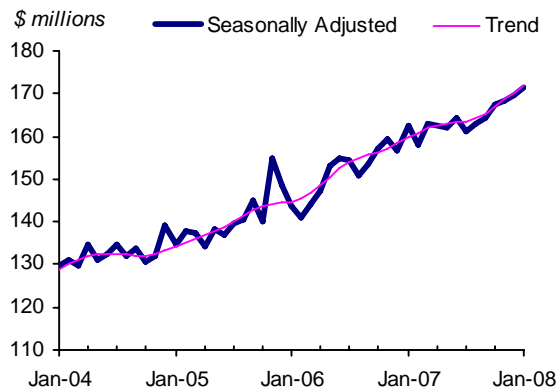


Tourism Sector Monitor ♦ April 2008

Room Revenue

Room revenues continued on an upward trend in the first month of 2008, matching December's 0.9% increase. For the first time since June 2007, North Coast (+2.8%) led the province in growth. Returns at accommodations in Vancouver Island/Coast and Thompson/Okanagan (each at +2.5%) rebounded in January, while Mainland/Southwest (+1.8%) also posted gains. However, northern regions of the province recorded significant declines, including Northeast (-10.2%) and Nechako (-9.9%). In addition, Kootenay (-8.5%) experienced a decrease for the second straight month and revenues also fell in Cariboo (-2.2%).

Room revenues advanced 0.9% to \$171.4 million in January



Returns at the province's hotels continued to increase (+1.1%) in January, building on a 2.4% gain in December. Growth was driven by large (151-250 rooms; +2.5%) and very large (251+ rooms; +1.7%) hotels, and business also improved at small hotels (1-75

rooms; +0.3%). Revenues at motels were higher (+0.6%) for the fourth straight month, while other accommodations experienced a 1.3% decrease.

Table 1. Room Revenue
(seasonally adjusted)

Accommodation Type			
	Jan 08 (\$000)	Dec 07 (\$000)	% change
Total	171,398	169,862	+0.9
Hotels	127,727	126,326	+1.1
Motels	20,577	20,447	+0.6
Other Accommodations	23,305	23,613	-1.3
Regions (Top 3 performers)			
North Coast	2,497	2,430	+2.8
Vancouver Island/Coast	29,984	29,245	+2.5
Thompson/Okanagan	26,926	26,272	+2.5

Visitor Entries

Traveller entries to Canada via BC rose 1.8% in January. Visitation from the US was up (+2.1%) as the number of same-day visitors jumped 4.3%, the largest month-over-month increase since December 2006. In addition, there were more Americans on overnight trips (+1.1%).

Overseas entries increased (+0.9%) for the third straight month. Entries from Oceania fell (-0.9%) for the first time since July 2007 while the number of travellers from Asia (-0.2%) dipped. However, European entries, which represent about a third of all overseas visitors to the province, rose 0.8%.

The number of Canadian travellers returning home through BC edged up (+0.8%) in

January on the heels of a 10.1% decline in December. Total trips to the US increased 0.8% while same-day travel south of the border was relatively unchanged (-0.1%). Overall, overseas travel by Canadians was 0.5% higher.

Visitor entries up 1.8% in January

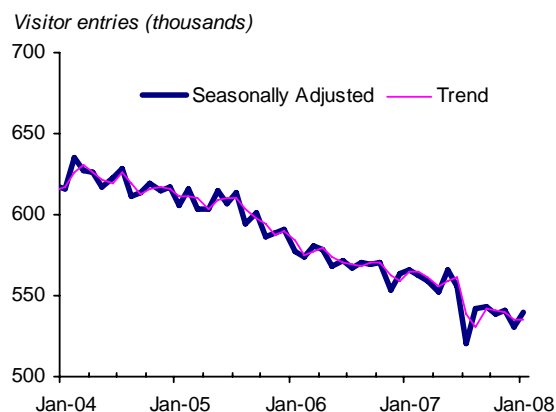


Table 2. Traveller Entries
(seasonally adjusted)

	Jan-08 (‘000)	Dec-07 (‘000)	% chg from Dec-07
American visitors			
Total	409	400	2.1
Same-day	138	132	4.3
Overnight	271	269	1.1
Overseas visitors			
Total	131	130	0.9
Europe	43	43	0.8
UK	21	21	2.5
Asia	58	58	-0.2
Japan	14	15	-1.4
Taiwan	5	5	-6.2
Oceania	17	17	-0.9

Note: Total Overseas visitors is not equal to the sum of visitors from Europe, Asia and Oceania since it includes other areas

Other Indicators

In January, the hotel occupancy rate rose 1.0 percentage point to 67.7%, ending a two-month-long downturn. The average daily room rate (\$133.10) also advanced (+0.8%) in the first month of 2008.

Table 3. Other Tourism Indicators
(seasonally adjusted)

	Jan-08	Change from Dec-07
Hotel Industry		
Occupancy rate (%)	67.7	1.0 pp.
Average room charge (\$) <small>(Pannell Kerr Forster)</small>	133.10	0.8
Airport Passengers (000s) (%)		
Vancouver International Airport		
Total traffic	1,552	2.8
US (trans-border)	383	0.2
Other International	376	2.4
Canada (domestic) <small>(YVR)</small>	793	4.3
Victoria International Airport		
Total traffic <small>(Victoria Airport Authority)</small>	127	1.1
Food Services Receipts (\$ millions) (%)		
All establishments	658	3.4
Food service	603	2.7
Drinking places <small>(Statistics Canada & BC Stats)</small>	50	2.4
Transportation (000s) (%)		
Coquihalla Highway		
Passenger Vehicles <small>(Ministry of Transportation)</small>	226	2.9
BC Ferries		
Vehicle Volume	703	0.1
Passenger Volume <small>(BC Ferries)</small>	1,786	-1.1
Exchange Rates Cdn \$		
US \$	0.989	-0.01
UK Pound	0.502	+0.01
Japanese Yen	106.530	-5.46
Australian \$ <small>(Statistics Canada)</small>	1.122	-0.02

Note: pp. percentage points

Note to readers: all data in the *Tourism Sector Monitor* are reported on a **seasonally adjusted** basis.

Following declines in air passenger traffic in December, both the Vancouver (+2.8%) and Victoria (+1.1%) airports were busier in January. BC Ferries recorded a drop in the number of passengers (-1.1%), while vehicle volume (+0.1%) inched up. In addition, a 2.9% increase in the number of passenger

vehicles passing through the toll booths on the Coquihalla Highway was recorded.

Revenues in the province's food services and drinking places industry rebounded in January (+3.4%, *seasonally adjusted*). Both food service establishments (+2.7%) and bars, nightclubs and taverns (+2.4%) had a more lucrative month.

A look ahead—February 2008

Early returns indicate that room revenues fell 1.8% in February, ending six consecutive months of increases. Most regions experienced declines, including Thompson/Okanagan (-9.1%), Vancouver Island/Coast (-4.6%), Cariboo (-3.3%), Nechako (-1.5%) and Northeast (-0.3%). However, Kootenay (+7.8%) saw revenues rebound while North Coast (+2.7%) and Mainland/Southwest (+0.2%) posted gains for the third consecutive month.

Revenues across all accommodation types were down in February. Overall, receipts at the province's hotels fell (-1.4%), with small hotels (1-75 rooms; -2.8%) showing the largest month-over-month decrease. Motels (-3.1%) recorded lower revenues for the first time since September 2007, while fishing lodges, bed and breakfasts, and other types of accommodation (-5.2%) also experienced a significant downturn. After gaining

momentum in the previous two months, revenues at vacation rentals dipped 0.4%.

Visitor entries to Canada via BC declined 0.7% in February. There were fewer American visitors (-0.9%) as same-day travel fell (-3.0%), offsetting a slight increase (+0.1%) in overnight trips. Although the number of travellers from Asia was higher (+2.1%), a drop in entries from Oceania (-5.1%) and Europe (-2.0%) left overseas visitation relatively unchanged (-0.1%).

In February, passenger traffic at the Vancouver (+1.2%) and Victoria (+1.0%) airports continued to increase. However, vehicle volume aboard BC Ferries (-0.1%) inched down while passenger volume (0.0%) was flat. The number of passenger vehicles travelling along the Coquihalla Highway plummeted (-29.7%) due to an avalanche that closed the route for eight days.

About preliminary numbers

Companies file their hotel room taxes with varying delays. The initial data retrieved by BC Stats may be revised considerably over the following months. BC Stats reports room revenues with a three-month lag. For example, data for January are not reported until April. However, we also briefly report "preliminary data" with a two-month lag.

How accurate is the preliminary data? Over 21 reports in 2006 and 2007, BC room revenues changed (rose or fell on a month-over-month basis) on average by 2.4% (absolute value). The preliminary numbers—reported in the "look ahead" section—were less by an average of 0.2 percentage points partly because the initial data retrieved may not be complete until later that month. For example, if the preliminary figure is 1.5, the actual number probably is around 1.7. And if the preliminary figure is -0.5, the actual number is about -0.3.

Special Focus: Vacation Rentals

Vacation rentals represent a growing market in BC's accommodation industry. In 1995, there were an estimated 345¹ vacation rentals in BC, which generated 5% of provincial room revenues. By 2007, the number of properties expanded to 420, accounting for 8% of total revenues.

A "vacation rental", as defined by BC Stats, is an establishment that provides temporary or longer-term accommodation, which, for the period of occupancy, may serve as a principal residence. Included in this definition are campgrounds and temporary accommodations for seasonal workers.

Vacation rentals offer travellers a unique accommodation experience. Unlike hotels and motels, vacation rentals are typically furnished residences that include kitchen facilities and other amenities that provide a "home away from home". These properties are often located in a non-urban setting and may provide access to private beaches, fishing and skiing opportunities. Condominiums, cottages and cabins are common types of vacation rentals, which may be rented out by the owner or a rental management company.

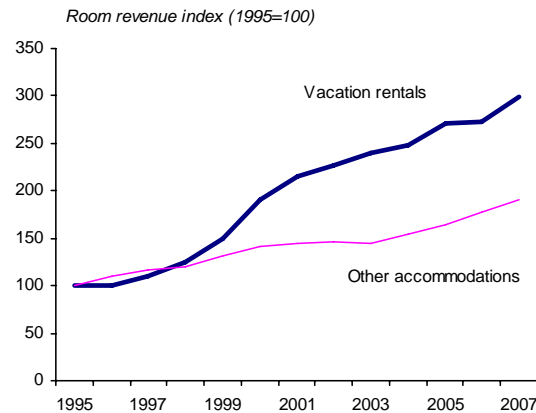
Vacation rentals are becoming increasingly popular in BC

There has been a growing trend towards short-term rental property accommodation in recent years. From 1995 to 2007, room revenues at vacation rentals increased three-fold from approximately \$49.7 million to \$148.8 million. This rate of growth was more than twice the average for hotels,

¹ It should be noted that maintaining an accurate count of properties is difficult since vacation rentals tend to move in and out of the market throughout a given year.

motels and other accommodations (+91.4%) over this period.

Vacation rentals have experienced significant growth since 1995



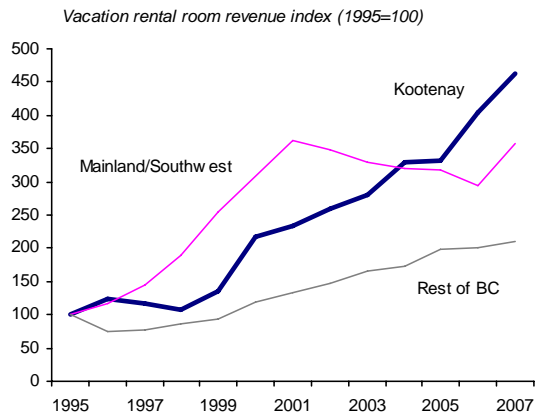
Data Source: BC Stats

Following four years of double-digit gains from 1998 to 2001, room revenue growth at BC's vacation rentals slowed during 2002 to 2006. In 2007, revenues advanced 9.9%, the largest increase since 2001 (+13.1%) and higher than the rate for other accommodations (+8.2%).

Regional growth trends

Kootenay (+362%) experienced a surge in vacation rental room revenues from 1995 to 2007, recording double-digit growth in seven years during this period. In Mainland/Southwest, returns more than tripled from 1995 to 2001, lost ground during the next five years, and then rebounded in 2007 (+21.0%). Overall, revenues in this region grew 256% from 1995 to 2007, well above the average for the rest of BC (+111%). Other regions that recorded significant gains in the vacation rental market include Vancouver Island/Coast, Thompson/Okanagan and Northern BC.

Kootenay and Mainland/Southwest have outperformed the rest of BC

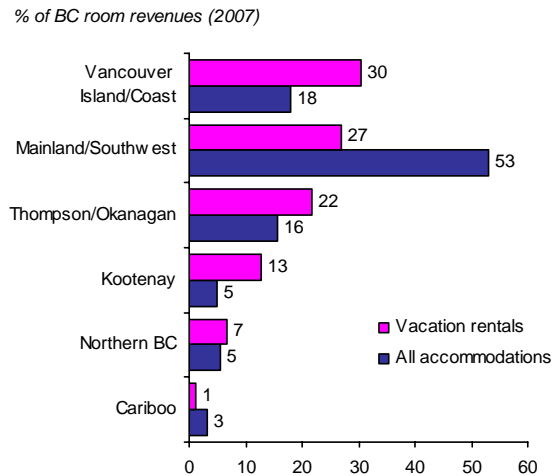


Data Source: BC Stats

Vancouver Island/Coast has the largest share of the vacation rental market

Vancouver Island/Coast is home to about one in three vacation rentals in the province, the largest concentration among the regions. Typically, these accommodations are located in resort areas such as the Gulf Islands, Tofino and Ucluelet. In 2007, 30% of BC vacation rental room revenues were generated in Vancouver Island/Coast, significantly higher than its share of returns for all accommodations (18%). Although Mainland/Southwest accounts for more than half (53%) of provincial room revenues, it has a much smaller share of the vacation rental market (27%) with most properties located in the Whistler area. Thompson/Okanagan (22%) contributes a significant proportion, while more than one in every ten dollars (13%) of room revenues at vacation rentals is attributed to the Kootenay region. Northern BC (7%) and Cariboo (1%) account for the remaining 8% of the market.

Most of the province's vacation rental room revenues are generated in Vancouver Island/Coast and Mainland/Southwest



Data Source: BC Stats

Vancouver Island/Coast, Mainland/Southwest and Thompson/Okanagan were the largest contributors to the vacation rental market in 1995 and 2007. However, there was a reallocation of market share across the regions over this period. Vancouver Island/Coast saw its share fall from 36% in 1995 to 30% in 2007 (-6 percentage points), while Kootenay (+5), Mainland/Southwest and Northern BC (each at +4) experienced an increase. In addition, the vacation rental market lost ground in Thompson/Okanagan (-7) and Cariboo (-1).

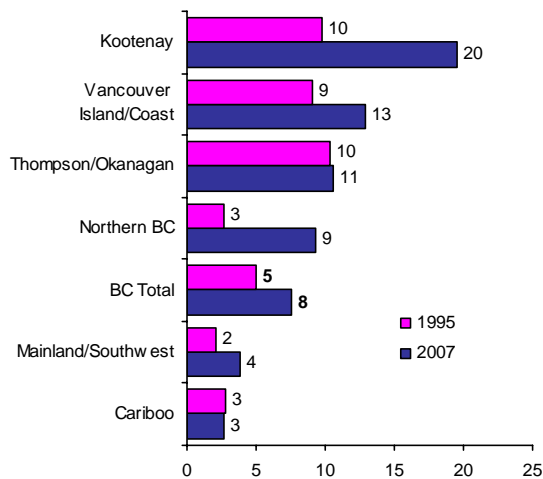
Vacation rentals are a relatively small player but represent a growing market

Although vacation rental room revenues have shown considerable growth in recent years, they still represent a relatively small portion of room revenues in the accommodation industry (8% in 2007). In some regions, however, vacation rentals have become an increasingly important segment. For example, the proportion of total revenues generated by vacation rentals in Kootenay doubled from 1995 (10%) to 2007 (20%). Northern BC saw its share climb

from 3% to 9% over the same period, mainly due to growth at temporary accommodations for seasonal workers. In addition, Vancouver Island/Coast also experienced an appreciable increase (+4 percentage points). However, market share in Thompson/Okanagan remained virtually unchanged from 12 years earlier (+1). In Mainland/Southwest (4%) and Cariboo (3%), the vacation rental market comprised less than five percent of revenues in 2007.

In Kootenay, one in every five dollars of room revenues is generated by vacation rentals

Vacation rentals as a % of total room revenues



Data Source: BC Stats

Since 1995, vacation rentals have increased their share of total room revenues in most regions of the province. Strong demand for this type of non-standard accommodation, coupled with the revenue potential for the owners of these properties, will likely encourage the continued expansion of BC's vacation rental market.