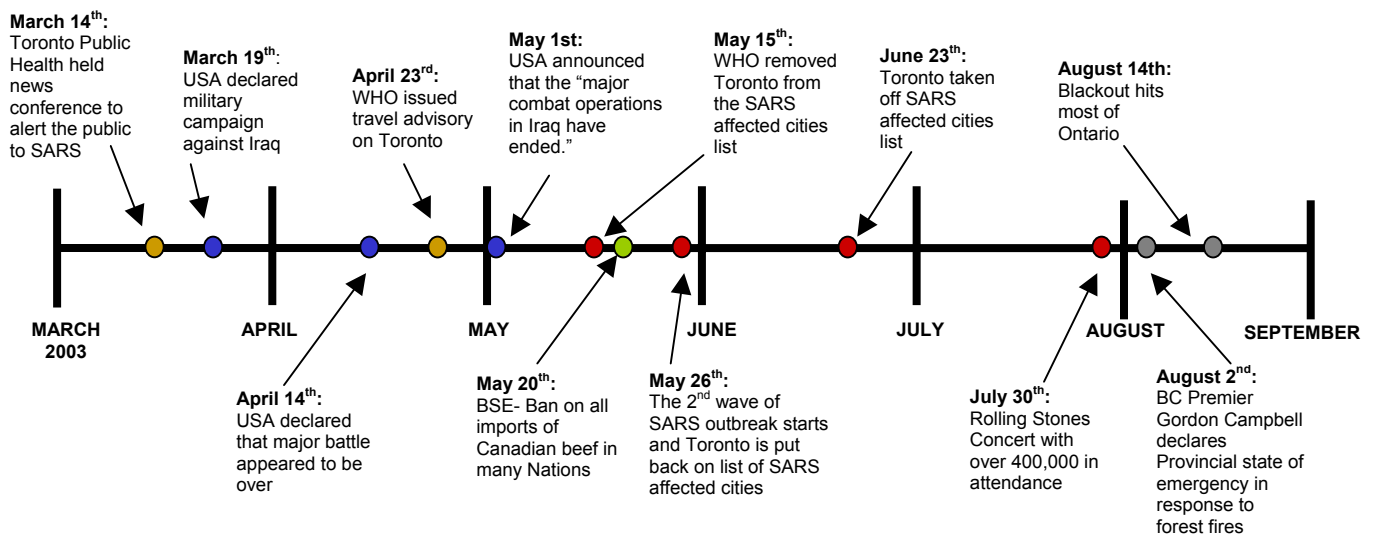
Canada's tourism industry has been severely impacted by both the Iraq War and the outbreak of Severe Acute Respiratory Syndrome (SARS) in the first nine months of 2003. With rumblings surrounding the impending war in Iraq first stirring in Quarter 3 of 2002, the US led war against Iraq officially began on Wednesday March 19<sup>th</sup> when President George W. Bush declared a military campaign against Iraq. After several weeks of battling and while some fighting was still going on, the United States of America had declared on April 14<sup>th</sup> that the major battle appeared to be over. However, it was not until May 1<sup>st</sup> that President Bush announced that the "major combat operations in Iraq have ended."

Just when Canadians thought the country's economy would improve with the Iraq War concluded, the outbreak of Severe Acute Respiratory Syndrome (SARS), a respiratory illness with pneumonia-like symptoms once again threatened the Canadian tourism industry.

On March 14<sup>th</sup>, Toronto Public Health held its first news conference to alert the public to this fatal epidemic after the first SARS patient died on March 13<sup>th</sup> at Toronto's Scarborough Grace Hospital. This in turn set off a chain reaction within Toronto and the City was quickly issued a travel advisory on April 23<sup>rd</sup> from the World Health Organization (WHO) for non-essential travel. Due to intense lobbying efforts on behalf of the municipal, provincial and federal governments, the travel advisory on Toronto was lifted on April 30<sup>th</sup> and the City was removed from the list of SARS affected cities on May 15<sup>th</sup> after the disease was thought to be under control. However, Toronto hospitals efforts to curb any further transmission of the disease were unsuccessful and a second wave of SARS outbreak surfaced on May 22<sup>nd</sup>. Toronto was once again put back on the list of affected areas on May 26<sup>th</sup> and was subsequently taken off on June 23, 2003.

Further compounding an already devastating situation for Canada's hospitality industry, one lone case of BSE in Alberta (Mad Cow disease) was confirmed by the World Reference Laboratory on May 20, 2003, and within hours a ban on all imports of Canadian beef was announced. The mid-summer forest fire outbreak in British Columbia impacted the tourism industry primarily in the western provinces as tourists cancelled trips to the region.

These recent events have had an immediate and devastating impact on Canada's accommodation industry – impacts which have not only been felt in the Greater Toronto Area, but have crippled the tourism industry and economy across the country.



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## 1.2. Measuring the Impacts – PKF Analysis

In March 2003, PKF Consulting was retained by the Ontario Ministry of Tourism and Recreation and the Canadian Tourism Commission to analyze the impacts of these recent and ongoing events on Canada's accommodation industry. Similar to the analysis that was undertaken immediately following the tragic events of 9/11, PKF Consulting contacted our "Trends" participants as part of a series of 4 surveys, which will take place over the balance of 2003.

The first report dated May 30, 2003 provides an analysis of the first Quarter, while the second report and the subject report provides an analysis of Quarters 2 and 3 – the Quarters, which experienced the majority of the SARS impact.

### 1.2.1. Quarter 3 Survey of Accommodation Operators

During the month of October and early November 2003, PKF Consulting undertook a 3<sup>rd</sup> survey of accommodation operators in Canada's major markets through our PKF *Trends in the Hotel Industry National Market Report* participants.<sup>1</sup> This survey was a follow-up to the initial survey issued in April and May 2003 and the 2<sup>nd</sup> survey undertaken in June and July 2003.

As the third in a series of 4 surveys to be implemented over the course of the year, the Quarter 3 2003 survey asked the following questions:

#### **PART 1: QUARTER 4 BOOKING PACE AND Q4 CANCELLATIONS**

##### **Accommodation Booking Pace for Quarter 4**

1. As of September 30, 2003, what were your confirmed bookings by month for October, November and December 2003, as of September 30<sup>th</sup>?

##### **Room Cancellations as at September 30, 2003**

2. As of September 30, 2003, has your property experienced any cancellations for Quarters 4 due to Geopolitical reasons, SARS Fallout, West Nile Virus, BC Fires or Other Reasons?

#### **PART 2: ABOUT YOUR 2003 QUARTER 3 RESULTS**

##### **Reasons for Quarter 3 2003 Changes in Demand**

3. a) *Relative to your 2002 Quarter 3 actuals*, did your property experience a growth in demand or loss in demand in your actual 2003 Quarter 3 results?

What % of this growth or decline in demand, do you feel was attributable to:

- National/Provincial Economic Conditions
- Local/Regional Economic Conditions
- Increased Supply Competition
- Geopolitical Reasons (Iraq War, Residual 9/11, etc)

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<sup>1</sup> *Trends in the Canadian Hotel Industry, National Market Report* is compiled and produced by PKF Consulting on a monthly basis. This Canadian proprietary database presents occupancy, average daily rate and revenue per available room statistics for 93 geographic regions/markets across Canada, based on the operating results of 176,000 rooms.

- 
- Fears/Impacts Associated with SARS
  - Fears/Impacts Associated with West Nile Virus
  - Fears/Impacts Associated with BC Fires
  - Other Reasons, Please specify

#### **Changes to Quarter 3 2003 Market Segmentation**

3. b) What % of this change in demand, do you feel has been attributable to the following market segments:
- Business Travel
  - Independent Leisure Travel
  - Group Leisure Travel
  - Meetings/Convention Travel
  - Government Travel
  - Other Segments

#### **Changes to Quarter 3 2003 Origin Segmentation**

3. c) What % of this change in demand, do you feel has been attributable to the following origin segments:
- Domestic Travel
  - US Travel
  - Overseas Travel

#### **Changes to Primary Mode of Transportation in Quarter 3 2003**

4. What are the primary modes of transportation used by your hotel guests in arriving at their destination?
- Air
  - Automobile
  - Motorcoach
  - Other

What changes, if any, have you noticed in your guests travel patterns in 2003, as compared to last year?

A total of 148 operators, representing 37,233 rooms responded to our Quarter 3 Survey. The survey responses represent 21% of PKF's *Trends* participants or 11% of Canada's overall accommodation inventory.

**Exhibit 2: Major Markets Surveyed in Quarter 3**

	<b>SURVEY RESPONSE (ROOMS)</b>	<b>% TOTAL ROOMS INVENTORY</b>
Halifax Dartmouth	1,122	24%
Quebec City	1,308	12%
Greater Montreal	2,996	17%
Montreal Downtown		
Montreal Airport		
Ottawa	1,468	14%
Greater Toronto	11,002	38%
Toronto Downtown		
Toronto Airport		
GTA East/North		
GTA West	Insufficient response to report indiv.	
Windsor	248	9%
Ontario Resorts	1,252	8%
Regina / Saskatoon	984	13%
Calgary	1,599	14%
Edmonton	1,588	14%
Alberta Resorts	2,028	19%
Greater Vancouver	3,352	19%
Vancouver Downtown		
Vancouver Airport		
Vancouver Other	Insufficient response to report indiv.	
Other Markets	7,655	
<b>TOTAL</b>	<b>37,233</b>	<b>11%</b>

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### 1.2.2. Development of National Impact Model

The reader is referred to our *Quarter 1 Report*, dated May 30, 2003 for an explanation of PKF's **National Impact Model**, which has been utilized to measure the actual performance of the accommodation industry during the January to December 2002 period, against actual and forecasted results by month for 2003. The Impact Model has been applied to each of the provincial, regional, city and sub-markets tracked in our Monthly *Trends Report* (53 markets).

### 1.3. National Accommodation Supply

Based on the accommodation inventories supplied to PKF by each of the provinces, together with our knowledge of supply additions in the Canadian market, Canada had an estimated supply of 330,248 rooms in Quarter 3 2002 (including only full-year properties of 30+ rooms in size). By Quarter 3 2003, this supply base increased by 1.0%, to an estimated annualized inventory of 333,428 rooms. Table 3 below provides the averaged room supply inventory by province, during Quarter 3 2002 and 2003.

**Exhibit 3: Rooms Supply Inventory, by Province (Averaged)  
Quarter 3 2002 and 2003**

PROVINCE	Q 3 2002	Q3 2003	% CHANGE
Newfoundland	3,851	3,903	1.4%
PEI	2,715	2,715	0.0%
Nova Scotia	10,238	10,288	0.5%
New Brunswick	7,657	7,780	1.6%
Quebec	56,540	56,620	0.1%
Ontario	106,592	107,888	1.2%
Manitoba	10,455	10,633	1.7%
Saskatchewan	11,033	11,153	1.1%
Alberta	50,588	51,259	1.3%
British Columbia	68,582	69,330	1.1%
<u>Yukon</u>	<u>1,950</u>	<u>1,950</u>	<u>0.0%</u>
NATIONAL	330,248	333,428	1.0%

*Source: Provincial Tourism Departments, PKF Consulting and Hotel Association of Canada. Inventory prepared by KPMG*





## 2. National Performance of Canada's Accommodation Industry – Third Quarter 2003

### 2.1. National Results – 3<sup>rd</sup> Quarter 2003

#### Hotel Supply Inventory

- Canada's accommodation inventory averaged 333,428 rooms in Quarter 3 2003 – a 1.0% increase in supply with the addition of 3,180 rooms since Quarter 3 2002.

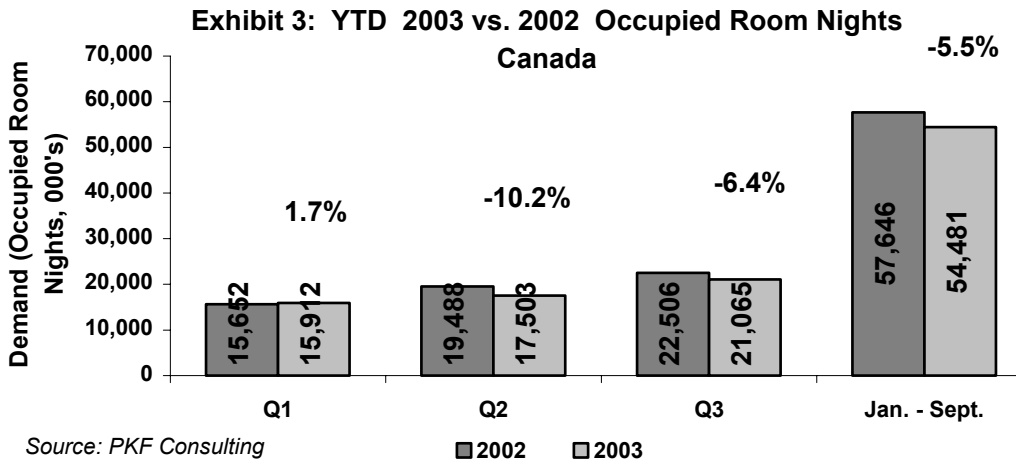
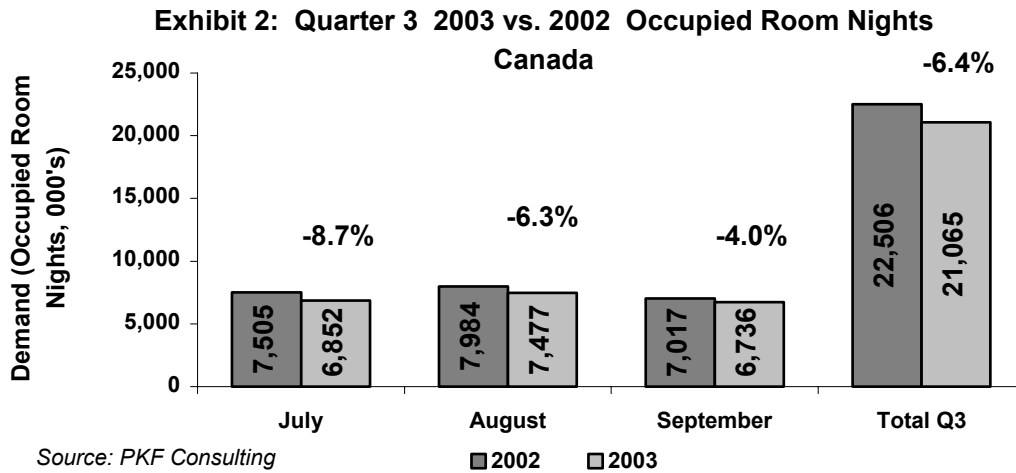
#### Demand and Rate

Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Atlantic Canada	80%	\$114	83%	\$112	-2.3%	2.0%
Quebec	71%	\$139	79%	\$143	-9.8%	-3.0%
Ontario	65%	\$114	72%	\$125	-9.4%	-8.7%
Manitoba	64%	\$89	64%	\$90	1.9%	0.9%
Saskatchewan	60%	\$85	63%	\$81	-4.5%	5.1%
Alberta (excl. Resorts)	68%	\$100	73%	\$99	-6.6%	1.5%
British Columbia	72%	\$128	74%	\$131	-0.9%	-2.8%
<b>Total Canada</b>	<b>69%</b>	<b>\$121</b>	<b>74%</b>	<b>\$126</b>	<b>-6.4%</b>	<b>-4.0%</b>

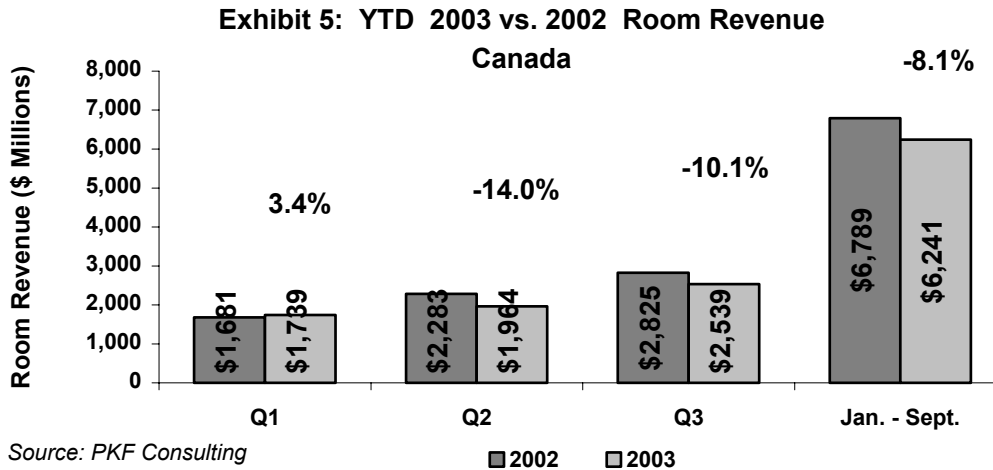
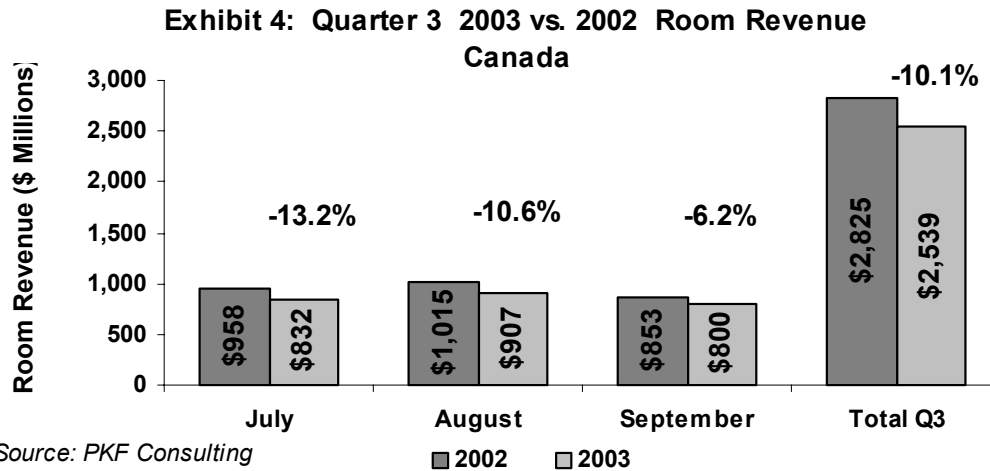
Source: PKF Consulting

- During Quarter 3 2003, Canada's hotel market achieved a 69% occupancy at an average daily rate of \$121. Occupancy levels were down 5 points compared to Quarter 3 of last year, with the average daily rate also down by approximately \$5.
- Demand for the Canadian accommodation market was **down approximately 1.44 Million room nights or 6.4% in Quarter 3 2003**, as compared to the same period in 2002.
- On a month-by-month basis, the situation improved as the Quarter progressed, with Canadian demand down 8.7% in July, 6.3% in August and 4.0% in September.
- For the first nine months of 2003, National demand was down by 5.5% with the Quarter 2 and 3 results somewhat mitigated by the demand increase in Quarter 1.



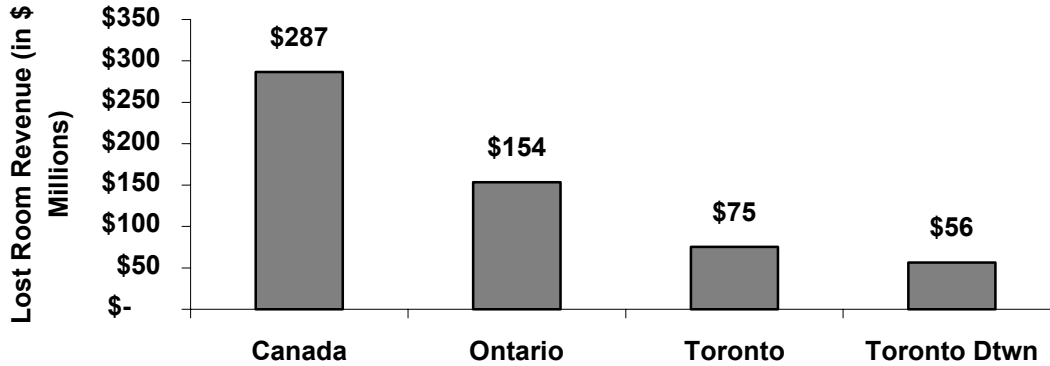
### Room Revenue

- Nationally, rooms revenue declined by 13.2% in July, 10.6% in August and 6.2% in September. Overall, Quarter 3 room revenue was down by \$287 Million compared to the same period last year. Quarter 3's losses represent about 90% of the losses suffered in Quarter 2, which were posted at \$319 Million.
- During the first nine months of 2003, room revenues declined by 8.1% or \$548 Million, in comparison to last year.



- Canada as a whole lost \$287 Million in room revenue during Quarter 3 in comparison to last year. Of the total room revenue erosion in the 3<sup>rd</sup> Quarter, \$154 Million occurred in Ontario, \$75 Million was in the Greater Toronto Area, and more narrowly, \$56 Million was lost by Downtown Toronto hotels.
- In comparison to Quarter 2 results, the impacts were more evenly distributed across Canada's major markets during the 3<sup>rd</sup> Quarter. While losses in the GTA were still a major factor, Quarter 3's GTA losses made up 26% of the national loss in comparison to Quarter 2, which saw 35% of the national losses occurring in the GTA.

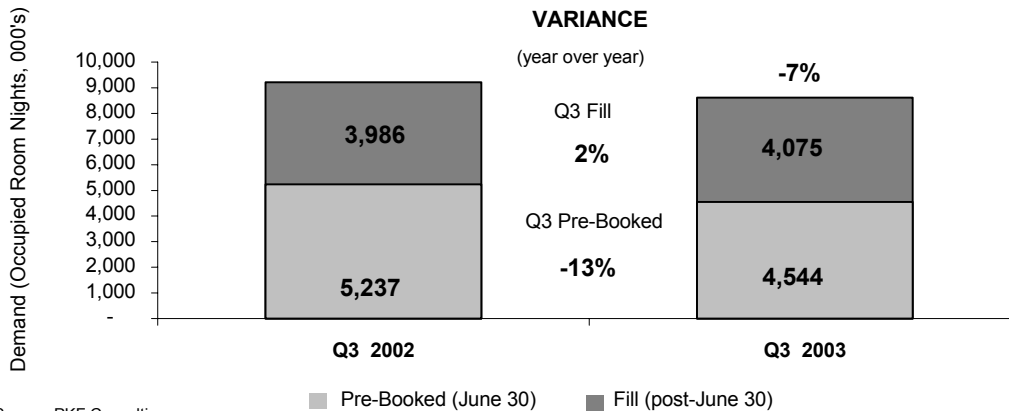
**Exhibit 6: Third Quarter Room Revenue Variance - 2003 vs. 2002**



**Pre-Booked Business and Fill Rate**

- As of June 30<sup>th</sup>, hoteliers in Canada’s major markets had pre-booked 4.5 Million room nights for the upcoming months of July, August and September – 13% fewer room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry rose by 2% in Quarter 3, with 4.1 Million room nights sold between June 30<sup>th</sup> and September 30<sup>th</sup>, compared to 4.0 Million in the previous year.
- Overall 3<sup>rd</sup> Quarter demand in Canada’s major markets fell by 7%, due primarily to the lack of pre-booked business booked before June 30<sup>th</sup>.

**Exhibit 7: Pre-Booked as of June 30 and Fill Rate for Q3 2003 vs. 2002 Canadian Major Markets**



Source: PKF Consulting

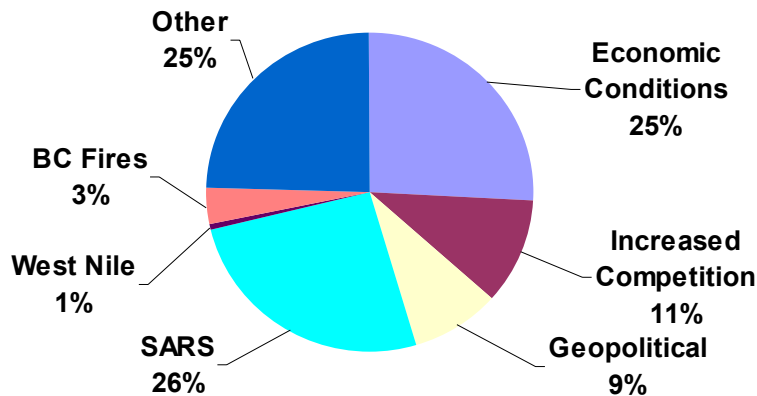
<sup>1</sup> Includes 18 Major and Sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa, Windsor Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts

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### Market Factors Responsible for Demand Loss in Canada's Major Markets

- Hoteliers in Canada's 18 major and sub-major markets cited a variety of reasons for their 3<sup>rd</sup> Quarter demand erosion. SARS was the factor behind 26% of demand loss in Canadian major markets trailed by national, provincial and regional economic conditions (25%), increased competition (11%), geopolitical reasons (9%) and other reasons (25%). BSE (Mad Cow disease) and West Nile virus had very little effect on 3<sup>rd</sup> Quarter demand.

**Exhibit 8: Market Factors Responsible for Demand Loss in Canadian Major Markets (Quarter 3 2003)**



Source: PKF Consulting

<sup>1</sup> Includes 18 Major and sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa : Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts

## 2.2. National Cancellations And Booking Pace In Quarters 3 & 4

- Hotels in Canada's 18 major and sub-major markets logged over 212,000 cancellations for Quarter 4, 2003. Almost half of the total cancellations were due to concerns over SARS. Geopolitical reasons cost hoteliers 26,000 Quarter 4 reservations. BSE (Mad Cow), West Nile virus, and the forest fires in British Columbia were cited as very small factors for room cancellations and are thus included in the cancellations due to other reasons in this national major market summary.

### Room Cancellations Attributed to SARS

- Canada's major accommodation markets reported an estimated **94,000 room nights cancelled in Quarter 4 2003** attributed to travel fears associated with Severe Acute Respiratory Syndrome – equating to a **potential \$11.9 Million loss in Quarter 4** rooms revenue.
- In terms of potential rooms revenue loss in Quarter 4, the top 5 impacted markets from SARS were: Greater Toronto Area, Quebec City, Alberta Resorts, Windsor and Halifax/Dartmouth.

**Exhibit 9: Cancellations and Potential Room Revenue Loss Attributed to SARS by Major Market**

MAJOR MARKET	AS AT JUNE 30TH		AS AT SEPTEMBER 30TH (CUMULATIVE)	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Greater Toronto Area	24,512	\$3,117	45,452	\$5,780
2 Quebec City	20,325	\$2,683	21,780	\$2,875
3 Alberta Resorts	11,855	\$1,757	12,157	\$1,802
4 Windsor	3,994	\$408	3,994	\$408
5 Halifax / Dartmouth	3,439	\$376	3,439	\$376
6 Edmonton	2,417	\$235	3,197	\$311
7 Greater Montreal Area	457	\$58	1,699	\$216
8 Greater Vancouver Area	1,048	\$109	2,226	\$122
9 Ottawa	-	\$0	-	\$0
10 Ontario Resorts	-	\$0	-	\$0
11 Calgary	-	\$0	-	\$0
12 Regina / Saskatoon	-	\$0	-	\$0
13 Winnipeg	-	\$0	-	\$0
<b>Total Major Markets</b>	<b>68,047</b>	<b>\$8,743</b>	<b>93,944</b>	<b>\$11,890</b>

Source: PKF Consulting

### Room Cancellations Attributed To Geopolitical Reasons

- Due to Geopolitical reasons, Canada's major accommodation markets have logged an estimated **26,000 room nights cancelled for Quarter 4 2003**, which equates to an estimated **\$3.3 Million** in potential lost room revenue.
- In terms of revenue loss, the top 5 markets hit hardest by Geopolitical cancellations during Quarter 4 include: Alberta Resorts, Quebec City, Greater Montreal Area, Windsor and Halifax/Dartmouth.

**Exhibit 10: Cancellations and Potential Room Revenue  
Loss Attributed to Geopolitical Reasons by Major Market**

MAJOR MARKET	AS AT JUNE 30TH		AS AT SEPTEMBER 30TH (CUMULATIVE)	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Alberta Resorts	7,215	\$1,069	8,072	\$1,196
2 Quebec City	5,044	\$666	5,044	\$666
3 Greater Montreal Area	3,220	\$409	3,220	\$409
4 Windsor	2,663	\$272	2,663	272
5 Halifax / Dartmouth	2,293	\$251	2,293	\$251
6 Greater Toronto Area	887	\$113	2,110	\$268
7 Greater Vancouver Area	1,623	\$168	1,623	\$168
8 Edmonton	-	\$0	780	\$76
9 Ottawa	-	\$0	177	\$22
10 Calgary	-	\$0	-	\$0
11 Regina / Saskatoon	-	\$0	-	\$0
12 Ontario Resorts	-	\$0	-	\$0
13 Winnipeg	-	\$0	-	\$0
Total Major Markets	22,945	\$2,948	25,982	\$3,328

Source: PKF Consulting



### Room Cancellations Attributed To BSE, West Nile Virus And Other Reasons

- Cancellations due to BSE, West Nile Virus, forest fires in BC, and other reasons have grown to over **93,000** for the 4<sup>th</sup> Quarter in Canada's major markets. This equates to an estimated **\$10.1 Million** in potential lost room revenue. West Nile, BSE and the BC fires account for only a small number of the cancellations with other reasons being the primary cause.
- The major markets with the largest potential rooms revenue loss attributable to BSE, West Nile virus, the BC fires and other reasons are: Greater Toronto Area, Alberta Resorts, Edmonton, Greater Vancouver Area, and Ottawa.

**Exhibit 11: Cancellations and Potential Room Revenue  
Loss Attributed to Other Reasons by Major Market**

MAJOR MARKET	AS AT JUNE 30TH		AS AT SEPTEMBER 30TH	
	CANCELLATIONS	REVENUE (\$000)	CANCELLATIONS	REVENUE (\$000)
1 Greater Toronto Area	9,445	\$971	64,728	\$6,748
2 Alberta Resorts	5,889	\$873	8,594	\$1,274
3 Edmonton	7,252	\$706	14,269	\$1,389
4 Greater Vancouver Area	1,624	\$168	1,656	\$172
5 Ottawa	662	\$83	1,664	\$208
6 Quebec City	1,099	\$145	1,099	\$145
7 Greater Montreal Area	675	\$86	675	\$86
8 Ontario Resorts	-	\$0	318	\$52
9 Halifax / Dartmouth	-	\$0	401	\$44
10 Windsor	-	\$0	-	\$0
11 Calgary	-	\$0	-	\$0
12 Regina / Saskatoon	-	\$0	-	\$0
13 Winnipeg	-	\$0	-	\$0
<b>Total Major Markets</b>	<b>26,646</b>	<b>\$3,032</b>	<b>93,404</b>	<b>\$10,118</b>

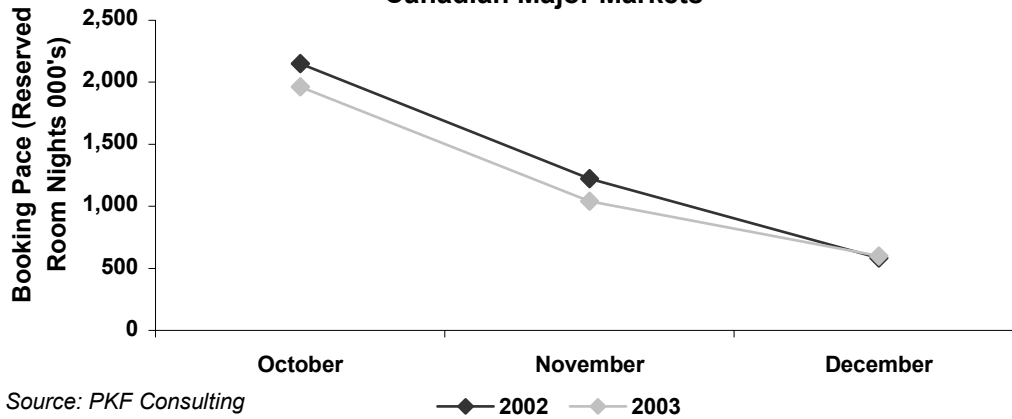
Source: PKF Consulting

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## Booking Patterns

- As of September 30, 2002, the number of room nights booked in Canada's major accommodation markets for October 2002 was estimated at 2.1 Million, 1.2 Million for November and 584,000 for December 2002.
- As of September 30, 2003, the number of room nights on the books for the month of October 2003 was estimated at 1.9 Million down 8.7% from the year prior, November's bookings of just over 1 Million room nights were also down by 15%, and December's booking pace of 590,000 is up by 2.6% in comparison to last year.
- Overall the booking pace for the major markets in Canada for October – December of 2003 is down by 9% compared to the same period of 2002.

**Exhibit 12: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)  
Canadian Major Markets**



<sup>1</sup> Includes 18 Major and sub-Major Markets consisting of: GTA, Greater Montreal, Greater Vancouver, Halifax, Quebec City, Ottawa, Windsor, Ontario Resorts, Regina/Saskatoon, Calgary, Edmonton and Alberta Resorts



### 3. Atlantic Canada Provincial/Market Performance

#### 3.1. Atlantic Canada

##### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- Atlantic Canada’s accommodation market was 24,686 rooms in Quarter 3 2003 – a 200 room increase over the average Quarter 3 inventory of 24,486 rooms.

##### Demand and Rate

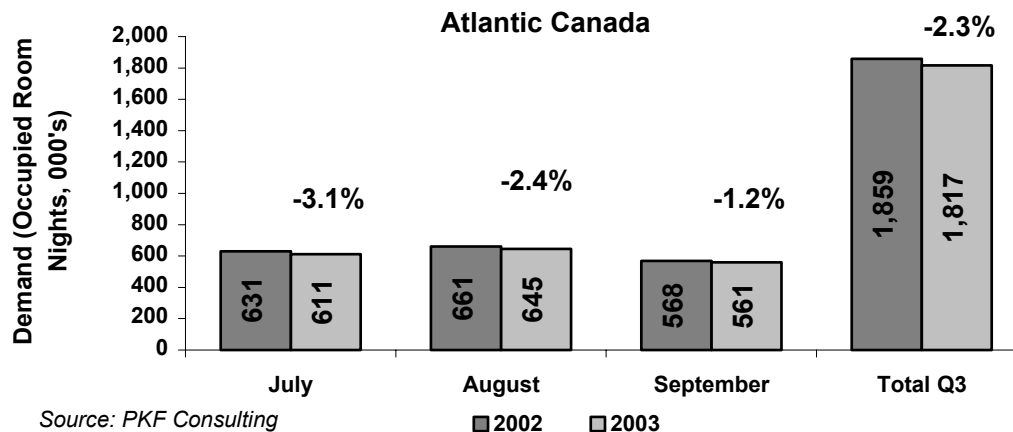
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Newfoundland	80%	\$108	78%	\$105	3%	3%
Prince Edward Island	74%	\$129	77%	\$128	-4%	1%
Nova Scotia	85%	\$121	89%	\$118	-4%	3%
New Brunswick	76%	\$103	79%	\$102	-2%	1%
<b>Total Atlantic</b>	<b>80%</b>	<b>\$114</b>	<b>83%</b>	<b>\$112</b>	<b>-2%</b>	<b>2%</b>

Source: PKF Consulting

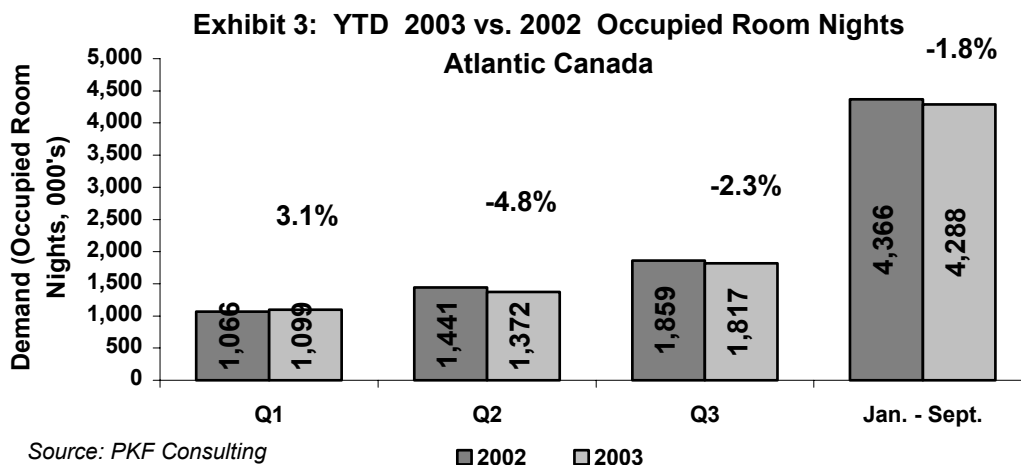
- During Quarter 3 2003 Atlantic Canada’s hotel market achieved a 80% occupancy at an average daily rate of \$114. Occupancy levels were 2.6 percentage points lower than Quarter 3 of last year, with the average daily rate improving by \$2.
- Demand for the Atlantic Canada accommodation market was **down by approximately 42,000 room nights or 2.3% in Quarter 3 2003**, as compared to the third quarter of 2002.
- While demand was down by 3.1% in July, the situation improved throughout the balance of the summer, with August down by 2.4% and September down by 1.2%.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights



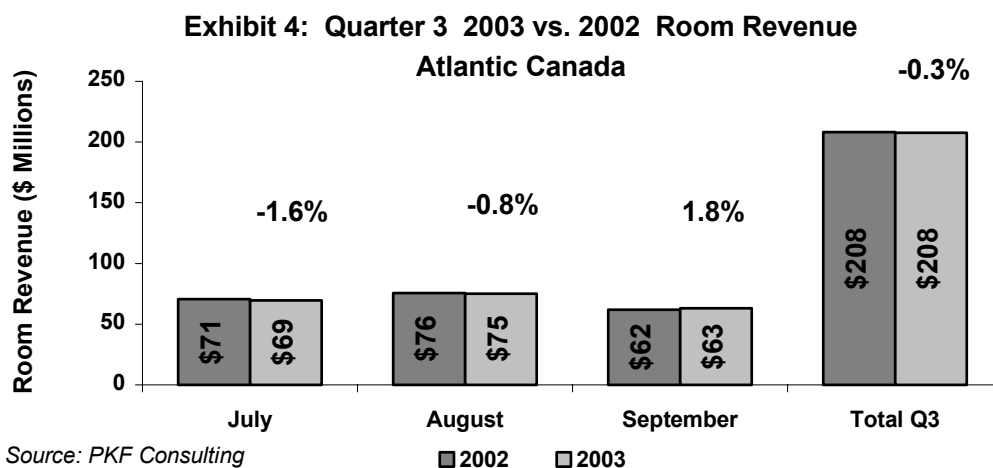
Source: PKF Consulting

- Demand was up by 3.1% at the end of Quarter 1 and Quarter 2 results showed a decline of 4.8%, with Quarter 3's results 2.3% behind 2002, bringing year-to-date 2003 results 1.8% behind the first nine months of 2002.

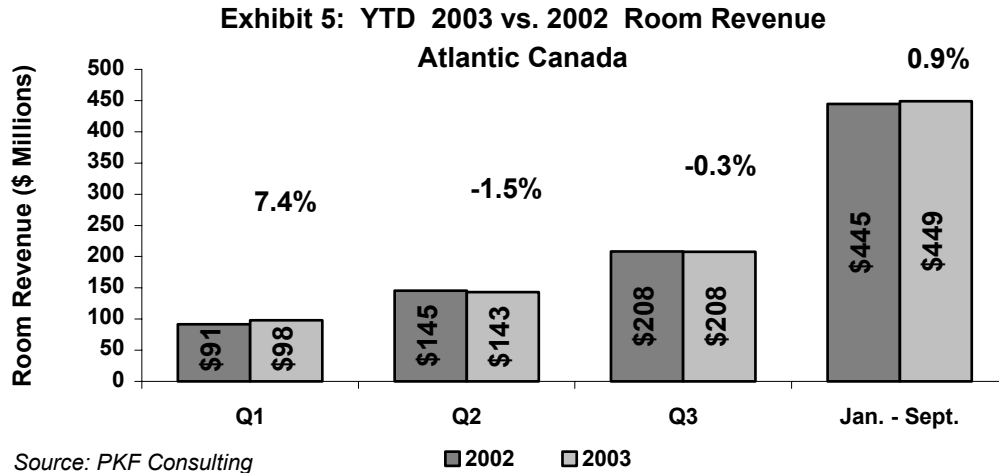


#### Room Revenue

- Atlantic Canada's room revenue declined by 1.6% in July and 0.8% in August, before turning the corner in September, which posted a 1.8% increase. This was the same pattern exhibited in Quarter 2.
- Overall, Quarter 3 room revenue was down by \$625,000 (-0.3%) compared to the same period last year – a marked improvement from the \$2.2 Million in room revenue losses reported in Quarter 2.



- Year-to-date room revenue for Atlantic Canada is marginally ahead of last year, by an estimated \$4 Million.



## 3.2. Province of Newfoundland

### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- Newfoundland's accommodation market was 3,903 rooms in Quarter 3 2003 – an increase of 52 rooms over Quarter 3 2002.

#### Demand and Rate

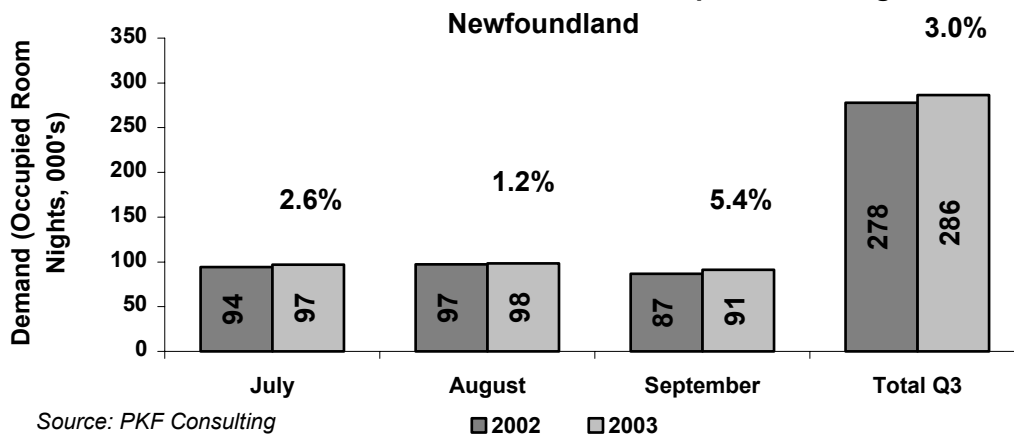
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
St. John's	84%	\$126	84%	\$122	4%	3%
<b>Total Newfoundland</b>	<b>80%</b>	<b>\$108</b>	<b>78%</b>	<b>\$105</b>	<b>3%</b>	<b>3%</b>

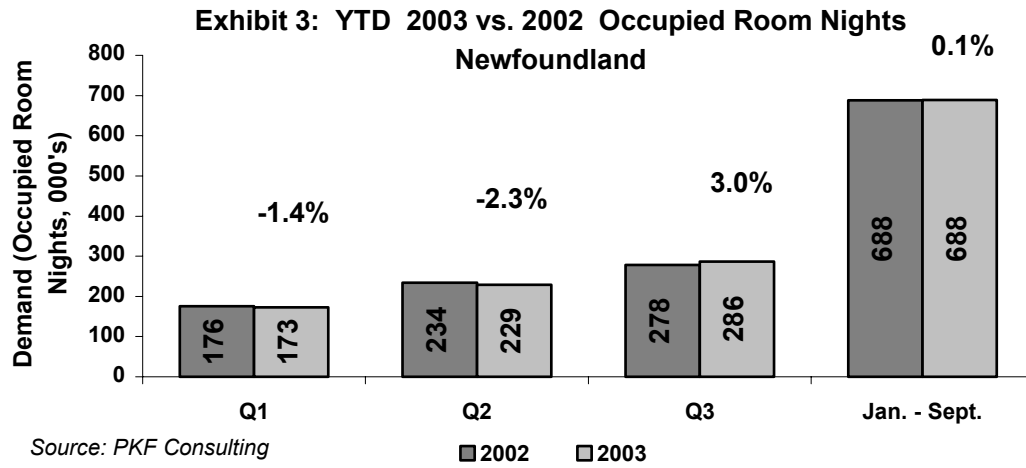
Source: PKF Consulting

- During Quarter 3 2003, Newfoundland's hotel market achieved an 80% occupancy at an average daily rate of \$108. Occupancy levels were 1.3 percentage points higher than Quarter 3 of last year, and the average daily rate improved by approximately \$3.
- After being down by approximately 5,400 room nights in Quarter 2, demand for the Newfoundland accommodation market was **ahead by an estimated 8,400 room nights in Quarter 3 2003**, as compared to the same quarter in 2002.
- Each month in Quarter 3 2003 underwent an improvement over last year – July was ahead by 2.6%, August by 1.2% and September by a healthy 5.4%.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

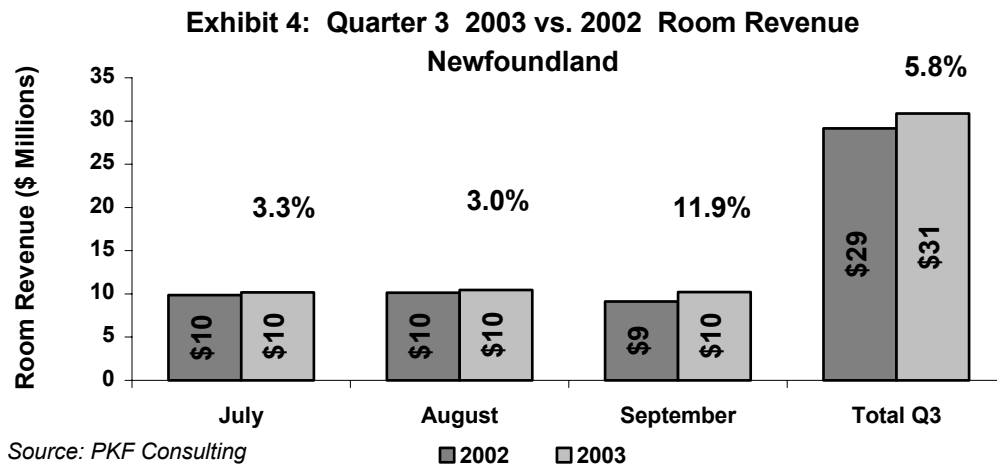


- Quarter 1 demand levels were down by 1.4%, followed by a 2.3% decline in Quarter 2, with Quarter 3 results, 3.0% ahead of the same period in 2002.



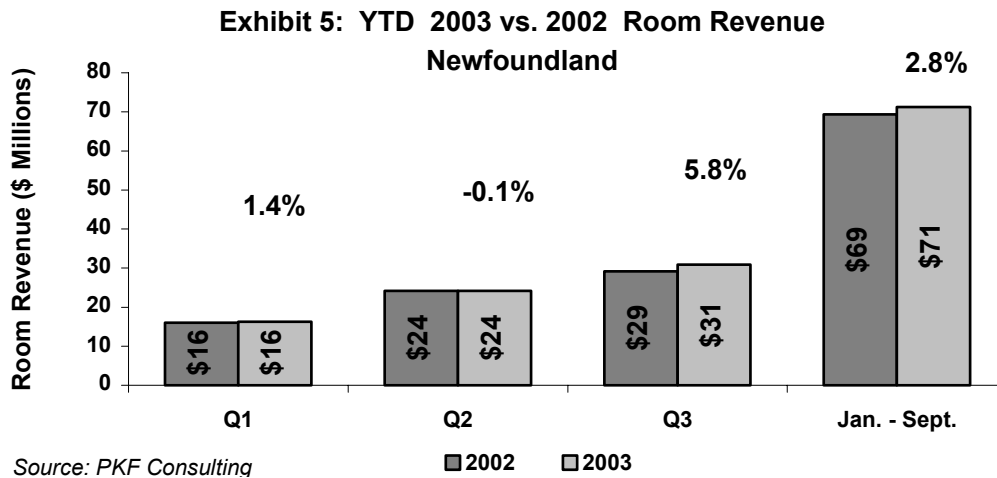
### Room Revenue

- Newfoundland's room revenue improved by 3.3% in July and 3.0% in August, before demonstrating a strong 11.9% increase in September, in comparison to last year.
- Despite losses in April, overall Quarter 2 room revenue was on par with the same period last year, and the **Quarter 3 results were 5.8% higher than last year**. Buoyed by Newfoundland's strong performance in September, Quarter 3 room revenues were \$1.7 Million ahead of last year's Q3 results.





- Year-to-date room revenue for Newfoundland is 2.8% ahead of last year, equating to an estimated \$1.9 Million.



### 3.3. Province of Prince Edward Island

#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- Prince Edward Island's accommodation market was 2,715 rooms in Quarter 3 2003 – with no change from Quarter 3 2002.

##### Demand and Rate

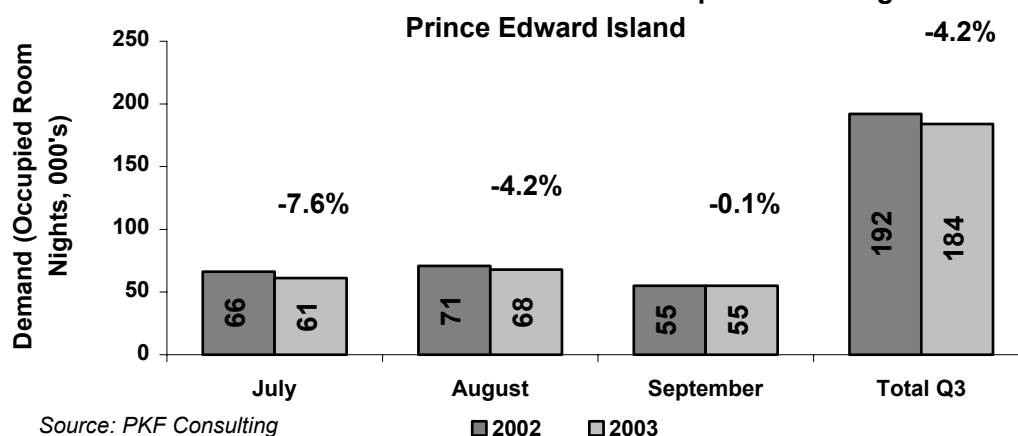
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3- 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
TOTAL PEI	74%	\$129	77%	\$128	-4%	1%

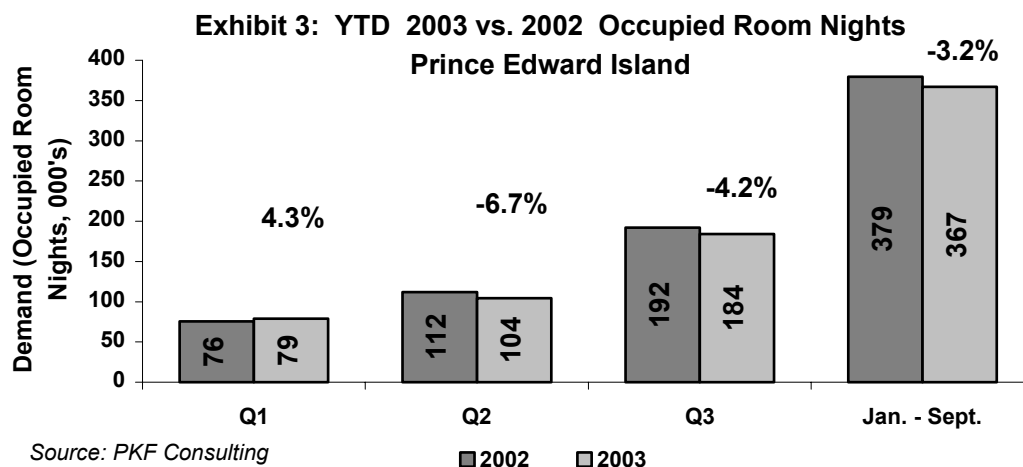
Source: PKF Consulting

- During Quarter 3 2003, Prince Edward Island's hotel market achieved a 75% occupancy at an average daily rate of \$129. Occupancy levels were 2 percentage points lower than Quarter 3 of last year, and the average daily rate was \$1 above Q3, 2002.
- Demand for the Prince Edward Island accommodation market was **down by approximately 8,050 room nights or 4.2% in Quarter 3 2003**, as compared to Quarter 3, 2002. This compares to the 7,435 room nights lost during Quarter 2, 2003.
- Although demand was down by 7.6% in July and August was off by 4.2%, September's results were on par with last year.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

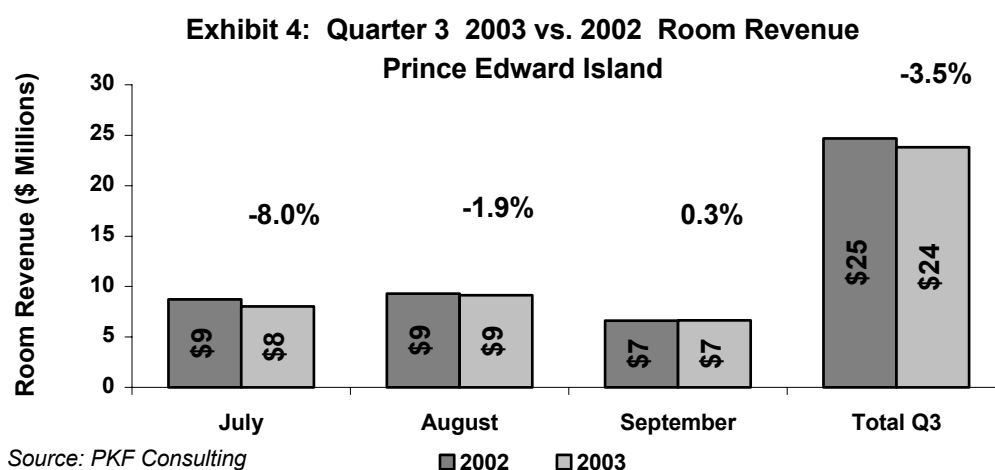


- Demand was up by 4.3% at the end of Quarter 1 and Quarter 2 results showed a decline of 6.7%, with Quarter 3 results 2.4% behind last year – representing a **year-to-date loss of 12,200 room nights (-3.2%)**.

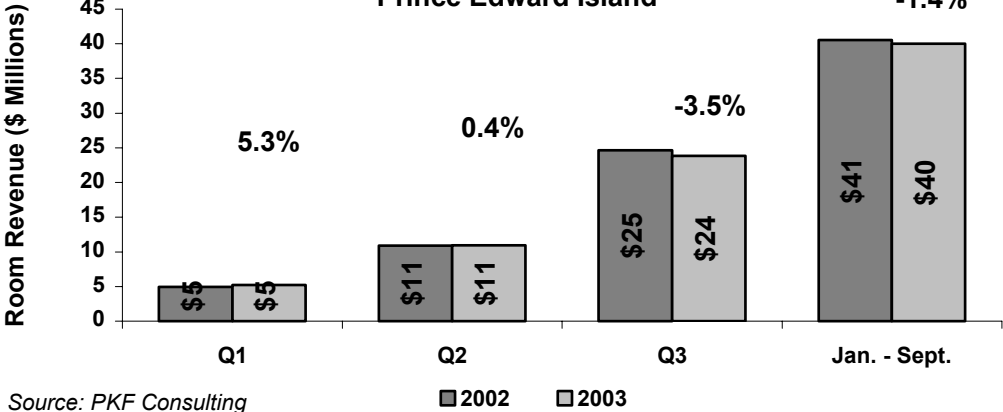


#### Room Revenue

- Although PEI suffered a 33.3% erosion in room revenue during the month of April at the onset of SARS and the Iraq War, the Quarter 3 results were not as severe – July’s room revenues were down by 8.0%, August was down by 1.9% and September’s results were almost on par with last year.
- Overall Quarter 3 room revenue was \$858,000 below the same Quarter last year. Year-to-date room revenue is only behind by an estimated \$550,000 in comparison to last year (-1.4%).



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue  
Prince Edward Island**



### 3.4. Province of Nova Scotia

#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- Nova Scotia's accommodation market was 10,288 rooms in Quarter 3 2003 – a 50 room (0.5%) increase from Quarter 3 2002.

##### Demand and Rate

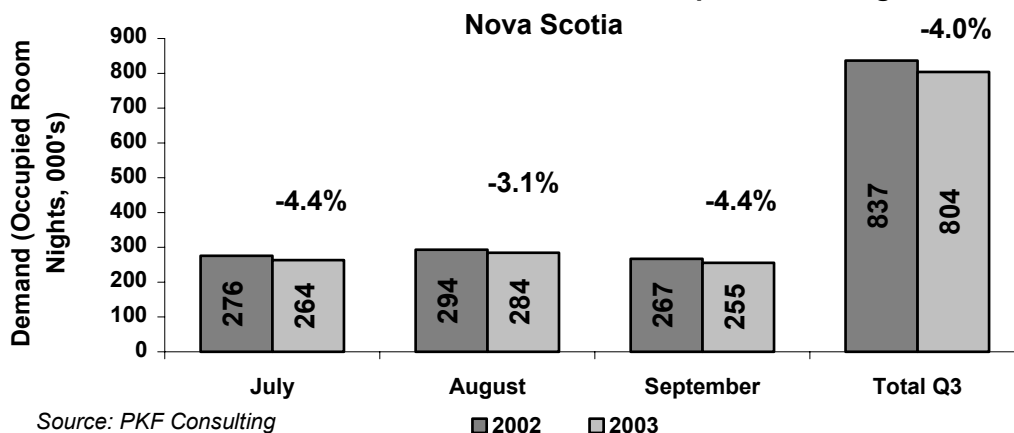
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Halifax	89%	\$131	92%	\$127	-3%	3%
Other Nova Scotia	76%	\$96	82%	\$94	-7%	2%
<b>Total Nova Scotia</b>	<b>85%</b>	<b>\$121</b>	<b>89%</b>	<b>\$118</b>	<b>-4%</b>	<b>3%</b>

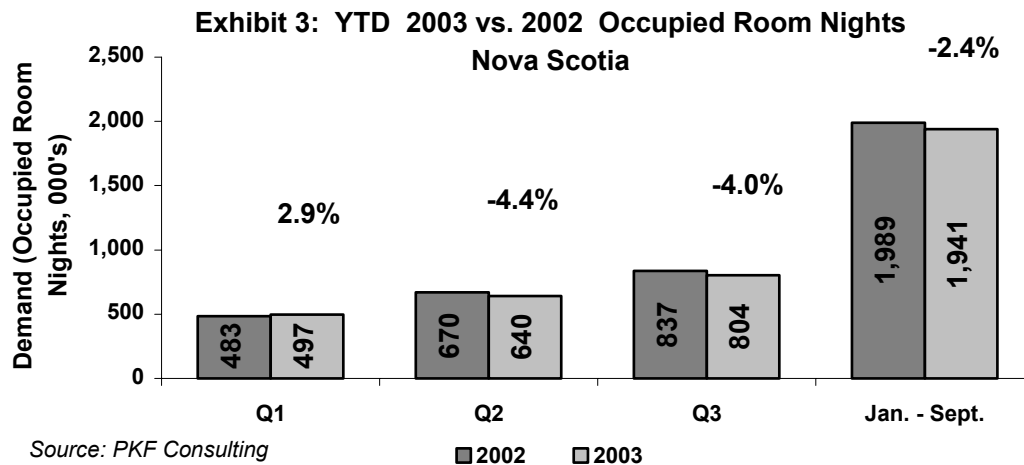
Source: PKF Consulting

- During Quarter 3 2003, Nova Scotia's hotel market achieved a 85% occupancy at an average daily rate of \$121. Occupancy levels were 4 percentage points below Quarter 3 of last year, with the average daily rate improving by close to \$3.
- Demand for the Nova Scotia accommodation market was down **by approximately 33,140 room nights or 4.0% in Quarter 3, 2003**, as compared to Quarter 3, 2002.
- Similar to Quarter 2 results, demand has consistently been down by 3 to 4% in each month of the third quarter.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

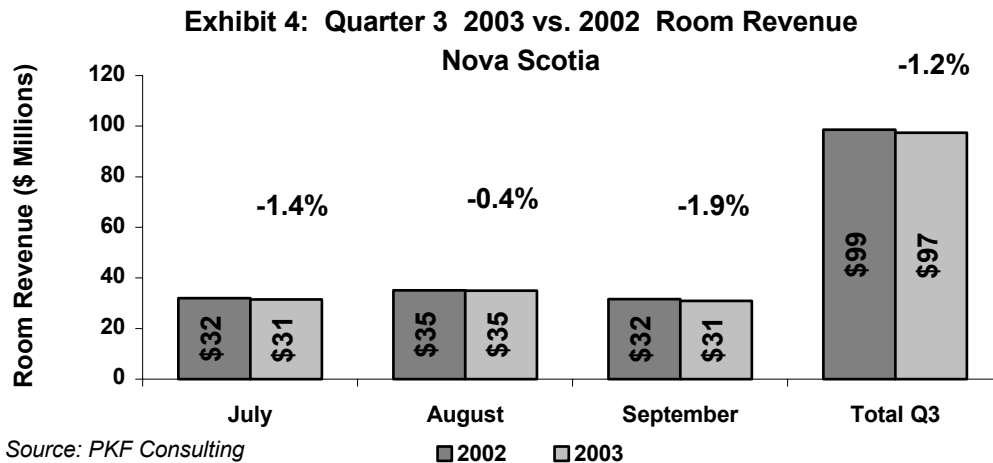


- While demand was ahead by 2.9% at the end of Quarter 1, Quarter 2 results showed a decline of 4.4%, with Quarter 3 results behind by 4.0%. This represents 48,500 fewer room nights sold, in comparison to the first nine months of 2002.



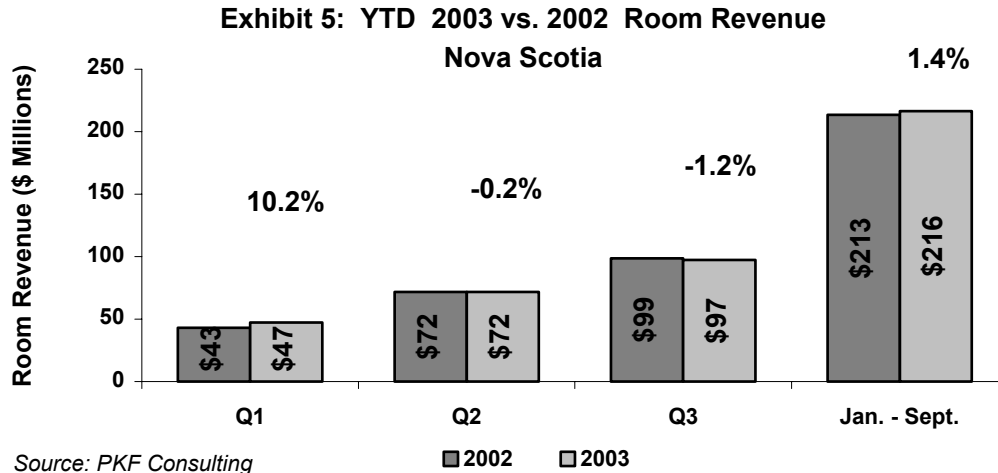
### Room Revenue

- Unlike the first half of the year, where the industry achieved a healthy 5% increase in ADR, the average daily rate growth for the province slowed to a moderate 3% in Quarter 3.
- Following the gains made in Quarter 1, and minimal erosion in Quarter 2, **Quarter 3 room revenue results for the province were behind by \$1.2 Million** – a 1.2% decline from the third Quarter of 2002.



- Led by a strong first quarter, year-to-date room revenues for the province are ahead by 1.4% -- representing a gain of \$3 Million.

- While the province posted strong gains in Quarter 1, the pace stalled in Quarters 2 and 3, resulting in a year-to-date 1.4% increase in room revenue, as compared to last year.



### 3.5. Halifax/ Dartmouth Area

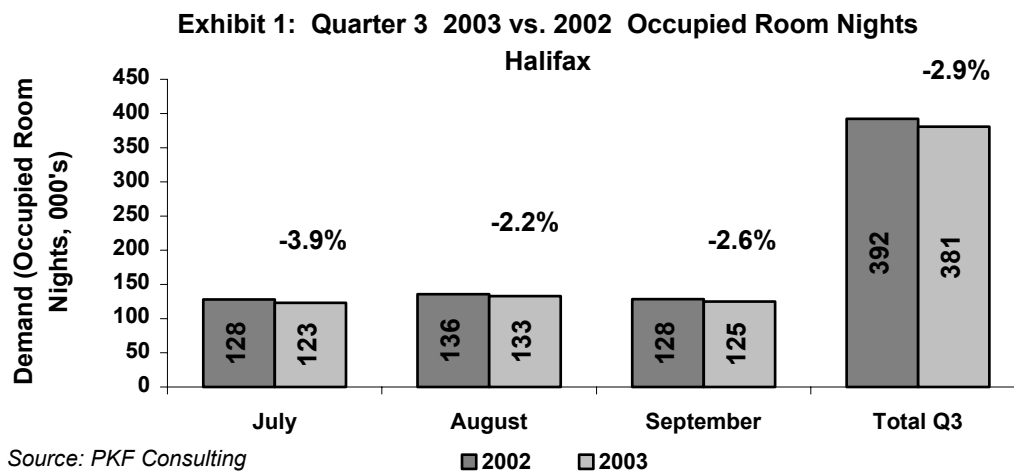
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- In Quarter 3 2003, the overall inventory of hotel rooms in the Halifax / Dartmouth market was 4,633 rooms – with no growth or retraction of inventory compared to Q3 2002.

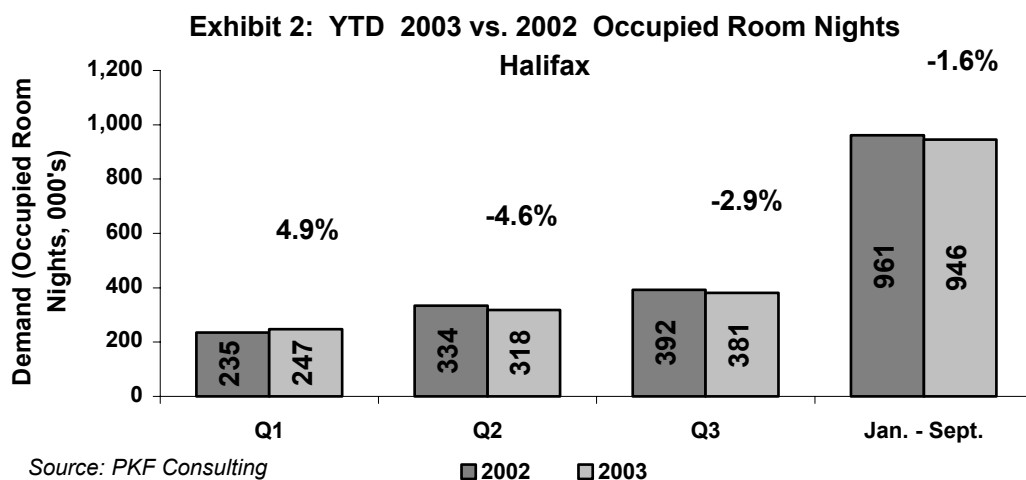
##### Demand

- During Quarter 3, the Halifax hotel market achieved a 89% occupancy at an average daily rate of \$131.
- Demand for Halifax hotels decreased by approximately 11,265 room nights or –2.9% in Quarter 3 2003, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was down by 3.9% in demand in July, followed by a decline of 2.2% in August and a further decline of 2.6% in September.



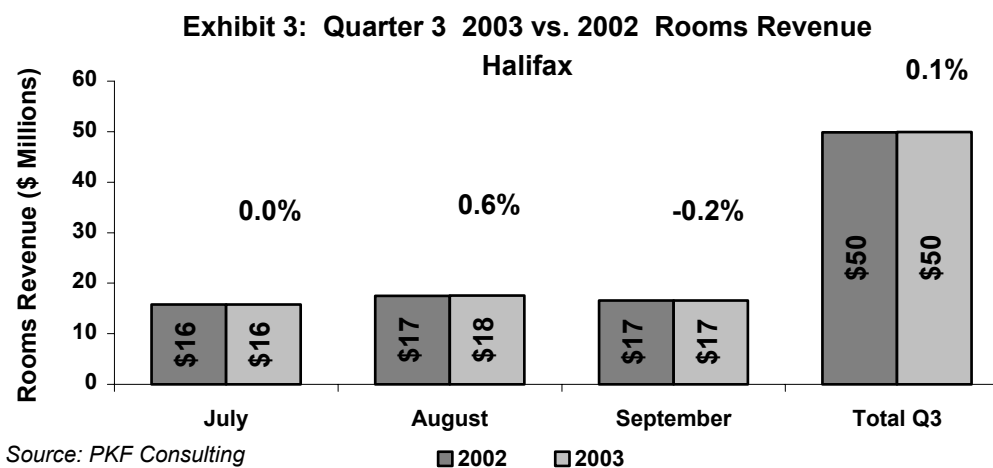


- The year was off to a good start with Quarter 1 demand levels up by 4.9% in Halifax/Dartmouth, but the gains made in the first 3 months were quickly offset by a decline of 4.6% in demand in Quarter 2, and a further erosion of 2.9% in Quarter 3.



### Room Revenue

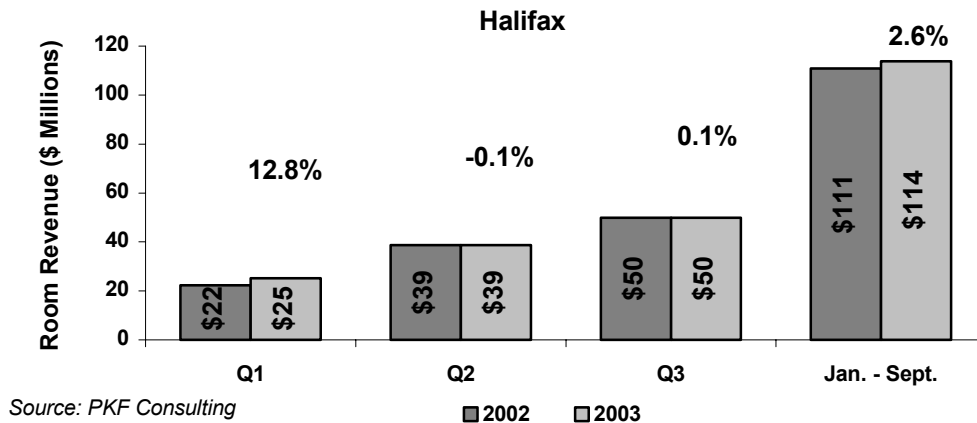
- Quarter 3's room revenue for Halifax/Dartmouth was on par with last year's results.
- Year-to-date room revenue is actually ahead by \$2.9 Million (2.6%), largely due to a strong 1<sup>st</sup> Quarter performance.



### Budgets and PKF Outlook

- According to our PKF Outlook for the Halifax hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Halifax hotel market was forecast to achieve a 93% occupancy at an average daily rate of \$130 in Quarter 3, 2003.

**Exhibit 4: YTD 2003 vs. 2002 Room Revenue**

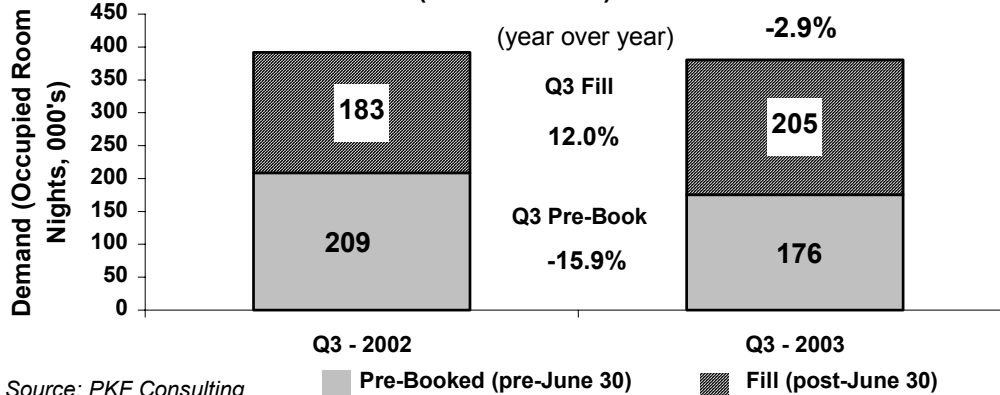


- In preparing their operating budgets at the beginning of the year, Halifax hotels expected to achieve slightly lower occupancy results, with a higher ADR as compared to the PKF Outlook – 90% occupancy at a \$132 ADR – by the end of the third quarter.
- Based on actual results, the industry only missed their budgets by 1 percentage point in occupancy and \$1 in rate in Quarter 3, 2003.

**Pre-Booked Business and Fill Rate**

- As of June 30th, Halifax/Dartmouth hoteliers had pre-booked close to 175,500 room nights for the upcoming months of July, August and September – 16% fewer room nights than were pre-booked over the same time frame last year.
- Although overall Quarter 3 demand was down by 2.9% in 2003, the fill rate for the industry improved by 12% this quarter, with over 205,000 room nights sold between July 1 and September 30, as opposed to 183,000 last year.
- While SARS and geopolitical factors may have impacted pre-booking patterns, Quarter 3 demand remained strong amongst Halifax/Dartmouth accommodation operators.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3 (2003 vs. 2002) Halifax**



## Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

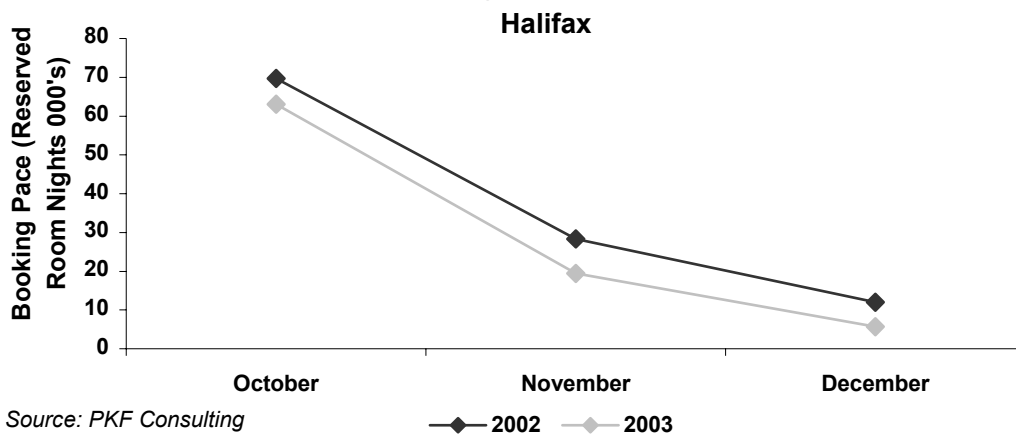
- The Halifax hotel industry attributed most of their decreased demand in Quarter 3 2003 to geopolitical factors (28%) and local, regional, national and economic conditions (29%), a marked shift from Quarter 2 demand losses, which were largely attributed to SARS.
- The segment responsible for the largest demand decrease was business travel at 44%, followed by group leisure at 32%.
- Furthermore, the industry cited a decline in domestic travel as the main reason for the loss in business at 74% and a drop in US travel at 25%.
- Based on the hotel guest's primary mode of transportation used to arrive in Halifax/Dartmouth, approximately 43% of the loss in Quarter 3 was attributable to a decline in air traffic, followed by automobile traffic (33%), and motorcoach travel at 24%.

## QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

### Booking Patterns

- As of September 30, 2002, 110,000 room nights or **41%** of October, November and December's 2002's business was pre-booked. In comparison, as of September 30, 2003, **88,000 room nights** of business was pre-booked for Quarter 4— which means that close to **22,000 fewer room nights were pre-booked in Quarter 4 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down by 20%** in comparison to last year, which is worst than the period heading into Quarter 3, when the pace was off by 16%.
- Looking ahead to the winter months, unless the infill is as strong as Quarter 3, Quarter 4 demand is also expected to be down.

Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)



## Q4 - Room Cancellations

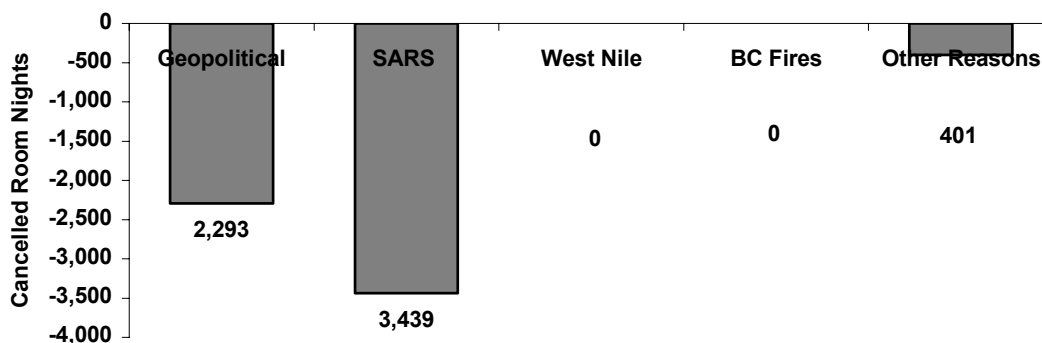
- Since early summer, the Halifax hotel industry reported over **6,000 room cancellations** for Quarter 4 2003. This represents 2% of last year's overall Quarter 4 demand results.
- According to hotel operators, 59% of the room cancellations are attributable to SARS, with 39% due to geopolitical factors.
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the Halifax/Dartmouth market is estimated at **\$0.7 Million**. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

Exhibit 7: Quarter 4 Room Cancellations

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Halifax	5,732	6,133
Cancelled Room Nights Due to SARS	3,439 60%	3,439 59%
Cancelled Room Nights Due to Geopolitical Reasons	2,293 40%	2,293 39%
Cancelled Room Nights Due to West Nile Virus	0 0%	0 0%
Cancelled Room Nights Due to BSE	0 0%	0 0%
Cancelled Room Nights Due to Other Reasons	0 0%	401 2%

Source: PKF Consulting

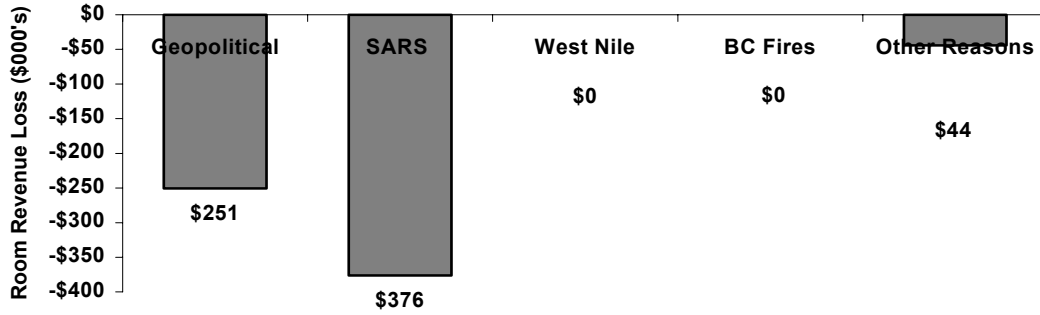
Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Halifax



Source: PKF Consulting

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**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Halifax**



Source: PKF Consulting

### 3.6. Province of New Brunswick

#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- New Brunswick's accommodation market was 7,780 rooms in Quarter 3 2003 – with 123 rooms (1.6%) added since Quarter 3 2002.

##### Demand and Rate

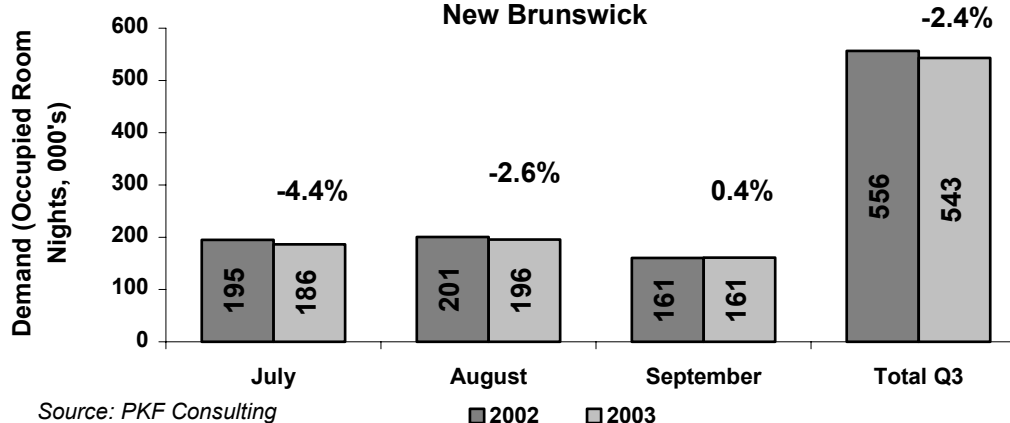
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

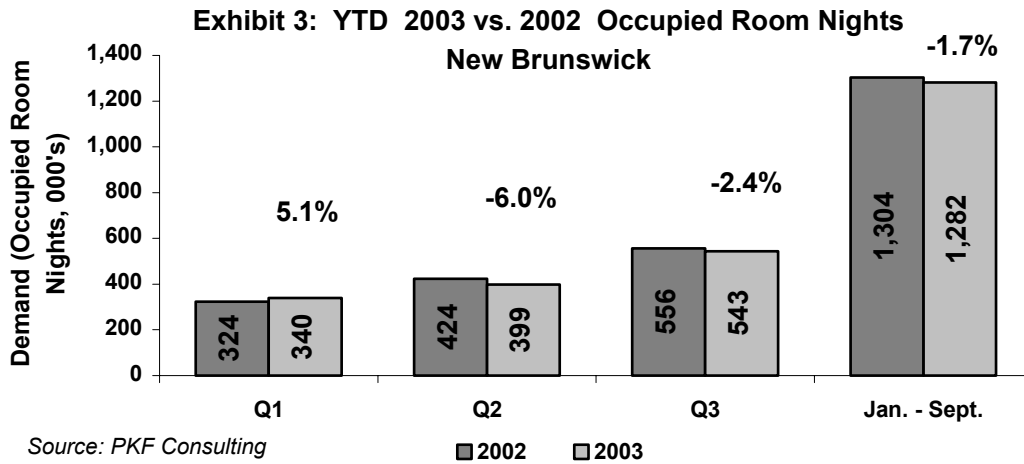
MARKET	QUARTER 3 - 2003		QUARTER 3- 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Moncton	76%	\$105	78%	\$104	1%	1%
Other New Brunswick	76%	\$102	79%	\$102	-4%	1%
<b>Total New Brunswick</b>	<b>76%</b>	<b>\$103</b>	<b>79%</b>	<b>\$102</b>	<b>-2%</b>	<b>1%</b>

Source: PKF Consulting

- During Quarter 3 2003, New Brunswick's hotel market achieved a 76% occupancy at an average daily rate of \$103. Occupancy levels were 3 percentage points lower than Quarter 3 of last year, with the average daily rate improving by approximately \$1.
- Demand for the New Brunswick accommodation market declined by **approximately 13,100 room nights or 2.4% in Quarter 3 2003**, as compared to the same quarter last year.
- The erosion in Q2 and Q3 demand during 2003 has narrowed, from a 12.1% decrease in May, to a 3.8% erosion in June, a 4.4% decline in July, a 2.6% fallout in August and a marginal improvement in September (0.4% ahead of last year).

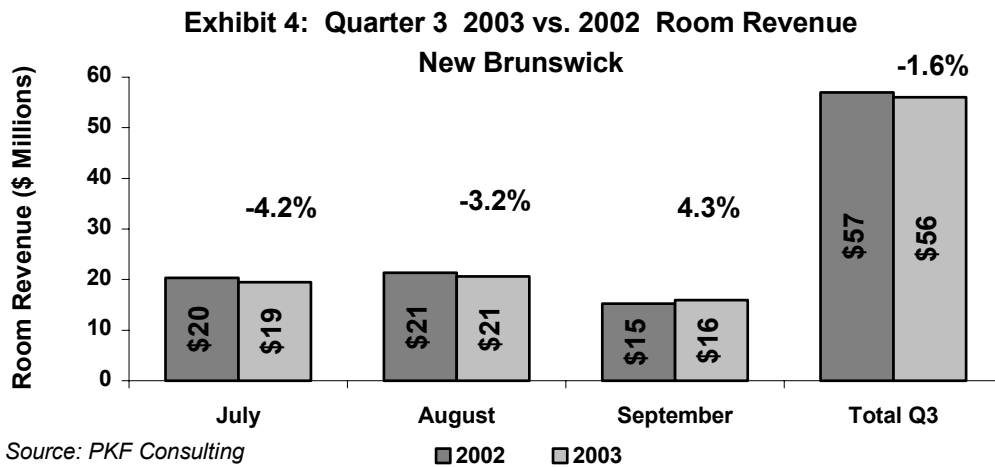
Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights  
New Brunswick





### Room Revenue

- New Brunswick's room revenue losses were predominantly felt in the months of May, July and August 2003, with September's room revenues recovering to 2002 levels.
- Overall Quarter 3 room revenue was 1.6% below the same period last year, resulting in a Q3 room revenue loss of \$3.2 Million – the same level lost in Quarter 2.



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue  
New Brunswick**







## 4. Quebec Provincial/Market Performance

### 4.1. Province of Quebec

#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- Overall, the Province of Quebec's accommodation supply was 56,620 rooms in Quarter 3 2003 – an increase of 80 rooms over the inventory for Quarter 3 2002.

##### Demand and Rate

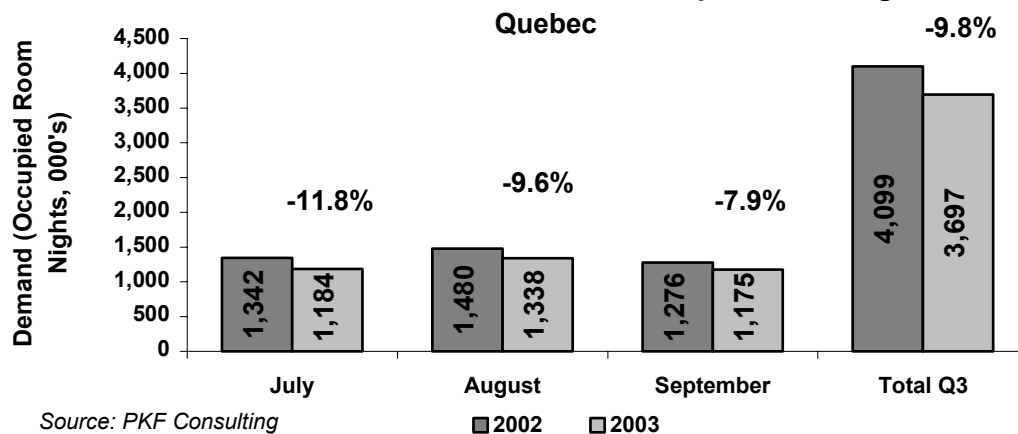
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3- 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Montreal - Overall	73%	\$139	80%	\$142	-9%	-2%
Greater Quebec	73%	\$161	85%	\$175	-14%	-8%
Other Quebec	66%	\$120	72%	\$119	-9%	1%
<b>Total Quebec</b>	<b>71%</b>	<b>\$139</b>	<b>79%</b>	<b>\$143</b>	<b>-10%</b>	<b>-3%</b>

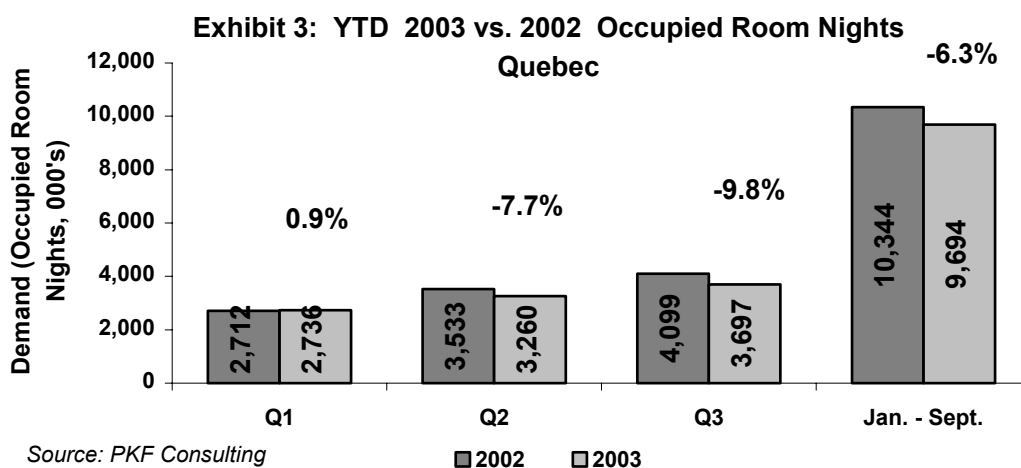
Source: PKF Consulting

- During Quarter 3 2003, the Province of Quebec's hotel market achieved a 71% occupancy at an average daily rate of \$139. Occupancy levels were 8 percentage points lower than Quarter 3 of last year, with the average daily rate sliding by \$4.
- Demand for the Quebec's accommodation market was **down by approximately 401,000 room nights or 9.8% in Quarter 3 2003**, as compared to the third quarter of 2002.
- Demand levels were down each month in the third quarter – July was down by 11.8%, August by 9.6% and September by 7.9%.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

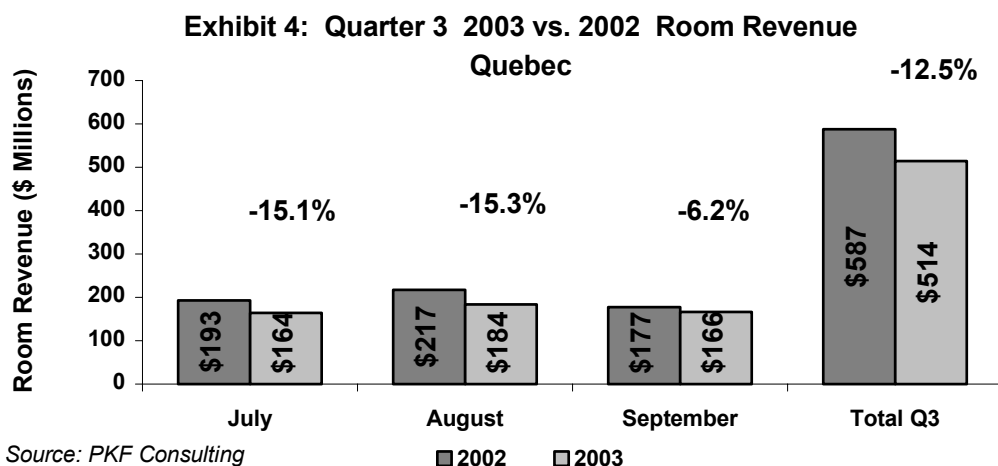


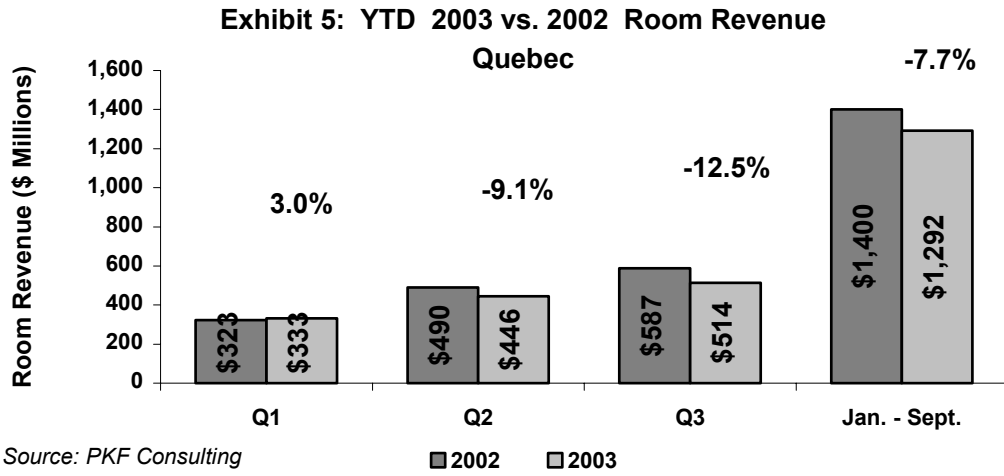
- While demand was flat at the end of Quarter 1, Quarter 2 results showed a decline of 7.7%, and Quarter 3 saw another 9.8% decline in demand.



### Room Revenue

- Quebec's room revenue declined 15.1% in July, 15.3% in August, and another 6.2% in September.
- Overall, Quarter 3 room revenue for the province was down by \$73.3 Million (12.5%) compared to the same period last year. Although the province showed encouraging growth in Quarter 1 by recording a gain of \$9.8 Million in room revenue, year-to-date room revenue has fallen behind by almost 8% due to the decline in Quarters 2 and 3. To date, the Quebec accommodation sector has reported a loss of \$108 Million as compared to the first 3 Quarters of 2002.





## 4.2. Greater Montreal Area

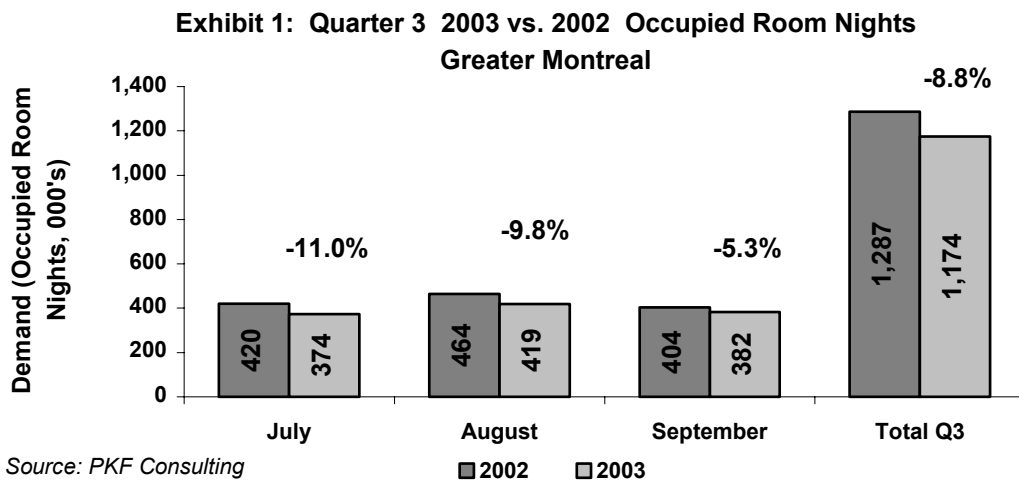
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

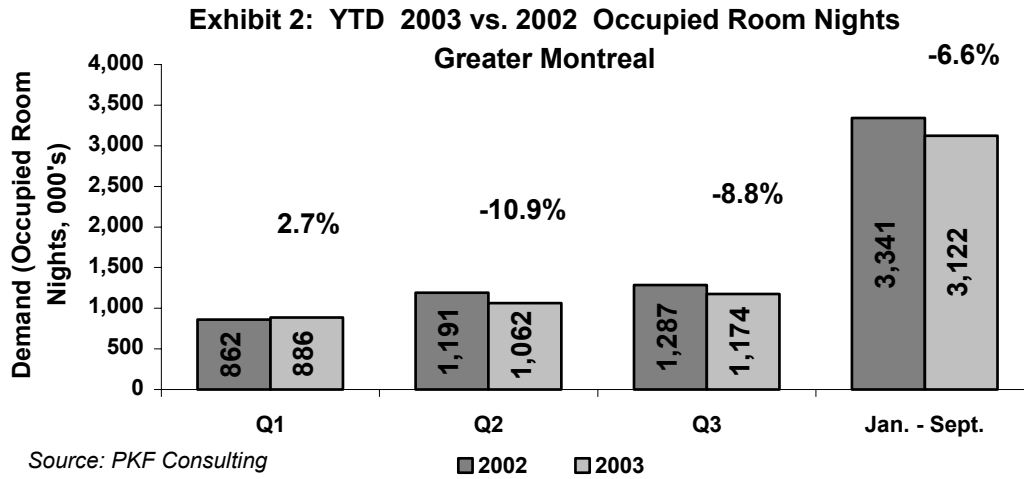
- In Quarter 3 2003, the overall inventory of hotel rooms in the Greater Montreal Area was 17,433 rooms – a 0.2% decline from the same period in 2002.

#### Demand

- During Quarter 3, the Greater Montreal hotel market achieved 73% occupancy at an average daily rate of \$139.
- Demand for Greater Montreal hotels **decreased by approximately 113,000 room nights or -8.8% in Quarter 3 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was down by 11.0% in demand in July, 9.8% in August and 5.3% in September. While all months were down, the demand trend is positive for the Greater Montreal market.

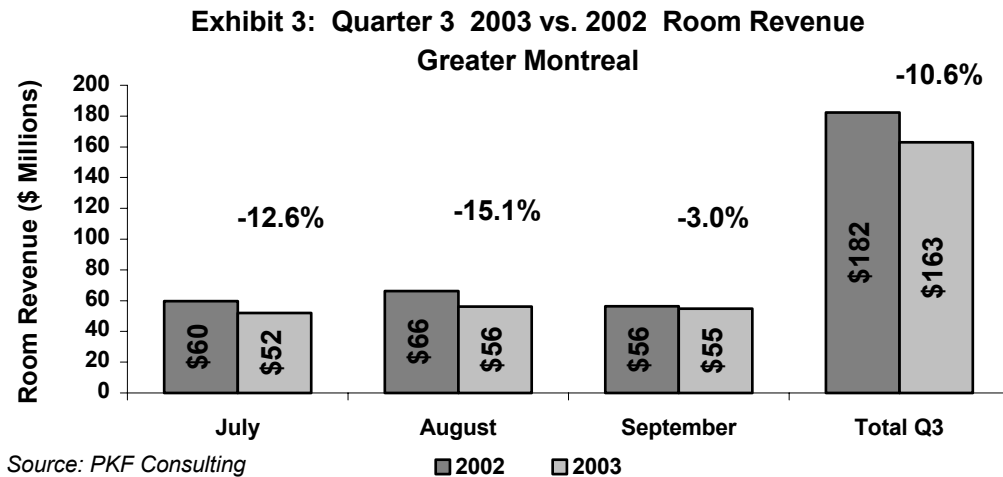


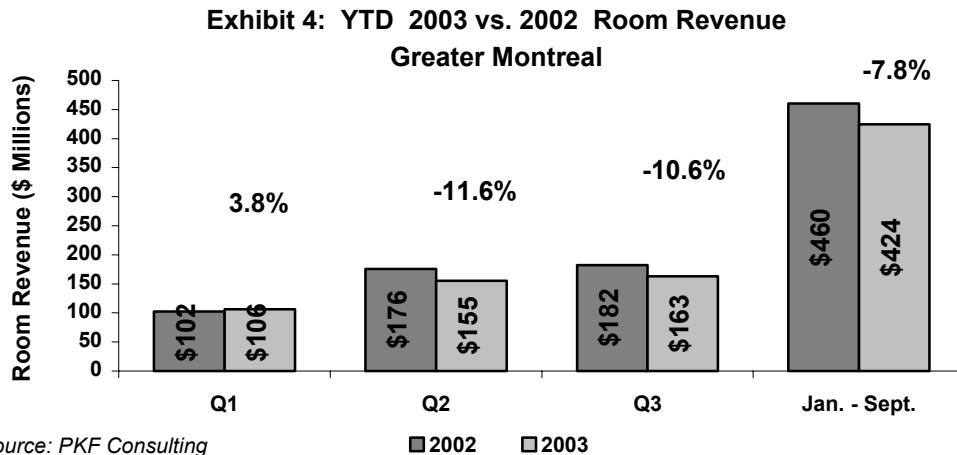
- Any marginal gains made by the industry in Quarter 1 (demand levels were up by 2.7%), were quickly eroded in Quarter 2 (down by 10.9% in demand) and Quarter 3 (down by 8.8%). As such, year-to-date results for 2003 are 6.6% below results achieved during the same period in 2002.



### Room Revenue

- Greater Montreal endured a loss of \$7.5 Million in room revenue during the month of July, ballooning to a \$10.0 Million loss in August, before falling to \$1.7 Million in September, as compared to last year's earnings.
- Quarter 3's room revenue was off by \$19.2 Million, placing year-to-date revenues \$36.0 Million behind the first nine months of 2002 – a decline of 8%.





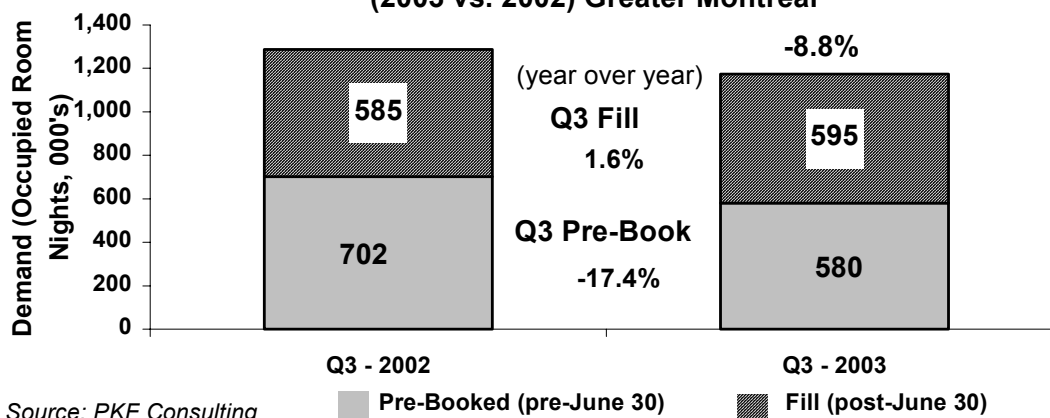
### Budgets and PKF Outlook

- According to our PKF Outlook for the Greater Montreal hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the GMA hotel market was forecast to achieve an 83% occupancy at an average daily rate of \$146 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Greater Montreal hoteliers were in line with PKF, forecasting a 83% occupancy at a \$145 ADR – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 10 full percentage points in occupancy, and \$6 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, 2003 Greater Montreal hoteliers had pre-booked close to 580,000 room nights for the upcoming months of July, August and September – 17% fewer room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry was up by 1.6% this quarter, with 10,000 more room nights sold between July 1 and September 30, than the same period last year.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Greater Montreal**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Greater Montreal hotel industry attributed most of their decreased demand in Quarter 3 2003 to economic conditions (32%); geopolitical factors (25%) and SARS (23%).
- The two segments responsible for the largest demand decrease were group leisure travel at 19%, and business travel at 18%. The industry also reported notable declines amongst the other segments including independent leisure travel at 16%, meetings and convention travel at 16% and the government sector at 15%.
- According to hoteliers, approximately 40% of the decline was attributable to a loss of domestic travellers, with a further 37% credited to a loss in the overseas market and 24% to a loss of US travellers.
- Based on the hotel guest's primary mode of transportation used to arrive in Montreal, approximately 48% of the loss in Quarter 3 was attributable to a decline in automobile travel, with a further 39% attributable to a loss in air travellers.

### Results by Montreal's Sub-Markets

- The Greater Montreal Area is divided into 2 hotel submarkets – Downtown Montreal and the Montreal Airport/Laval area.
- The Downtown Montreal market was hit harder in Quarter 3 than the Airport/Laval market. Downtown hotels were off by 10.8% in demand, while the Montreal Airport/Laval area was down by 4.4% in comparison to the previous year.
- Quarter 3 2003 booking patterns were stronger amongst Montreal Airport/Laval hotel properties, in comparison to, Montreal's downtown hotels. As of June 30th, 2003, downtown hotels pre-booked over 353,000 room nights for the upcoming Quarter 3 – 86,000 fewer than were pre-booked the previous year (20% behind). At the same time, booking patterns amongst Montreal's Airport/Laval hotels were behind by 14%, with over 226,000 room nights booked going into Quarter 3, compared to an estimated 262,000 booked last year.
- Downtown Montreal hotels (representing about 68% of the total Greater Montreal hotel inventory) reported a \$17.1 Million loss in room revenues during Quarter 2 with a further \$15.9 Million lost in Quarter 3.



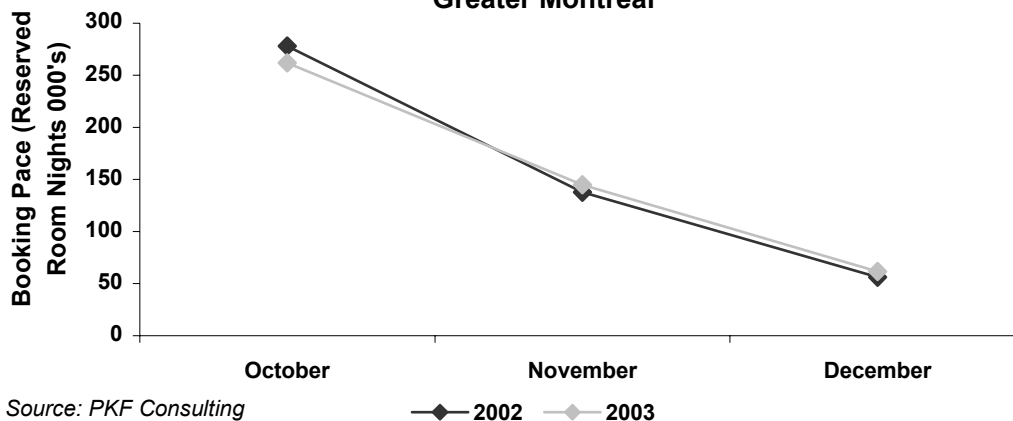
- The Montreal Airport/Laval, with an inventory of 5,826 rooms, recorded an estimated loss of \$3.3 Million in room revenue during Quarter 3, representing about one-half of the losses report in Quarter 2.

## **QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS**

### **Booking Patterns**

- As of September 30th, close to 472,000 room nights or **46%** of September, October and December's 2002's business was pre-booked. In comparison, as of September 30, 2003, **468,000 room nights** of business was pre-booked for Quarter 4– which means that this year's pace is in line with last year.
- The first half's booking pattern for Greater Montreal was ahead by 2%, before **Quarter 3's booking pace fell behind by 17%**, with Quarter 4's pace recovering to last year's level.
- Prospects for Quarter 4 2003 are encouraging, with expectations for full recovery.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)  
Greater Montreal**



### **Q4 - Room Cancellations**

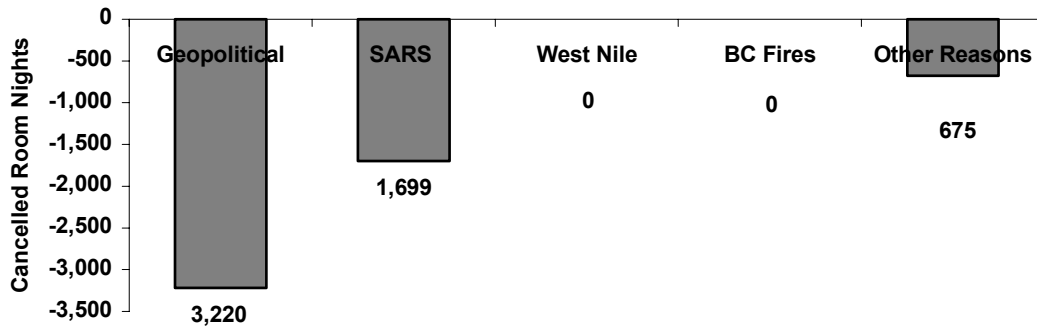
- The Greater Montreal Hotel industry reported an estimated 5,600 room cancellations during Quarter 4, with 3-in-every-4 cancellations occurring as of June 30<sup>th</sup>.
- According to hotel operators, the vast majority of room cancellations were attributable to geopolitical factors and SARS.
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the Greater Montreal market is estimated at **\$711,000**, of which \$409,000 or 57% was attributable to geopolitical factors. At this stage in our analysis, we have categorized the losses due to room cancellations as “**potential revenue losses**”, as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 7: Room Cancellations**

<b>GMA MARKETS</b>	<b>AS OF JUNE 30<sup>TH</sup></b>	<b>AS OF SEPT. 30<sup>TH</sup></b>
Montreal Downtown	1,132	2,374
Montreal Airport/Laval	3,220	3,220
<b>TOTAL GMA</b>	<b>4,352</b>	<b>5,594</b>
Cancelled Room Nights <i>Due to SARS</i>	457 11%	1,699 30%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	3,220 74%	3,220 58%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BSE</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Other Reasons</i>	675 15%	675 12%

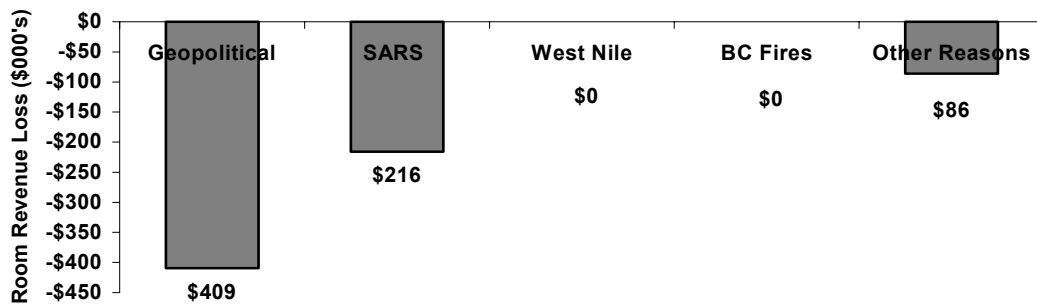
Source: PKF Consulting

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Greater Montreal**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Greater Montreal**



Source: PKF Consulting

### 4.3. Greater Quebec City

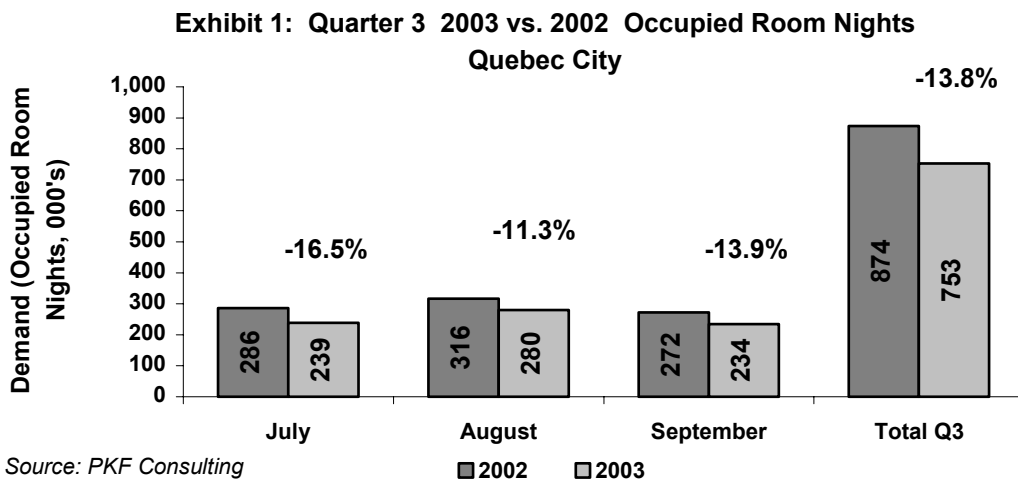
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

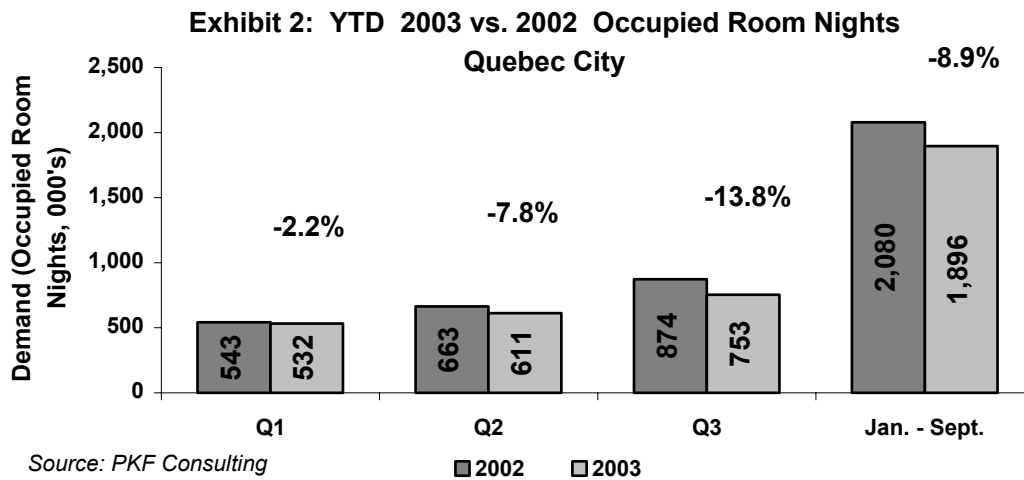
- In Quarter 3 2003, the overall inventory of hotel rooms in the Quebec City hotel market was 11,264 rooms – an increase of 124 rooms over the average inventory for Quarter 3 2002.

##### Demand

- During Quarter 3, the Quebec City hotel market achieved a 73% occupancy and an average daily rate of \$161.
- Demand for Quebec City hotels **decreased by approximately 121,000 room nights or 13.8% in Quarter 3 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was down by 16.5% in demand in July, followed by a decline of 11.3% in August and a further decline of 13.9% in September.

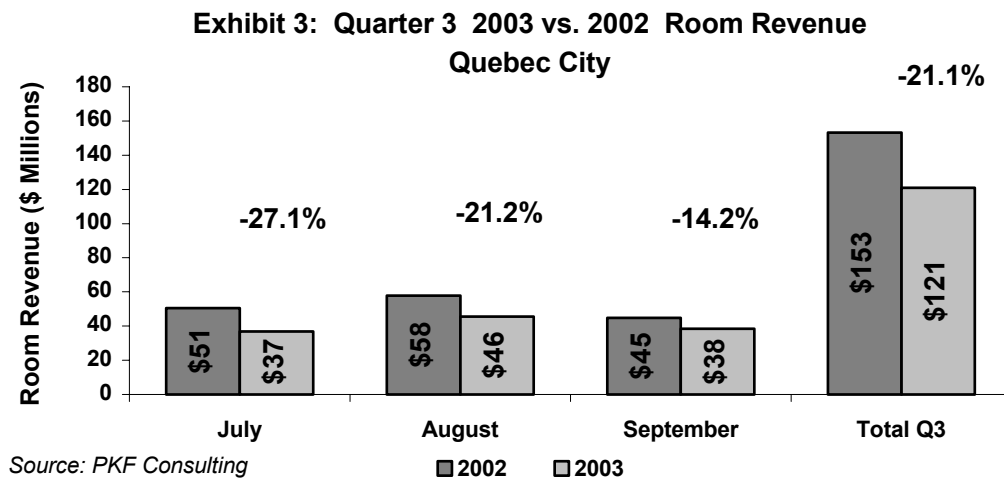


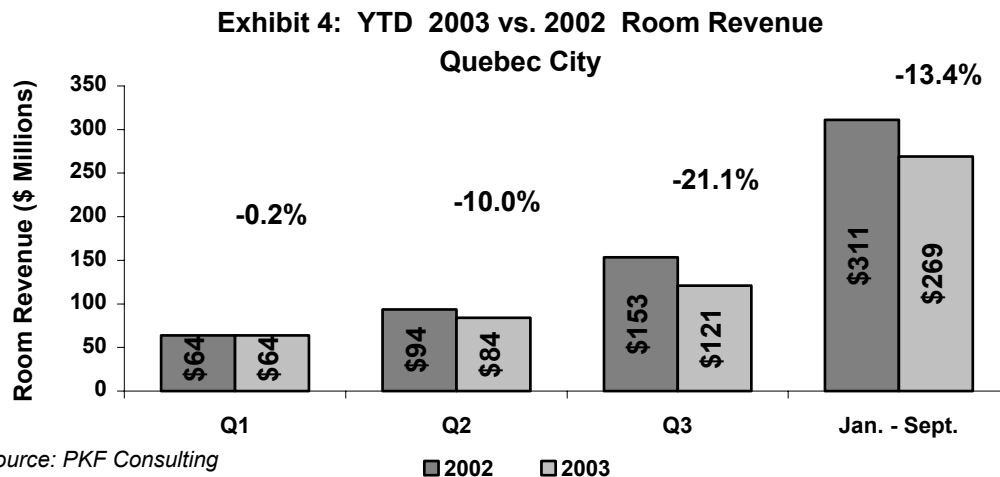
- Quebec City's Quarter 1 demand levels were down by 2.2%, and then more than tripled to a decline of 7.8% in Quarter 2, with demand levels decreasing further in Quarter 3 by 13.8%.



### Room Revenue

- Quebec City endured a loss of \$13.7 Million in room revenue during the month of July, a loss of \$12.2 Million in August, and improving to a loss of \$6.3 Million in September, in comparison to last year.
- With consistent losses each month, Quarter 3 room revenue was 21% below last year – a loss of \$32.3 Million.



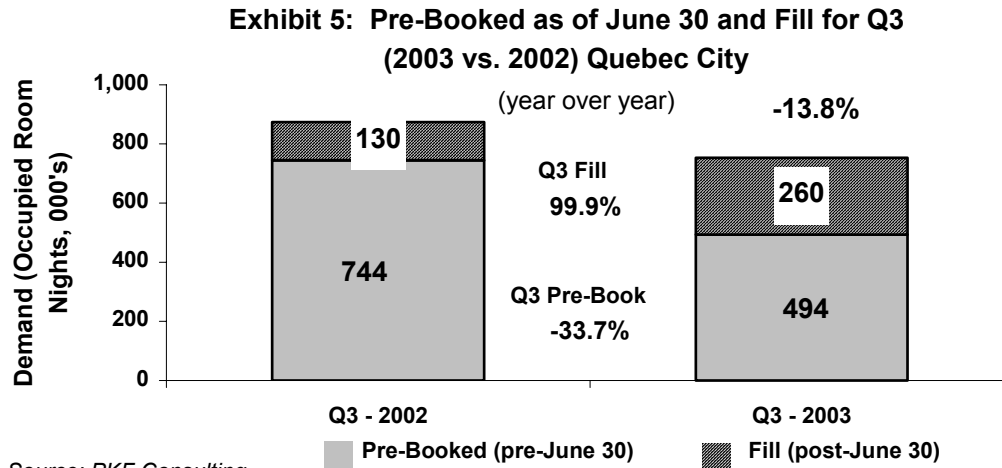


### Budgets and PKF Outlook

- According to our PKF Outlook for the Quebec City hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve an 86% occupancy at an average daily rate of \$181 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Quebec City hoteliers expected to achieve similar occupancy results to the PKF Outlook – 85% occupancy at a lower ADR of \$175 – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 12 percentage points in occupancy, and by \$14 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, hoteliers had pre-booked close to 494,000 room nights for the upcoming months of July, August and September – almost 251,000 less room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry was doubled this quarter, with 130,000 more room nights sold between July 1 and September 30, than the same period last year.
- Despite a significantly higher fill rate, the fact that pre-booked business was down by 34% in Quarter 3 compared to the same period in 2002, resulted in lower demand levels during Quarter 3 2003.



Source: PKF Consulting

### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Quebec City hotel industry attributed most of their decreased demand in Quarter 3 2003 to other factors (49%), followed by SARS (29%) and geopolitical factors (11%).
- The segment responsible for the largest demand decrease was group leisure travel at 42% with independent travel second at 26%, and meetings / conventions third at 24%.
- The industry reported a decline in US travel as the main reason for the loss in business at 63% and a drop in overseas travel at 32%.
- Based on the hotel guest's primary mode of transportation used to arrive in Quebec City, approximately 54% of the loss in Quarter 3 was attributable to a decline in automobile traffic, 26% attributable to a decline in motorcoach traffic, and 21% attributable to a loss in airline travellers.

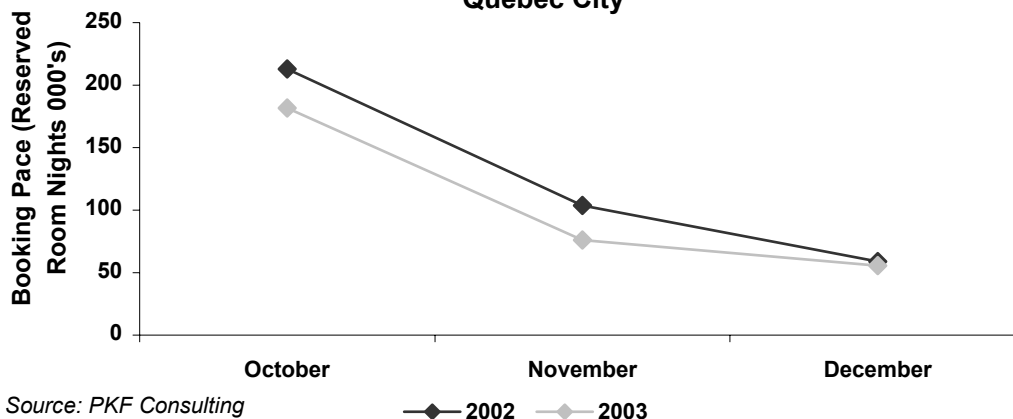
### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30 2002, 375,700 room nights or **66%** of October, November and December 2002's business was pre-booked. In comparison, as of September 30, 2003, **313,560 room nights** of business was pre-booked for Quarter 4— which means that close to **62,000 fewer room nights were pre-booked in Quarter 4 2003** as compared to the same period in 2002.
- This year's Quarter 4 booking pace is down by 17% in comparison to last year.

- Looking ahead to Quarter 4, we see less bookings compared to 2002, but an improvement compared to Quarter 3 where the booking pace was down by 34%.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**  
Quebec City



#### Q4 - Room Cancellations

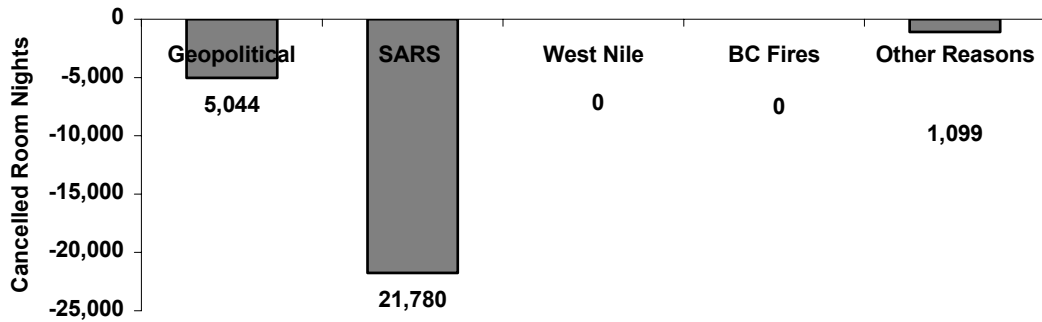
**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup>
Greater Quebec City	26,468	27,923
Cancelled Room Nights Due to SARS	20,325 77%	21,780 78%
Cancelled Room Nights Due to Geopolitical Reasons	5,044 19%	5,044 18%
Cancelled Room Nights Due to West Nile Virus	0 0%	0 0%
Cancelled Room Nights Due to BSE	225 1%	225 1%
Cancelled Room Nights Due to Other Reasons	874 3%	874 3%

Source: PKF Consulting

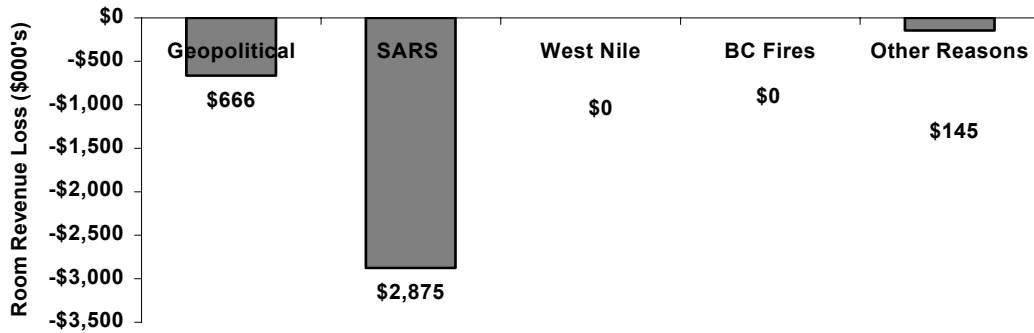
- The Greater Quebec City hotel industry reported close to 28,000 room cancellations during Quarter 4 2003. This represents 5% of last year's overall Quarter 4 demand results.
- According to hotel operators, 78% of the cancellations can be attributable to SARS.
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the Quebec City market is estimated at **\$3.7 Million**, \$2.9 Million of which **was attributable to SARS**. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Quebec City**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Quebec City**



Source: PKF Consulting



## 4.4. Other Quebec Markets

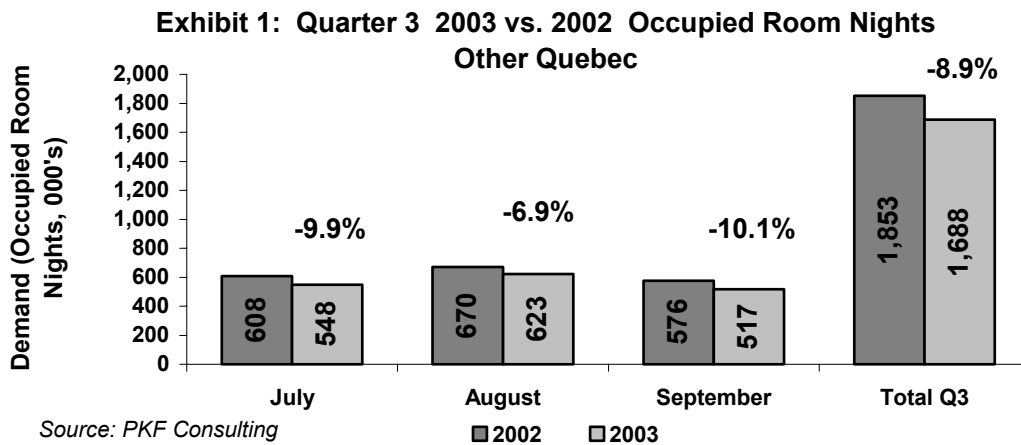
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

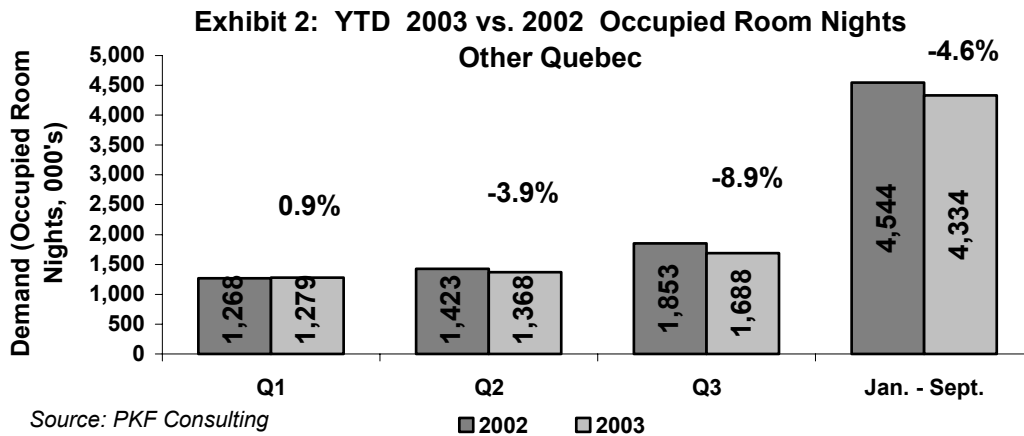
- Excluding the Greater Montreal Area and Quebec City, the balance of Quebec's accommodation market was 27,966 rooms in Quarter 3 2003 – a net increase of 30 guest rooms compared to Q3 2002.

#### Demand and Rate

- During Quarter 3 2003, the Other Quebec hotel market achieved a 66% occupancy at an average daily rate of \$120. Occupancy levels were 6 points lower than Quarter 3 of last year, and the average daily rate was up by \$1.
- Demand for the Other Quebec accommodation market was **down by approximately 165,000 room nights or 8.9% in Quarter 3 2003**, as compared to Q3 2002.
- On a month-to-month basis, demand for room nights in Other Quebec fell by 9.9% in July, declined a further 6.9% in August and declined by another 10.1% in September.

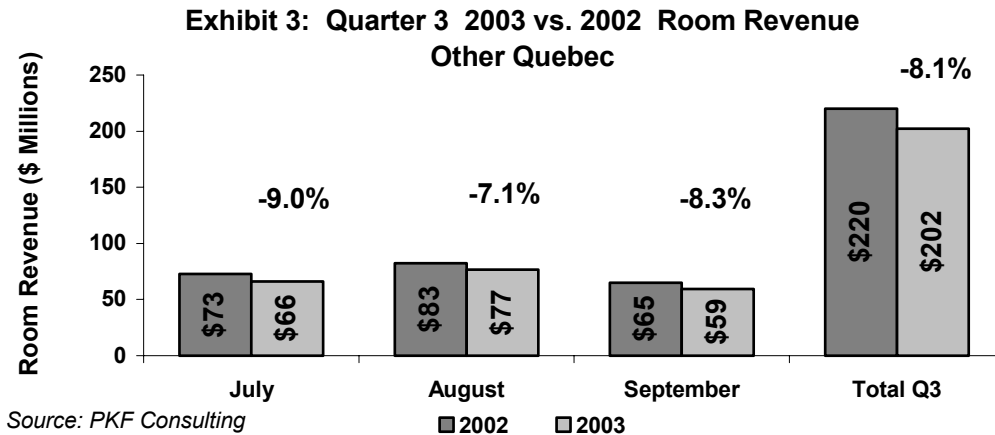


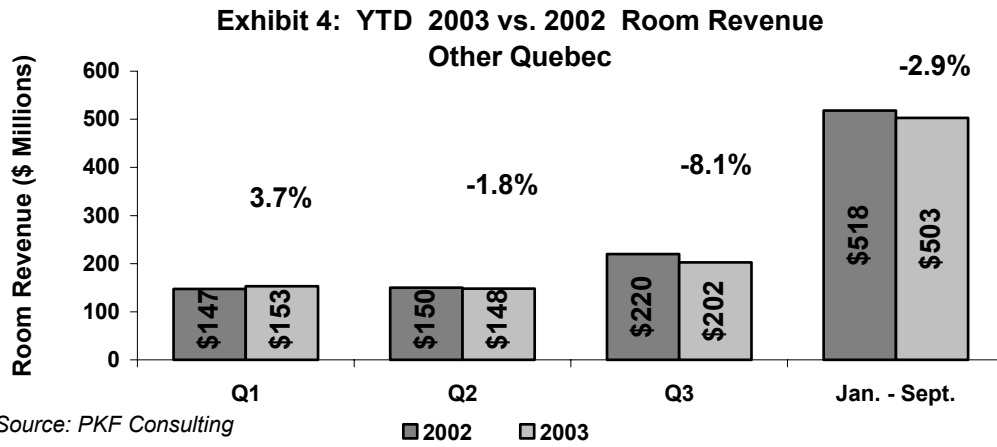
- The decrease in demand that started during Quarter 2 continued into Quarter 3 with a decline of 8.9% for Quarter 3 compared to the same period in 2002.



### Room Revenue

- Room revenue in Other Quebec declined by 9.0% in July, 7.1% in August, and another 8.3% in September.
- Quarter 3 room revenue was down by \$17.8 Million (8.1%) compared to the same period last year. Overall the region is below their year-to-date room revenue levels by \$15 Million or 2.9% compared to 2002.





## 5. Ontario Provincial/Market Performance

### 5.1. PROVINCE OF ONTARIO

#### QUARTER 3 2003: RESULTS

##### Total Provincial Supply Inventory

- Including the major markets of Toronto, Ottawa and Windsor, the Ontario accommodation supply averaged 107,888 rooms in Quarter 3 2003 – a 1.2% increase over the same period in 2002, due to the addition of 1,296 new rooms in the Province of Ontario.

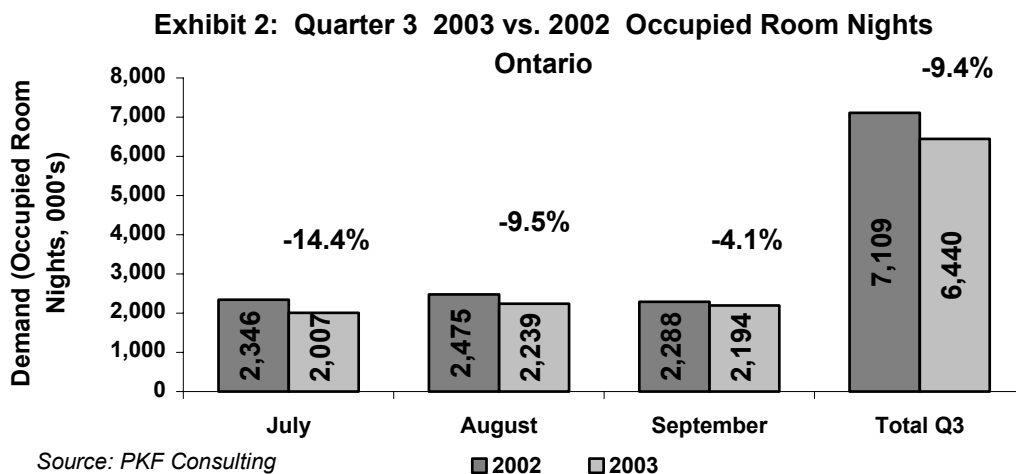
##### Provincial Demand and Rate

Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

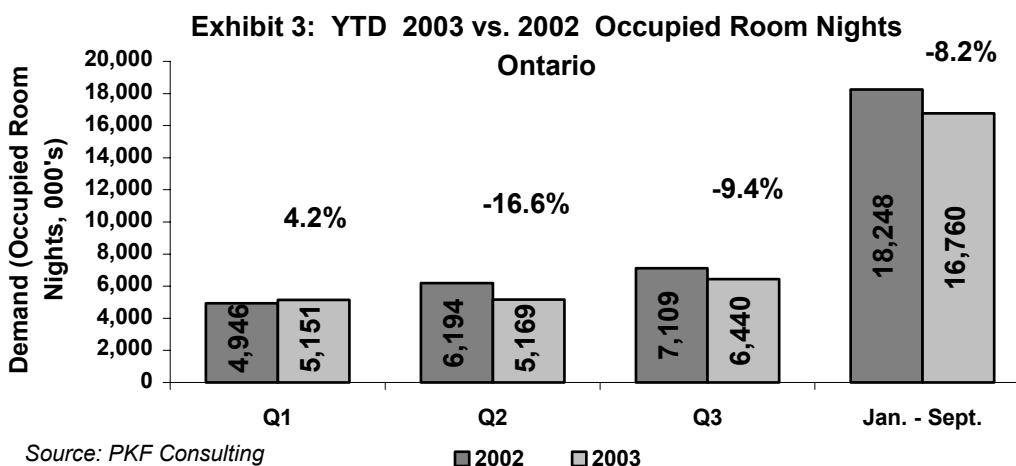
MARKET	QUARTER 3 - 2003		QUARTER 3- 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Greater Toronto Area	64%	\$118	73%	\$135	-11%	-13%
Ottawa	63%	\$121	69%	\$123	-3%	-1%
Ontario Resorts	63%	\$184	68%	\$193	-7%	-2%
Southern Ontario	65%	\$111	72%	\$121	-9%	-9%
Eastern Ontario	69%	\$103	75%	\$102	-9%	1%
Northern Ontario	72%	\$89	77%	\$91	-5%	-2%
<b>Total Ontario</b>	<b>65%</b>	<b>\$114</b>	<b>72%</b>	<b>\$125</b>	<b>-9%</b>	<b>-9%</b>

Source: PKF Consulting

- During Quarter 3 2003, Ontario's hotel market achieved a 65% occupancy at an average daily rate of \$114. Following a decline of 17% in Q2, occupancy levels continued to fall in Q3 by 8 percentage points compared to Quarter 3 2002, while the average daily rate fell by 9%.
- Demand for Ontario's hotels fell by over 668,000 room nights or 9.4% in Quarter 3 2003, as compared to Q3 2002.
- As the summer elapsed, demand for room nights in Ontario saw signs of recovery – with July down by 14.4%, August down by 9.5% and September off by 4.1% in comparison to last year.



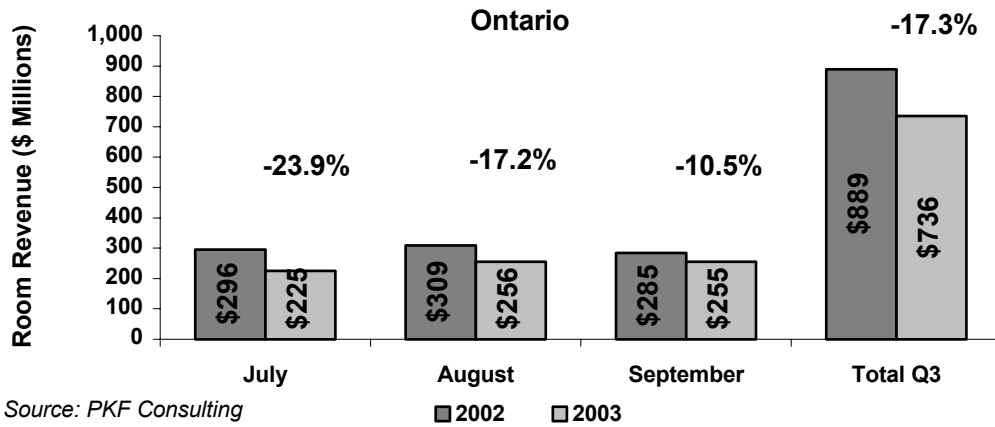
- While demand was up by 4.2% at the end of Quarter 1 and Quarter 2 results showed a decline of 16.6%, the gap narrowed somewhat in Quarter 3, with results off by 9.4%. As such, **year-to-date results for 2003 were 8.2% below results achieved in the first nine months of 2002.**



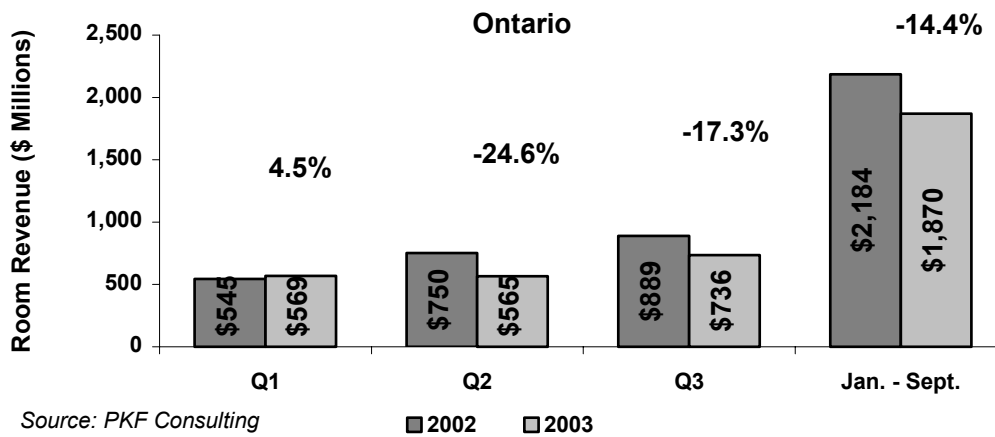
### Room Revenue

- The Province's accommodation sector lost an estimated \$71 Million in July, \$53 Million in August and \$30 Million in September – in room revenues alone.
- Overall, Quarter 3 room revenue was down by \$154 Million (-17.3%) compared to the same period last year. Although the Province started the year on solid footing, Quarter 2 and 3 losses have placed the sector 14.4% behind last year's results, equating to a loss of \$314 Million in room revenue.

**Exhibit 4: Quarter 3 2003 vs. 2002 Room Revenue**



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue**



## 5.2. Greater Toronto Area

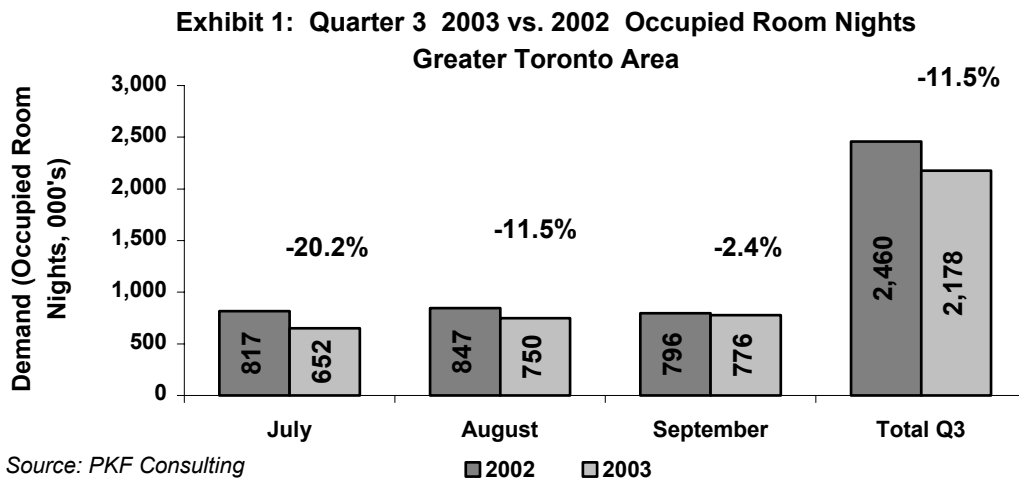
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

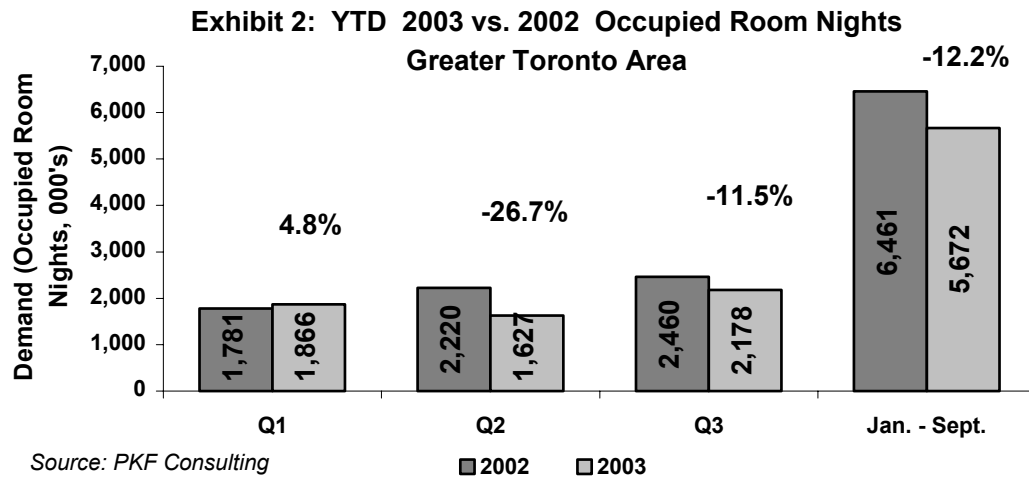
- In Quarter 3 2003, the overall inventory of hotel rooms in the Greater Toronto Area averaged 37,146 rooms – an increase of 1.4% over the same period in 2002, with the addition of 504 rooms.
- Approximately 357 rooms were added to the GTA North/East markets, while the Toronto Airport market experienced a reduction of 185 rooms and the Downtown Toronto market experienced a reduction of 200 rooms.

#### Demand

- During Quarter 3, the Greater Toronto Area hotel market achieved a 64% occupancy at an average daily rate of \$118, in comparison to Q3 of last year which was 73% at \$135.
- Demand for GTA hotels **dropped off by approximately 282,000 room nights or 11.5% in Quarter 3 2003**, as compared to the third quarter of 2002.
- GTA's accommodation sector improved throughout Quarter 3 as July saw decreased demand of 20.2%, August demand was down by 11.5% and in September demand was only down 2.4% compared to the previous year.

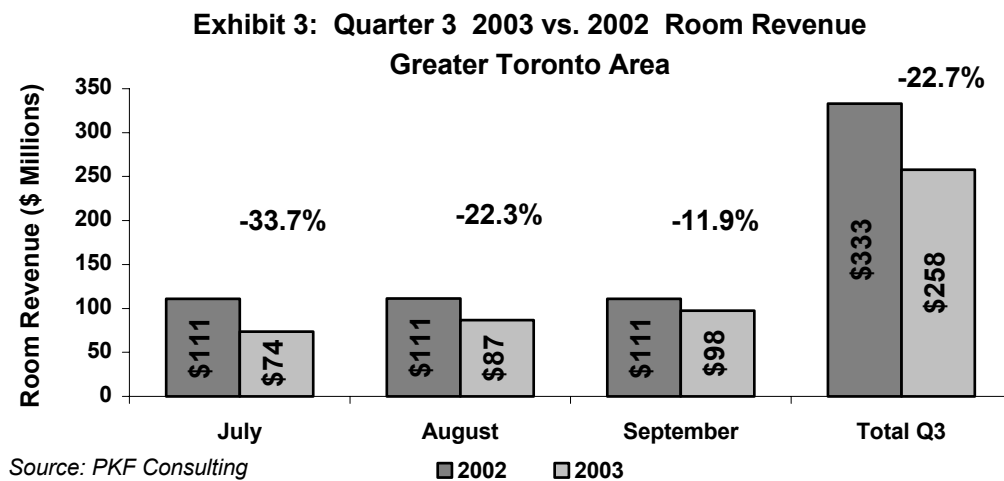


- Although GTA hotels were ahead by 4.8% in demand by the end of Quarter 1, the situation quickly reversed itself in Quarter 2, with a 27% decline in demand levels. As the industry moved into the summer months, the circumstances improved slightly from July into September, with September demand levels only down 2.4% compared to last year's results.



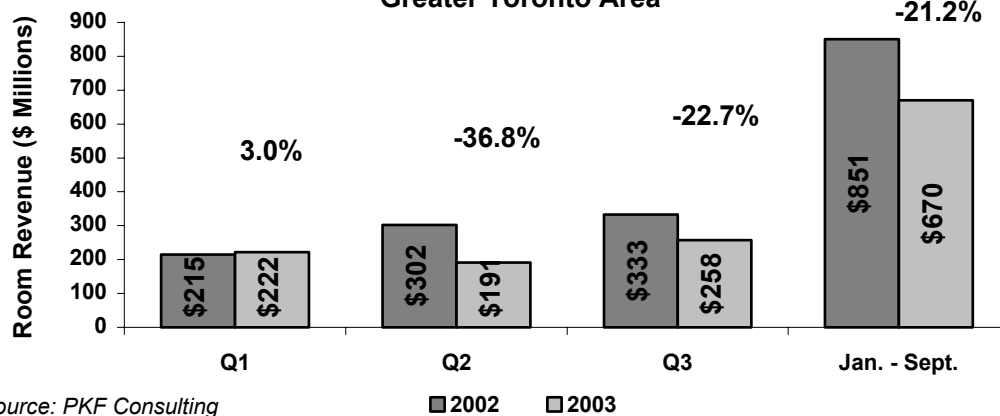
### Room Revenue

- As the 3<sup>rd</sup> Quarter unfolded, GTA hotels continued to suffer losses in room revenue --\$37.4 Million in July, \$24.8 Million in August and \$13.2 Million in September – 22.7% below results achieved the previous year.
- Notwithstanding gains made in Quarter 1, the losses in room revenue for Quarters 2 and 3 of \$111 Million and \$75 Million respectively has resulted in a year-to-date loss of approximately \$180 Million across the GTA accommodation sector.





**Exhibit 4: YTD 2003 vs. 2002 Room Revenue  
Greater Toronto Area**



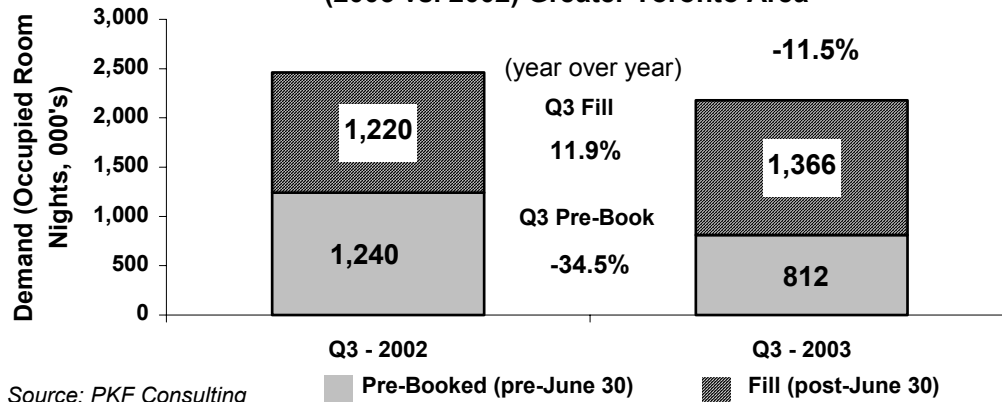
### Budgets and PKF Outlook

- According to our PKF Outlook for the GTA hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 72% occupancy at an average daily rate of \$138 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, GTA hoteliers expected to exceed PKF's occupancy forecast— 75% occupancy at a slightly higher rate of \$140 ADR – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 11 percentage points in occupancy, and by \$22 (15.5%) in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, GTA hoteliers had pre-booked over 812,000 room nights for the upcoming months of July, August and September – 34% less room nights than were pre-booked over the same time frame last year.
- Last year, over 1.2 Million room nights were pre-booked prior to heading into Quarter 3. This year, the fill rate for Quarter 3 was 11.9%.
- Visitors started to return to the city as the fear of SARS started to ease and the industry moved through the 3<sup>rd</sup> Quarter.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Greater Toronto Area**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

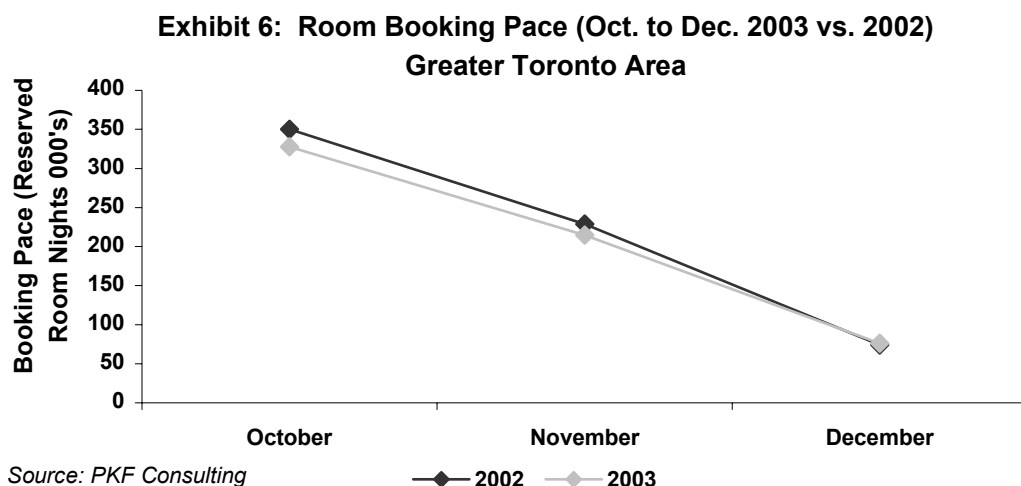
- The GTA hotel industry attributed the majority of decreased demand in Quarter 3 to SARS (45%), and economic conditions (22%).
- The segment responsible for the largest demand decrease was meetings/convention travel (39%), business travel (24%), and independent leisure travel (18%).
- A decrease in US travel was cited as the major factor in the loss of business at 61%, with domestic travel at 29% and international travel at 29%.
- Based on the hotel guest's primary mode of transportation used to arrive in the GTA, 21% of the loss in Quarter 3 was attributable to a decline in automobile traffic, with 20% due to a drop off in air traffic.

### Results by Toronto's Sub-Markets

- From a sub-market perspective, the strongest fall off in Quarter 3 demand levels continued to be amongst downtown Toronto's hotels, which endured a 15.7% decline in rooms sold over last year. Toronto East/North hotels were off by 11.6%, while Toronto Airport properties were down by 9.2% in demand.
- Of the GTA's three sub markets, Quarter 3 2003 booking patterns were off the most amongst the Toronto North/East properties. As of June 30<sup>th</sup>, 2003, these hotels had pre-booked 44% fewer room nights going into the quarter, than the previous year. Conversely, booking patterns amongst Toronto's downtown hotels were off by 32% going into Q3, while the Toronto Airport patterns for Q3 were down by 36% compared to last year.
- Downtown Toronto Hotels (representing about 41% of the total GTA hotel inventory) recorded a \$56.4 Million loss in room revenue during Quarter 3 – a 30.2% deterioration from last year's results.
- The second hardest hit market in Quarter 3 was the Toronto North/East market, which suffered an estimated \$10.5 Million loss in room revenues.
- The Toronto Airport, reported a loss of \$5.1 Million in room revenue – 13% below last year's results.

## QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

### Booking Patterns



- As of September 30, 2002, 850,000 room nights or **41%** of October, November and December 2002's business was pre-booked. In comparison, as of September 30, 2003, **821,000 room nights** of business was pre-booked for Quarter 4— which is a decrease of **29,000 pre-booked room nights in Quarter 4 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down slightly by 3%** in comparison to last year, which demonstrates that the industry is returning to 2002 levels.

### Exhibit 7: Quarter 4 Room Cancellations

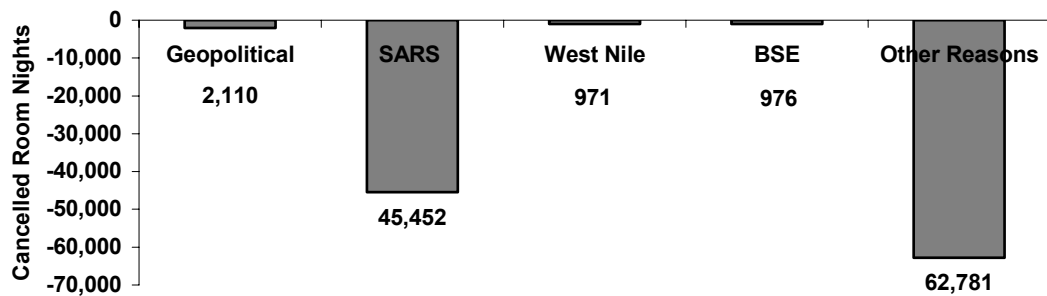
GTA MARKETS	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup>
Toronto Downtown	22,300	97,988
Toronto Airport	616	2,374
Toronto North/East	11,928	11,928
Greater Toronto Area	34,844	112,290
Cancelled Room Nights <i>Due to SARS</i>	24,512 70%	45,452 40%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	887 3%	2,110 2%
Cancelled Room Nights <i>Due to West Nile Virus</i>	831 2%	971 1%
Cancelled Room Nights <i>Due to BSE</i>	976 3%	976 1%
Cancelled Room Nights <i>Due to Other Reasons</i>	7,638 22%	62,781 56%

Source: PKF Consulting

## Q4 - Room Cancellations

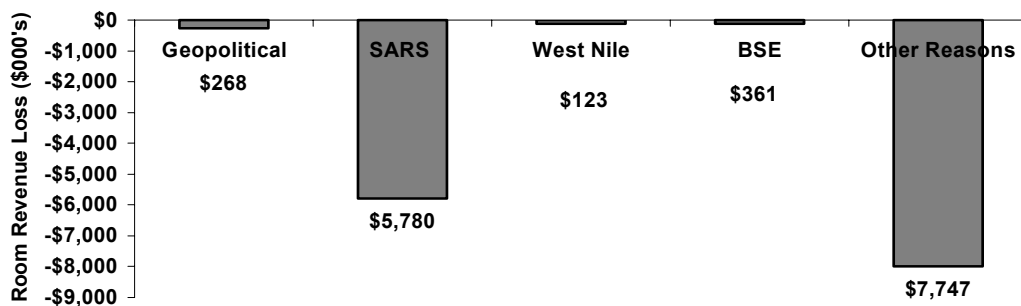
- The GTA hotel industry reported over 112,000 room cancellations during Quarter 4 2003. This represents almost 7% of last year's overall Quarter 4 demand results.
- 40% of the cancellations were attributable to fears associated with SARS, while 56% were attributed to "Other reasons".
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the GTA market is estimated at **\$14.3 Million**, of which \$5.8 Million is attributable to SARS. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Greater Toronto Area**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Greater Toronto Area**



Source: PKF Consulting

### 5.3. Ottawa

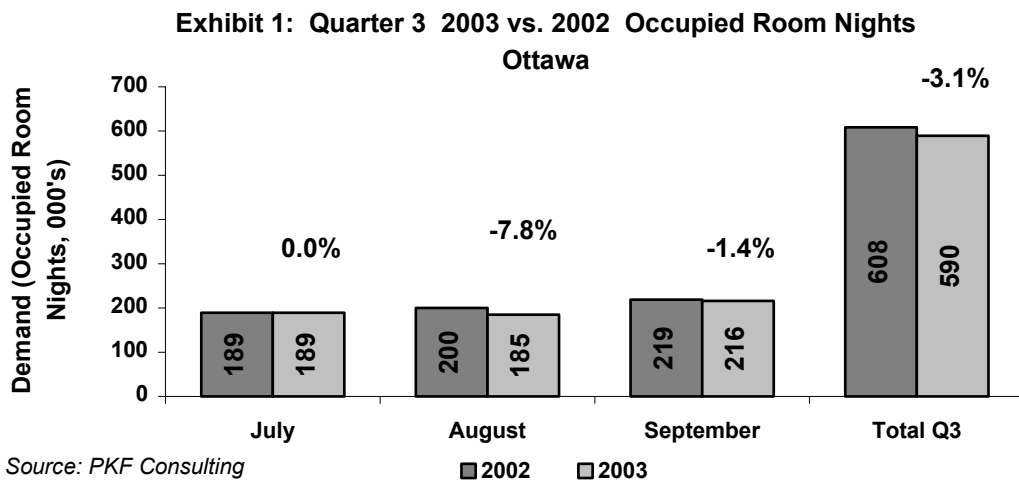
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

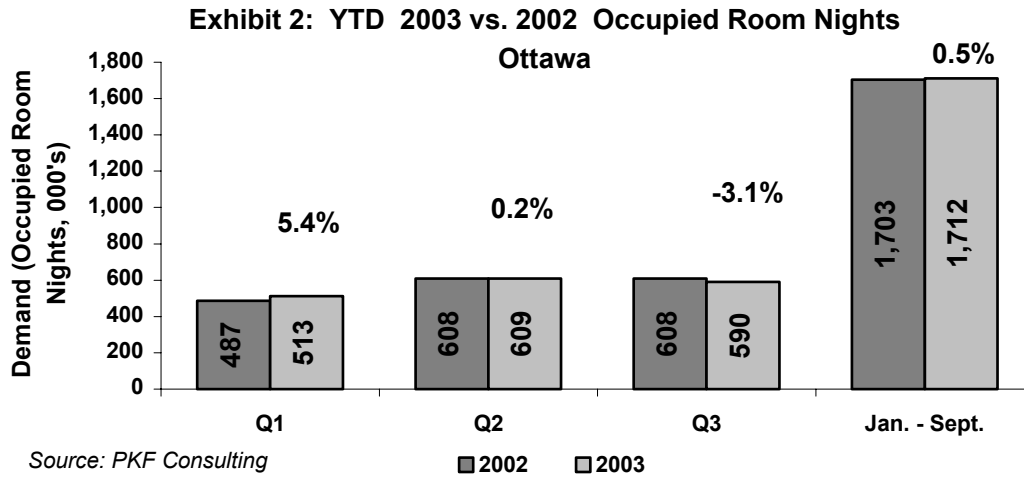
- The Ottawa accommodation inventory was comprised of 10,161 rooms in Quarter 3 2003 – a 5.8% increase over the same period in 2002, with the addition of 554 rooms.

##### Demand

- During Quarter 3, the Ottawa hotel market achieved a 63% occupancy at an average daily rate of \$121.
- Demand declined in Quarter 3 by **approximately 18,600 room nights or 3.1%**, as compared to the third quarter of 2002.
- While July was on par with last year, August underwent a 7.8% decline in demand and September was 1.4% behind last year.

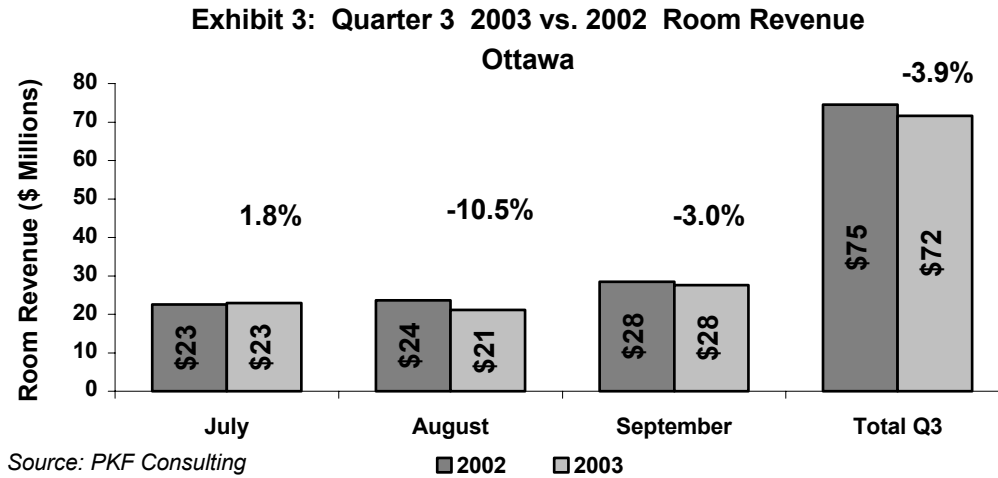


- Quarter 1 demand levels were up by 5.4% in Ottawa, with Quarter 2's performance on par with last year, and Quarter 3 behind by 3.1%. As such, year-to-date results for 2003 are running marginally ahead (0.5%) of results achieved in the first nine months of 2002.

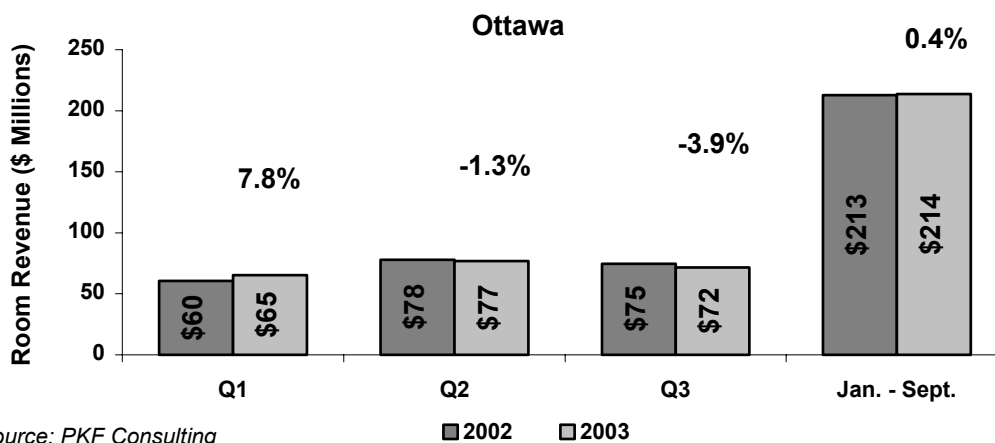


**Room Revenue**

- August was the worst hit month for the quarter, with \$2.5 Million in room revenue losses reported, in comparison to July, which was up by \$400,000 and September, which was down by \$847,000 in comparison to last year.
- Year-to-date room revenue is actually ahead by \$794,000 (0.4%), largely due to a strong 1<sup>st</sup> Quarter performance.



**Exhibit 4: YTD 2003 vs. 2002 Room Revenue**



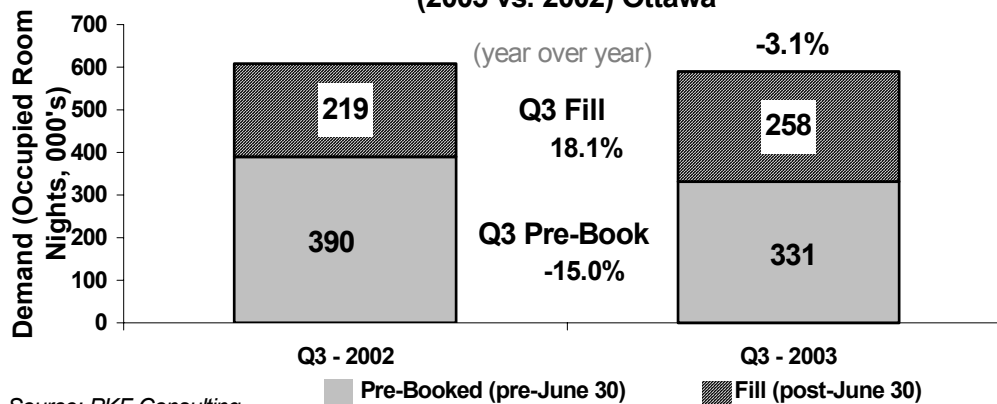
### Budgets and PKF Outlook

- According to our PKF Outlook for the Ottawa hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 67% occupancy at an average daily rate of \$125 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Ottawa hoteliers expected to achieve a slightly higher occupancy result than the PKF Outlook – 69% occupancy at a slightly lower ADR of \$124 – by the end of the third quarter.
- Based on actual results, the industry missed their budget by 6 percentage points in occupancy, and by \$3 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, Ottawa hoteliers had pre-booked 331,000 room nights for the upcoming peak months of July, August and September – 15% fewer room nights than were pre-booked over the same time frame last year.
- However, despite the drop off in pre-booked business, the fill rate for the Ottawa market improved by 18%, with 39,700 more room nights sold between July 1 and September 30, than during the same period last year.
- Although the amount of pre-booked business was down by 15%, the corresponding 18% improvement in fill rate for the Quarter did not result in higher demand levels year-over-year, because the market absorbed a further 550 rooms in supply during Q 3 2003 (a 5.8% increase over Q3 2002).

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Ottawa**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Ottawa hotel industry was down by approximately 18,600 room nights in Q3, with hoteliers crediting most of their decreased demand local, regional, national and economic conditions (55%) and SARS (25%).
- The segments responsible for the largest demand decrease were business travel and group leisure business.
- Furthermore, the industry cited a decline in domestic travellers as the leading source of demand erosion during the Quarter.
- Based on the hotel guest's primary mode of transportation used to arrive in Ottawa, hoteliers attributed 47% of the Q3 decrease to automobile travellers and 42% to the air travel market.

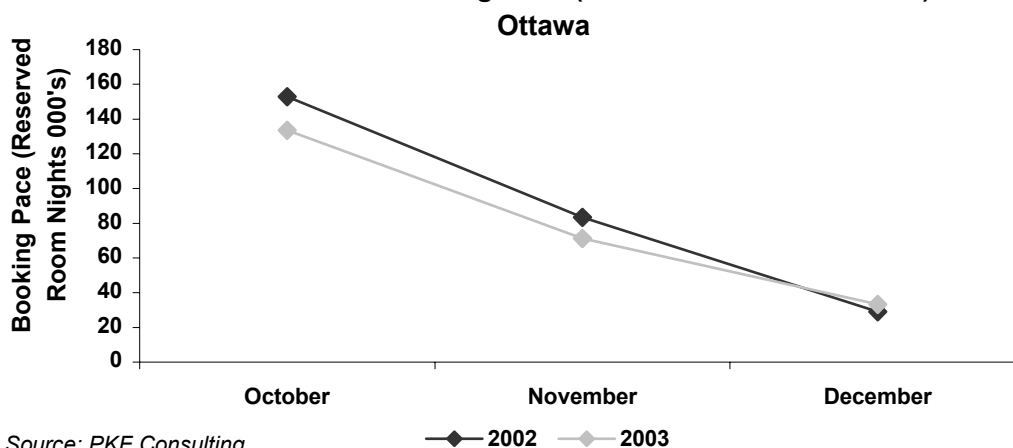
### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, 265,000 room nights or **49%** of October, November and December's 2002's business was pre-booked. In comparison, as of September 30, 2003, **240,000 room nights** of business was pre-booked for Quarter 4 – which means that **27,000 fewer room nights were pre-booked for Quarter 4 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down by 10%** in comparison to last year, which is a reversal of the period heading into Quarter 2, when the pace was ahead by 4%, but an improvement over Quarter 3, which showed the booking pace off by 15% heading into the Quarter.
- Looking ahead to the winter months, unless the infill picks up, Quarter 4 demand is expected to be flat.



**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**



#### Q4 - Room Cancellations

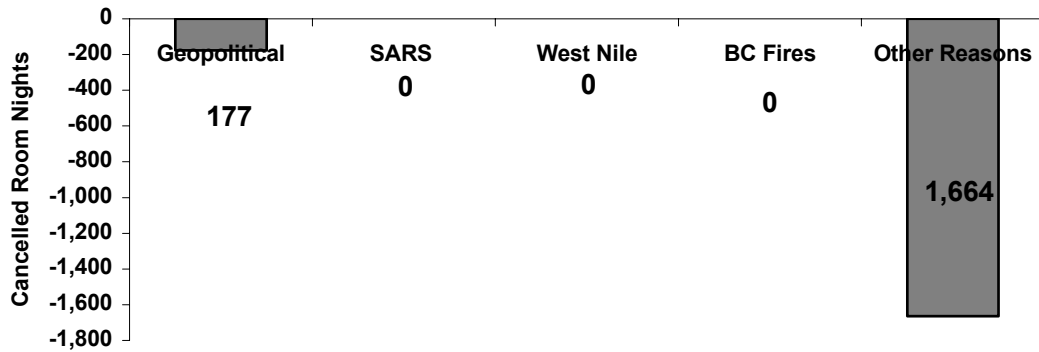
- The Ottawa hotel sector report over 1,840 room cancellations during Quarter 4 2003. This represents less than 1% of last year's overall Quarter 4 demand results.
- According to hotel operators, the vast majority of Q4 room cancellations were attributable to reasons other than those listed (90%).
- The **potential room revenue** loss due to room cancellations in the Ottawa market is estimated at **\$230,000 in Q4**. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
<b>Ottawa</b>	<b>662</b>	<b>1,841</b>
Cancelled Room Nights <i>Due to SARS</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	0 0%	177 10%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BC Forest Fires</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Other Reasons</i>	662 100%	1,664 90%

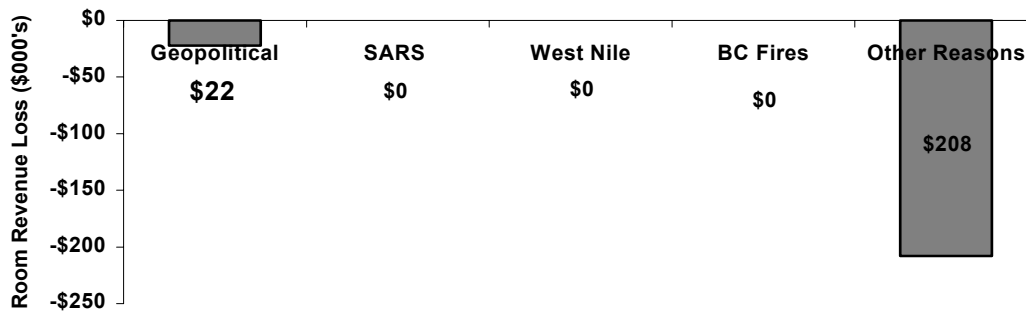
Source: PKF Consulting

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Ottawa**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Ottawa**



Source: PKF Consulting

## 5.4. Windsor

### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- In Quarter 3 2003, the overall inventory of hotel rooms in the Windsor hotel market was 2,874 rooms – an increase of 5.5% rooms over Quarter 3 2002.

#### Demand

- During Quarter 3, the Windsor hotel market achieved 61% occupancy at an average daily rate of \$102.
- Demand for Windsor hotels **decreased by approximately 7,500 room nights or –4.4% in Quarter 3 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was down by 2.9% in demand in July, followed by a decline of 4.3% in August and a further decline of 6.2% in September.

Exhibit 1: Quarter 3 2003 vs. 2002 Occupied Room Nights

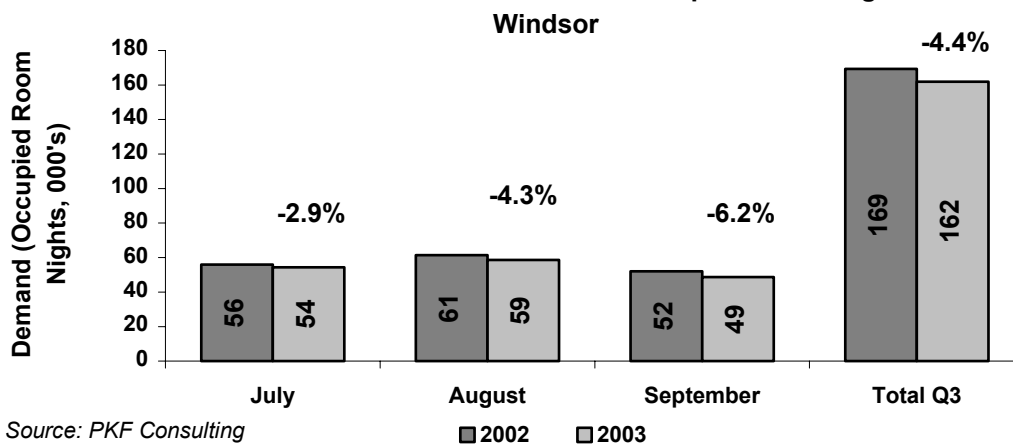
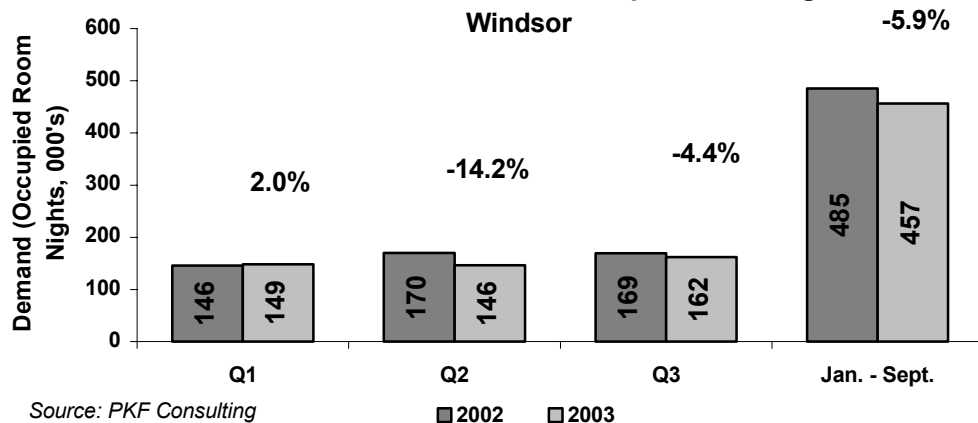


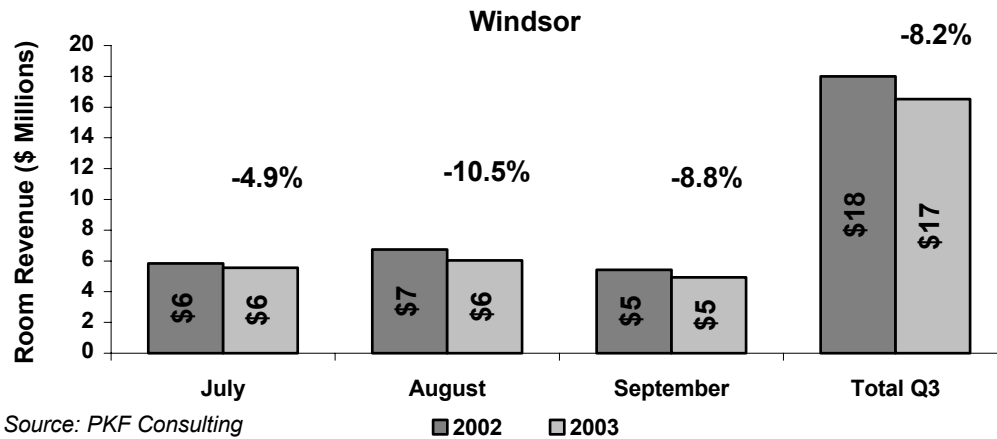
Exhibit 2: YTD 2003 vs. 2002 Occupied Room Nights



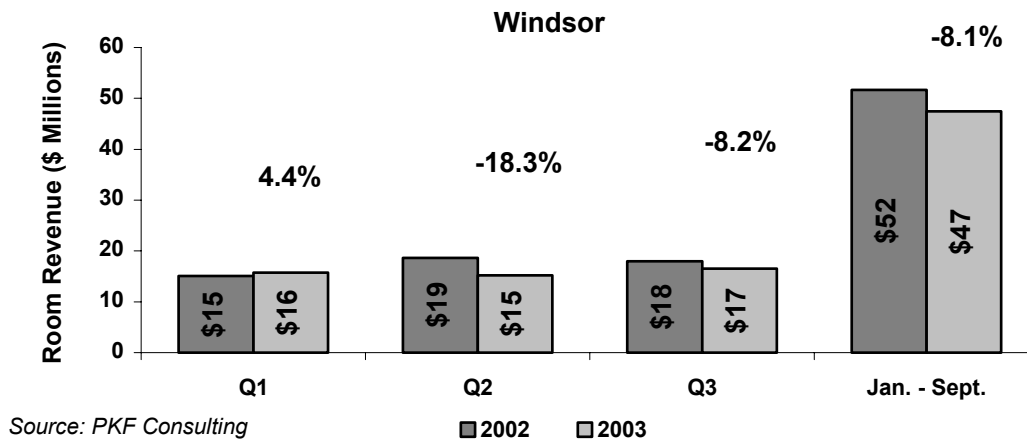
## Room Revenue

- Windsor suffered a loss of \$285,000 or 4.9% in room revenue during the month of July, which increased in August to a loss of \$706,000 or 10.5%. September revenues were down by 8.8%, representing a loss of \$477,000.
- Overall Quarter 3 room revenue was down by 8.2%, with year-to-date room revenue behind by \$4.6 Million (8.1%).

**Exhibit 3: Quarter 3 2003 vs. 2002 Room Revenue**



**Exhibit 4: YTD 2003 vs. 2002 Room Revenue**

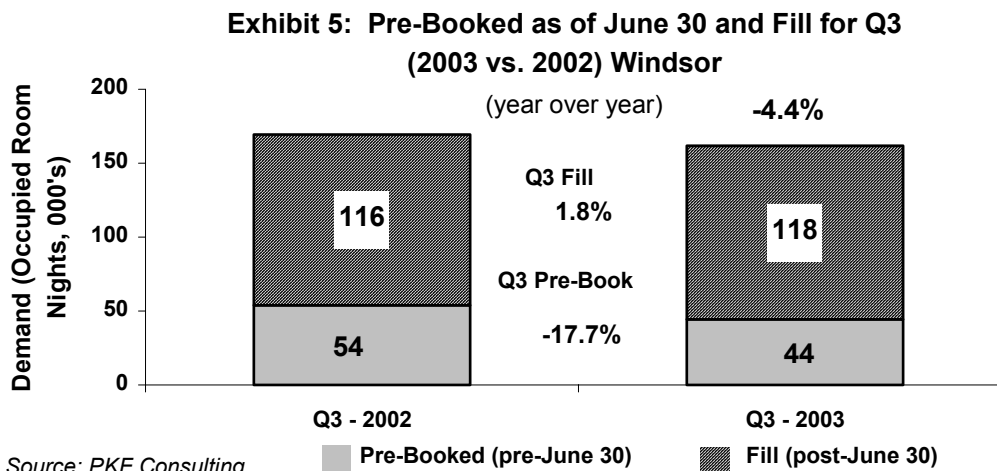


## Budgets and PKF Outlook

- According to our PKF Outlook for the Windsor hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 65% occupancy at an average daily rate of \$108 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Windsor hoteliers were forecasting a 64% occupancy and an average daily rate of \$110 by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 3 percentage points in occupancy, and by \$8 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, Windsor hoteliers had pre-booked 44,000 room nights for the upcoming months of July, August and September – almost 18% fewer room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry in Quarter 3 was 1.8% with 117,700 rooms sold in 2003, up from 115,600 in 2002
- SARS and geopolitical factors not only impacted pre-booking patterns, but also the fill rate for the 3<sup>rd</sup> Quarter.



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

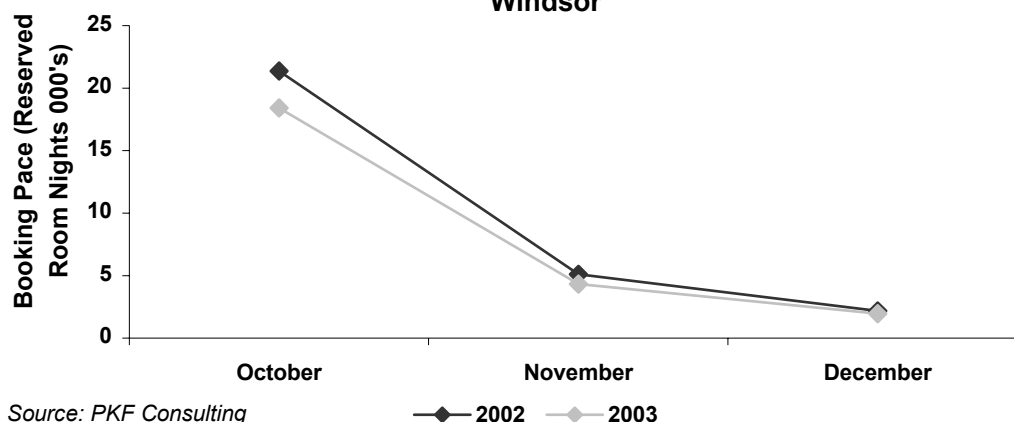
- The Windsor hotel industry attributed most of their decreased demand in Quarter 3 2003 to economic conditions (46%), geopolitical forces (25%) and SARS (19%).
- The segment responsible for the largest demand decrease was independent leisure travel at 41% and group leisure travel at 15%.
- The industry cited a decline in domestic travel as the main reason for the loss of business at 55%, but also cited a decline in U.S travel at 45%.
- Based on the hotel guest's primary mode of transportation used to arrive in Windsor, almost 90% of the loss in Quarter 3 was attributable to a decline in automobile traffic, with 6% attributable to a loss in airline travellers.

### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, 28,700 room nights or **20%** of October, November and December 2002's business was pre-booked. In comparison, as of September 30, 2003, **24,700 room nights** of business was pre-booked for Quarter 4— which means that an estimated **4,000 fewer room nights were pre-booked in Quarter 4 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down by 14%** in comparison to the same time period last year.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**  
Windsor



#### Q4 - Room Cancellations

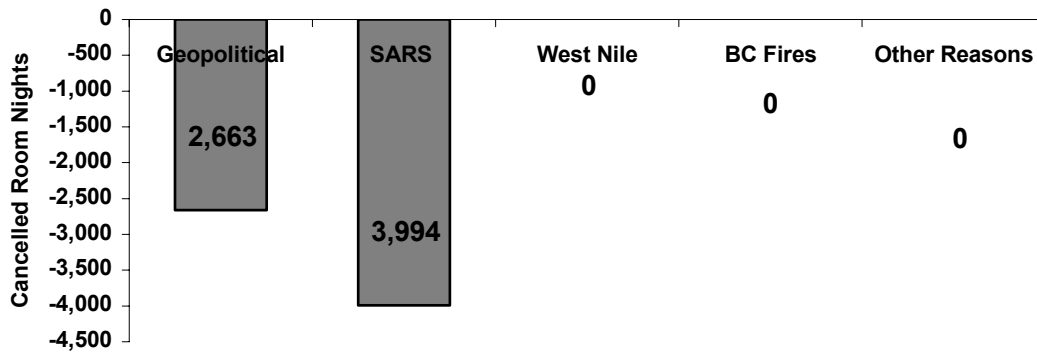
- The Windsor hotel sector reported cumulative cancellations of 6,657 as of September 30<sup>th</sup> 2003. This represents 4% of last year's overall Quarter 4 demand results.
- According to hotel operators, 60% of room cancellations were attributable to SARS, with the balance due to geopolitical reasons (40%).
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the market is estimated at **\$680,000**, of which **\$408,000 is attributable to SARS** and a further \$272,000 to geopolitical reasons. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Windsor	6,657	6,657
Cancelled Room Nights <i>Due to SARS</i>	3,994 60%	3,994 60%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	2,663 40%	2,663 40%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BSE</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Other Reasons</i>	0 0%	0 0%

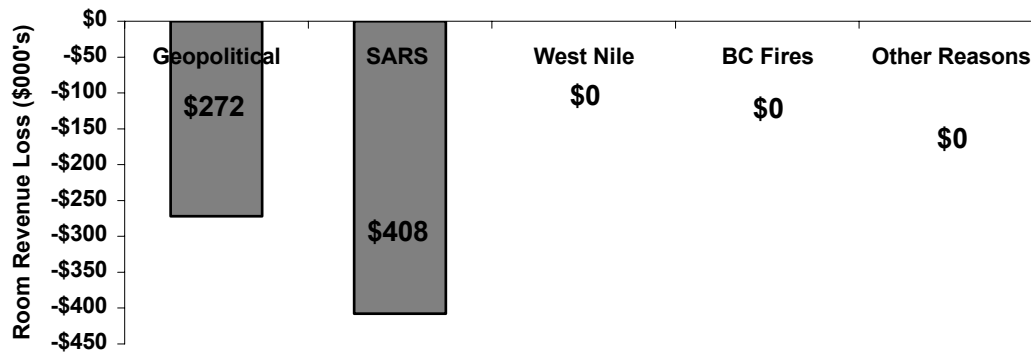
Source: PKF Consulting

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Windsor**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Windsor**



Source: PKF Consulting

## 5.5. Niagara Falls<sup>2</sup>

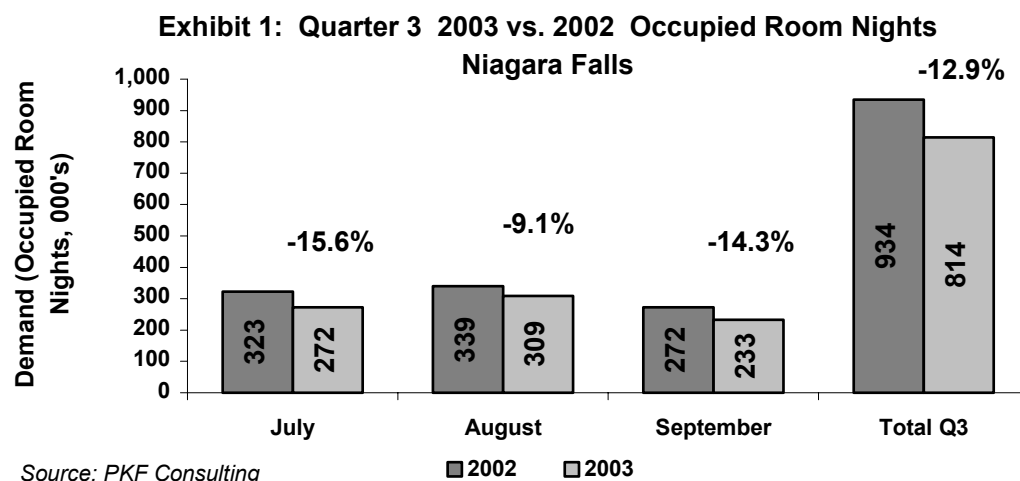
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- In Quarter 3 2003, the overall average inventory of hotel rooms in the Niagara Falls hotel market was 12,054 rooms – a 1.3% increase over the same period in 2002, with the addition of 156 rooms.

#### Demand and Rate

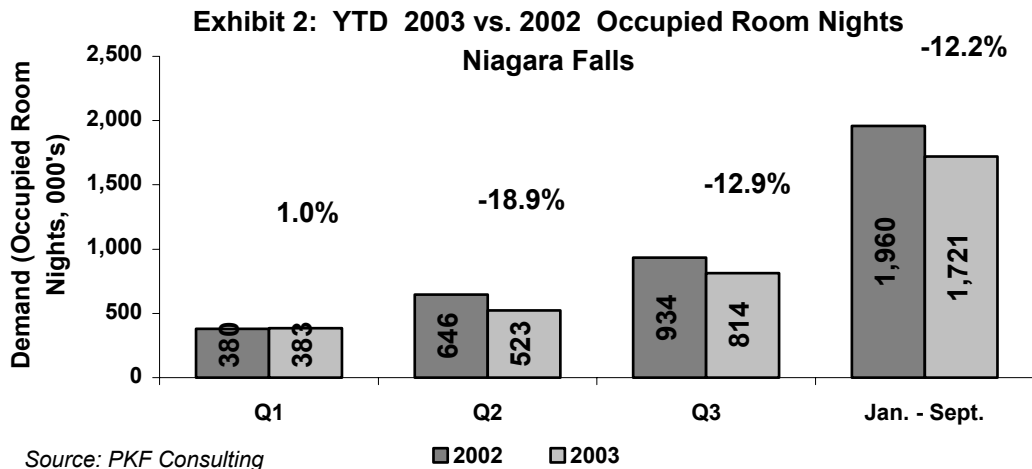
- During Quarter 3, the Niagara Falls hotel market achieved a 73% occupancy at an average daily rate of \$140.
- With a 1.3% increase in supply, demand for Niagara Falls hotels was **down by approximately 120,000 room nights or 12.9% in Quarter 3 2003**, as compared to the previous year.
- On a month-to-month basis, the industry was down by 15.6% in demand in July, improving somewhat to a decline of 9.1% in August before sliding to -14.3% decline in September.



- **With demand down significantly in Quarters 2 and 3**, year-to-date results for 2003 are 12.2% below results achieved during the same period in 2002.

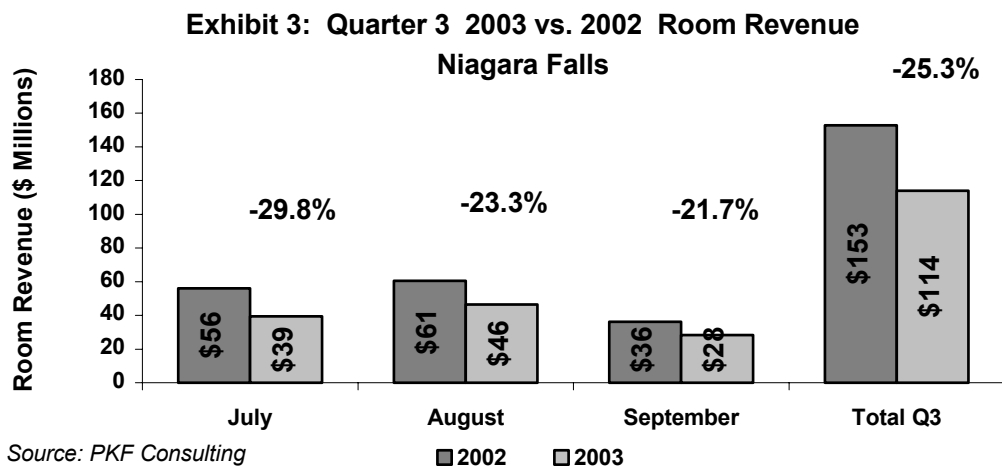
<sup>2</sup> Due to an insufficient response rate to PKF's Quarter 2 Survey, a Major Market Report for the City of Niagara Falls' accommodation sector was not provided in the Quarter 2 report but has been provided in this 3rd Quarter Report.

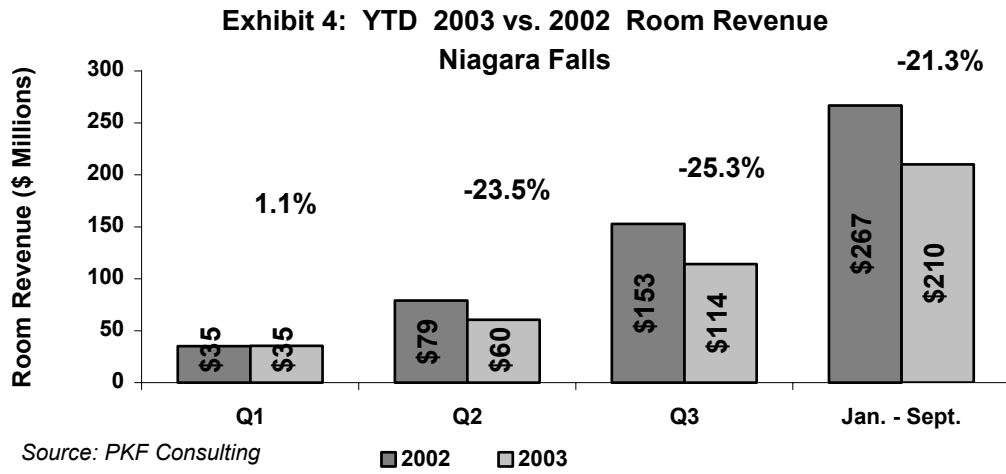




### Room Revenue

- Room revenue losses in the Niagara Falls market were down significantly in all three months of Quarter 3 due to the combined impact of demand erosion and severe rate discounting. Room revenue declined by nearly \$17 Million in July, \$14 Million in August and \$8 Million in September compared to the prior year.
- Overall Quarter 3 room revenue was 25.3% lower than the same period last year, resulting in a Q3 room revenue loss of \$39 Million. This loss combined with only a slight revenue gain in Quarter 1 and a \$19 Million loss in Quarter 2, results in a \$57 Million year to date rooms' revenue impact for the Niagara Falls hotel industry.





## 5.6. Ontario Resorts

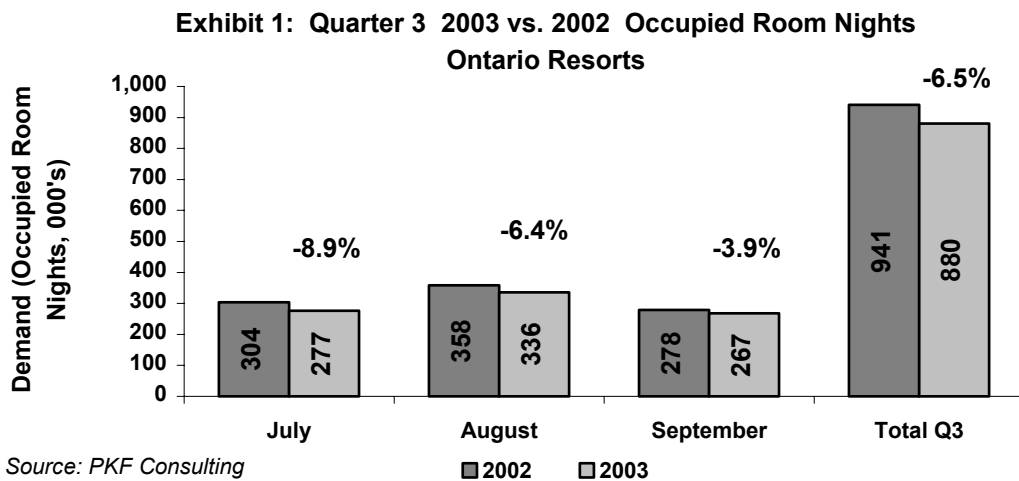
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

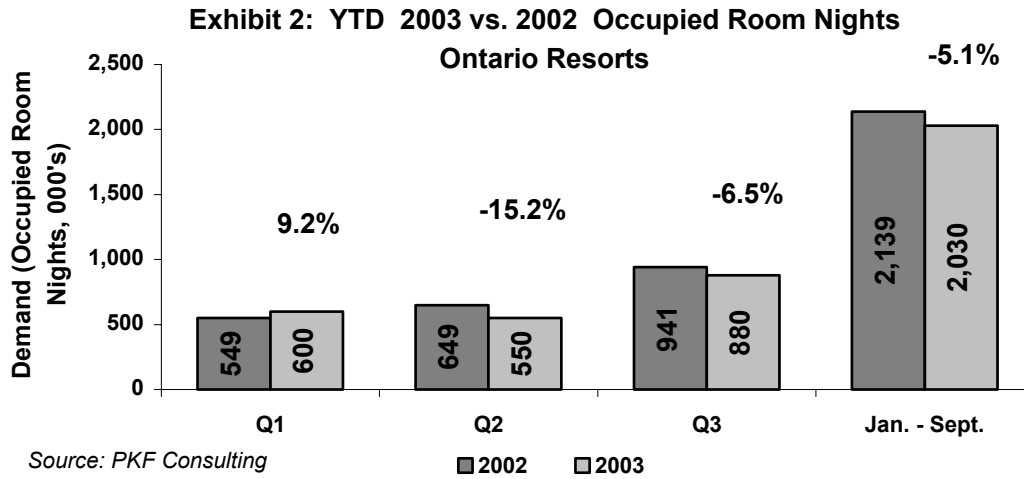
- In Quarter 3 2003, the overall inventory of hotel rooms in the Ontario resort market averaged 15,289 rooms – a 1.3% increase over the same period in 2002, with the addition of 192 rooms primarily in the Collingwood region.

#### Demand

- During Quarter 3, the Ontario Resort market achieved a 63% occupancy at an average daily rate of \$189.
- Demand for Ontario Resorts **decreased by approximately 8,900 room nights or -6.5% in Quarter 2 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was down by 8.9% in demand in July, followed by a decline of 6.4% in August before slightly improving in September with a decline of 3.9%.

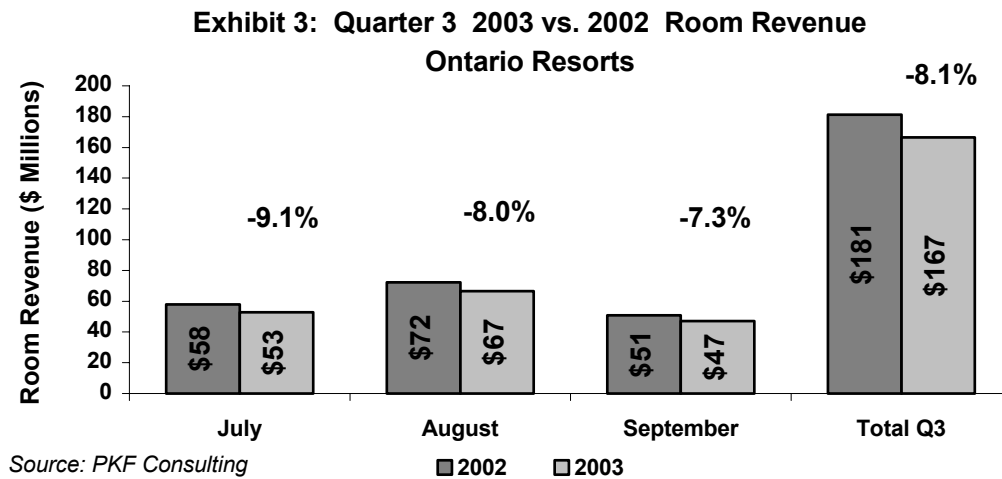


- Demand levels amongst Ontario Resorts were ahead by 9.2% by the end of Quarter 1, before falling by 15.2% in Quarter 2 and 6.5% in Quarter 3, bringing the year to date demand 5.1% lower than the results during the same period in 2002.

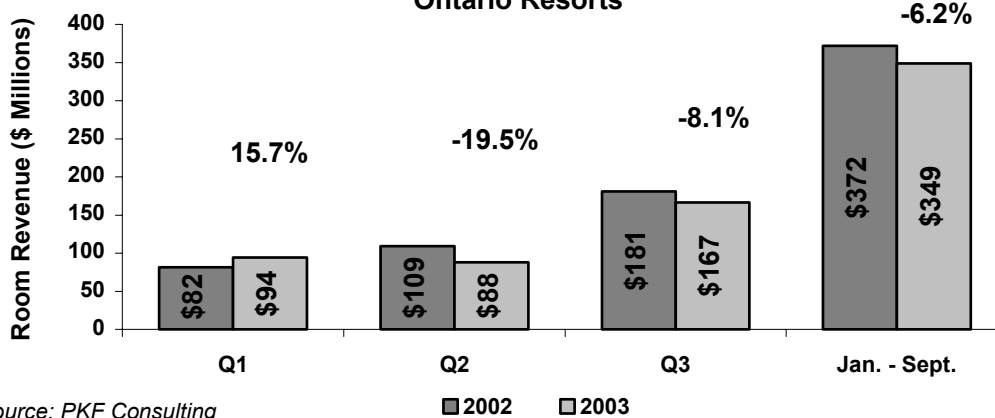


### Room Revenue

- Ontario Resorts withstood a loss of \$5.3 Million in room revenue during the month of July, followed by a further loss of \$5.7 Million in August, before softening to a \$3.7 Million loss in September.
- Despite the gains achieved in Quarter 1, year-to-date room revenue is behind by \$23 Million (6.2%), in comparison the same period in 2002.



**Exhibit 4: YTD 2003 vs. 2002 Room Revenue  
Ontario Resorts**



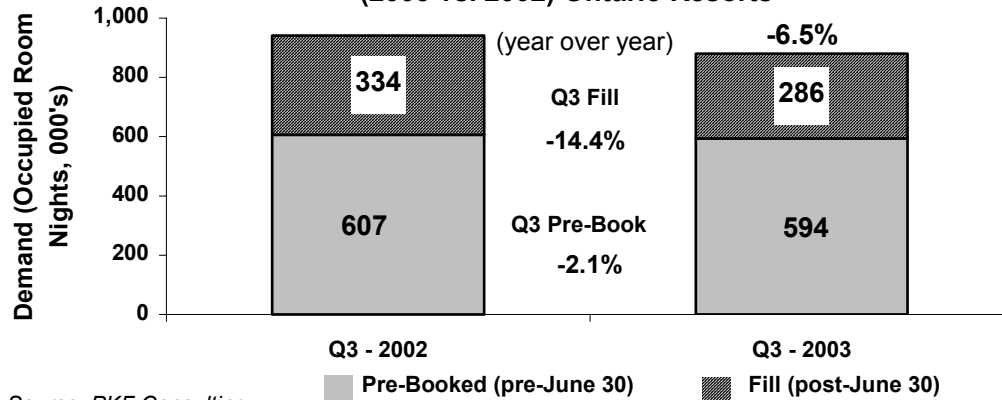
### Budgets and PKF Outlook

- According to our PKF Outlook for the Ontario Resort market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 68% occupancy at an average daily rate of \$197 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Ontario Resort owners expected occupancy results to be in line with the PKF Outlook – 69% occupancy however at a lower rate (\$191 ADR) than the PKF outlook – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by close to 7 percentage points in occupancy, and by \$2 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, Ontario Resort owners had pre-booked over 594,000 room nights for the upcoming months of July, August and September – 2% fewer room nights than were pre-booked for the same time frame last year.
- The fill rate for the resort market was off by 14% this quarter, with approximately 286,000 room nights sold between July 1 and September 30, as opposed to 334,000 last year – 48,000 fewer room nights.
- Amongst the Ontario Resort sector, economic conditions (46%), SARS (12%) and “other” reasons (23%) had the most impact on the fill rate in the 3<sup>rd</sup> Quarter.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Ontario Resorts**



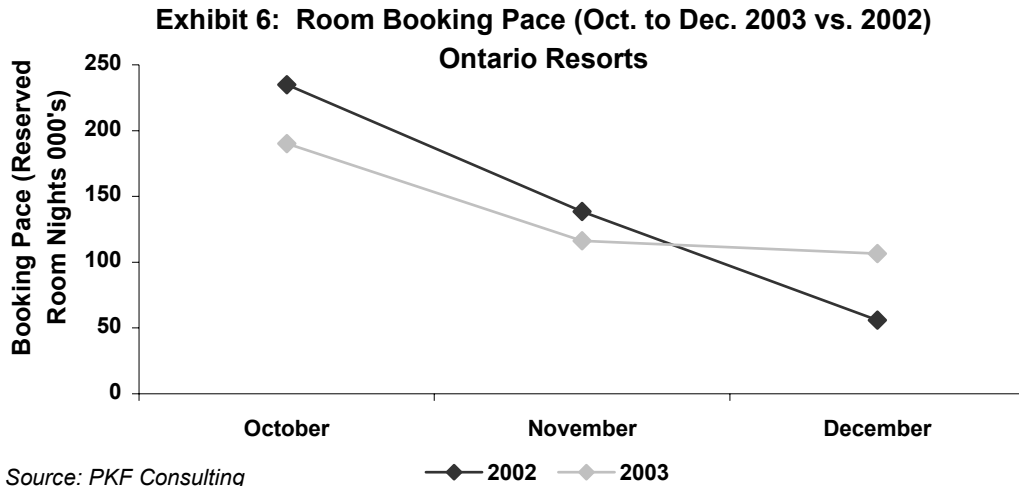
### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Ontario Resort industry attributed most of their decreased demand in Quarter 3 2003 to economic conditions (46%) as well as “other reasons” (23%) and SARS (12%). Operators felt the West Nile Virus had very little impact on demand.
- The segment responsible for the largest demand decrease was meetings and convention travel at 74%, with independent travel second at 16%.
- Furthermore, the industry cited a decline in domestic travel as the main reason for the loss in business at 95%, with US travellers accounting for only 5% of the decline in accommodation demand.
- Based on the resort guest’s primary mode of transportation used to arrive at the resort destination, all of the loss in Quarter 3 was attributable to a decline in the rubber-tire market – 95% automobile and 5% motorcoach.

### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, 429,000 room nights or **75%** of October, November and December 2002’s business was pre-booked. In comparison, as of September 30, 2003, **413,000 room nights** of business was pre-booked for Quarter 4– which means that close to **16,000 fewer room nights were pre-booked in Quarter 4 2003** as compared to the same period in 2002.
- This year’s **Quarter 4 booking pace is down by 4%** in comparison to last year. From a monthly perspective, bookings for the months of October and November are down significantly year over year at –19% and –16%, respectively while December bookings are very strong up by nearly 50,000 rooms.



#### Q4 - Room Cancellations

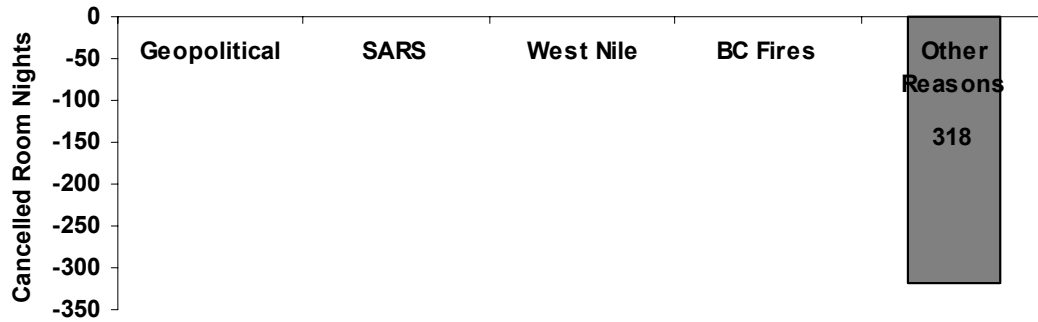
- Ontario Resorts only reported about 300 room cancellations for Quarter 4 2003 all of which are attributed to “other reasons”.
- All of the Q3 room cancellations were attributable to “other reasons”, which equates to a potential room revenue loss of \$52,000. At this stage in our analysis, we have categorized the losses due to room cancellations as “**potential revenue losses**”, as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Ontario Resorts	0	318
Cancelled Room Nights <i>Due to SARS</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BSE</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Other Reasons</i>	0 0%	318 100%

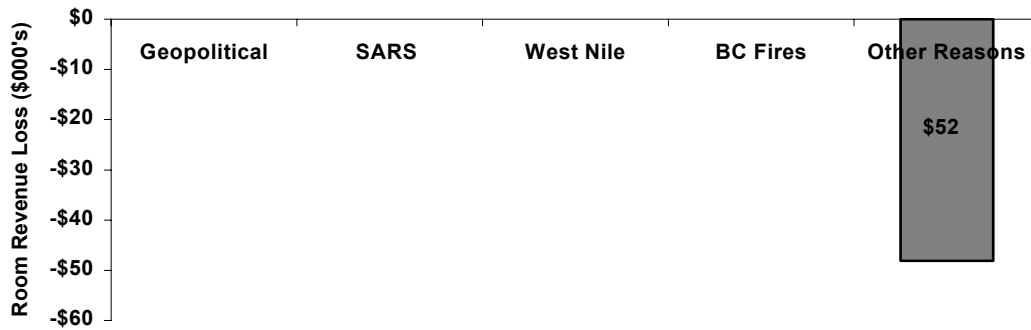
Source: PKF Consulting

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003)  
Ontario Resorts**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Ontario Resorts**



Source: PKF Consulting



## 5.7. Southern Ontario Markets

### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- Excluding the major markets of Toronto (GTA) and Windsor, Southern Ontario's accommodation market averaged 28,681 rooms in Quarter 3 2003 –up 438 guest rooms from Q3 2002 (1.6%).

#### Demand and Rate

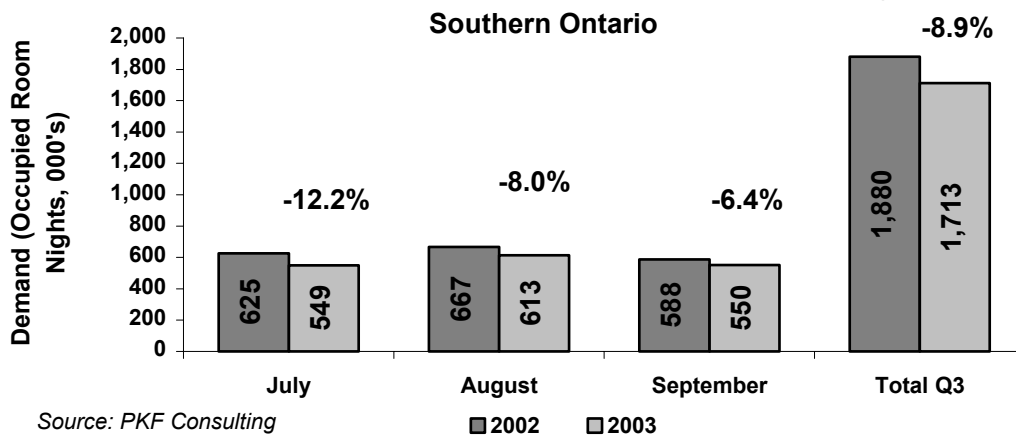
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3- 2003		QUARTER 3- 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
London	62%	\$93	64%	\$96	-3%	-4%
KW/Cambridge/Guelph	66%	\$92	72%	\$92	-9%	1%
Niagara Falls	73%	\$140	85%	\$164	-13%	-14%
Other Niagara Region	58%	\$92	68%	\$97	-15%	-5%
Other Southern Ontario	58%	\$96	64%	\$97	-8%	-1%
<b>Total Southern Ontario</b>	<b>65%</b>	<b>\$111</b>	<b>72%</b>	<b>\$121</b>	<b>-9%</b>	<b>-9%</b>

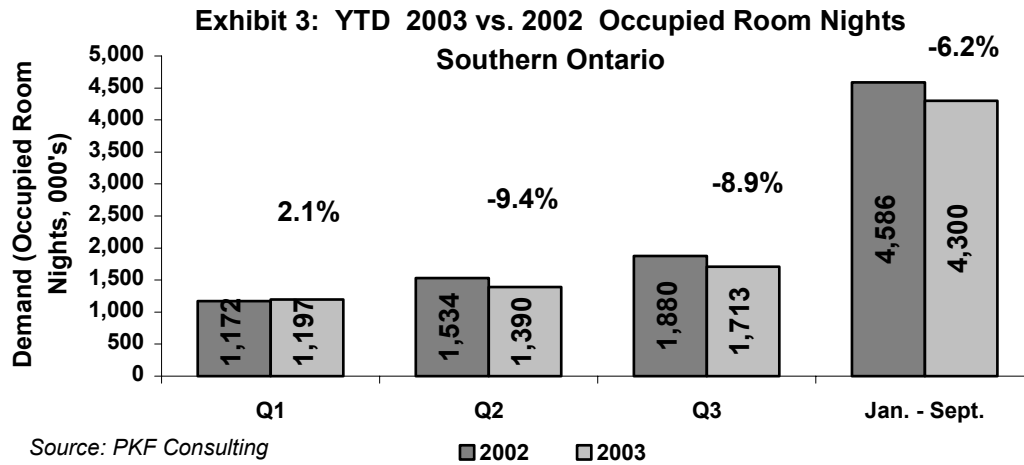
Source: PKF Consulting

- During Quarter 3 2003, Southern Ontario's hotel market (excl. Toronto and Windsor) achieved a 65% occupancy at an average daily rate of \$111. Occupancy levels were 7 percentage points lower than Quarter 3 of last year, and the average daily rate was down by approximately \$10.
- Demand for the Southern Ontario accommodation market was **down by approximately 167,630 room nights or 8.9% in Quarter 3 2003**, as compared to the same quarter last year.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

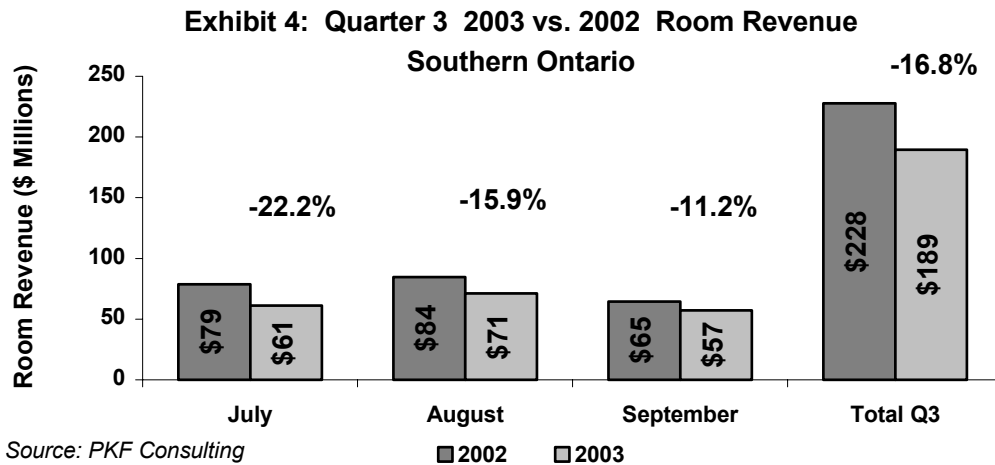


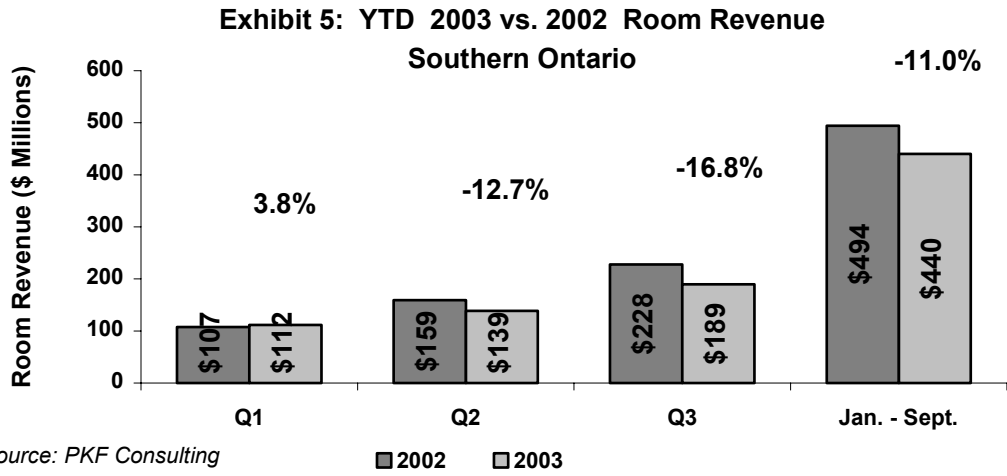
- While demand was up by 2.1% at the end of Quarter 1, and Quarter 2 results showed a decline of 9.4%, with Quarter 3 results showing a further 8.9% decline, bringing year-to-date results for 2003 6.2% below results achieved in the first nine months of 2002.



#### Room Revenue

- Southern Ontario's room revenue slid by 22.2% in July – the largest month over month decrease reported in 2003. August room revenues were down by 15.9%, with September's down by 11.2% from the same months last year.
- Overall, Quarter 3 room revenue was down by \$38.2 Million (-16.8%) compared to the same period last year. Offset by the region's positive start to the year, year-to-date room revenue is down by \$54.3 Million – 11% below last year's results.





## 5.8. Eastern Ontario Markets

### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- Excluding the major market of Ottawa, Eastern Ontario's accommodation market was 8,290 rooms in Quarter 3 2003 – the same as in Q3 2002.

#### Demand and Rate

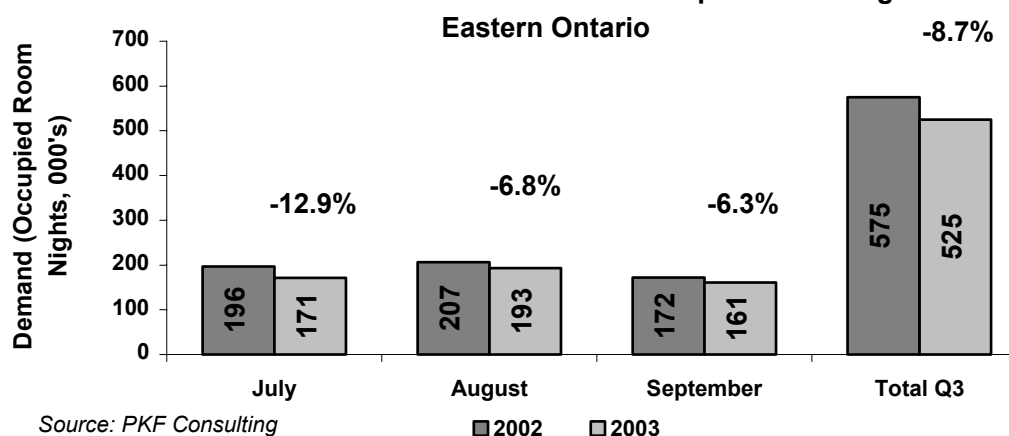
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Kingston	72%	\$119	79%	\$116	-9%	2%
Other Eastern Ontario	67%	\$95	74%	\$94	-9%	1%
<b>Total Eastern Ontario</b>	<b>69%</b>	<b>\$103</b>	<b>75%</b>	<b>\$102</b>	<b>-9%</b>	<b>1%</b>

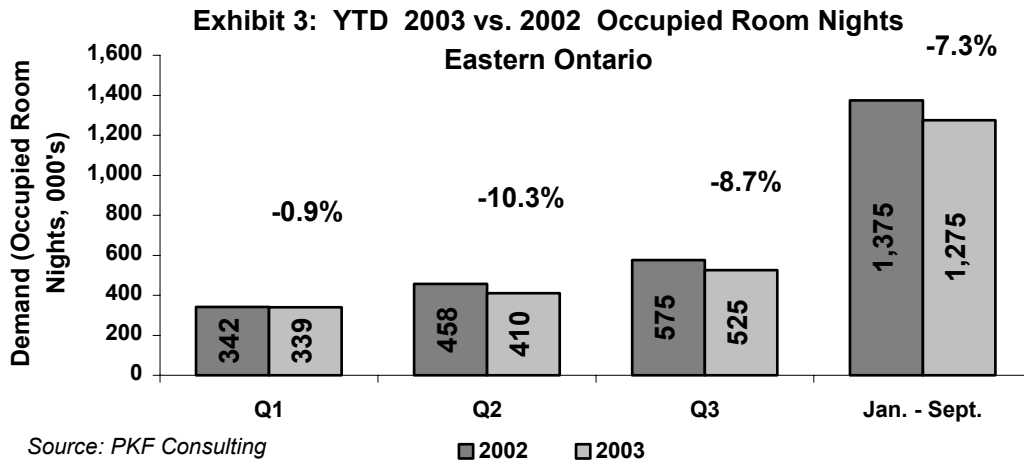
Source: PKF Consulting

- During Quarter 3 2003, Eastern Ontario's hotel market (excl. Ottawa) achieved a 69% occupancy at an average daily rate of \$103. Occupancy levels were off by 8 percentage points from Quarter 3 of last year, however the average daily rate was up by approximately \$1.
- Demand for the Eastern Ontario accommodation market was **down by approximately 50,265 room nights or 8.7% in Quarter 3 2003**, as compared to the 3rd quarter of 2002.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

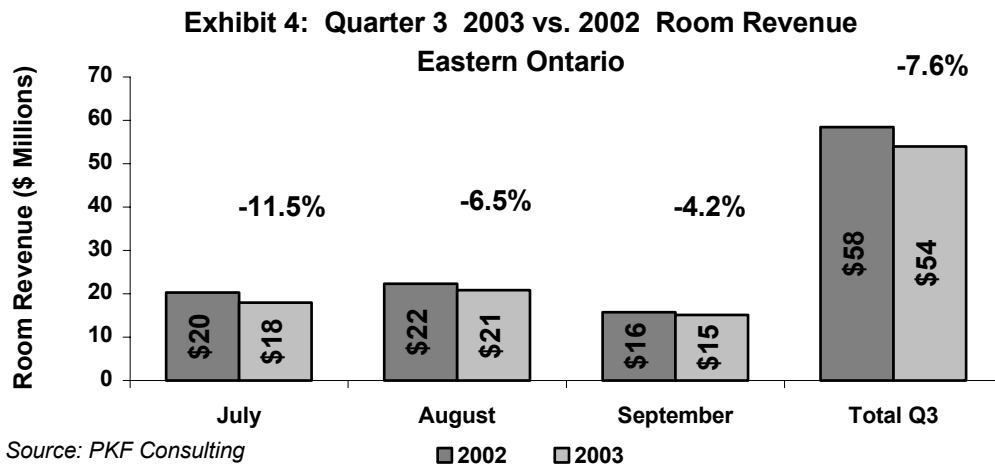


- The Eastern Ontario market has not fared well this year– Demand was down by 0.9% at the end of Q1, with a further 10.3% decline in Q2, followed by another 8.7% decline in Q3, **bringing year-to-date results for 2003, 7.3% below results achieved in the first nine months of 2002.**

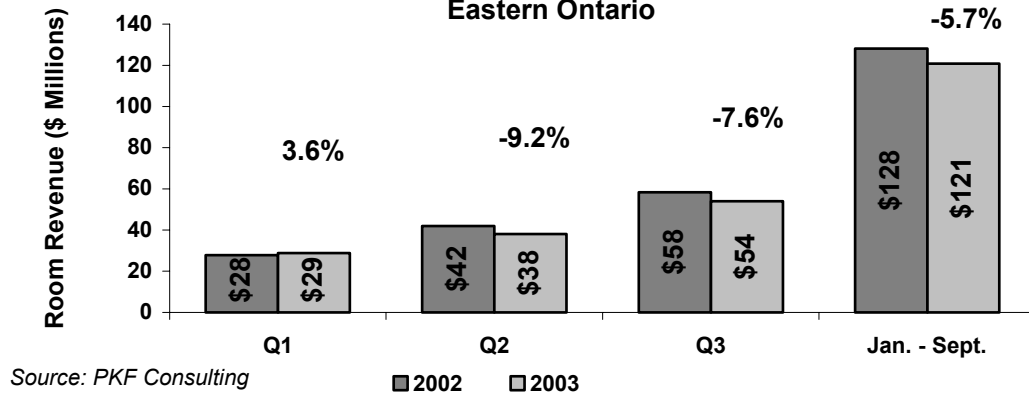


### Room Revenue

- Eastern Ontario's room revenue declined by 11.5% in July and 6.5% in August, and dropped behind by a further 4.2% in September.
- Overall, Quarter 3 room revenue was down by \$4.4 Million (-7.6%) compared to the same period last year. While the industry enjoyed a 3.6% increase in room revenue during Quarter 1, the losses in Quarters 2 and 3 have resulted in a year-to-date room revenue loss of \$7.3 Million --- 5.7% below last year's results.



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue  
Eastern Ontario**



## 5.9. Northern Ontario Markets

### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- Northern Ontario's accommodation market was 9,348 rooms in Quarter 3 2003 – an increase of 68 guest rooms compared to Q3 2002.

#### Demand and Rate

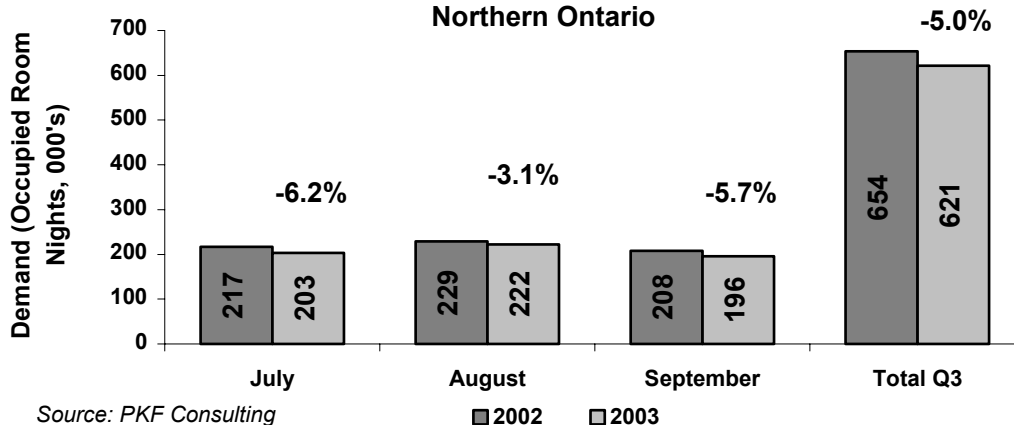
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3- 2002		% CHANGE	
	OCC.	ADR	OCC.	ADR	DEMAND	ADR
North Bay	68%	\$93	70%	\$97	-4%	-4%
Sudbury	72%	\$87	75%	\$87	-4%	1%
Sault Ste. Marie	72%	\$95	79%	\$101	-4%	-6%
<b>Total Northern Ontario</b>	<b>72%</b>	<b>\$89</b>	<b>77%</b>	<b>\$91</b>	<b>-5%</b>	<b>-2%</b>

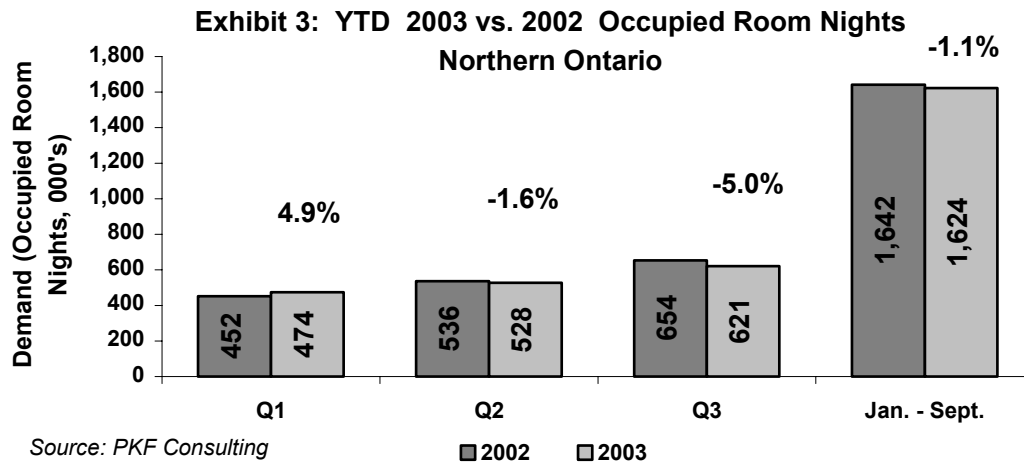
Source: PKF Consulting

- During Quarter 3 2003, Northern Ontario's hotel market achieved a 72% occupancy at an average daily rate of \$89. Occupancy levels were 4 points lower than Quarter 3 of last year, and the average daily rate was down by approximately \$2.
- Demand for the Northern Ontario accommodation market was **down by approximately 32,430 room nights or 5.0% in Quarter 3 2003**, as compared to Q3 2002.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights  
Northern Ontario

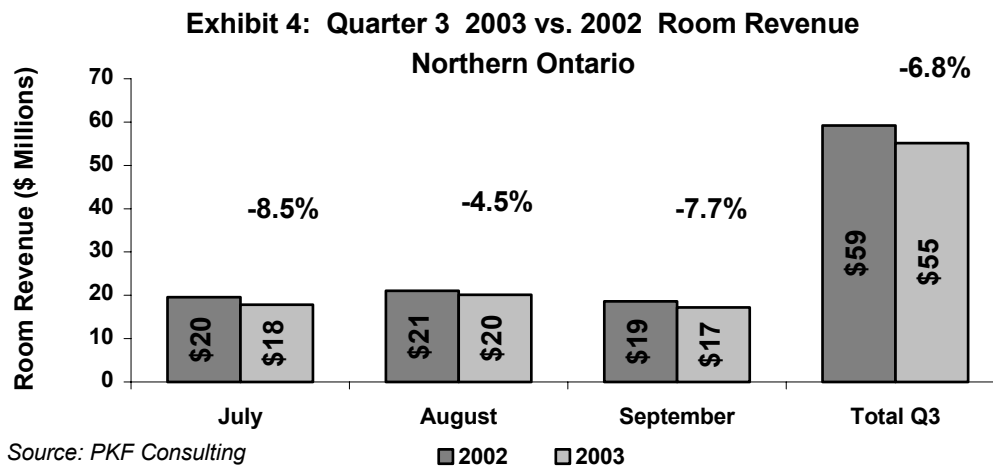


- While demand was ahead by 4.9% at the end of Quarter 1, and Quarter 2 results showed a marginal decline of 1.6%, Quarter 3 was 5.0% behind last year, bringing **year-to-date results for 2003, 1.1% behind results achieved in the first nine months of 2002.**

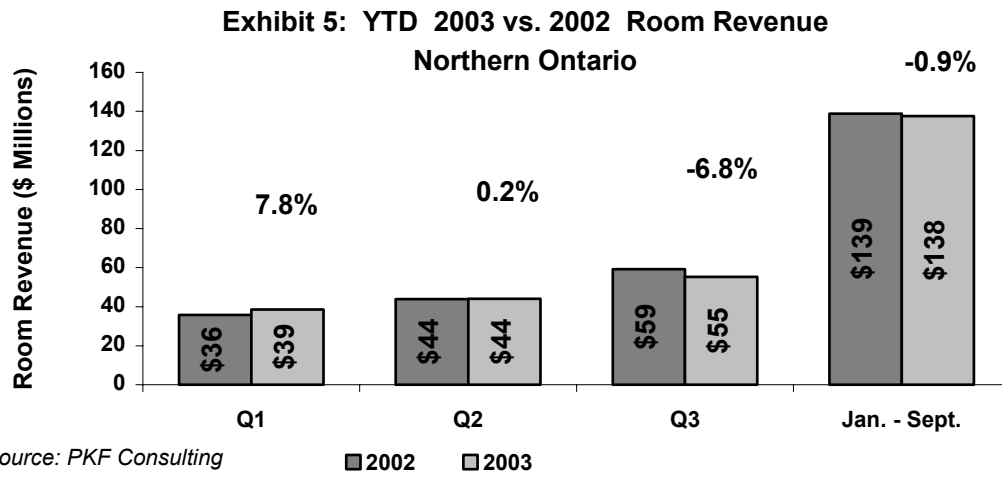


### Room Revenue

- Northern Ontario's room revenue slipped behind by 8.5% in July, with a further 4.5% decline in August, and 7.7% fall off in September.
- After showing a strong improvement in Quarter 1, followed by a modest improvement in Quarter 2, Quarter 3 room revenue fell by \$4 Million or 6.8% below the same quarter last year. As such, year-to-date room revenue is behind by approximately 1% -- \$1.2 Million below last year's results.







## 6. Manitoba Provincial/Market Performance

### 6.1. Province of Manitoba

#### QUARTER 3 2003: RESULTS

##### Total Provincial Supply Inventory

- Manitoba's accommodation market was 10,633 rooms in Quarter 3 2003 – a 1.7% increase over the same period in 2002, due to the addition of 178 new rooms.

##### Provincial Demand

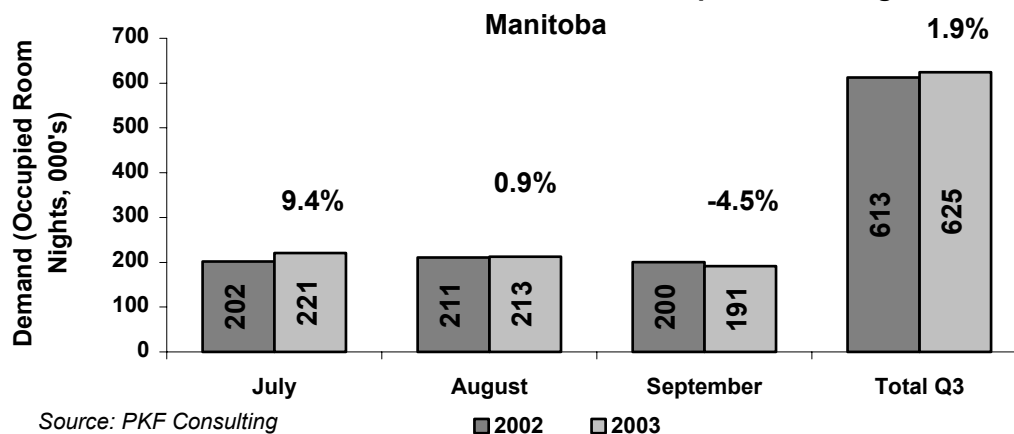
Exhibit 1: Quarter 3 – 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Winnipeg	65%	\$94	67%	\$96	1%	-2%
Other Manitoba	62%	\$76	62%	\$75	4%	1%
Total Manitoba	64%	\$89	64%	\$90	2%	-1%

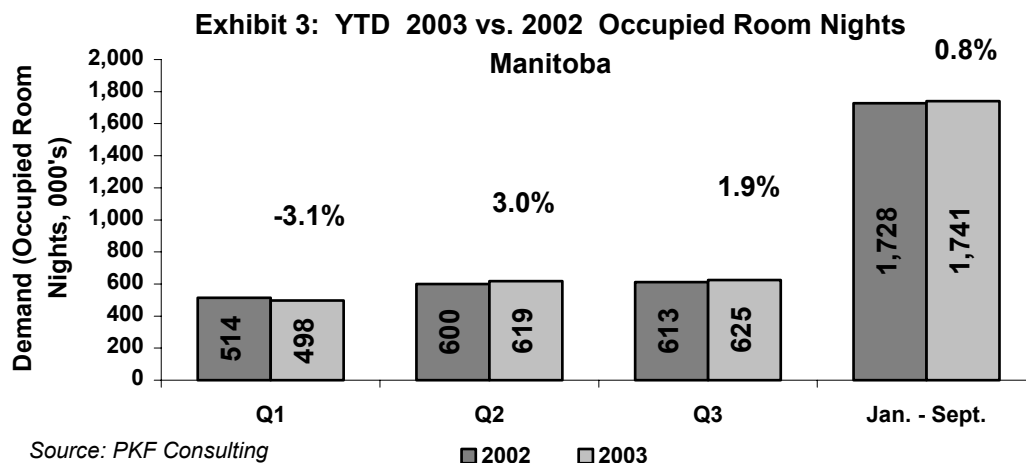
Source: PKF Consulting

- During Quarter 3, Manitoba's hotel market achieved a 64% occupancy at an average daily rate of \$89. Occupancy levels were consistent with Quarter 3 2002, while the average daily rate decreased by 0.9% or approximately \$1.
- With a 1.7% increase in supply, demand for Manitoba hotels was **up by approximately 11,800 room nights or 1.9% in Quarter 3 2003**, as compared to Quarter 3 of 2002.
- On a month-to-month basis, demand for room nights in Manitoba increased by 9.4% in July, underwent a marginal improvement in August (0.9%) and fell behind by 4.5% in September.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights



- Demand was down by 3.1% at the end of Quarter 1, with Quarter 2 results showing an increase of 3.0%, and Quarter 3 posting a 1.9% increase, placing **year-to-date results for 2003 marginally ahead of results achieved in the first nine months of 2002.**



### Room Revenue

- Manitoba had a strong lead into the 3<sup>rd</sup> Quarter, with room revenue increasing by 7.6% in July, before stumbling and falling behind by 0.6% in August and a further 3.9% in September.
- Overall, Quarter 3 room revenue improved slightly by \$580,000 (1.1%) compared to the same period last year. Year-to-date room revenue is ahead by 1.6% -- \$2.5 Million above last year's results.

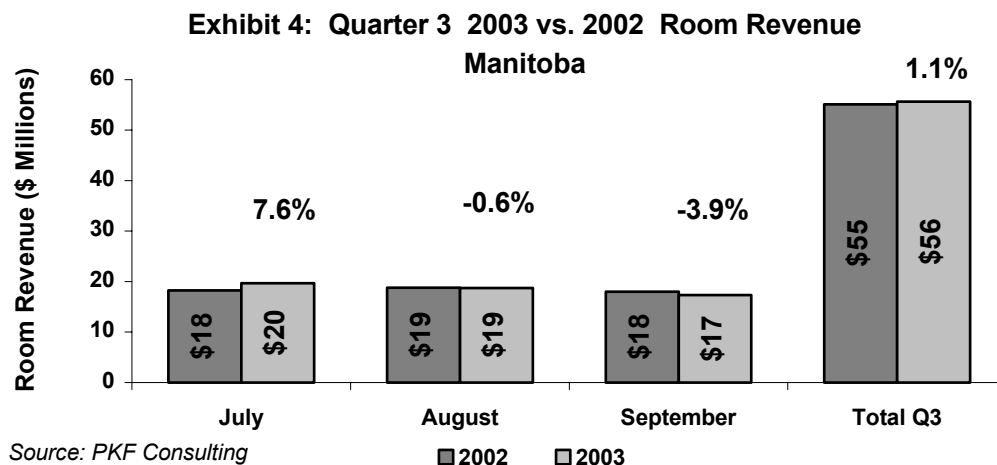
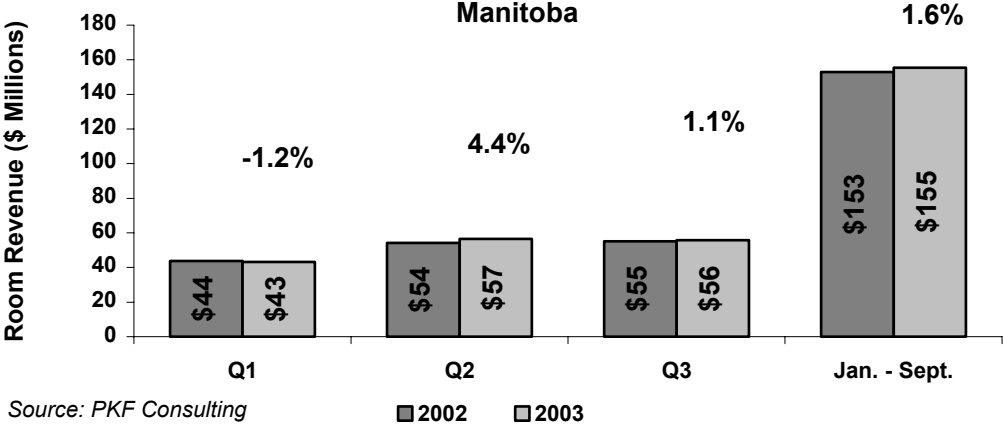


Exhibit 5: YTD 2003 vs. 2002 Room Revenue



## 6.2. Winnipeg

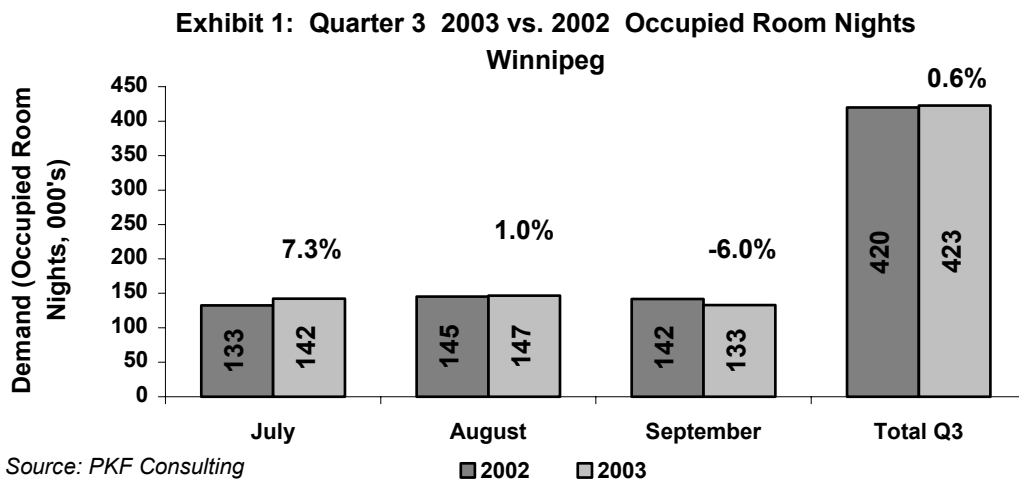
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

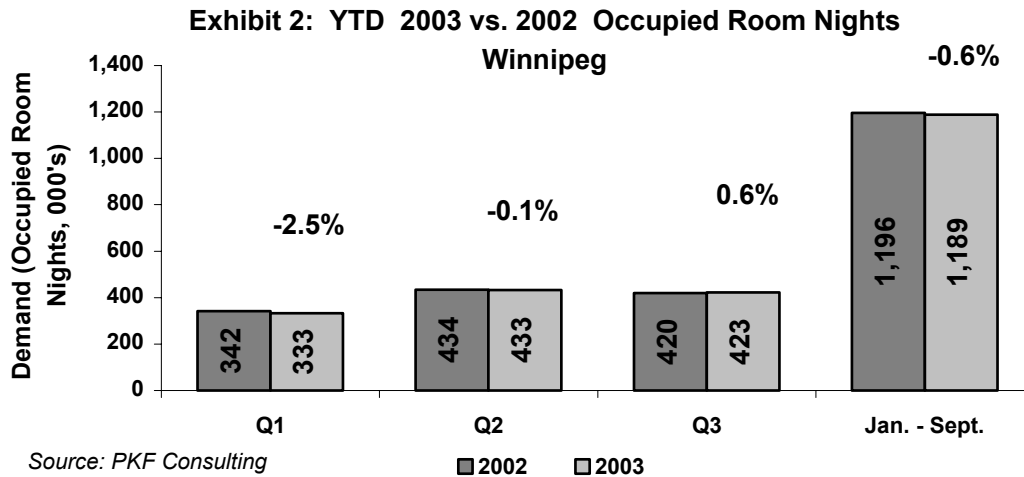
- In Quarter 3 2003, the overall inventory of hotel rooms in the Winnipeg hotel market was 7,103 rooms – with no change from Quarter 3 2002.

#### Demand and Rate

- During Quarter 3, the Winnipeg hotel market achieved a 65% occupancy at an average daily rate of \$94.
- Demand for Winnipeg hotels improved by **approximately 2,640 room nights or 0.6% in Quarter 3 2003**, as compared to the previous year.
- On a month-to-month basis, the Winnipeg hotel market was up by 7.3% in demand in July, with only a 1.0% improvement in August, before falling behind by -6.0% in September.

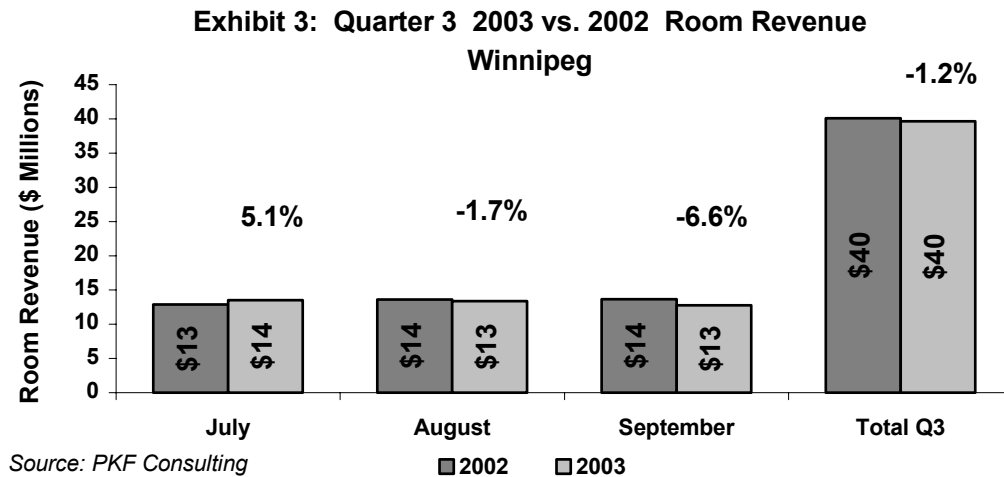


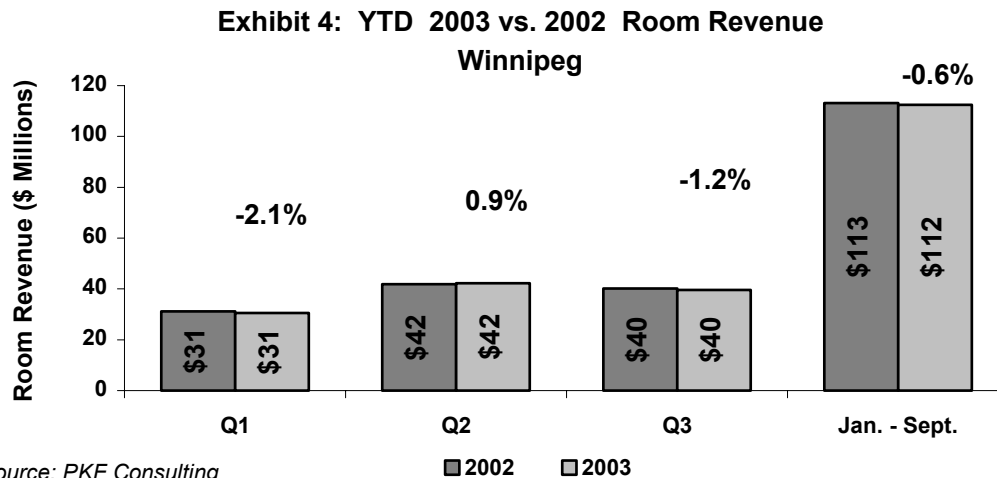
- Demand was down by 2.5% at the end of Quarter 1, however Quarter 2 and 3 results were on par with last year, placing year-to-date results for 2003, 0.6% below results achieved in the first nine months of 2002.



### Room Revenue

- Buoyed by a strong July in which Winnipeg's room revenue losses were ahead by \$650,000, the balance of the Quarter began loosing ground in August, which was down by \$225,000 and September, which was down by \$896,000 in comparison to the previous year.
- Overall Quarter 3 room revenue was 1.2% behind the same period last year, placing year-to-date revenues \$734,000 (-0.7%) behind the first nine months of 2002.





### Budgets and PKF Outlook

- According to our PKF Outlook for the Winnipeg hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Winnipeg hotel market was forecast to achieve a 66% occupancy at an average daily rate of \$96 in Quarter 3, 2003.
- In preparing their operating budgets at the beginning of the year, Winnipeg hotels expected to achieve higher occupancy and ADR results, compared to the PKF Outlook – 67% occupancy at a \$100 ADR – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 3 percentage points in occupancy and \$6 in rate in Quarter 3, 2003.

### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

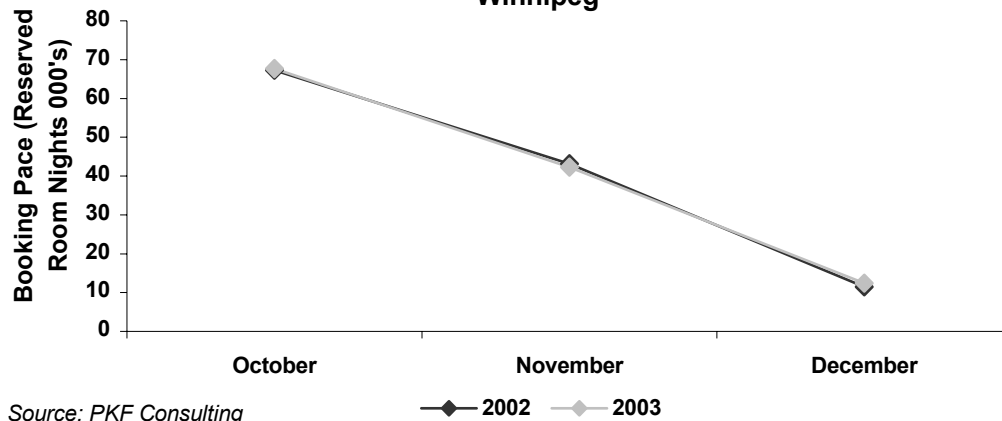
- The Winnipeg hotel industry attributed their marginal improvement in Quarter 3 demand to local, regional, national and economic conditions.
- All segments contributed to the slight gain in demand with the exception of government travel.
- Based on the hotel guest's primary mode of transportation used to arrive in Winnipeg, approximately 49% of the loss in Quarter 3 was attributable to a decline in air traffic, followed by automobile traffic (42%).

## QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

### Booking Patterns

- As of September 30, 2002, 131,200 room nights or 35% of October, November and December's budgeted 2002 business was pre-booked. This year's booking pace is at par with the Quarter 4 bookings for 2002.

**Exhibit 5: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**  
Winnipeg



### Q4 - Room Cancellations

- The Winnipeg hotel industry has not reported any **room cancellations** for Quarter 4 2003, which further supports the prospects for a comparable quarter to last year.

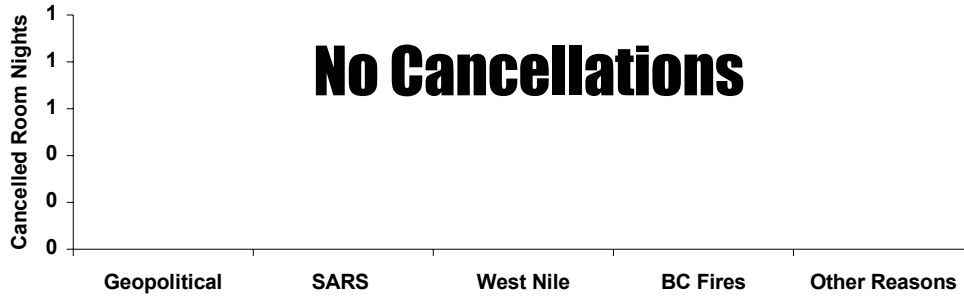
**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup>
Winnipeg	N/A	0
Cancelled Room Nights Due to SARS	N/A 0%	0 0%
Cancelled Room Nights Due to Geopolitical Reasons	N/A 0%	0 0%
Cancelled Room Nights Due to West Nile Virus	N/A 0%	0 0%
Cancelled Room Nights Due to BSE	N/A 0%	0 0%
Cancelled Room Nights Due to Other Reasons	N/A 0%	0 0%

Source: PKF Consulting



Exhibit 7: Room Night Cancellations (Oct. to Dec. 2003)  
Winnipeg



Source: PKF Consulting

Exhibit 8: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Winnipeg



Source: PKF Consulting

### 6.3. Other Manitoba Markets

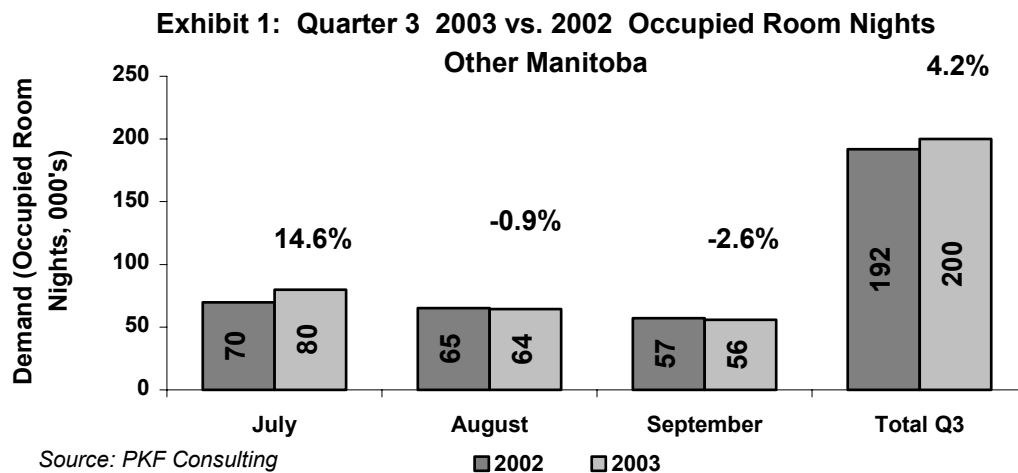
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

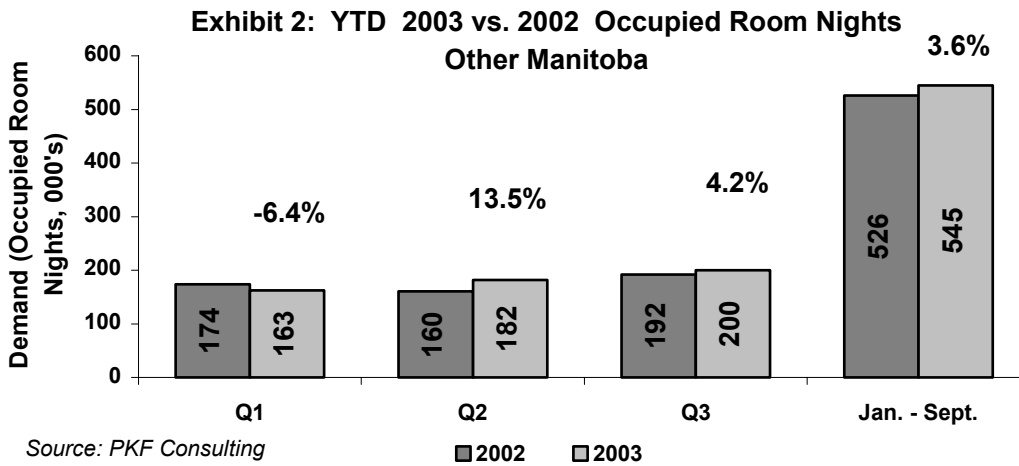
- Excluding the major market of Winnipeg, the balance of Manitoba's accommodation market averaged 3,530 rooms in Quarter 3 2003 – a 5.3% increase over the same period in 2002, due to the addition of 178 new rooms.

##### Demand and Rate

- During Quarter 3, the balance of Manitoba's hotel market achieved a 62% occupancy at an average daily rate of \$76. Occupancy levels were on par with last year, while the average daily rate improved slightly by \$1.
- Demand for Manitoba hotels, excluding Winnipeg, **improved by approximately 8,000 room nights or 4.2% in Quarter 3 2003**, as compared to the 3rd Quarter of 2002.
- On a month-to-month basis, demand for room nights in Other Manitoba increased by a healthy 14.6% in July, before slowing to a decline of 0.9% in August and a further 2.6% decline in September.

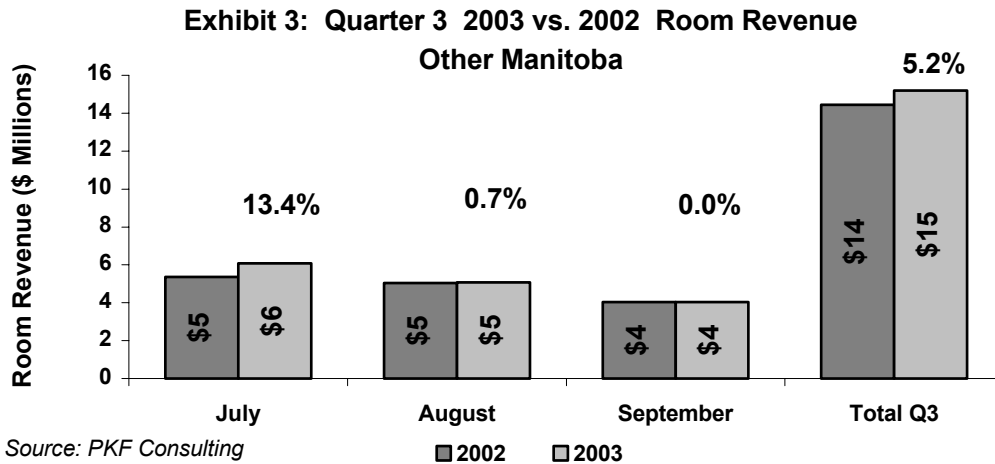


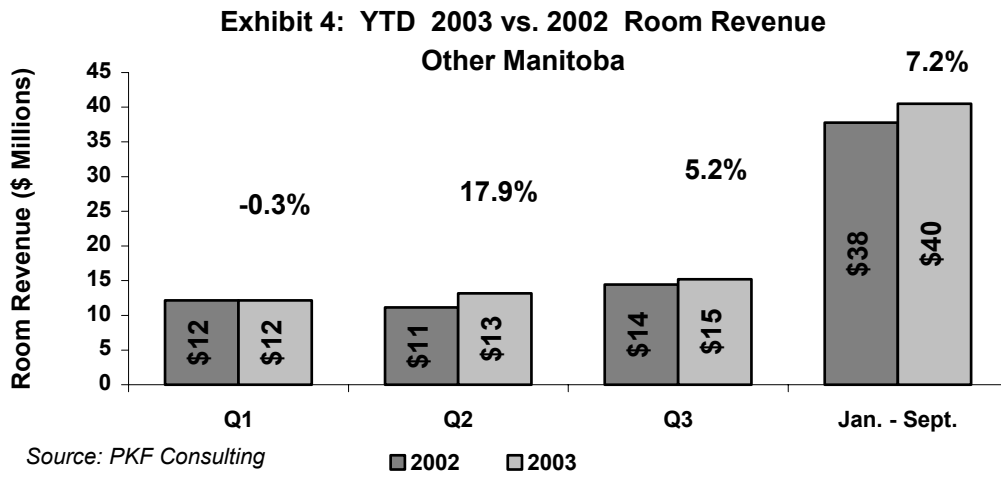
- While demand was down by 6.4% at the end of Quarter 1, Quarter 2 results showed a marked improvement of 13.5%, with Quarter 3 results ahead by 4.2%, bringing **year-to-date results for 2003, 3.6% ahead of results achieved in the first nine months of 2002.**



**Room Revenue**

- Markets in “other Manitoba” demonstrated a strong improvement in room revenue during July, which was up by \$719,000 (13.4%); before slowing in August and September, which posted results only marginally ahead of the same months last year.
- Overall Quarter 3 room revenue was 5.2% above the same period last year, resulting in a Q3 room revenue gain of \$755,000. With no change in the Quarter 1 performance, and strong Quarter 2 and 3 performances, the year-to-date results indicate a \$2.7 Million increase (7.2%) in room revenue from the first nine months of 2002.







## 7. Saskatchewan Provincial/Market Performance

### 7.1. Province of Saskatchewan

#### QUARTER 3 2003: RESULTS

##### Total Provincial Supply Inventory

- Including the major markets of Saskatoon and Regina, Saskatchewan's accommodation market was 11,153 rooms in Quarter 3 2003 – a 120 room increase from Q3 2002's inventory.

##### Provincial Demand

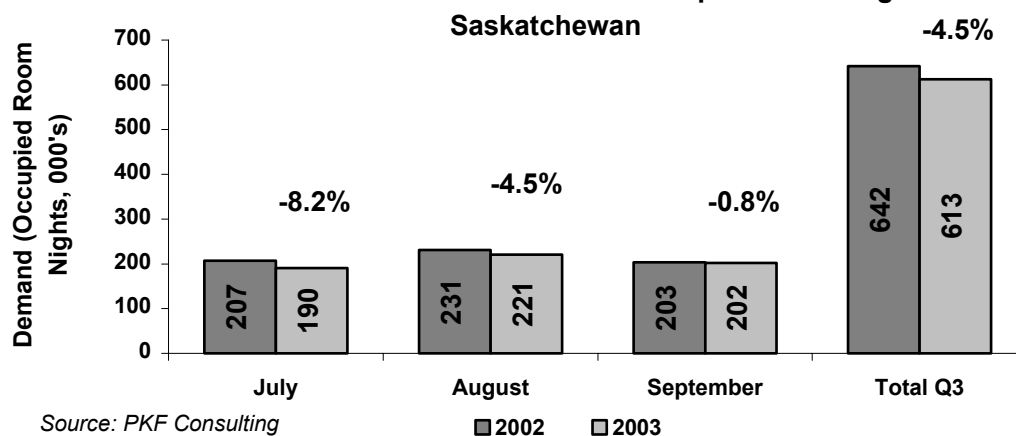
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Saskatoon- Regina	58%	\$85	64%	\$83	-8%	3%
Other Saskatchewan	69%	\$84	61%	\$73	12%	15%
<b>Saskatchewan</b>	<b>60%</b>	<b>\$85</b>	<b>63%</b>	<b>\$81</b>	<b>-5%</b>	<b>5%</b>

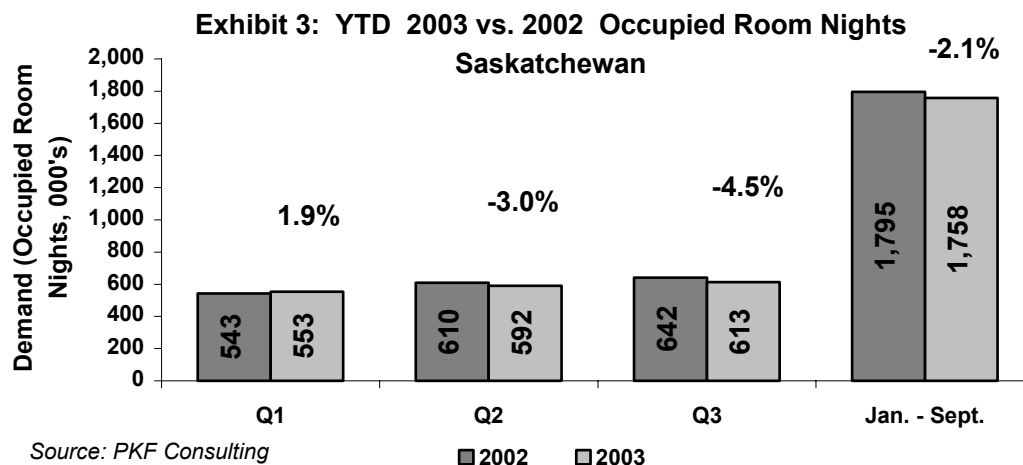
Source: PKF Consulting

- During Quarter 3, Saskatchewan's hotel market achieved a 60% occupancy at an average daily rate of \$85. Occupancy levels were down 3 percentage points over Quarter 3 2002, while the average daily rate improved by 5% to \$85.
- Demand for Saskatchewan hotels **declined by approximately 29,000 room nights or 4.5% in Quarter 3 2003**, as compared to the same quarter last year.
- On a month-to-month basis, demand for room nights in Saskatchewan fell by 8.2% in July and 4.5% in August, but was almost on par with last year by September.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights

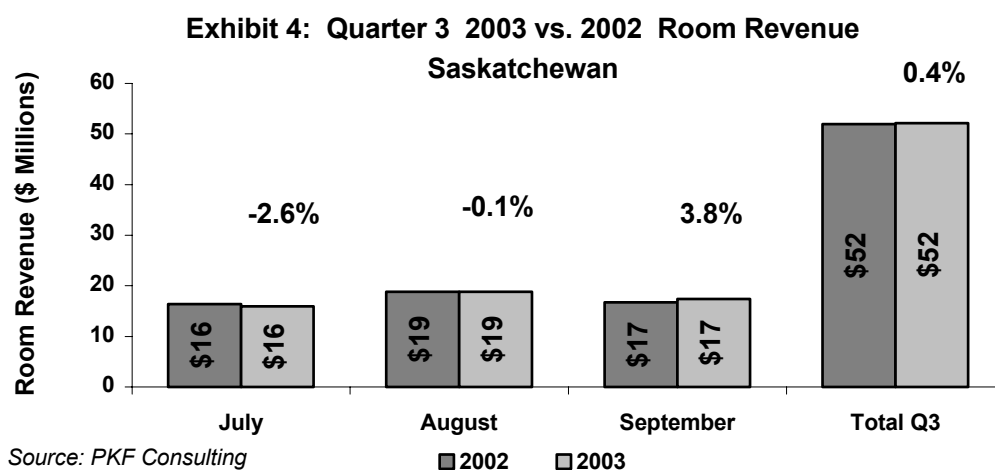


- Despite demand being up by 1.9% at the end of Quarter 1, Quarter 2 results showed a decline of 3.0% and Quarter 3 was behind by 4.5%, bringing year-to-date results for 2003 2.0% below results achieved in the first nine months of 2002.

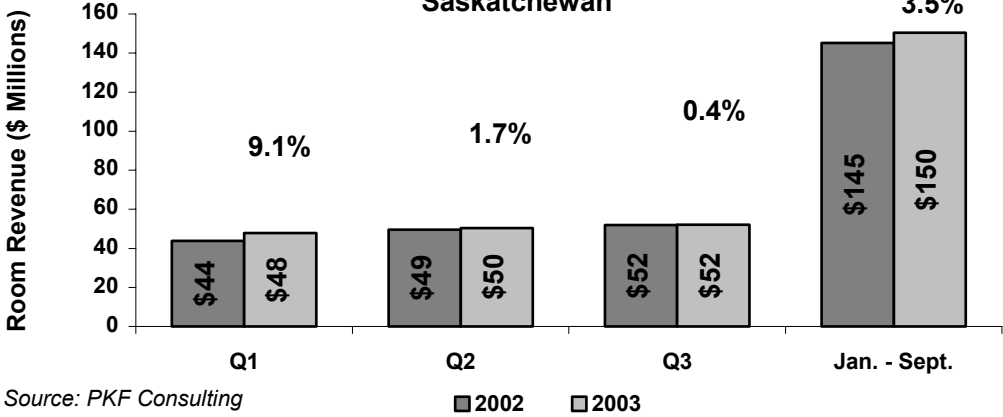


#### Room Revenue

- Room revenue for the Province of Saskatchewan declined by 2.6% in July, however August's results were on par with last year, and September's results were ahead by 3.8%.
- Overall, Quarter 3 room revenue was slightly up by \$197,000 (0.4%) compared to the same period last year. This improvement, together with strong Quarter 1 and 2 results, has resulted in year-to-date room revenue of \$150 Million, a 3.5% improvement over the first three quarters of last year.



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue  
Saskatchewan**





## 7.2. Regina/Saskatoon

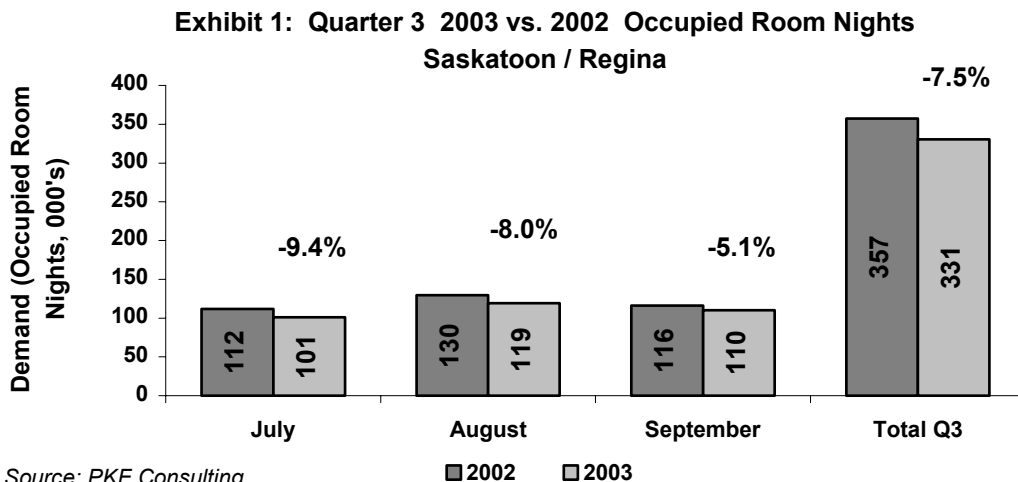
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

- In Quarter 3 2003, the overall inventory of hotel rooms in the Saskatoon and Regina hotel market was 6,205 rooms – an additional 120 rooms over Quarter 3 2002.

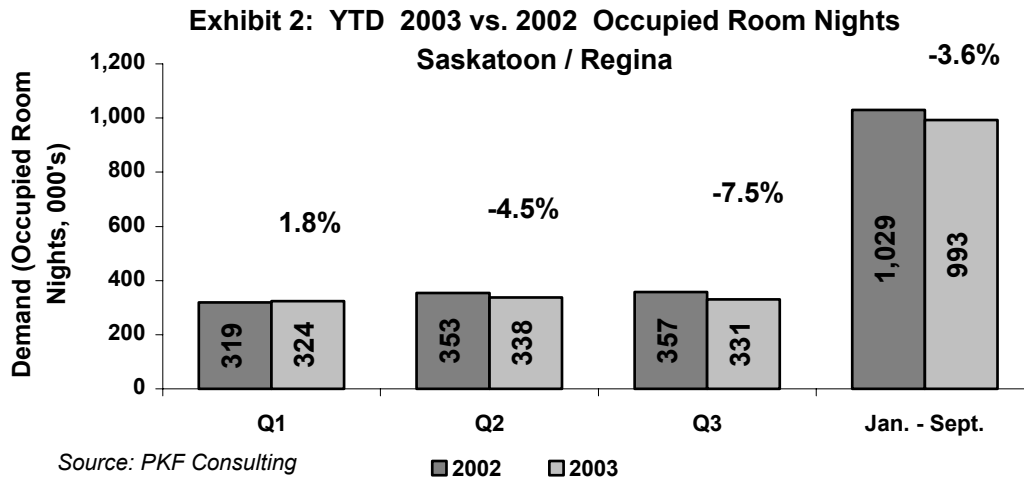
#### Demand

- During Quarter 3, the Saskatoon/Regina hotel market achieved a 58% occupancy at an average daily rate of \$85.
- Demand for Saskatoon and Regina hotels **decreased by approximately 26,700 room nights or – 7.5% in Quarter 3 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the sector was down by 9.4% in demand in July, followed by a decline



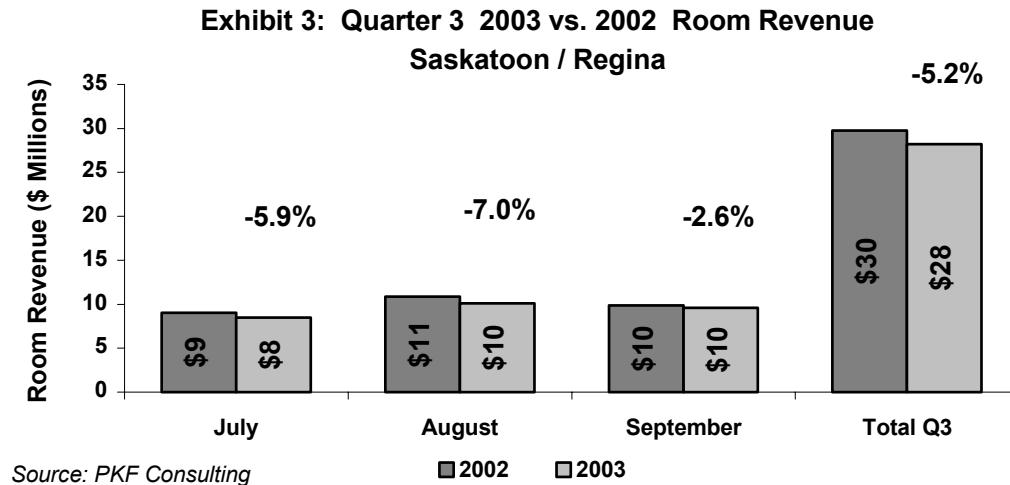
of 8.0% in August and a further decline of 5.1% in September.

- During Quarter 1, demand for Regina and Saskatoon hotels was ahead by 1.8%, but the gains made in the first 3 months were quickly offset by a decline of 4.5% in demand in Quarter 2 and a further 7.5% decline in Quarter 3, bringing year-to-date results for 2003 approximately 3.6% below results achieved in the first nine months of 2002.



### Room Revenue

- Due to the decline in demand, Saskatoon and Regina suffered a loss of \$536,000 in room revenue during the month of July, followed by a further loss of \$755,000 in August, with September revenues \$252,000 behind last year.
- Overall Quarter 3 room revenue was \$1.5 Million (-5.2%) less than the same period last year. Year-to-date room revenue is just marginally ahead by \$387,000 (0.5%), due to a strong 1<sup>st</sup> Quarter performance.



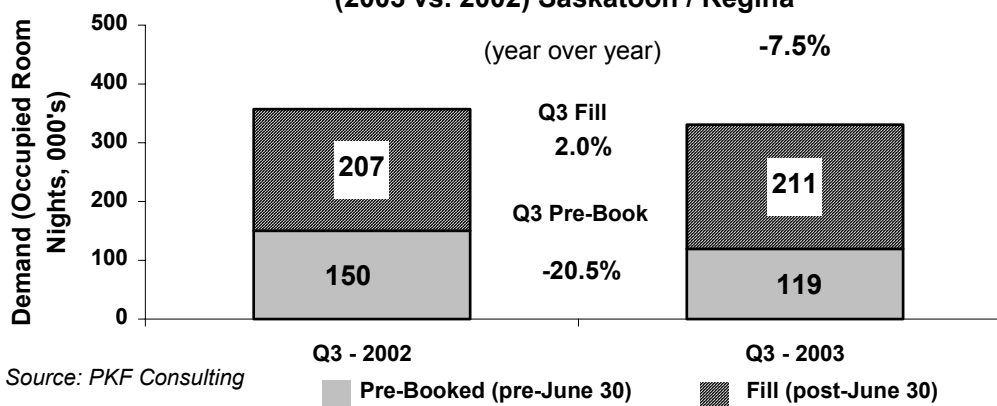
## Budgets and PKF Outlook

- According to our PKF Outlook for the Saskatoon and Regina hotel markets, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the market was forecast to achieve a 63% occupancy at an average daily rate of \$84 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Saskatoon and Regina hoteliers expected to achieve higher results than the PKF Outlook – 67% occupancy at a \$89 ADR – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 9 percentage points in occupancy and \$4 in rate in Quarter 3 2003.

## Pre-Booked Business and Fill Rate

- As of June 30th, Saskatoon and Regina hoteliers had pre-booked close to 119,400 room nights for the upcoming months of July, August and September – 21% fewer room nights than were pre-booked over the same time frame last year.
- Although there were less rooms “on the books” by the end of June, the fill rate for the sector did increase slightly this quarter, with 211,000 room nights sold between July 1st and September 30, as

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Saskatoon / Regina**



opposed to an estimated 207,000 last year (up 2%).

## Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

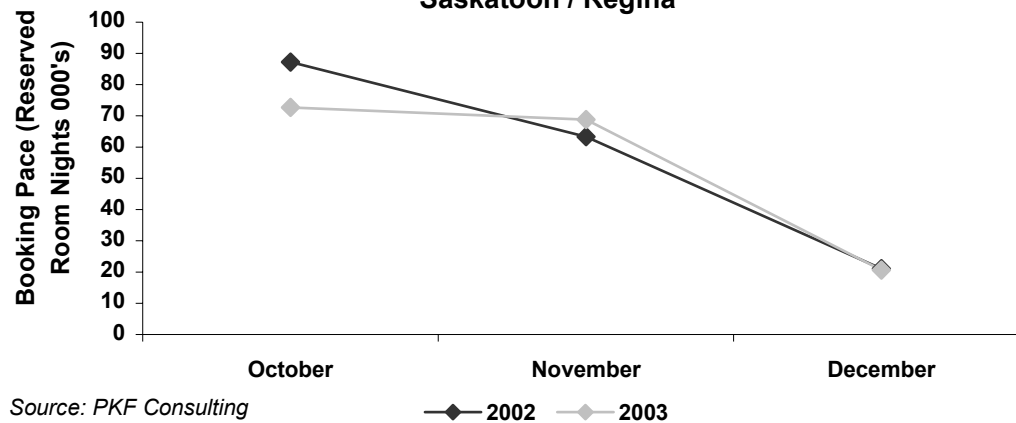
- The Saskatoon and Regina hotel sector attributed most of their decreased demand in Quarter 3 2003 to “other” factors (45%), with the balance attributed to economic conditions (39%) and increased competition (16%).
- The segment responsible for the largest demand decrease was “Other” sources of demand at 47%.
- For the most part, hoteliers cited a decline in domestic travel as the main reason for the loss in business at 83%.
- Based on the hotel guest’s primary mode of transportation used to arrive in Saskatoon/Regina, over half of the loss in Quarter 3 was attributable to a decline in automobile traffic, with a further 44% attributable to a loss in airline travellers.

## QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

### Booking Patterns

- As of September 30, 2002, 171,600 room nights or **53%** of October, November and December 2002's business was pre-booked. In comparison, as of September 30, 2003, **162,200 room nights** of business was pre-booked for Quarter 4— which means that close to **9,500 fewer room nights were pre-booked in Quarter 4 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down by 6%** in comparison to last year, a reversal of the situation heading into Quarter 2, when the pace was ahead by 12%.
- Looking ahead to the winter months, if infill patterns reflect the Quarter 3 results (up by 2%), Quarter 4 demand is expected to recover to the previous year's level.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**  
Saskatoon / Regina



### Q4 - Room Cancellations

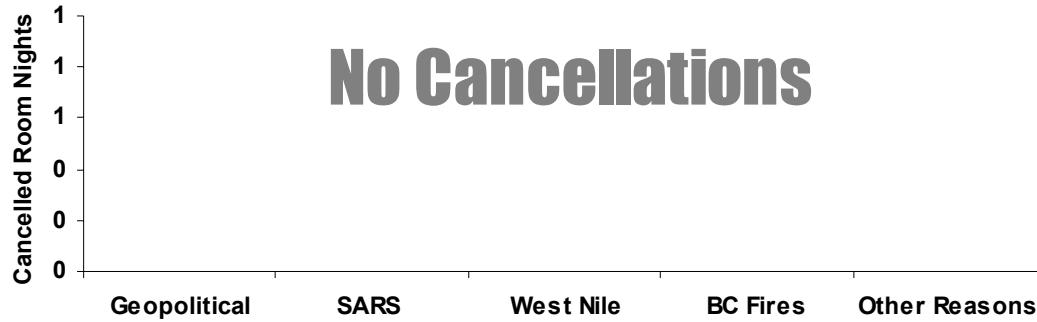
- The Saskatoon and Regina hotel sector do not report any room cancellations for Quarters 3 or 4, and hence did not suffer any room revenue losses due to SARS, geopolitical factors or BSE (Mad Cow disease).

**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Saskatoon/Regina	0	0
Cancelled Room Nights <i>Due to SARS</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BSE</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to Other Reasons</i>	0 0%	0 0%

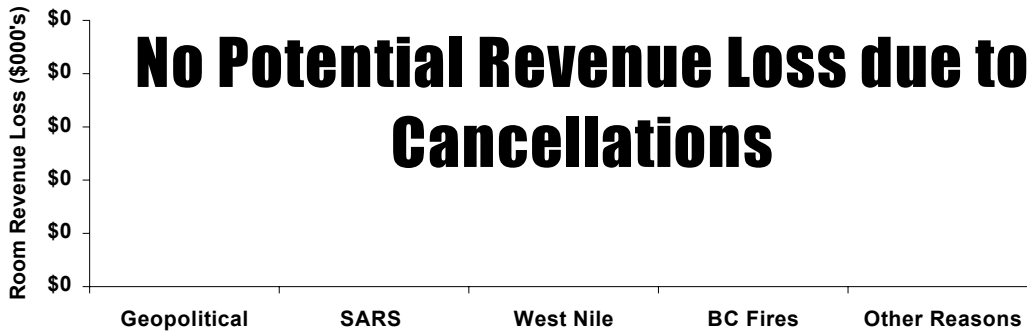
Source: PKF Consulting

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003)  
Saskatoon / Regina**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Saskatoon / Regina**



Source: PKF Consulting

### 7.3. Other Saskatchewan Markets

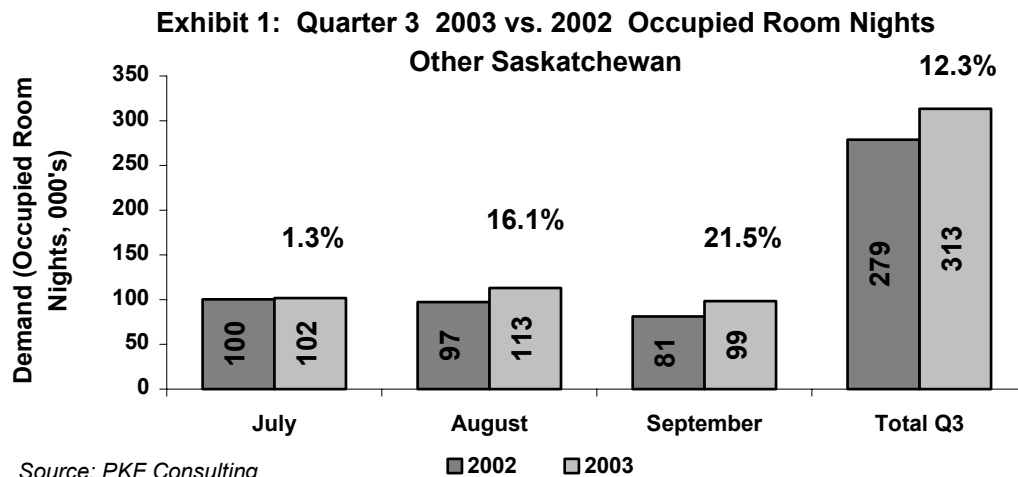
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

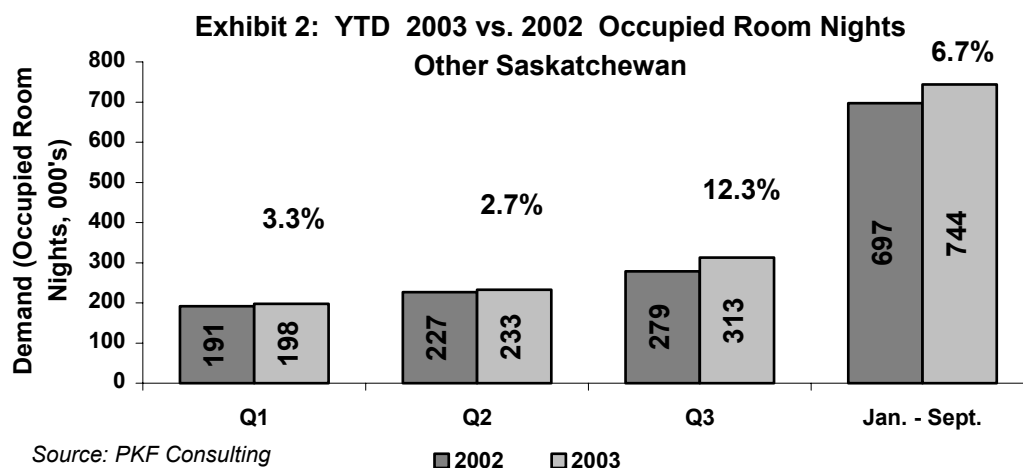
- Excluding the major markets of Saskatoon and Regina, the balance of Saskatchewan's accommodation market was 4,948 rooms in Quarter 3 2003 – with no new supply added since Quarter 3, 2002.

##### Demand and Rate

- During Quarter 3, the balance of Other Saskatchewan's hotel market achieved a 69% occupancy at an average daily rate of \$84. Occupancy levels were ahead by 8 percentage points while the average daily rate was up by approximately \$11 (15.1%) in comparison to Q3 2002.
- Demand for Saskatchewan hotels (excl. Saskatoon and Regina) was **up by approximately 34,400 room nights or 12.3% in Quarter 3 2003**, as compared to Q3 2002.
- On a month-to-month basis, demand for room nights in Other Saskatchewan increased by 1.3% in July, before posting gains of 16.1% in August and 21.5% in September.

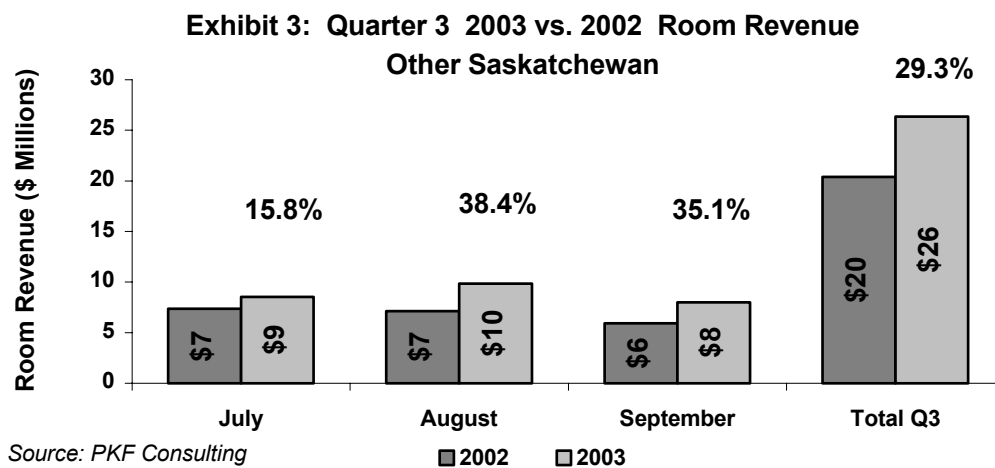


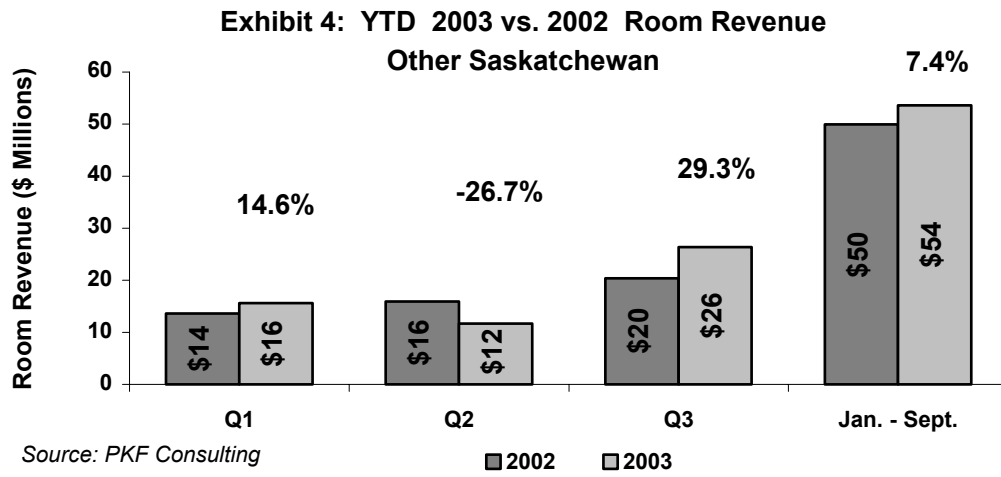
- Year-to-date results for 2003 are 6.7% ahead of results achieved in the first nine months of 2002.



### Room Revenue

- Room revenue for Other Saskatchewan properties has consistently shown strong gains in Quarter 3 – up 15.7% in July, 38.4% in August and 35.1% in September.
- Overall, Quarter 3 room revenue is ahead by \$6 Million (29.3%) compared to the same period last year, with year-to-date room revenue at \$3.7 Million – 7.4% above last year's results for the first nine months.









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## 8. Alberta Provincial/Market Performance

### 8.1. Province of Alberta (Excluding Resorts)

#### QUARTER 3 2003: RESULTS

##### Total Provincial Supply Inventory

- Including the markets of Calgary, Edmonton and Other Alberta, Alberta's non-resort accommodation market averaged 40,719 rooms in Quarter 3 2003 – a 1.5% increase over the same period in 2002, due to the addition of 606 new rooms in the Province of Alberta.
- In line with PKF's *Trends in the Hotel Industry, National Market Report*, Alberta Resorts, which comprise approximately 25% of the province's accommodation supply at 10,540 rooms, have not been included in the provincial summary of Quarter 3 results, as the higher average daily rate of this market skews the overall provincial results. However, a separate analysis of the Alberta Resort sector has been included within this section of the report.

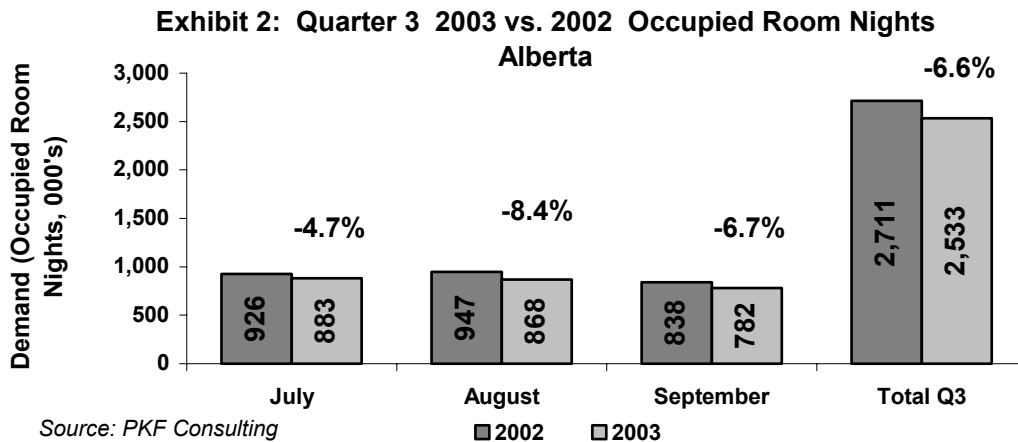
##### Provincial Demand and Rate

Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

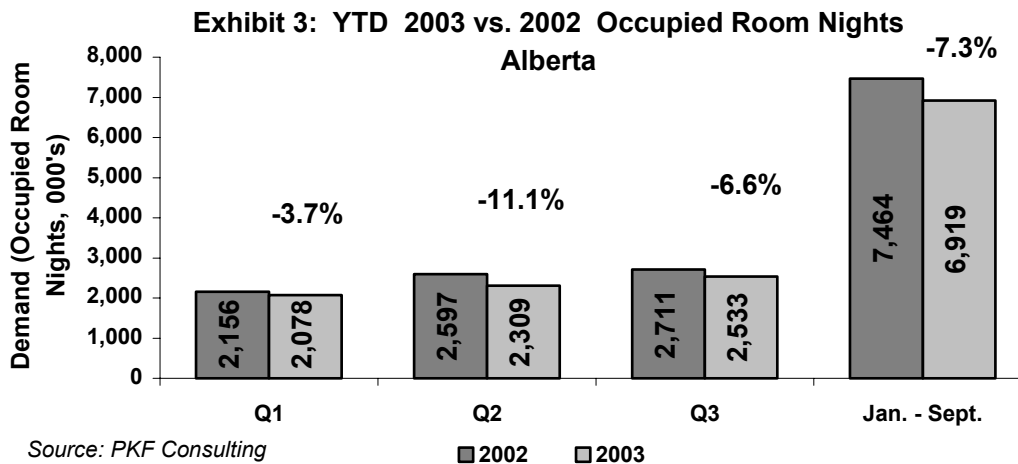
MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Calgary	73%	\$111	75%	\$112	-3%	-1%
Edmonton	63%	\$97	77%	\$92	-16%	5%
Alberta Resorts	73%	\$275	83%	\$272	-12%	1%
Other Alberta	64%	\$85	65%	\$83	0%	2%
<b>Alberta (ex.Resorts)</b>	<b>68%</b>	<b>\$100</b>	<b>73%</b>	<b>\$99</b>	<b>-7%</b>	<b>2%</b>

Source: PKF Consulting

- During Quarter 3, Alberta's hotel market achieved a 68% occupancy at an average daily rate of \$100. Occupancy levels were down by 6 percentage points relative to Quarter 3 2002, while the average daily rate improved slightly by 1.5%.
- Demand for Alberta hotels was **down approximately 179,000 room nights or 6.6% in Quarter 3 2003**, as compared to the third quarter of 2002.



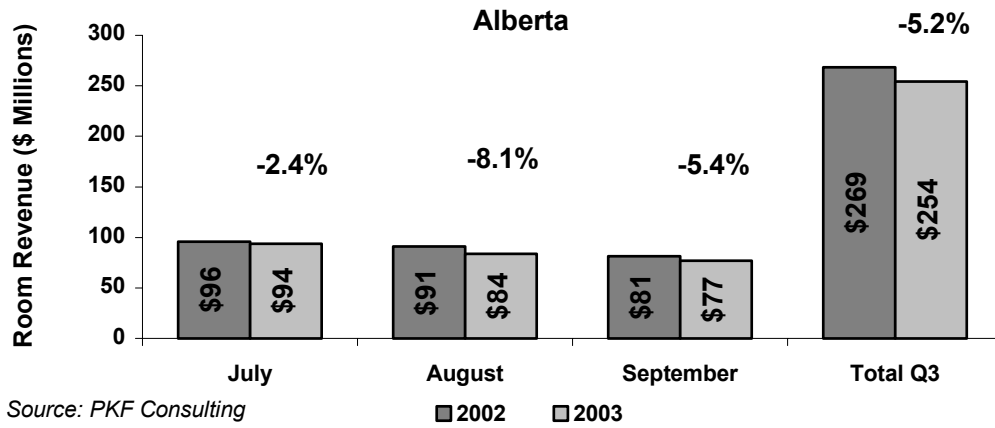
- On a month-to-month basis, demand was down by nearly 5% in July, a further 8% in August and off by 7% in September, compared to last year.
- Demand in the Alberta market has been down each quarter this year – down 3.7% at the end of Quarter 1, with Quarter 2 results showing a further decline of 11.1% and Quarter 3 results down by 6.6%, placing year-to-date results for 2003 7.3% below results achieved in the first nine months of 2002.



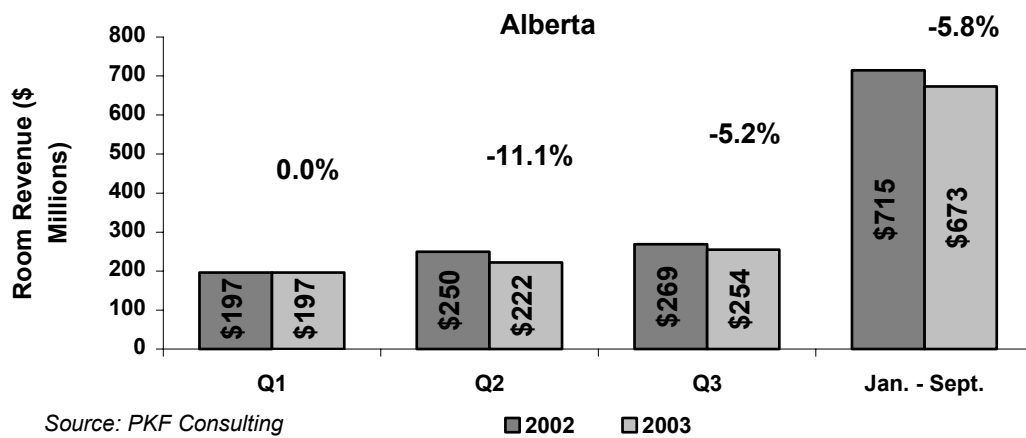
### Room Revenue

- Following a poor showing in Quarter 2, the Province of Alberta's room revenue declined by 2.4% in July and 8.1% in August and 5.4% in September.
- Overall, Quarter 3 room revenue was down by \$14 Million (-5.2%) compared to the same period last year, bringing the year-to-date loss to 5.8% below last year's performance – a loss of \$41.7 Million.

**Exhibit 4: Quarter 3 2003 vs. 2002 Room Revenue**



**Exhibit 5: YTD 2003 vs. 2002 Room Revenue**



## 8.2. Calgary

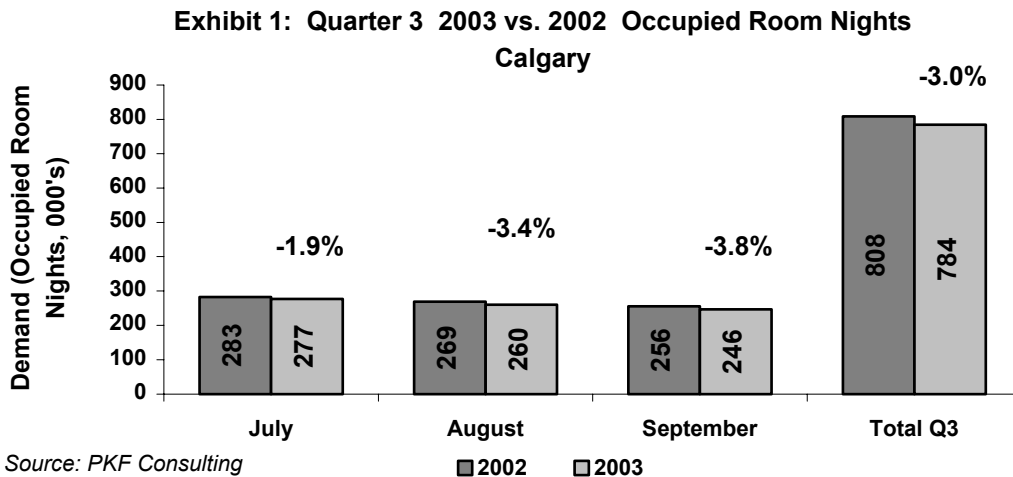
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

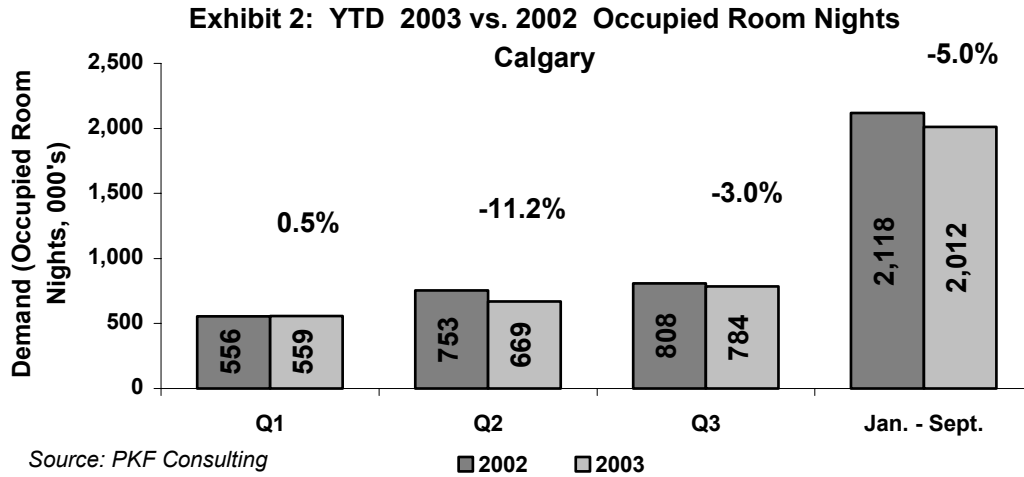
- In Quarter 3 2003, the overall inventory of hotel rooms in the Calgary market was 11,772 rooms – 6 rooms more than last year.

#### Demand

- During Quarter 2, the Calgary hotel market achieved a 73% occupancy at an average daily rate of \$110.
- Demand for Calgary hotels **decreased by approximately 24,000 room nights or 3% in Quarter 3 2003**, as compared to the third quarter of 2002.
- From a monthly perspective the Calgary market was down by 1.9% in demand in July, followed by a decline of 3.4% in August and a further decline of 3.8% in September.

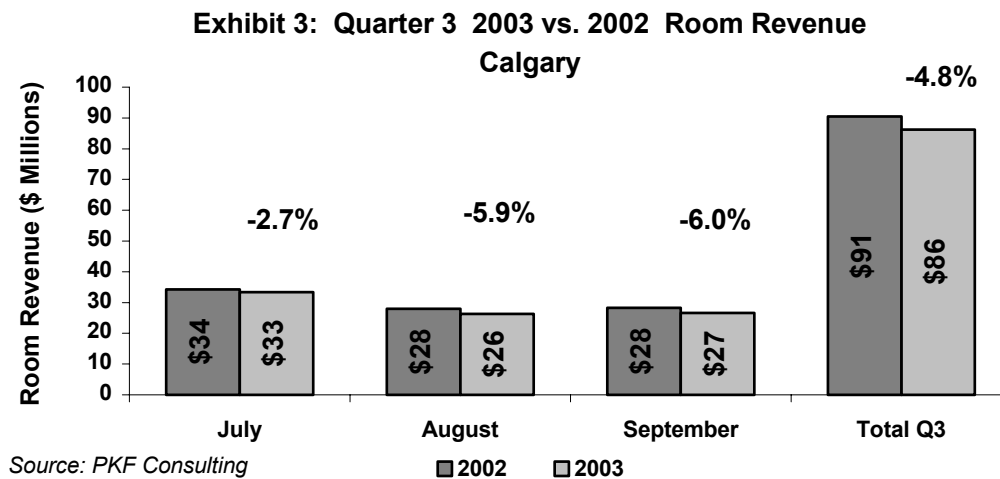


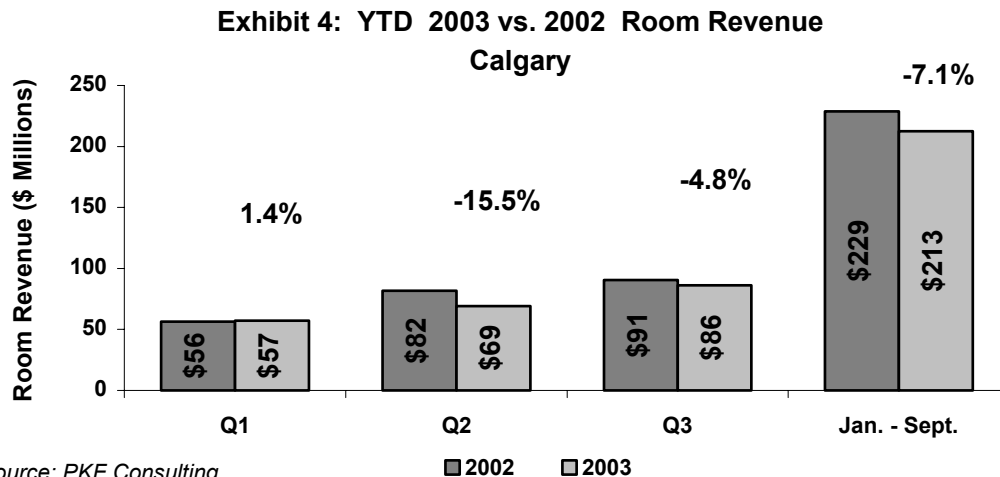
- Demand during Quarter 1 was flat (up by 0.5%), while Quarter 2 experienced a significant attrition in demand (-11.2%), and third quarter results, while not as bad as Quarter 2, contributed to the 5% year-to-date decline in demand.



**Room Revenue**

- Calgary suffered a loss of \$0.9 Million in room revenue during the month of July, followed by a further loss of \$1.7 Million in August and \$1.7 in the month of September, in comparison to last year.
- With consecutive losses each month in the 3<sup>rd</sup> Quarter, room revenue was down by 4.8% for the Quarter – a loss of \$4.3 Million. Year-to-date room revenue is behind by \$16 Million.





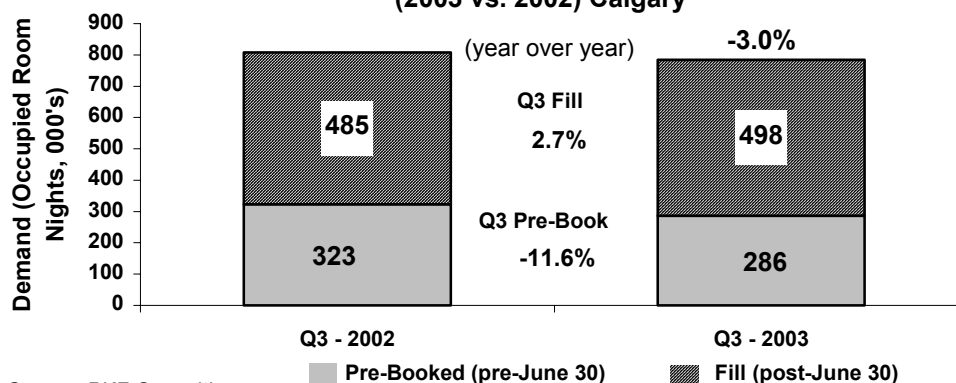
### Budgets and PKF Outlook

- According to our PKF Outlook for the Calgary hotel market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Calgary hotel market was forecast to achieve a 76% occupancy at an average daily rate of \$113 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Calgary hotel operators expected to achieve lower occupancy results than the PKF Outlook – 75% occupancy ---at a slightly higher as PKF -- \$114 – by the end of the third quarter.
- Based on actual Quarter 3 results, the industry missed their budgets by 2 percentage points in occupancy, and \$4 in rate.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, Calgary hoteliers had pre-booked close to 286,000 room nights for the upcoming months of July, August and September – 12% fewer room nights than were pre- booked over the same time frame last year.
- Overall Quarter 3 demand was down by 3% in 2003, and the fill rate for the industry (post June 30<sup>th</sup>) improved by approximately 3% this Quarter, with 498,000 room nights sold between July 1 and September 30, compared to 485,000 last year.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Calgary**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Calgary hotel industry attributed most of their softer demand in Quarter 3 2003 to local, regional and national economic conditions (86%) and “other” reasons (5%).
- The segment responsible for the largest decline in demand was business travel at 49%, followed by group leisure business (21%) and meetings/convention travel third at 19%.
- Furthermore, the industry cited domestic and US travel as the main origin of this erosion in business at 69% and 25%, respectively.
- Based on the hotel guest’s primary mode of transportation used to arrive in Calgary, approximately 61% of the loss in Quarter 3 was attributable to a decline in air traffic, with a further 33% attributable to a loss in automobile travellers.

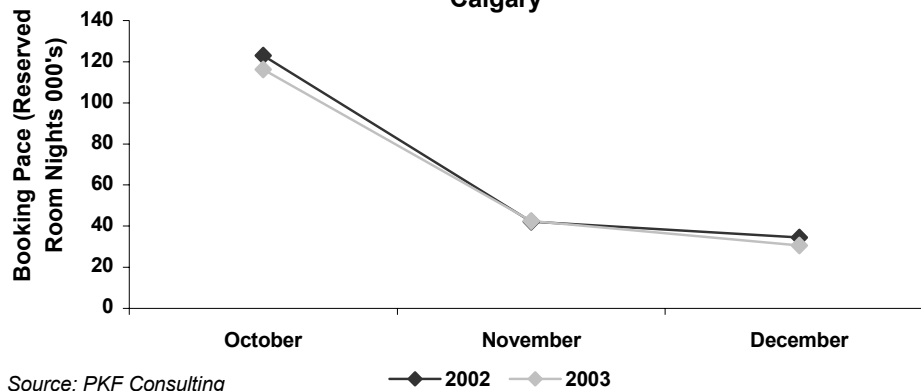
### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, 199,000 room nights or 34% of October, November and December’s 2002 business was pre-booked. In comparison, as of September 30, 2003, 189,000 room nights was “on the books” for Quarter 4 –in other words, **10,000 fewer room nights are pre-booked for Quarter 4 this year**, as compared to the same period last year.
- This year’s Quarter 4 booking pace is off by 5% in comparison to 2002, improving considerably from the second and third quarters, which were off by 33% and 12%, respectively.
- Looking ahead to the winter months, Quarter 4 demand is expected to be flat given booking pace.



**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)  
Calgary**



**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Calgary	0	0
Cancelled Room Nights Due to SARS	0 0%	0 0%
Cancelled Room Nights Due to Geopolitical Reasons	0 0%	0 0%
Cancelled Room Nights Due to West Nile Virus	0 0%	0 0%
Cancelled Room Nights Due to BC Fires	0 0%	0 0%
Cancelled Room Nights Due to Other Reasons	0 0%	0 0%

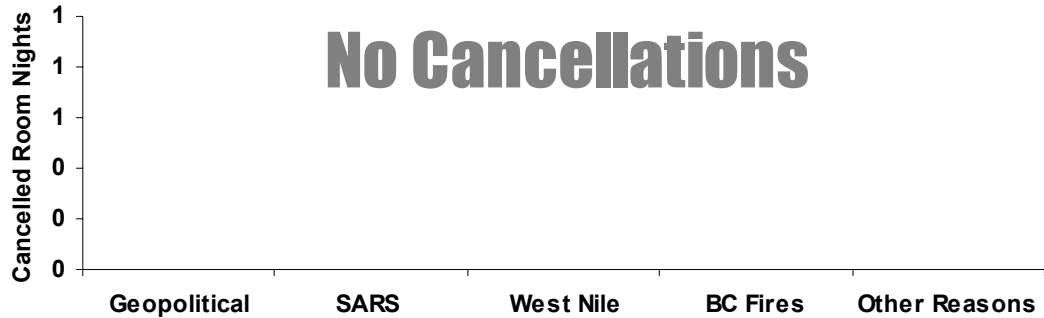
Source: PKF Consulting

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#### Q4 - Room Cancellations

- Calgary hoteliers did not report any room cancellations for the fourth quarter of 2003.

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003)  
Calgary**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Calgary**



Source: PKF Consulting

### 8.3. Edmonton

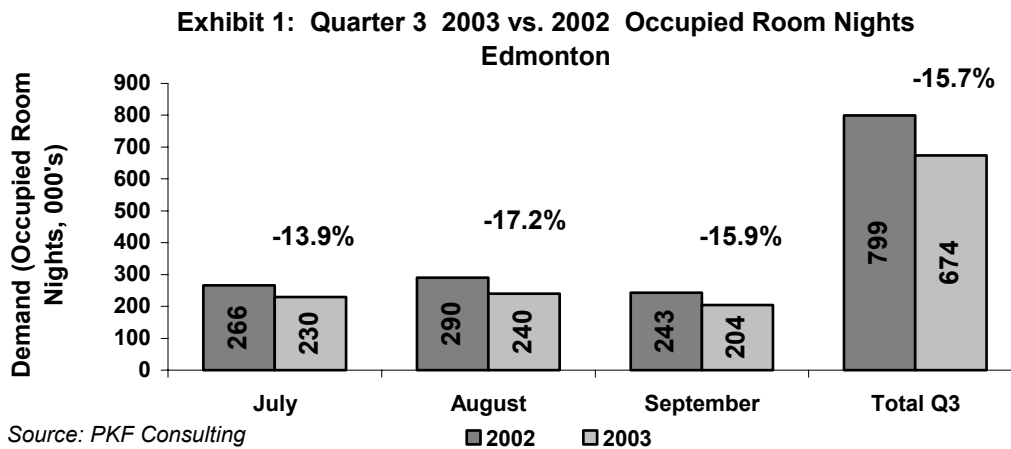
#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

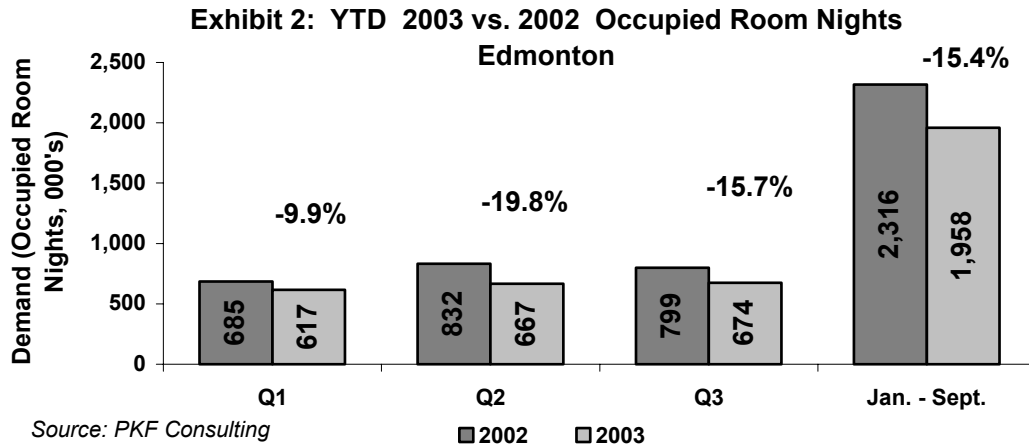
- In Quarter 3 2003, the overall inventory of hotel rooms in the Edmonton market was 11,556 rooms – a 2.7% increase in inventory compared to the 3<sup>rd</sup> Quarter of 2002.

##### Demand

- During Quarter 3, the Edmonton hotel market achieved a 63% occupancy at an average daily rate of \$97.
- Demand for Edmonton hotels **decreased by 15.7% in Quarter 3 2003 – a loss of approximately 125,000 room nights**, as compared to the 3<sup>rd</sup> Quarter of 2002.
- On a month-to-month basis, Edmonton’s hotel sector experienced a decline in demand of 13.9% in July, 17.2% in August and 15.9% in September.

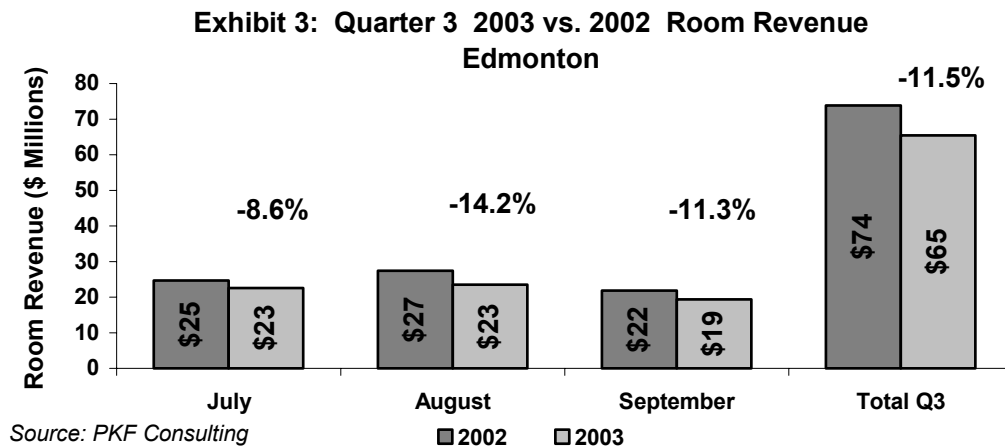


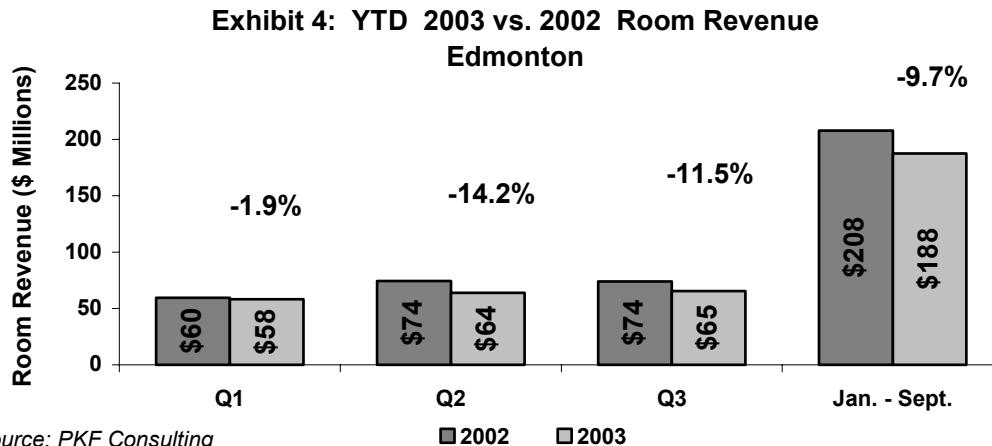
- There were 357,727 fewer room nights sold from January – September 2003 compared to the same time period for 2002, a year-to-date decrease in demand of 15.4%.



### Room Revenue

- Edmonton's room revenue declined by 8.6% in July, 14.2% in August, and 11.3% in September.
- Overall, 3<sup>rd</sup> Quarter room revenue was down by \$8.5 Million (11.5%) compared to the same period last year, reducing year-to-date room revenue by 9.7% -- \$20.2 Million below 2002 results.





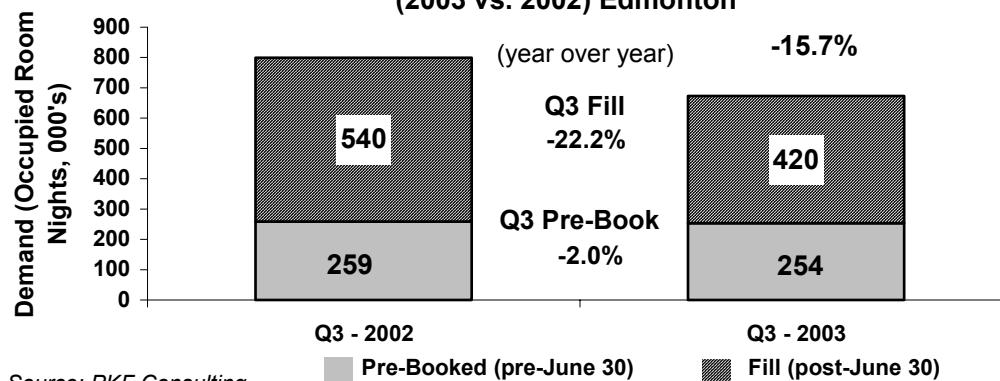
### Budgets and PKF Outlook

- According to our PKF Outlook for the Edmonton hotel market, prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Edmonton hotel market was forecast to achieve a 71% occupancy at an average daily rate of \$96 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Edmonton hotel operators expected to achieve the same occupancy results as the PKF Outlook – 71% occupancy ---at a higher rate than PKF -- \$98 – in the third quarter.
- Based on actual results, the industry missed their budgets by 7 percentage points in occupancy, and \$2 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, 2002 Edmonton hoteliers had pre-booked almost 260,000 room nights for the upcoming months of July, August and September – as of June 30<sup>th</sup>, 2003 pre-bookings in the Edmonton market were down by 2% to 254,000 compared to the same time frame last year.
- Overall Edmonton's Quarter 3 demand was down by 15.7% in 2003, while the fill rate for the market was down by 22%, with 420,000 room nights sold between July 1 and September 30, as opposed to 540,000 last year.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Edmonton**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

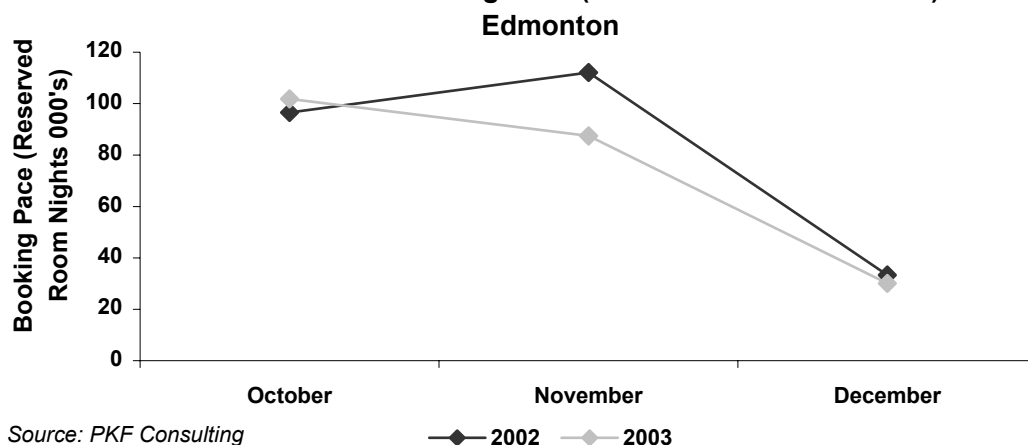
- The Edmonton hotel industry attributed most of their decreased demand in Quarter 3 2003 to economic conditions (46%), SARS (22%), and increased competition (19%).
- Approximately 35% of the demand loss in Quarter 3 2003 was due to a decrease in business travel demand, with a further 26% attributable to a decline in group leisure travel.
- Edmonton’s accommodation industry attributed the majority of the reduction in demand to domestic travellers (81%).
- Based on the hotel guest’s primary mode of transportation used to arrive in Edmonton, approximately 56% of the loss in Quarter 3 was attributable to a decline in automobile traffic, with a further 40% attributable to a loss in airline travellers.

### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, over 242,000 room nights or **38%** of October, November and December 2002’s business was pre-booked. In comparison, as of September 30, 2003, **356,000 room nights** of business were pre-booked for Quarter 4 –meaning that over **114,000 more room nights are pre-booked for Quarter 4 2003** as compared to the same period in 2002.
- This year’s Quarter 4 booking pace is up by 47% in comparison to 2002.
- From a month-by-month perspective, pre-bookings are up for October by 5% and down in November and December by 22% and 10%, respectively.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**



#### Q4 - Room Cancellations

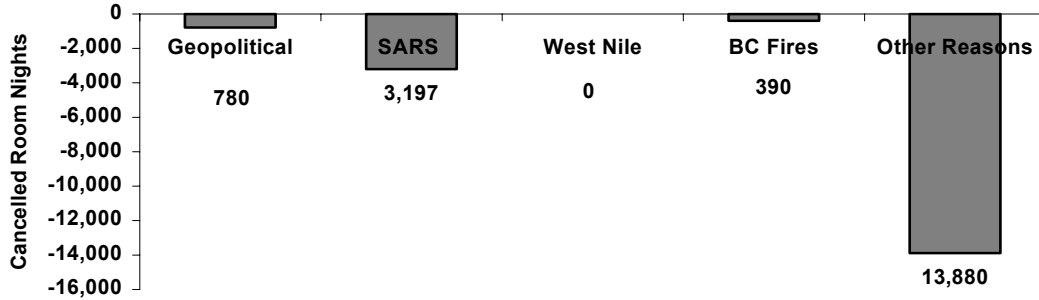
**Exhibit 7: Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup>
Edmonton	9,670	18,247
Cancelled Room Nights <i>Due to SARS</i>	2,417 25%	3,197 18%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	0 0%	780 4%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	0 0%
Cancelled Room Nights <i>Due to BC Fires</i>	0 0%	390 2%
Cancelled Room Nights <i>Due to Other Reasons</i>	7,252 75%	13,879 76%

Source: PKF Consulting

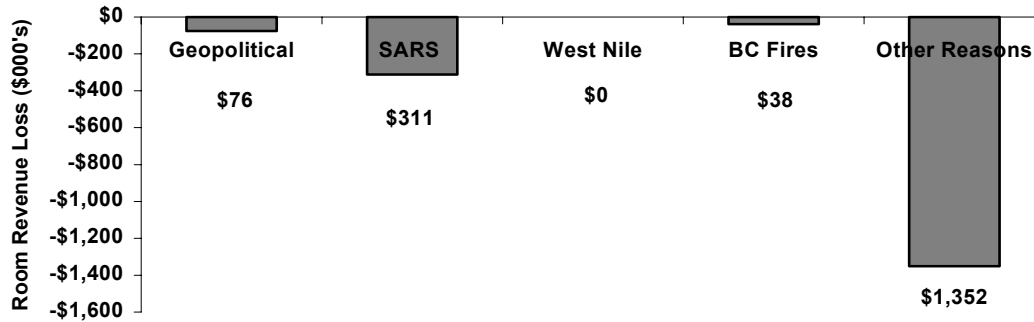
- As of September 30<sup>th</sup> the Edmonton hotel sector has reported over 18,000 cancellations during Quarter 4 2003. This represents 3% of overall demand during Quarter 4 last year.
- According to hotel operators, 18% of the cancellations are attributable to SARS.
- The **potential room revenue loss** due to room cancellations is estimated at over **\$1.8 Million**.
- At this stage in our analysis, we have categorized the losses due to room cancellations as “**potential revenue losses**”, as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003)  
Edmonton**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Edmonton**



Source: PKF Consulting



## 8.4. Alberta Resorts

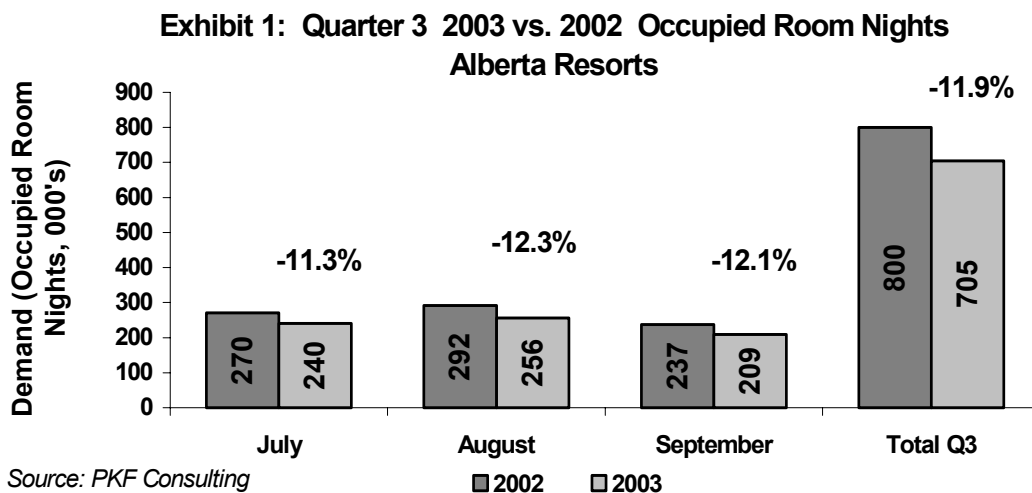
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

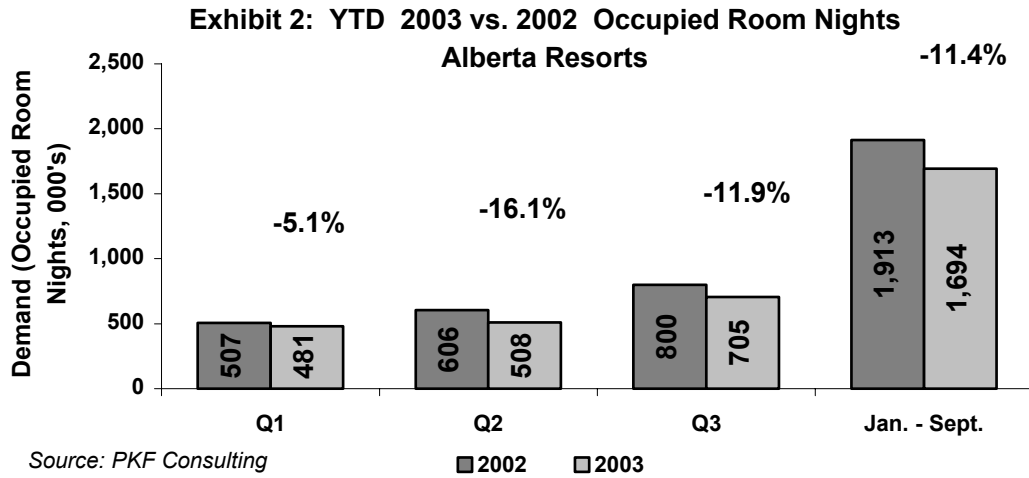
- In Quarter 3 2003, the overall inventory of hotel rooms in the Alberta Resort market was 10,540 rooms – a 0.6% increase over the same period in 2002, with the addition of 65 rooms to Alberta’s resort inventory.

#### Demand

- During Quarter 3, the Alberta Resort market achieved a 73% occupancy at an average daily rate of \$275.
- Demand for Alberta Resorts **decreased by almost 95,000 room nights or 11.9% in Quarter 3 2003**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry was consistently down by 11 to 12% each month of the third quarter.

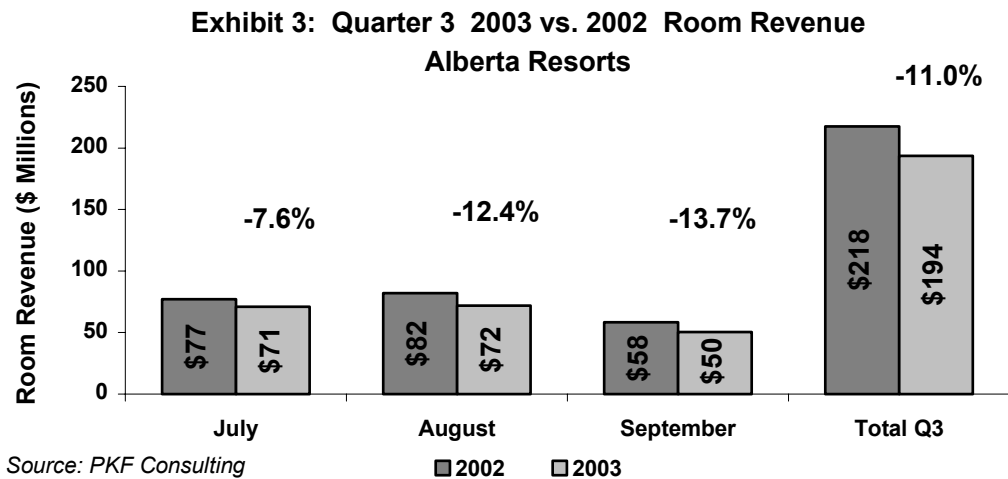


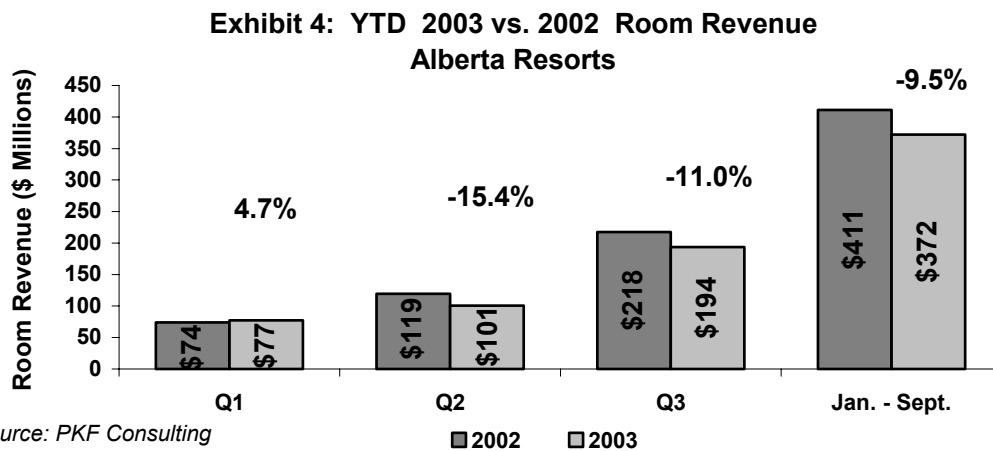
- With demand down by 5.1% at the end of Quarter 1 and Quarter 2 and 3 results showing a further decline of 16.1% and 11.9% respectively, the **year-to-date results for 2003 are 11.4% below results achieved in the first nine months of 2002.**



### Room Revenue

- Each month of Quarter 3 also underwent a decline in room revenue amongst Alberta Resorts -- July room revenues were off by 7.6%; August was off by 12.4%; and September recorded a 13.7% decline.
- Overall, Quarter 3 room revenue was down by \$24 Million (11%) compared to the same period last year. Although room revenues were actually ahead of last year by the end of Quarter 1, Quarter 2 and 3's losses have resulted in year-to-date room revenue is currently behind by 9.5% -- \$39 Million below last year's results.





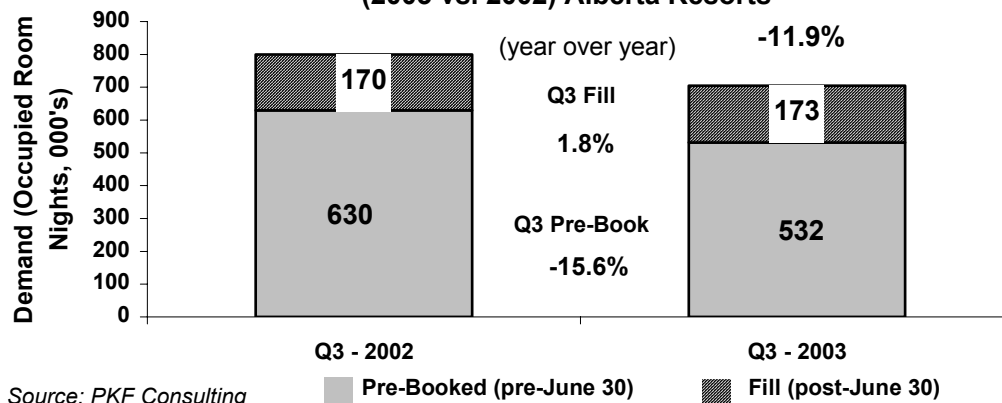
### Budgets and PKF Outlook

- According to our PKF Outlook for the Alberta Resort market, which was prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), Alberta Resorts were forecast to achieve a 83% occupancy at an average daily rate of \$277 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Alberta resort operators expected to achieve slightly higher occupancy results than the PKF Outlook – 85% occupancy ---at a stronger rate -- \$287 – by the end of the third quarter.
- Based on actual results, the industry missed their budgets by 12 percentage points in occupancy, and \$12 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30th, Alberta Resort operators had pre-booked close to 532,000 room nights for the upcoming summer months of July, August and September– 16% fewer room nights than were pre-booked over the same time frame last year.
- Approximately 173,000 room nights were booked during the Quarter as compared to 170,000 during the same period last year – a 1.8% improvement in the fill rate.
- The modest fill rate did not offset the decline in pre-bookings for the quarter, resulting in an overall decline of 11.9% in demand for Alberta Resorts during Quarter 3.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Alberta Resorts**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

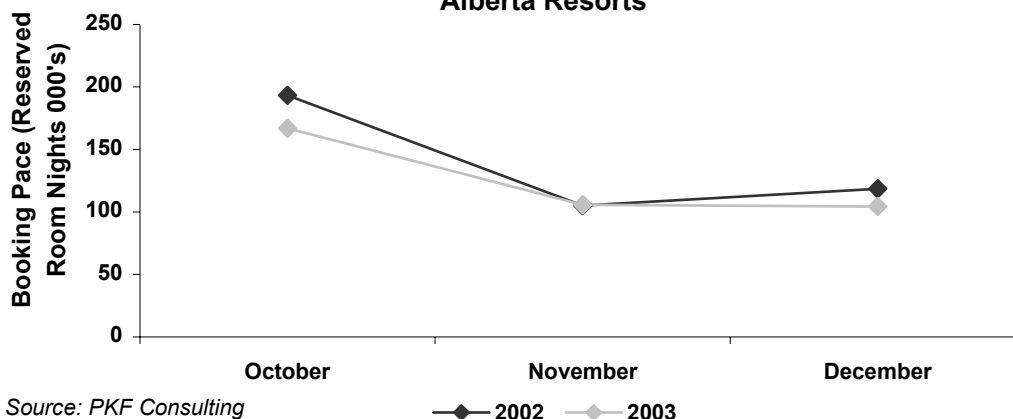
- The Alberta Resort industry attributed most of their decrease in demand in Quarter 3 2003 to other factors (54%) and SARS (18%).
- Approximately 47% of the demand loss in Quarter 3 2003 was due to other sources of demand (mainly wholesale business), as well as a drop in group leisure travel (29%).
- Furthermore, resort operators attributed a decline in international travellers as the main loss of business at 81%.
- Based on the hotel guest's primary mode of transportation used to arrive at Alberta Resorts, over half of the loss in Quarter 3 was attributable to a decline in air travellers, with a further 26% due to a loss of motorcoach tour business.

### QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

#### Booking Patterns

- As of September 30, 2002, 417,000 room nights or 84% of October, November and December's 2002's business was pre-booked. In comparison, as of the same date this year, 377,000 room nights were pre-booked for Quarter 4 – which means that just under 40,000 fewer room nights have been pre-booked for Quarter 4 2003 as compared to the same period in 2002.
- While Quarter 2's booking pace was only off by 1%, Quarter 3's booking pace was down by 16% and Quarter 4 is off by 10% in comparison to last year.
- Given the low fill rate in Quarters 2 and 3, combined with the decline in Quarter 4 pre-bookings, prospects for the Alberta Resort sector are not encouraging for Quarter 4.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)**  
**Alberta Resorts**



#### Q4 - Room Cancellations

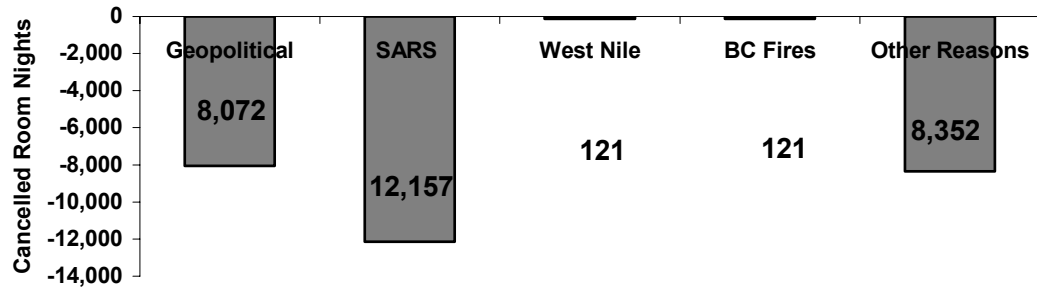
**Exhibit 7: Quarter 4 Room Cancellations**

	AS AT JUNE 30 <sup>TH</sup>	AS AT SEPT. 30 <sup>TH</sup> (CUMULATIVE)
Alberta Resorts	24,959	28,823
Cancelled Room Nights <i>Due to SARS</i>	11,855 47%	12,157 42%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	7,215 29%	8,072 28%
Cancelled Room Nights <i>Due to West Nile Virus</i>	0 0%	121 1%
Cancelled Room Nights <i>Due to BC Fires</i>	0 0%	121 1%
Cancelled Room Nights <i>Due to Other Reasons</i>	5,889 24%	8,352 28%

Source: PKF Consulting

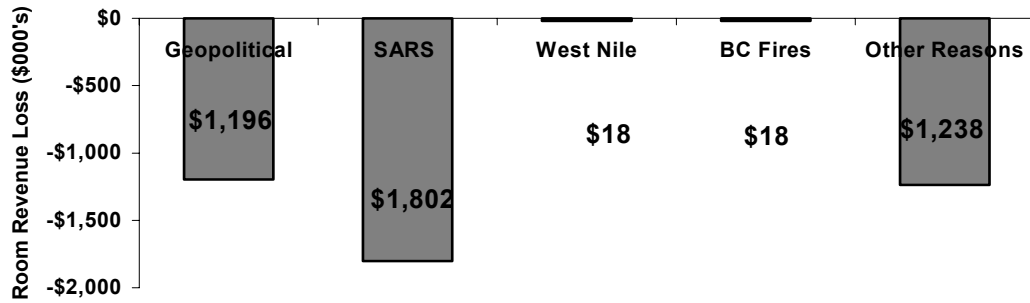
- Since early summer, Alberta Resorts reported close to **29,000 room cancellations** during Quarter 4 2003. This represents 5.8% of last year's overall Quarter 4 demand results.
- According to hotel operators, 42% of the room cancellations were attributable to SARS, with 28% each due to geopolitical factors and other reasons.
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the Alberta Resort market is estimated at **\$4.2 Million**. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

**Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Alberta Resorts**



Source: PKF Consulting

**Exhibit 9: Potential Room Revenue Loss due to Cancellations (Oct. to Dec. 2003) Alberta Resorts**



Source: PKF Consulting

## 8.5. Other Alberta Markets

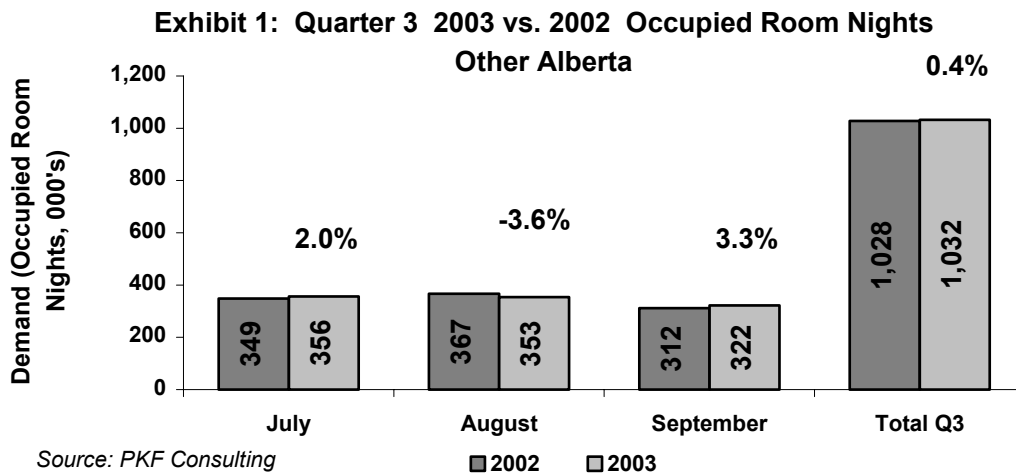
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

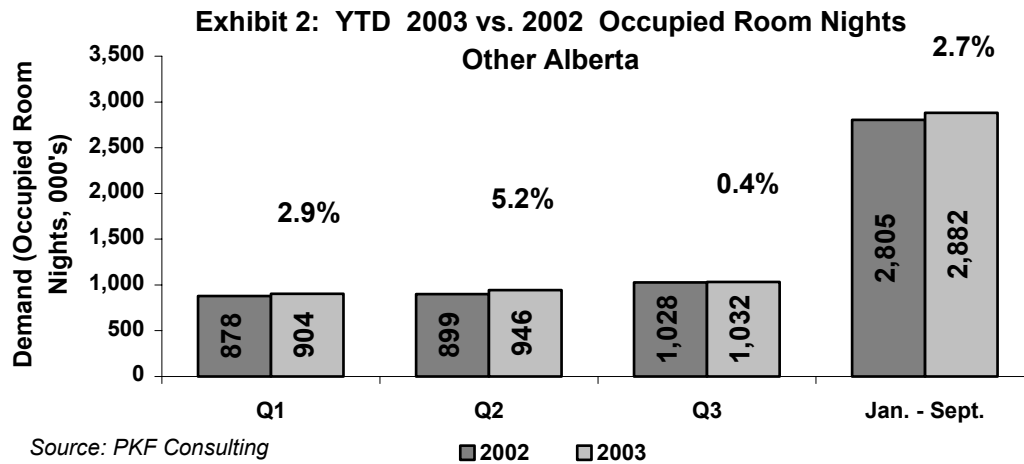
- Excluding the major markets of Calgary, Edmonton and Alberta Resorts, the balance of Alberta's accommodation market was 17,441 rooms in Quarter 3 2003 – a 1.7% increase (296 room addition) over the same period in 2002.

#### Demand and Rate

- During Quarter 3, the balance of Alberta's hotel market achieved a 64% occupancy at an average daily rate of \$85. Occupancy levels were 1 percentage point below Quarter 3 of last year, and the average daily rate was up by approximately \$2.
- Demand for Other Alberta hotels improved marginally in Quarter 3 2003, **up by approximately 4,000 room nights or 0.4%**, as compared to Quarter 3 2002.
- On a month-to-month basis, demand for room nights in Other Alberta increased by 2.0% in July, before falling behind by 3.6% in August and the rebounding by 3.3% in September.

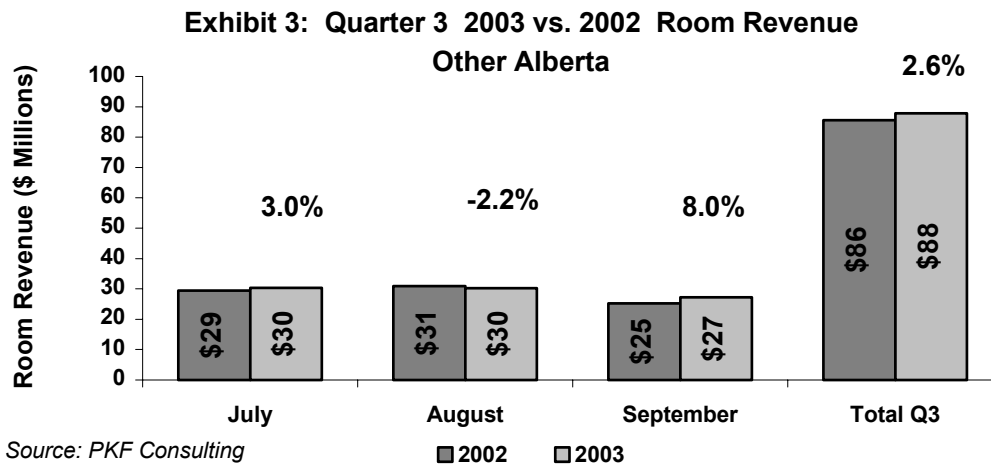


- Demand was up by 2.9% at the end of Quarter 1 and Quarter 2 results showed a further increase of 5.2%, while Quarter 3 was flat with last year, bringing year-to-date results for 2003 2.7% ahead of results achieved in the first nine months of 2002.

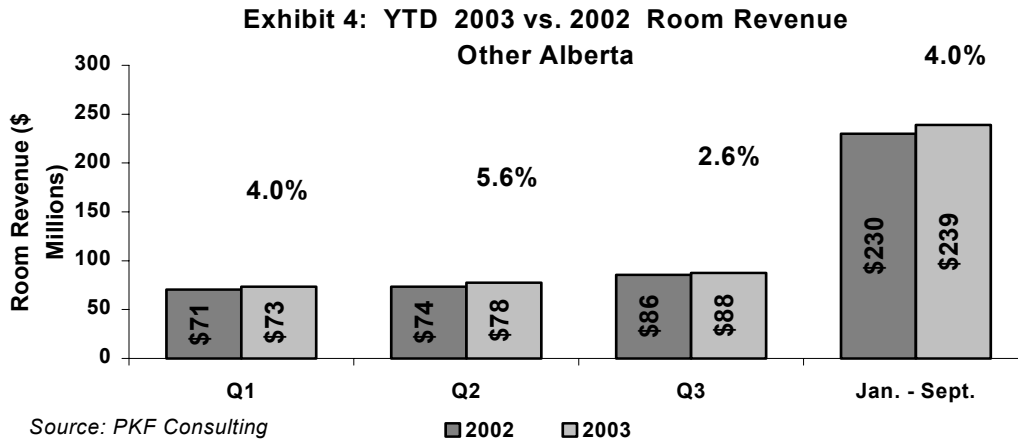


### Room Revenue

- Other Alberta's room revenue increased by 3% in July, before losing ground in August with a 2% decline and showing strong results in September – up 8%.
- Overall, Quarter 3 room revenue was up by \$2.2 Million (2.6%) compared to the same period last year. Given the region's positive results, year-to-date room revenue is ahead by 4% -- \$9 Million above last year's results.







## 9. British Columbia & Yukon Provincial Market/Performance

### 9.1. Province of British Columbia

#### QUARTER 3 2003: RESULTS

##### Total Provincial Supply Inventory

- The Province of British Columbia's accommodation market averaged 69,330 rooms in Quarter 3 2003 – a 1.1% increase over the same period in 2002, due to the addition of 748 new rooms.

##### Provincial Demand

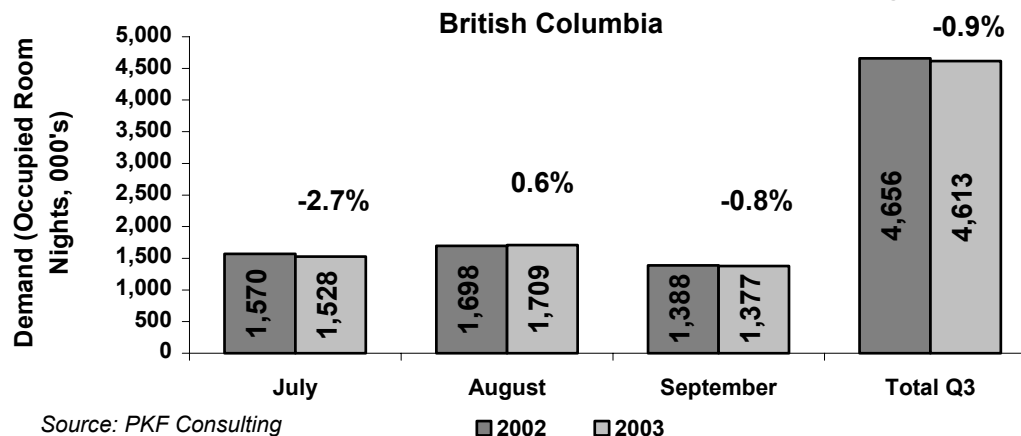
Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Greater Vancouver	77%	\$133	78%	\$138	0%	-4%
Greater Victoria	81%	\$151	83%	\$160	-4%	-6%
Whistler	53%	\$137	55%	\$146	-1%	-6%
Other British Columbia	67%	\$107	69%	\$105	-1%	2%
<b>Total British Columbia</b>	<b>72%</b>	<b>\$128</b>	<b>74%</b>	<b>\$131</b>	<b>-1%</b>	<b>-3%</b>

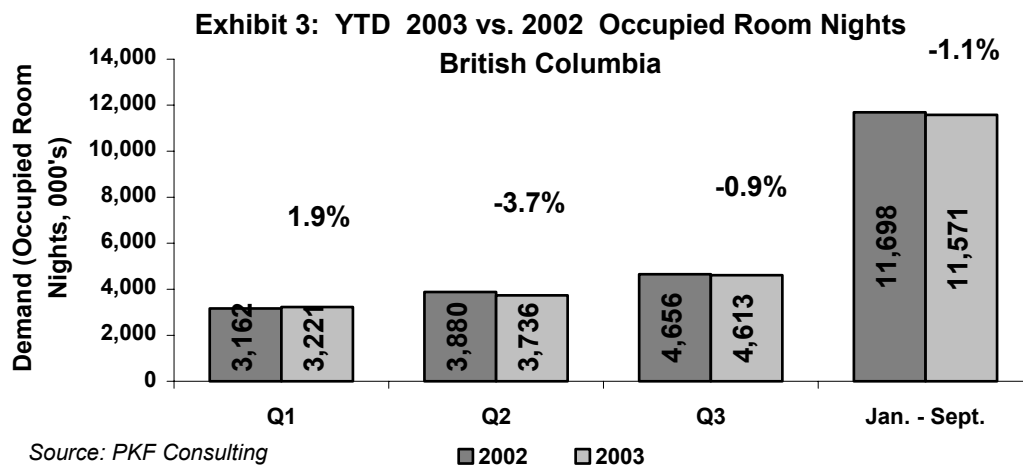
Source: PKF Consulting

- During Quarter 3, British Columbia's hotel market achieved 72% occupancy at an average daily rate of \$128. Occupancy levels were down by 2 percentage points, with the average daily rate down by \$3 from Quarter 3 2002.
- Demand for British Columbia's hotels was **down approximately 43,000 room nights or 1% in Quarter 3 2003**, as compared to the same period in 2002.
- On a month-to-month basis, demand for room nights in British Columbia decreased by 3% in July, improved marginally by 0.6% in August and fell behind by less than 1% in September.

Exhibit 2: Quarter 3 2003 vs. 2002 Occupied Room Nights



- While demand was up by 1.9% at the end of Quarter 1 and Quarter 2 results showed a decline of 3.7%, Quarter 3 results were only less than 1% behind last year, bringing year-to-date results for 2003 1.1% below results achieved in the first nine months of 2002.



### Room Revenue

- Following a decline of 11.5% in June, British Columbia's room revenue declined by a further 6.2% in July. This trend improved somewhat throughout the balance of the Quarter, with room revenues declining by 2.8% in August and 1.8% in September.
- Overall, Quarter 3 room revenue was down by \$22.6 Million (-3.7%) compared to the same period last year. Quarter 3's losses were about 2/3<sup>rd</sup>s the losses posted in Quarter 2. Year-to-date room revenue is down by 3.2% or \$47 Million compared to the first nine months of 2002.

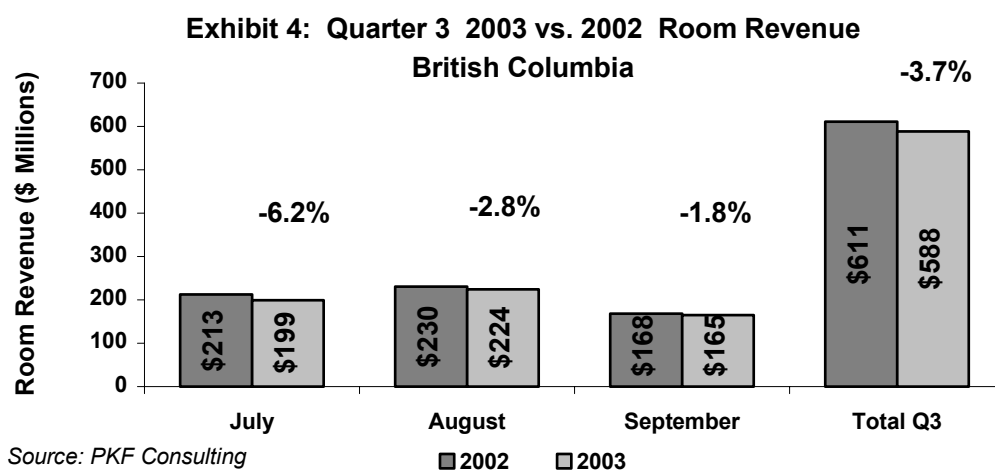
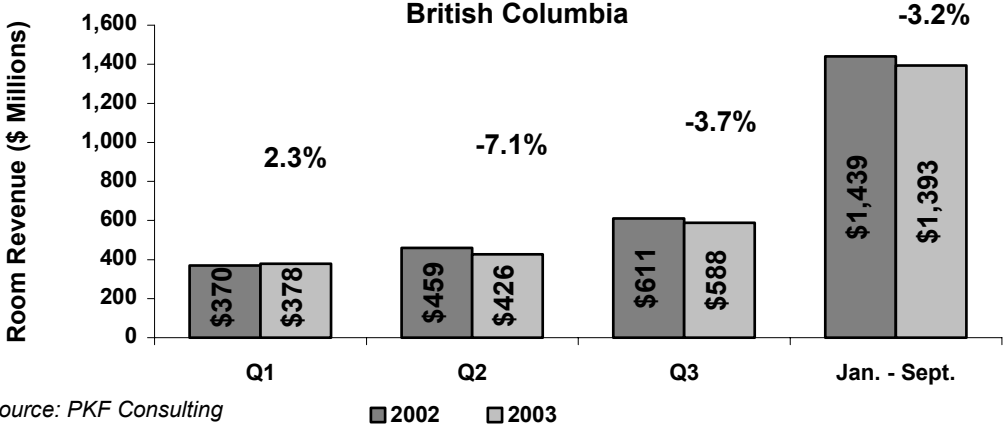


Exhibit 5: YTD 2003 vs. 2002 Room Revenue



## 9.2. Greater Vancouver Area

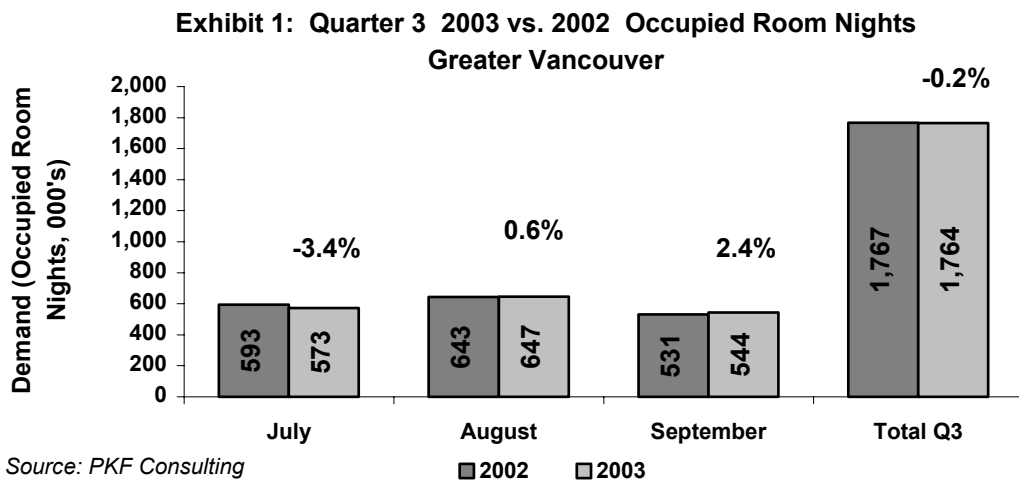
### QUARTER 3 2003: RESULTS

#### Hotel Supply Inventory

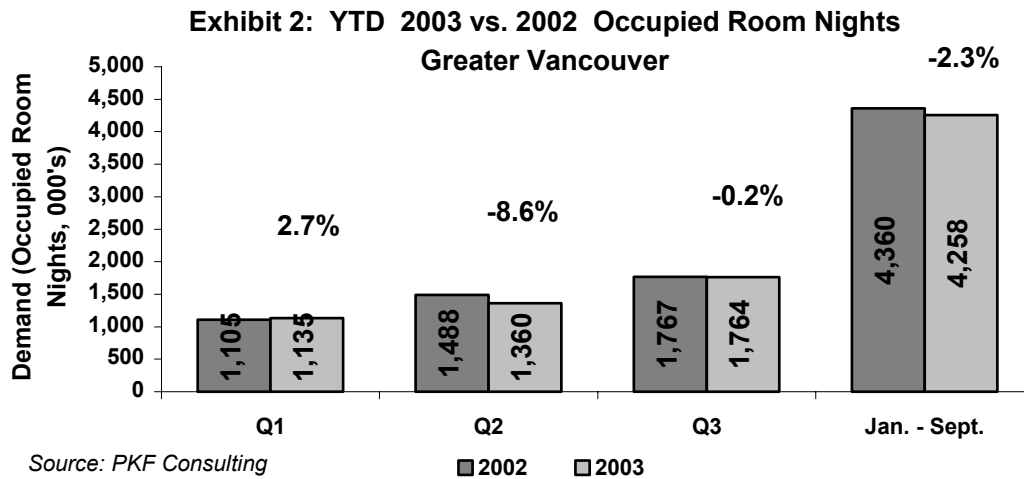
- In Quarter 3 2003, the overall inventory of hotel rooms in the Greater Vancouver market was 24,818 rooms – up 1.4% compared to Quarter 3 2002.

#### Demand

- During Quarter 3, the Vancouver hotel market achieved a 77% occupancy at an average daily rate of \$133.
- Demand for Vancouver hotels **decreased slightly by 3,520 room nights**, as compared to the third quarter of 2002.
- On a month-to-month basis, the industry improved as the Quarter went on, in July the demand was down 3.4% compared to July 2002 but demand grew in both August and September by 0.6% and 2.4% respectively.

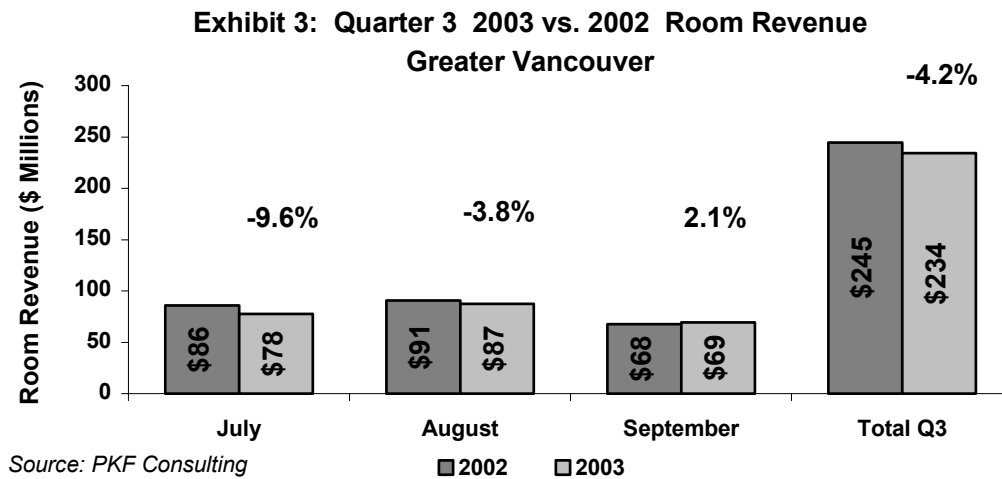


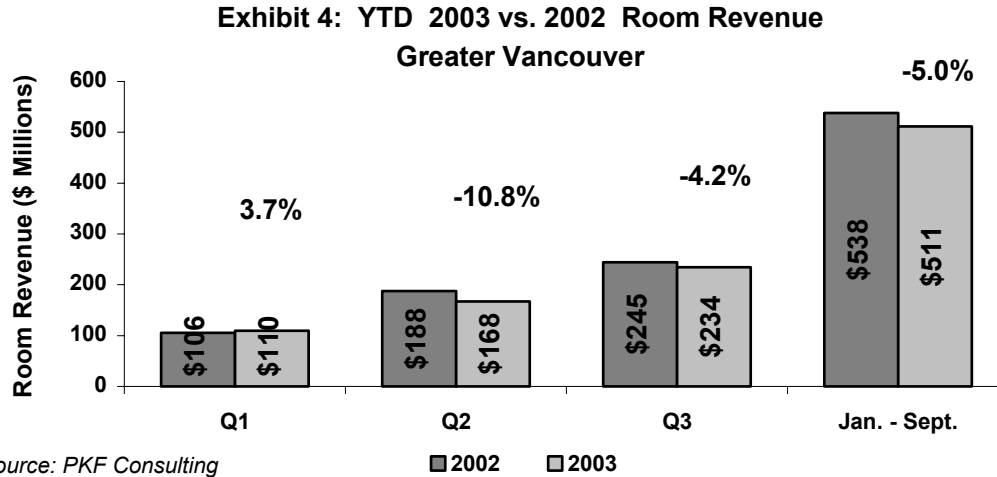
- The year was off to a good start with Quarter 1 demand levels up by 2.7% in Vancouver, but the gains made in the first three months were offset by a decline of 8.6% in demand in Quarter 2. Quarter 3 saw the industry recover slightly with a small loss in demand at -0.2%.



### Room Revenue

- Vancouver suffered a loss of \$8.3 Million in room revenue during the month of July, followed by a loss of \$3.4 Million in August, but September saw an increase in room revenue of 2.4% or \$1.4 Million, in comparison to last year.
- Year-to-date room revenue is below 2002 results by \$26.6 Million (-5.0%).





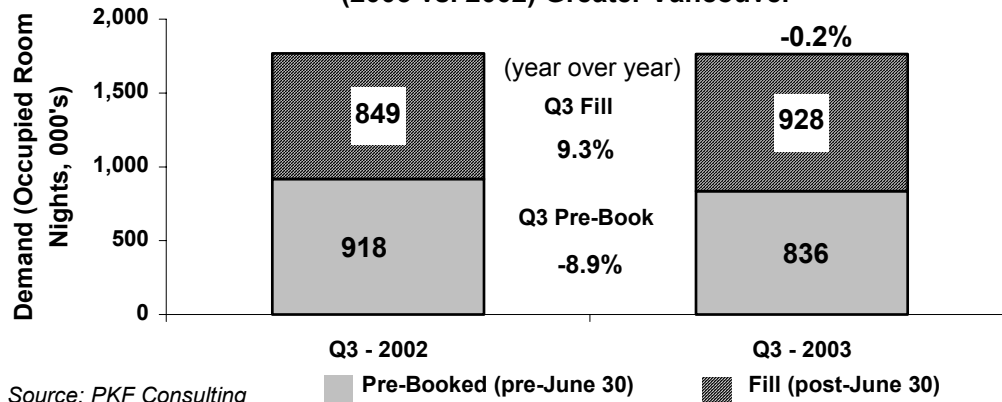
### Budgets and PKF Outlook

- According to our PKF Outlook for the Vancouver hotel market, prepared at the beginning of the year (assuming a contained war in Iraq and no impacts associated with SARS), the Vancouver hotel market was forecast to achieve a 78% occupancy at an average daily rate of \$140 in Quarter 3 2003.
- In preparing their operating budgets at the beginning of the year, Greater Vancouver hotels expected to achieve similar results to the PKF Outlook – 78% occupancy at a \$139 ADR – by the end of the 3<sup>rd</sup> Quarter.
- Based on actual results, the industry missed their budgets by 1 percentage point in occupancy, and \$6 in rate in Quarter 3 2003.

### Pre-Booked Business and Fill Rate

- As of June 30<sup>th</sup>, Vancouver hoteliers had pre-booked almost 836,000 room nights for the upcoming months of July, August and September – 8.9% less room nights than were pre-booked over the same time frame last year.
- The fill rate for the industry was 9.3% for this quarter with 79,000 more room nights sold compared to last year during this period.

**Exhibit 5: Pre-Booked as of June 30 and Fill for Q3  
(2003 vs. 2002) Greater Vancouver**



### Market Factors, Segmentation, Guest Origin and Primary Mode of Transportation

- The Greater Vancouver Area experienced a growth in demand during Quarter 3 with the addition of 7,400 occupied room nights. Regardless of this, Vancouver hotels experienced a revenue decline of over \$10 Million during Quarter 3 due to rate discounting. Downtown Vancouver hoteliers reported that SARS was the factor responsible for the most of this decline at 31%, economic conditions were a close second at 28% and geopolitical reasons accounted for 19%. Hotels in the Vancouver Airport market attributed most of their Quarter 3 losses to other reasons (46%) and to economic conditions (36%).
- Downtown Vancouver hoteliers reported that the majority of lost revenue was due to fewer travellers from the United States and Overseas whereas Vancouver Airport hoteliers report 60% of lost business was due to a decline in domestic travel.
- Hotels in the Vancouver Airport market attributed most of their demand erosion to a decline in business travellers (46%), while Downtown Vancouver hotels pointed to a loss of independent leisure travel (32%), group leisure (22%) and meetings/convention travel (28%).
- Hotels in both Vancouver markets believe travellers arriving via airplane were responsible for most of the decline.

### Results by Vancouver's SUB-MARKETS

- From a sub-market perspective, the Vancouver sub-markets experienced some demand growth in 1 or 2 of the Quarter's months and overall the Vancouver Downtown market experienced a growth in demand of 1.2% for the Quarter. The Vancouver Airport sub-market saw a decrease of 1.5% in demand when compared with 2002.
- Of the GVA's two sub markets, Quarter 3 2003 booking patterns were below the levels achieved during the same time period in 2002. The Vancouver Airport market was down by 20%, while the Downtown market was down 2%.
- Downtown Vancouver hotels (representing about 54% of the total GVA hotel inventory) reported an estimated 240 room nights cancelled in Quarter 4, equating to a potential loss of \$29,000 in room revenue with all of the cancellations a result of SARS.
- The Vancouver Airport market, with an inventory of 4,208 rooms, reported over 16,000 room nights cancelled in Quarter 4 2003 – equating to an estimated loss of over \$1.3 Million in Quarter 4, of which \$278,000 was attributable to SARS and \$534,000 due to Geopolitical reasons.



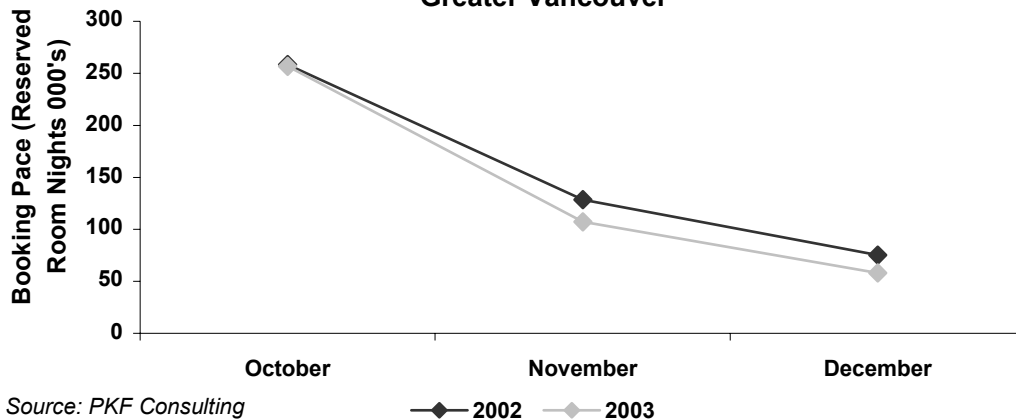
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## QUARTER 4 2003: BOOKING PATTERNS & CANCELLATIONS

### Booking Patterns

- As of June 30, 2002, 918,000 room nights or **52%** of July, August and September's 2002's business was pre-booked. In comparison, as of June 30, 2003, **836,000 room nights** of business were pre-booked for Quarter 3 – which means that close to **82,000 fewer room nights were pre-booked in Quarter 3 2003** as compared to the same period in 2002.
- This year's **Quarter 4 booking pace is down by 9%** in comparison to last year, exactly in-line with the booking pace heading into Quarter 1, indicating that most of the 4<sup>th</sup> Quarter lost pace could be due to consumer booking trends and not the effects of SARS.
- From a month-by-month perspective October, November and December are all below 2002 pre-booking levels with October 1% below, November 17% and December 23% down from the same months in 2002.
- Looking ahead to the winter months, and the continued decline of pre-bookings, Quarter 4 demand is expected to be below that of Quarter 4, 2002.

**Exhibit 6: Room Booking Pace (Oct. to Dec. 2003 vs. 2002)  
Greater Vancouver**



## Q4 - Room Cancellations

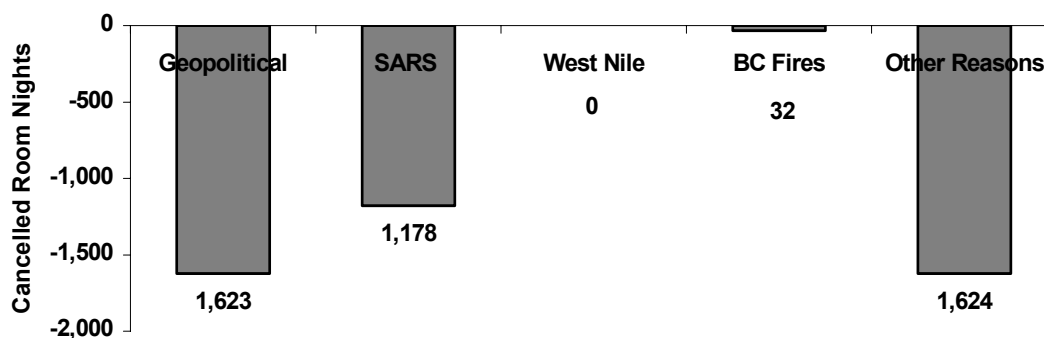
Exhibit 7: Room Cancellations

GVA MARKETS	AS OF JUNE 30 <sup>TH</sup>	AS OF SEPT 30 <sup>TH</sup>
Vancouver Downtown	236	236
Vancouver Airport	4,058	4,220
Total GVA	4,294	4,456
Cancelled Room Nights <i>Due to SARS</i>	1,048 24%	1,178 26%
Cancelled Room Nights <i>Due to Geopolitical Reasons</i>	1,623 38%	1,623 36%
Cancelled Room Nights <i>Due to BC Fires</i>	0 0%	32 1%
Cancelled Room Nights <i>Due to Other Reasons</i>	1,624 38%	1,624 36%

Source: PKF Consulting

- The Vancouver hotel industry reported over 4,400 room cancellations during Quarter 4 2003. This represents 0.4% of last year's overall Quarter 4 results.
- According to hotel operators, the vast majority of room cancellations in the 4<sup>th</sup> Quarter are attributable to Geopolitical reasons (36%), Other reasons (36%) and SARS (26%).
- In Quarter 4 2003, the **potential room revenue** loss due to room cancellations in the Vancouver market is estimated at **\$0.5 Million**. At this stage in our analysis, we have categorized the losses due to room cancellations as "**potential revenue losses**", as we cannot measure the actual loss until performance results for October, November and December are collected.

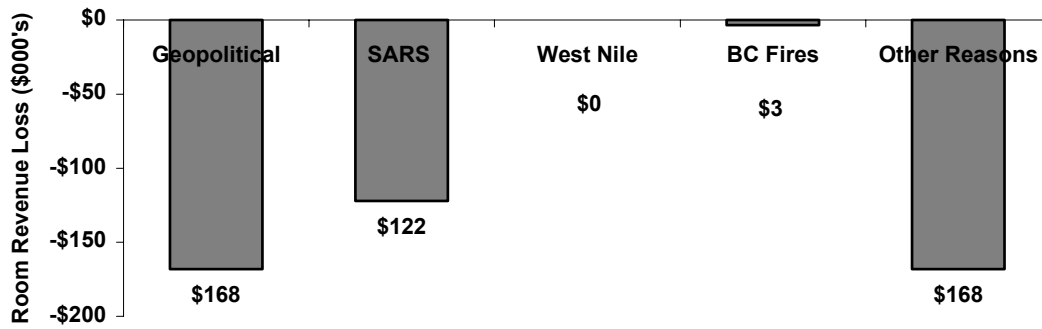
Exhibit 8: Room Night Cancellations (Oct. to Dec. 2003) Greater Vancouver



Source: PKF Consulting

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**Exhibit 9: Potential Room Revenue Loss due to Cancellations  
(Oct. to Dec. 2003) Greater Vancouver**



Source: PKF Consulting

### 9.3. Other British Columbia and Yukon Markets

#### QUARTER 3 2003: RESULTS

##### Hotel Supply Inventory

- The hotel room inventory changed in all of the Other British Columbia markets. Greater Victoria's accommodations market consisted of 5,189 rooms in Quarter 3, 2003 retracted by 65 rooms (-1.2%) since Quarter 3, 2002. Whistler's accommodation market was 5,615 rooms, with the addition of 120 new rooms (2.2%) since Quarter 3, 2002. The balance of British Columbia's accommodations market was made up of 33,724 rooms in Quarter 3, 2003, a net increase of 346 rooms (1%) since Quarter 3, 2002.
- Accommodations inventory in the Yukon (primarily Whitehorse) remained flat at an estimated 1,950 rooms.

##### Demand and Rate

Exhibit 1: Quarter 3 - 2003 vs. 2002 Results

MARKET	QUARTER 3 - 2003		QUARTER 3 - 2002		% CHANGE	
	Occ.	ADR	Occ.	ADR	DEMAND	ADR
Greater Victoria	81%	\$151	83%	\$160	-4%	-6%
Whistler	53%	\$137	55%	\$146	-1%	-6%
Other British Columbia	67%	\$107	69%	\$105	-1%	2%
Yukon	72%	\$89	66%	\$83	9%	7%

Source: PKF Consulting

- In the 3rd Quarter, the Greater Victoria hotel market lost 2 occupancy points and \$9 in rate compared to last year.
- Whistler lost 2 occupancy points in Quarter 3 ending up at 53% at a \$137 rate – down \$9 from Quarter 3, 2002.
- Other British Columbia markets finished Quarter 3, 2003 at 67% occupancy with a \$107 rate – 1 percentage point lower than Quarter 3 of last year with a \$2 gain in rate.
- The Yukon hotel market achieved a 72% occupancy and an \$89 rate in Quarter 3, up nearly 6 points in occupancy and \$6 in rate compared to Quarter 3, 2002.
- Demand for hotel accommodations were down by 16,000 occupied nights Greater Victoria equating to a loss of \$6 Million in room revenue.
- Whistler fell behind by 2,400 occupied nights, for a loss of close to \$3 Million in room revenue compared to the same quarter last year.
- The balance of British Columbia lost over 24,000 occupied room nights in the 3<sup>rd</sup> Quarter, equating to an erosion of \$630,000 in room revenue.
- Demand for Yukon accommodations rose by 10,500 occupied room nights (6.7%) in Quarter 3, 2003 compared to the year prior, which represents an additional \$1.6 Million in room revenues.