

Lodging Outlook



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SARS and its impact on tourism in Toronto

By: Monique Rosszell, HVS International - Toronto

As all the world is aware, SARS has delivered a crippling blow to Toronto's economy, not unlike what New York City experienced with 9/11, or what Britain experienced with Mad Cow disease.

The immediate effect has been that over one-third of the 95,000 workers in the tourism industry in Toronto have been laid off, with many more working only part-time. Smith Travel Research has reported RevPAR results for downtown Toronto, compared to last year: for the week ending May 3, a decline of 71.5%; for the week ending April 26, a decline of 56.3%; for the week ending April 19 (including Easter), a decline of 54.2%; for the week ending April 12, a decline of 40.0%; and for the week ending April 5, a decline of 15.4%. This translates into hotel occupancy rates in Toronto in the 30% to 40% range, instead of the seasonal 70% range. At least five major citywide conventions have been cancelled, with a loss of over 20,000 attendees, not to mention the vast amount of individual-hotel convention business that has been cancelled. Other SARS casualties include over 800 bus tours, music concerts, corporate travel, and school field trips; the list goes on and on. Downtown hotels have experienced last-minute group, leisure, and corporate cancellations valued in the hundreds of thousands of dollars.

Given that tourism is among the top five sources of economic activity in all provinces, and is responsible for one fifth of the trillion-dollar Canadian economy, the repercussions are obviously quite serious. Ontario accounts for 40% of Canada's GDP, and Toronto 20% alone. This could cost the Canadian economy up

to \$2.1-billion dollars in lost growth, according to Toronto Dominion Bank Financial Group. The Conference Board of Canada has estimated that the "outbreak will shave nearly \$1-billion off of Toronto's real GDP in 2003. In a \$200-billion economy, the impact represents half a percentage point on real GDP growth, so our outlook for the Toronto economy has been revised down from 3.8% to 3.3% this year. The SARS outbreak will have a heavy impact on the tourism, transportation, and retail trade sectors," said Mario Lefebvre of the Conference Board of Canada. The expected impact of SARS on tourism alone - excluding airport traffic - is estimated to be a loss of \$350-million this year, a nine-percent decrease. Reduced accounts for an additional loss of \$220-million, and non-tourism related retail sales will be reduced by \$380-million.

Where does this leave the tourism market in Toronto? In need of massive financial aid! The three governments plan to spend \$25-million on an economic-revival strategy for Toronto, mostly to promote the city to companies and potential tourists. At risk is the almost \$5-billion that the 16.3-million visitors to Toronto spent in 2001, the latest year on which Statistics Canada has data. This advertising and marketing blitz will use television, radio, and newspaper ads to target not only U.S. border cities and states, but also "tourism influencers," organizations that put together tours and business conventions travel writers and business travellers.

The provincial government has also committed itself to an additional \$118-million SARS Recovery package. A two-

year tourism recovery plan is being undertaken to rebuild global confidence in Toronto and Ontario as world-class travel destinations. This package includes \$66.8-million to rebuild global confidence in Toronto, \$9-million for event marketing, and an additional \$8-million for a special event to promote Toronto to the world. Also included in the package are tax exemptions on Toronto accommodations and event admissions from May 1 to September 30, 2003.

Toronto has been trying to woo back tourists in a big way. The airlines have jumped on board to help promote Toronto, offering greatly reduced fares from Canadian and U.S. cities. Jetsgo is offering 1,000 free tickets to Toronto each weekend until Victoria Day. Many hotel chains are offering never-before-seen promotions on hotel rooms, food and beverage, and theatre tickets. Gas stations have even been slashing their prices to encourage tourism.

Rod Seiling, president of the Greater Toronto Hotel Association, believes it will take Toronto two years to get back on track. Despite SARS and other issues, such as a weaker-than-expected U.S. economy, and the fallout from the war with Iraq, the hotel industry will make it through, and hopefully come out for the better. Maybe the long-awaited legislated hotel roomnight tax, as exists in many other Canadian cities, will need to be more seriously considered if Toronto is to reverse this damage and be able to financially sustain a permanent, much-needed international marketing program.



CANADIAN LODGING OUTLOOK HVS INTERNATIONAL - CANADA

March 2003	Number of Rooms	Occupancy Rate (%)		Average Room Rates (\$)		RevPAR (\$)		Room Supply % change	Room Demand % change
		2003	2002	2003	2002	2003	2002		
Nova Scotia Area	1,457	59.3%	54.7%	\$75.32	\$74.82	\$44.66	\$40.93	0.0%	8.4%
Halifax, NS	2,077	69.5%	62.5%	\$109.56	\$101.20	\$76.14	\$63.25	5.0%	16.7%
Montreal, QC	14,698	59.0%	59.0%	\$127.39	\$125.72	\$75.16	\$74.17	0.3%	0.5%
Quebec City, QC	3,720	53.1%	57.9%	\$103.58	\$103.42	\$55.00	\$59.88	0.0%	-8.3%
Quebec Area	3,347	49.5%	49.3%	\$85.43	\$81.88	\$42.29	\$40.37	0.0%	0.4%
Toronto Downtown	11,441	59.5%	58.9%	\$143.92	\$145.60	\$85.63	\$85.76	0.0%	0.9%
Toronto North/East	6,468	49.4%	51.4%	\$110.81	\$108.20	\$54.74	\$55.61	6.3%	2.1%
Toronto Airport/West	6,280	61.4%	59.8%	\$108.31	\$109.94	\$66.50	\$65.74	-1.1%	1.5%
Ottawa, ON	7,868	60.2%	55.9%	\$124.88	\$120.99	\$75.18	\$67.63	1.7%	9.5%
Ontario East	3,848	48.8%	49.2%	\$84.71	\$84.98	\$41.34	\$41.81	0.1%	-0.8%
Ontario Southwest	7,639	58.5%	56.5%	\$95.69	\$94.58	\$55.98	\$53.44	0.2%	3.7%
Ontario North	4,835	52.1%	52.2%	\$86.17	\$84.18	\$44.89	\$43.94	0.3%	0.2%
Niagara Falls, ON	6,021	47.2%	48.2%	\$89.87	\$92.13	\$42.42	\$44.41	0.0%	-2.1%
Ontario Central	7,758	52.5%	53.8%	\$97.87	\$95.91	\$51.38	\$51.60	2.5%	0.1%
Winnipeg, MB	3,550	55.9%	60.9%	\$89.71	\$90.03	\$50.15	\$54.83	1.7%	-6.6%
Regina/Saskatoon, SK	3,581	61.2%	62.6%	\$88.55	\$83.74	\$54.19	\$52.42	0.0%	-2.2%
Calgary, AB	5,537	55.4%	59.6%	\$110.79	\$112.25	\$61.38	\$66.90	0.0%	-7.0%
Edmonton, AB	4,829	60.8%	76.8%	\$92.37	\$89.96	\$56.16	\$69.09	1.1%	-20.0%
Alberta Area	7,772	59.0%	61.8%	\$87.95	\$86.64	\$51.89	\$53.54	1.9%	-2.7%
Mountain Regions, AB	2,326	63.6%	65.9%	\$182.02	\$169.37	\$115.76	\$111.61	0.0%	-3.5%
Vancouver, BC	12,331	55.4%	55.2%	\$110.88	\$111.49	\$61.43	\$61.54	0.0%	0.4%
British Columbia Area	6,757	56.2%	60.7%	\$175.25	\$189.27	\$98.49	\$114.89	1.2%	-6.4%
Victoria, BC	2,625	56.5%	58.3%	\$93.73	\$92.21	\$52.96	\$53.76	0.0%	-3.2%
Provinces									
Alberta	20,433	59.0%	65.4%	\$106.27	\$102.80	\$62.70	\$67.23	1.2%	-8.8%
British Columbia	23,019	55.6%	57.5%	\$125.82	\$131.27	\$69.96	\$75.48	0.7%	-2.6%
Manitoba	3,813	55.6%	61.2%	\$88.94	\$88.86	\$49.45	\$54.38	1.6%	-7.7%
New Brunswick	2,697	61.2%	54.7%	\$84.13	\$86.39	\$51.49	\$47.26	0.4%	12.3%
Newfoundland	1,521	54.0%	56.7%	\$99.00	\$94.08	\$53.46	\$53.34	0.0%	-4.8%
Nova Scotia	3,534	65.3%	59.4%	\$96.70	\$91.56	\$63.15	\$54.39	1.4%	11.4%
Northwest Territories	INS	INS	INS	INS	INS	INS	INS	INS	INS
Ontario	61,196	55.5%	55.1%	\$110.56	\$110.46	\$61.36	\$60.86	0.9%	1.7%
Prince Edward Island	889	40.1%	31.7%	\$64.52	\$63.10	\$25.87	\$20.00	0.0%	26.4%
Quebec	22,758	56.1%	56.6%	\$117.99	\$115.89	\$66.19	\$65.59	0.2%	-0.7%
Saskatchewan	4,957	54.6%	56.9%	\$83.06	\$78.61	\$45.35	\$44.73	0.0%	-4.1%
Yukon Territory	274	INS	INS	INS	INS	INS	INS	INS	INS
Canada	145,091	52.9%	55.2%	\$104.47	\$105.93	\$55.26	\$58.47	0.7%	-3.4%

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Quebec City, QC	3,720	54.7%	53.9%	\$112.07	\$108.05	\$61.30	\$58.24	0.0%	1.5%
Quebec Area	3,347	48.3%	46.3%	\$84.65	\$80.29	\$40.89	\$37.17	0.0%	4.2%
Toronto Downtown	11,441	57.9%	55.6%	\$141.65	\$143.53	\$82.02	\$79.80	0.0%	4.1%
Toronto North/East	6,468	48.4%	49.4%	\$108.39	\$109.08	\$52.46	\$53.89	7.1%	5.0%
Toronto Airport/West	6,280	67.8%	63.7%	\$111.16	\$112.98	\$75.37	\$71.97	-2.1%	4.2%
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CANADIAN LODGING OUTLOOK

DEFINITIONS

Occupancy:	The ratio of total occupied rooms to total available rooms.
Average Room Rate:	Defined as room sales divided by the total number of rooms occupied.
RevPAR:	The application of a hotel's average occupancy to its average room rate and a true indicator of the property's ability to generate revenue. It is calculated by multiplying the occupancy by the average room rate.
Number of Rooms:	The total number of rooms at participating hotels.



HVS is the leading consulting and appraisal firm specializing solely in the hospitality industry. **HVS** personnel have university degrees in Hotel Administration, or actual hotel work experience, and are taking further courses of study to obtain recognized real estate designations. **HVS** has consulted for over 10,000 hotels in 55 countries.



HOTEL ASSOCIATION OF CANADA INC.

The Hotel Association of Canada is a federation of provincial and territorial associations, hotel chains and suppliers with a mandate to represent members nationally and internationally and to provide cost-effective services that stimulate and encourage a free market accommodation industry.

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SMITH TRAVEL RESEARCH

STR provides information and analysis to all major Canadian and U.S. hotel chains. Individual hotels, management companies, appraisers, consultants, investors, lenders and other lodging industry analysts also rely on **STR** data for the accuracy they require. With the most comprehensive database of hotel performance information ever compiled. **STR** has developed a variety of products and services to meet the needs of industry leaders.

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