



QUÉBEC HOTEL MARKET SENTIMENT SURVEY

March 2009

INTRODUCTION

Horwath HTL recently conducted a worldwide survey, entitled the Global Hotel Market Sentiment Survey, in order to gauge the outlook offered by the industry's many hotel managers with regards to the trends and outcomes affecting the global, national, provincial and local hotel markets over the coming year.

Considered a leading consulting firm specialized in the Hotel, Tourism and Leisure (« HTL ») sectors, with offices in 50 cities and 30 countries worldwide, Horwath HTL asked hoteliers to provide their expectations with regards to occupancy, average daily rate ("ADR") and total revenues, while also assessing the impact of various key market factors on the industry as a whole, and on the perspectives of the various hotel demand segments over the next 12-month period.

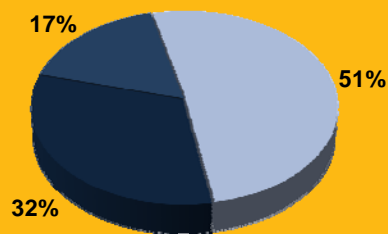
The Horwath HTL Global Hotel Market Sentiment Report summarized the outcome of the overall survey, gathered from responses across 46 countries. Of the 2,705 respondents, 44 percent of them came from Europe followed by Asia (26 percent), North America (13 percent), South America (6 percent), Australia/Pacific (6 percent) and Africa (5 percent). The majority of the contributions were from 4 star hotels (43 percent), followed by 5 star (26 percent), 3 star (25 percent) and budget (6 percent).

This report summarizes the results of this survey for the Province of Québec as gathered from a sample of close to 100 hoteliers operating throughout the province. Just over 32% of the hoteliers operate within the Montréal tourist region while another 17% of the hoteliers were from the Québec City tourist region and the final 51% were scattered among the remaining 19 tourist regions.

As for the star classifications of the respondents, approximately 69% consisted of 4-star properties while another 23% was comprised of 5-star hotel products. Seven percent were 3-star hotels while the remaining 1% of respondents consisted of hotels rated between 1 and 2 stars and considered to be Economy properties.

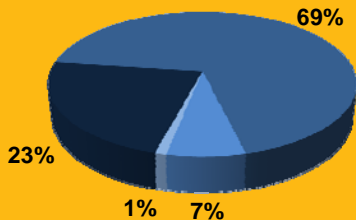
At this point in time, with the financial crisis affecting all corners of the world, it is not surprising to find most markets across Québec having the same negative assessment of the outlook for 2009 as around the globe. However, we hope that the following analysis provides some useful insight as to the expectations for the Québec marketplace compared to the overall Canadian hotel industry.

SHARE OF RESPONDANTS
BY REGION



- Montréal Region
- Québec Region
- Other Regions

SHARE OF RESPONDANTS
BY STAR CLASSIFICATION



- 5-Star
- 4-Star
- 3-Star
- Economy



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SENTIMENT RANKINGS

RANKING SCORE KEY:

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

“Meanwhile, Québec hoteliers, with a Sentiment score of negative 39.1, tended to be even less pessimistic about 2009 than their overall Canadian and American counterparts”

SENTIMENT RANKING :

Québec	-39.1
Canada	-43.5
United States	-54.8
Worldwide	-34.2

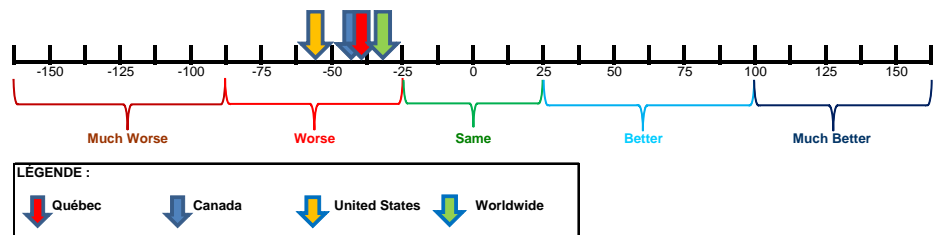
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average Sentiment index from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook.

The purpose of creating a Sentiment index or score is also to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

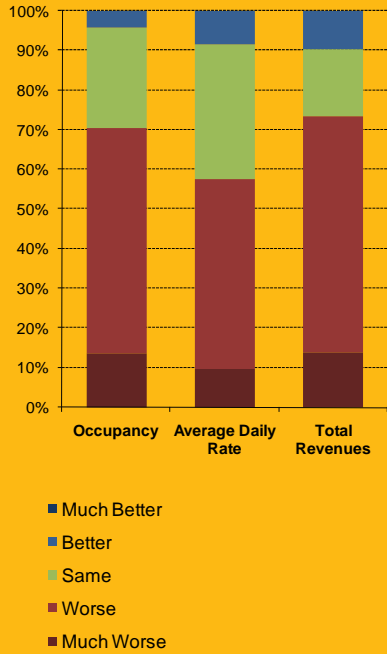
The sentiments of hoteliers across all countries have been clearly affected by the global economic crisis, as is clearly demonstrated in the overall results. General market Sentiment was rather pessimistic with a global average score of negative 34.2. Given that the United States is among the most affected countries globally with regards to the current general economic conditions, it is not unexpected to find that their overall Sentiment score, at negative 54.8, was among the lowest worldwide. Canadian hoteliers seem to be somewhat less pessimistic for 2009 and registered an overall Sentiment score of negative 43.5.

Meanwhile, Québec hoteliers, with a Sentiment score of negative 39.1, tended to be even less pessimistic about 2009 than their overall Canadian and American counterparts.

Québec City, likely as a result of the tough year ahead just off the heels of a successful 2008 as a result of the 400th anniversary of the City's founding, are more pessimistic overall (-54.4) than their Montreal (-43.7) and regional (-31.3) counterparts.



RATIO OF RESPONSES:



“Over 70 percent of the hoteliers replied that matters will get worse in 2009 compared to 2008 while 25 percent said that things will remain the same and only four percent stated that things will get better.”

MARKET PERFORMANCE RANKING:

	OCC.	ADR	REV.
Québec	-60.0	-43.9	-58.2
Canada	-63.6	-48.2	-61.6
United States	-82.1	-57.9	-75.0
Worldwide	-52.1	-38.5	-50.6

MARKET PERFORMANCE

The first survey question dealt with the contributors’ outlook with regards to their respective markets’ performance in 2009 as opposed to 2008.

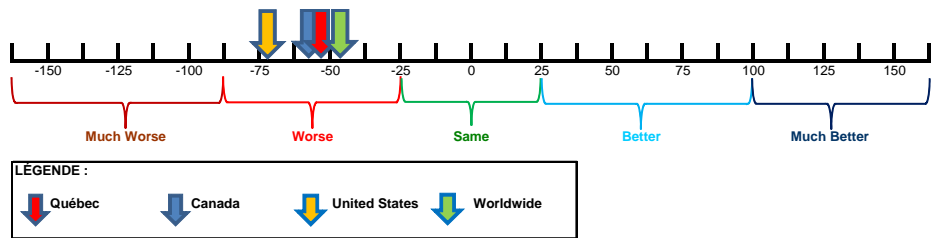
In response to expectations for market-wide occupancy performance, over 70 percent of the hoteliers replied that matters will get worse, 25 percent said that things will remain the same while only four percent stated that things will get better. Clearly the global financial crisis that is crippling the United States is expected to impact demand in all regions of the province.

Most also foresee a somewhat morose outcome in terms of ADR performance, as just over 57 percent stated that market-wide ADR performance is expected to be worse than the previous year. 34 percent mentioned that ADR will come in at a comparable level to the previous year while only nine percent believed that their markets’ performance would improve.

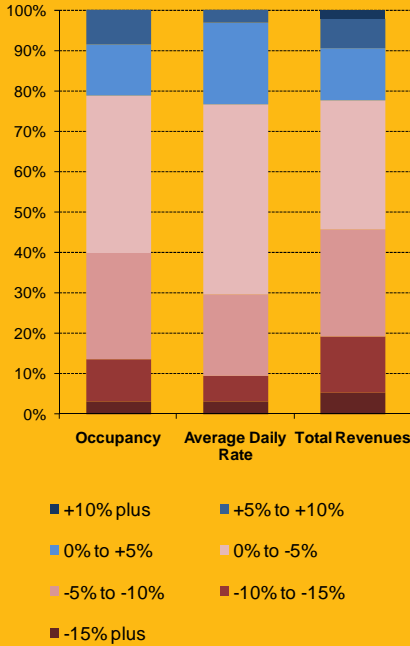
Revenue followed the same trend wherein the majority, or over 73 percent, of the respondents had bleak sentiments about the market’s future revenue performance while merely 17 percent stated that revenue will follow last year’s trend and ten percent who were optimistic about 2009’s performance.

The individual indexes were used to gauge an average overall score for the three performance indicators. Montréal and Québec City, with overall scores of -70.8 and -81.3 respectively, are less optimistic than are the other regions of the province (-34.6) with regards to overall market performance. The same trend holds true for the four and five star hotels, with overall scores of -56.6 and -52.8 respectively, compared to only negative 46.7 for the 3 star and less hoteliers.

Meanwhile, Canadian hoteliers registered an overall average score of -57.7, while Québec hoteliers, with a score of -54.0, were less pessimistic overall, as well as per performance indicator (Occupancy, ADR and Total Revenues).



RATIO OF RESPONSES:



“Based on the worldwide averages, all three performance indicators measured in 2009 are expected to decline by about 5 percent.”

HOTEL PERFORMANCE RANKING:

	Occ.	ADR	Rev.
Québec	-13.7	-8.0	-18.1
Canada	-16.0	-10.0	-21.1
United States	-48.5	-23.8	-47.1
Worldwide	-24.2	-16.1	-26.4

HOTEL PERFORMANCE

The second question asked each respondent to estimate the growth or decline in their hotel’s performance for 2009 compared with 2008.

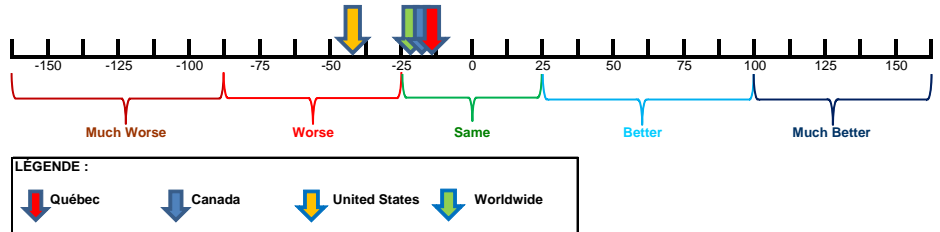
It is within the individual hotel performances that we note the provincial hoteliers’ optimism, or lack of strong pessimism, when compared to national and international trends.

When asked if they still expect growth in their hotels’ performance in 2009, and considering the current state of the economy worldwide and the current Canadian and American recessions, over 21 percent of the hoteliers stated that their hotel’s occupancy will likely increase over their 2008 results. Over 23 percent believed that their ADR would increase in 2008 while 22% forecasted improvements in their total revenues.

These performance indicators are greatly influenced by the Quebec City forecasts. Given the success of 2008’s anniversary events, almost all of the hoteliers are forecasting a decline in occupancy, ADR and total revenues. Meanwhile, between 23% and 30% of hoteliers in Montreal and the province’s other regions are expecting to register some improvement in their occupancy, ADR and/or total revenues.

Excluding the Québec City tourist region, approximately 20% of the hoteliers foresee declines of 5% to 10% in their occupancy and ADR while another 40% to 45% see only a maximum of a 5% decline to these two performance indicators.

Utilizing the average index score, amongst the regions, only the Québec City tourist region, with a score of negative 39.6, is expecting a truly difficult year with approximately 40% of the respondents anticipating decreases in occupancy and ADR of more between 5% and 10% and just over 12% of respondents expecting declines in excess of 10%. Meanwhile, Montreal and the other tourist regions, with overall scores of -9.7 and -6.8 respectively, are anticipating more moderate declines in occupancy and ADR, albeit with a limited number of hoteliers forecasting improving hotel performances.



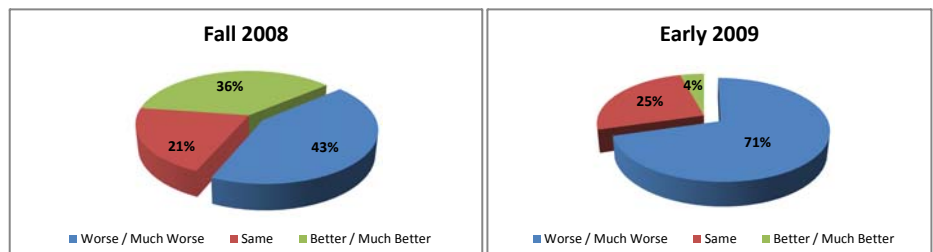
What a difference a “Recession” makes...

There is no doubt that the current global economic conditions are greatly affecting the hotel industry’s outlook with regards to short-term performance indicators.

A similar survey conducted during the late summer of 2008 revealed that only 43% of Quebec hoteliers expected declining occupancies for 2009. Between that September survey and our December 2008/January 2009 survey, word of the current credit crisis and economic recession has spread like wildfire, and hoteliers have not been immune to its perceived repercussions. Only time will tell if the perception is in fact a myth or a reality.

This said, a surprising 71% of Quebec hoteliers now indicate that their hotel’s occupancy will in fact decline in 2009 when compared to 2008. This represents a 69% increase in just three months from the original survey.

Comparison of Estimated Occupancy Projections for 2009

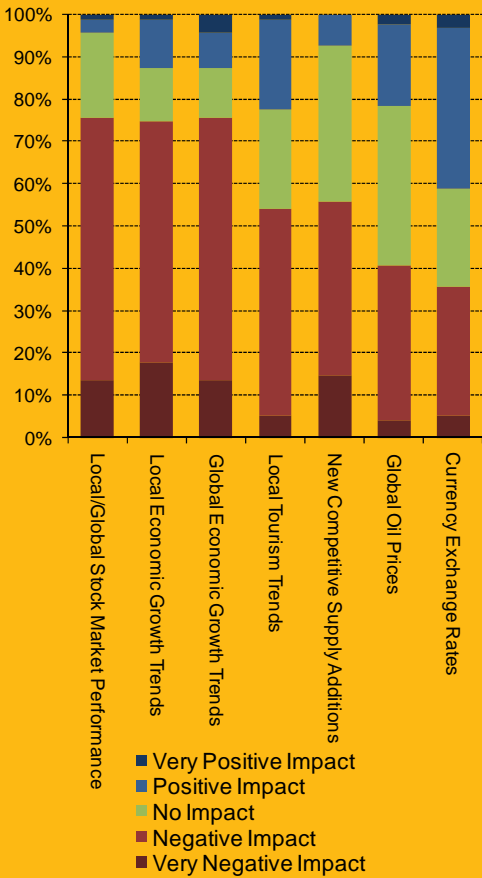


Occupancy was not the only performance indicator to be reconsidered. As of the fall of 2008, only 29% of Quebec hoteliers anticipated some level of decline in their ADR for 2009 when compared to 2008. Three months later, that number has in fact doubled, with 58% of hotels expecting a decline in their 2009 ADR when compared to their 2008 results.

Comparison of Estimated ADR Projections for 2009



RATIO OF RESPONSES:



"The economy is clearly on the minds of hoteliers and weighs heavily as a major concern; however the weaker Canadian dollar is perceived as a positive element potentially capable of driving demand and occupancy in a positive direction in 2009."

Factors Affecting Performance Ranking:

	Québec	Canada	U.S.	Worldwide
1. Local/Global Stock Market	-63.2	-68.6	-62.9	-55.1
2. Local/National Economic Trends	-59.2	-60.6	-61.3	-38.7
3. Global Economic Growth Trends	-54.5	-67.0	-74.3	-58.9
4. New Competitive Supply	-47.4	-47.3	-59.1	-35.3
5. Local Tourism Trends	-27.1	-36.4	-55.5	-21.7
6. Global Oil Prices	-16.1	-24.8	-27.1	-18.5
7. Currency Exchange Rates	2.4	-4.8	-20.7	-24.8

FACTORS AFFECTING PERFORMANCE

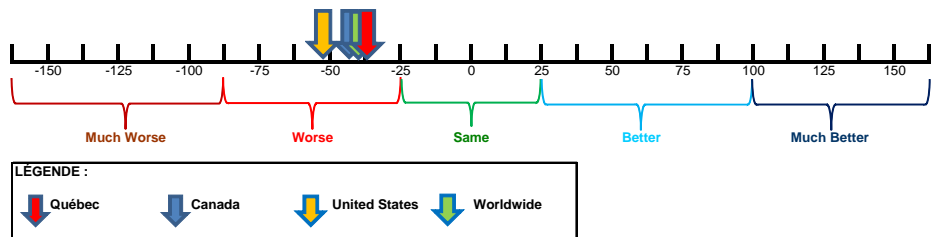
Each hotelier was also asked to gauge their attitude towards seven factors that impact the overall hotel industry, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates. The objective was to clearly identify those factors that concern hoteliers most in the short term and how these will impact their hotels' performance in 2009.

Global economic growth trends, due to concerns with regards to the worsening of the global economy and its effects on the stock market, has the highest negative response rate with close to 76% of the participants indicating that the worsening global and national economic conditions, along with the current stock market variations, will negatively impact hotel performance in the short to mid-term.

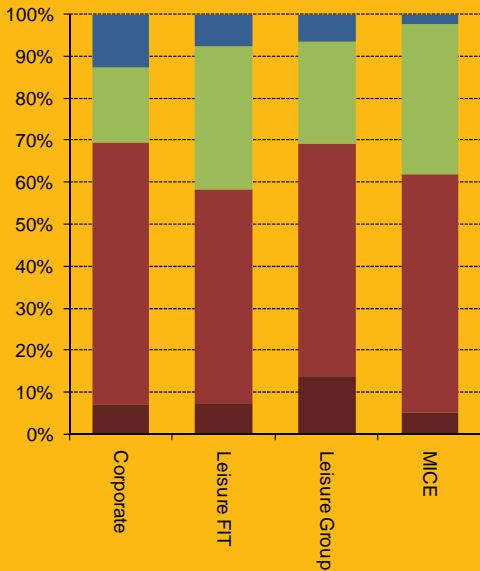
On the other hand, with oil prices beginning to stabilize, this factor has in fact diminished in importance when compared to similar surveys of 2008. As such, hoteliers are currently less concerned about the effect of rising oil prices on travel frequency and room night demand.

The same trend holds true for the exchange rates. The strong Canadian dollar of 2007-2008, once considered a primary concern and an obstacle for many Canadian and Quebec hoteliers has in fact dropped to the bottom of the list as of early 2009, with just over 40% of hoteliers seeing the weaker Canadian dollar as an opportunity to drive demand in a positive direction in 2009.

Utilizing the index, all choices, with the exception of the currency exchange rates, registered negative results, indicating that almost of the factors were believed to negatively affect performance. The contributors perceived that the worsening economic crisis will likely have the most harmful impact on hotel performance as global and national economic growth trends attained the lowest scores: -54.5 points and -59.2 points, respectively. The economy was beat only slightly by the local/global stock market, with negative 63.2 points.



RATIO OF RESPONSES:



- Much Better
- Better
- Same
- Worse
- Much Worse

"More than 50 percent stated that performance across all segments will get worse"

Market Segment Performance:

	Québec	Canada	U.S.	Worldwide
1. Leisure Group	-57.4	-58.9	-56.0	-45.0
2. "MICE"	-48.9	-48.5	-49.1	-41.8
3. Corporate	-48.2	-54.8	-65.1	-45.7
4. Leisure FIT	-43.9	-47.1	-62.7	-37.1

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to primary market demand segments which were Corporate, Leisure FIT, Leisure Group and MICE (« Meetings, Incentive, Conferences, Exhibitions ») and how they are expected to perform in 2009.

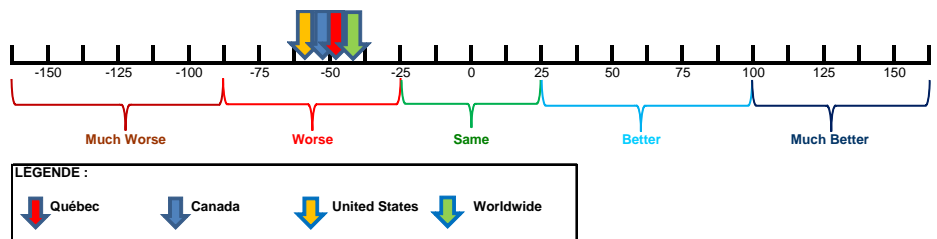
The majority of the respondents had negative opinions about the future performance of all segments as between 51% and 62% percent of respondents stated that performance across the four segments will get worse in 2009.

Employing the scoring system to obtain an average score, all segments yielded negative results, indicating that respondents generally think performances across all segments will suffer this year. The participants believe the Leisure Group segment, which is typically the most price-sensitive of the four segments surveyed, will be the worst affected this year as it scored the lowest point total with negative 57.4.

The MICE segment recorded a score of negative 48.9 while the Corporate segment recorded a score of negative 48.2. These results are not surprising given the current impact the financial crisis has had on major corporations around the world, not to mention the impact of the on-going "AIG effect" in the United States. Many prominent hotel groups have in fact recently begun to address Congress with regards to televised comments made by John McCain and President Barack Obama regarding the perceived abuse of American corporations with regards to lavish "incentive" meetings and conventions. This perception has in fact resulted in a sharp decline in the American meetings market, with repercussions that could make their way north according to the Québec hoteliers.

The Leisure FIT segment was expected to be the least poorest performing segment in 2009, with a score of negative 43.9.

The overall sentiment score for the market segment performance in 2009 came in at -49.6 for the province of Quebec, compared to -52.3 for the Canadian market.



CONCLUSIONS

Hoteliers throughout the province generally expect a tough year with respect to market-wide and individual property performance. The majority of the contributors projected that performance in all three measures, room occupancy, average daily rates and total revenues will likely decline this year. It remains that between one quarter and one third of hoteliers in the province, outside of the Québec City tourist region, are forecasting some increase in occupancy, ADR and/or revenues.

Coming away from the extremely successful 400th anniversary of the City's founding, hoteliers in the Québec City tourist region are almost all forecasting declining occupancy, ADR and revenues in 2009 when compared to 2008.

Although six of the seven factors were estimated to have a negative effect on performance, global economic growth trends was perceived to have the most severe effect. Clearly, economic related concerns, whether it be the global/national economy in general, local economic trends or stock market performance, are the primary concern of hoteliers right across the globe. The one bright light appears to be the recent weakening of the Canadian dollar, which is now perceived as the only factor that might positively affect hotel performance in 2009.

Given the current state of the American, Canadian and global economies, along with the strong negative connotation of the "AIG effect" in the U.S., it is not unexpected that both corporate and meeting/convention demand are anticipated to be among the most heavily affected of the primary demand segments in 2009.

Other Market Sentiment Reports

BY REGION

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BY COUNTRY

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 Italy Japan Macedonia Montenegro Mexico Netherlands
 Norway Romania Serbia Singapore Slovenia South Africa
 Spain

BY CITY/ DESTINATION

Beijing Hong Kong Shanghai Shenzhen

Horwath HTL - Office Locations

ASIA PACIFIC

Auckland, New Zealand
Auckland@HorwathHTL.com

Beijing, China
Beijing@HorwathHTL.com

Hong Kong, SAR
HongKong@HorwathHTL.com

Honolulu, USA
Hawaii@HorwathHTL.com

Jakarta, Indonesia
Jakarta@HorwathHTL.com

Kuala Lumpur, Malaysia
KL@HorwathHTL.com

Mumbai, India
vthacker@HorwathHTL.com

Shanghai, China
Shanghai@HorwathHTL.com

Singapore, Singapore
Singapore@HorwathHTL.com

Sydney, Australia
Sydney@HorwathHTL.com

Tokyo, Japan
Tokyo@HorwathHTL.com

EUROPE

Amsterdam, Netherlands
hoogendoorn@horwath.nl

Andorra la Vella, Andorra
vmarti@HorwathHTL.com

Barcelona, Spain
vmarti@horwathconsulting.com

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
knospe@horwathhtl.de

Kiev, Ukraine
afernandez@horwathhtl.com

London, UK
jomahoney@horwathhtl.com

Madrid, Spain
vmarti@horwathconsulting.com

Moscow, Russia
Moscow@horwathconsulting.net

Paris, France
pdoizelet@horwathhtl.fr

Rabat, Morocco
glanfray@horwathhtl.fr

Rome, Italy
aiadecola@horwathhtl.it

Salzburg, Austria
kploberger@horwathhtl.at

Tunis, Tunisia
glanfray@horwathhtl.fr

Zagreb, Croatia
sanja.cizmar@horwath.hr

NORTH/CENTRAL AMERICA

Atlanta, USA
mbeadle@horwathhl.com

Dallas, USA
rbesse@horwathhl.com

Denver, USA
jmontgomery@horwathhl.com

Los Angeles, USA
ynathraj@horwathhl.com

Mexico City, Mexico
bbasave@horwath.com.mx

Montreal, Canada
horwath@horwath-lariviere.com

Palm Beach, USA
staylor@horwathhl.com

San Francisco, USA
jhiser@HorwathHTL.com

Santo Domingo, Dominican Republic
sotero@codetel.net.do

Toronto, Canada
horwath@hhgi.com

SOUTH AMERICA

Buenos Aires, Argentina
ochudnobsky@HorwathHTL.com

AFRICA

Cape Town, South Africa
Capetown@HorwathHTL.co.za

MIDDLE EAST

Beirut, Lebanon
kamelac@horwathac.com