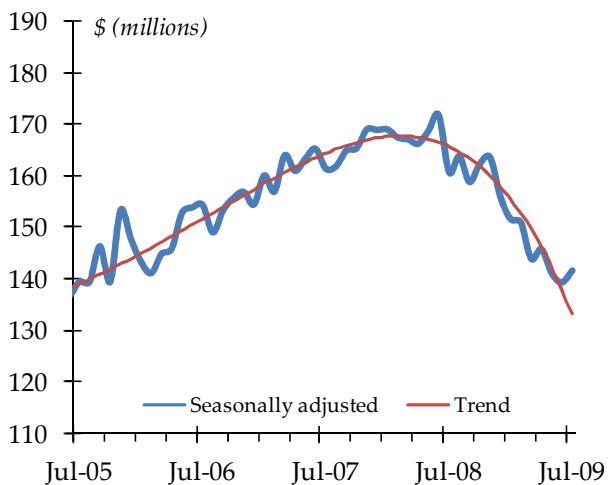


## Tourism Sector Monitor ♦ October 2009

### Room revenue

Accommodations in BC saw a slight reprieve from the poor performance of recent months, with room revenues rising (+1.6%, *seasonally adjusted*) in July. This boost was fuelled by growth in Vancouver Island/Coast (+2.3%), Mainland/Southwest (+1.6%) and Thompson/Okanagan (+2.6%). Additionally, Kootenay (+3.8%) and North Coast (+7.6%) bounced back from the previous month's declines, while Cariboo (+0.1%) and Nechako (+0.4%) also showed improvement. Total room revenue was slightly offset by a drop (-7.1%) in room receipts in Northeast.

#### Room revenue in BC bounced back in July



Data Source: BC Stats

All accommodation types had a better month in July, except for vacation rentals (-1.7%)—dropping for eight months in the last year. Hotel revenues rose 1.6% in July. In particular, small (1-75 rooms; +1.3%), mid-sized (76-150

rooms; +0.4%), large (151-250 rooms; +3.3%) and very large (251+ rooms; +2.1%) hotels saw higher revenues compared to the previous month. Motels (+0.9%) also had a minor increase in room receipts, and miscellaneous accommodations (e.g., fishing lodges) had a particularly good month (+7.0%).

**Table 1: Room revenue**  
(seasonally adjusted)

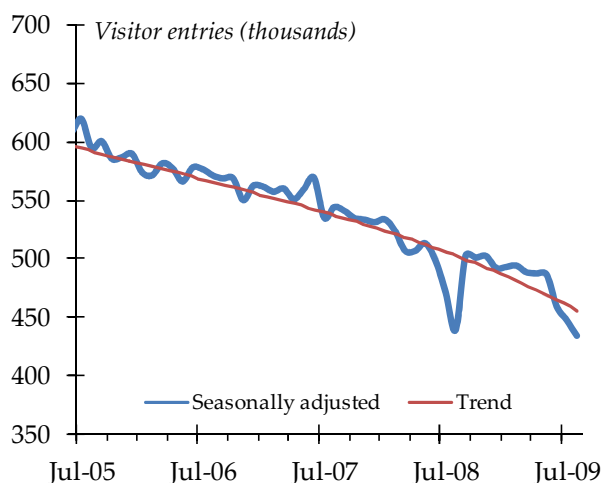
	Jul-09 (\$000)	Jun-09 (\$000)	change %
<b>Accommodation Type</b>			
Total	141,790	139,501	+ 1.6
Hotels	103,325	101,684	+ 1.6
Motels	16,975	16,827	+ 0.9
All other accommodations	21,567	21,045	+ 2.5
<b>Regions (Top 3 performers)</b>			
North Coast	1,957	1,819	+ 7.6
Kootenay	7,785	7,501	+ 3.8
Thompson/Okanagan	22,479	21,900	+ 2.6

Data Source: BC Stats

### Visitor entries

The number of travellers entering Canada via British Columbia dropped 2.6% (*seasonally adjusted*) in July. This drop came after a 5.6% decline in the previous month with the downward trend in the number of American (-4.7%) visitors continuing to drive total entries lower. On the other hand, overseas entries were 4.4% higher in July with more visitors coming from nearly every continent except North America. The number of travellers from Asia (+4.4%), Europe (+1.5%), and Australia (+14.7%) all increased.

**Visitor entries from the US are still lower**



Data Source: Statistics Canada

**Table 2: Visitor entries**  
(seasonally adjusted)

	Jul-09 (000s)	Jun-09 (000s)	change %
<b>American visitors</b>			
Total	339	355	- 4.7
Same-day	106	113	- 6.8
Overnight	233	242	- 3.6
<b>Overseas visitors</b>			
Total	108	104	+ 4.4
Europe	38	38	+ 1.5
Germany	6	6	+ 1.1
UK	8	7	+16.8
Asia	46	44	+ 4.4
Hong Kong	6	6	- 9.0
Japan	13	11	+26.4
Taiwan	1	1	-13.1
Other	24	22	+ 9.3

Data Source: BC Stats & Statistics Canada

**Other indicators**

With increased room revenues came a higher occupancy rate in BC's accommodations (+1.5 percentage points to 58.6%). Average room rates slipped (-1.0%) to a 31-month low of \$123.40.

July showed an increase (+1.7%) in passenger traffic at Vancouver International Airport as more domestic (+1.3%), trans-border (+0.9%)

and international (+3.8%) passengers took flight. Also, passenger volumes at Victoria International Airport rose (+1.5%) in July.

Despite BC Ferries' mid-week *CoastSaver* special, July saw fewer passenger (-1.2%) and vehicle traffic (-1.0%) volumes.

Revenues at BC food services (+0.8%) and drinking places (+1.5%) rose in July.

**Table 3: Other tourism indicators**  
(seasonally adjusted)

	Jul-09	change from Jun-09
<b>Hotel Industry</b>		
Occupancy Rate (%)	58.6	+1.5 pp
Average Room Charge (\$)	123.40	- 1.0
Data Source: PKF		
<b>Airport Passengers</b>	(000s)	(%)
<b>Vancouver International Airport</b>		
Total Traffic	1,308	+ 1.7
US (trans-border)	308	+ 0.9
Other International	286	+ 3.8
Canada (domestic)	715	+ 1.3
Data Source: YVR		
<b>Victoria International Airport</b>		
Total Traffic	127	+ 1.5
Data Source: Victoria Airport Authority		
<b>Food Services Receipts</b>	(\$ millions)	(%)
All Establishments	655	+ 0.8
Food Service	598	+ 0.8
Drinking Places	59	+ 1.5
Data Source: Statistics Canada		
<b>Transportation</b>	(000s)	(%)
<b>BC Ferries</b>		
Vehicle Volume	696	- 1.0
Passenger Volume	1,741	- 1.2
Data Source: BC Ferries		
<b>Exchange Rates</b>	Cdn \$1.00	
US Dollar (\$)	0.891	0.00
UK Pound (£)	0.545	0.00
Japanese Yen (¥)	83.984	-1.77
Australian Dollar (\$)	1.108	0.00

Data Source: Statistics Canada (pp = percentage points)

## A look ahead—August 2009

Room receipts inched up (+0.4%) in August. Revenues in Mainland/Southwest (+2.2%), Cariboo (+0.3%), North Coast (+1.8%) and Nechako (+6.6%) were offset by declines in Vancouver Island/Coast (-0.6%), Thompson/Okanagan (-3.8%) and Northeast (-3.6%).

Accommodation sales at hotels were up (+0.5%) in August as a result of increased revenues at mid-sized (76-150 rooms; +1.1%) and large (151-250 rooms; +2.6%) hotels that were offset by a drop in receipts at small (1-75 rooms; -0.3%) and very large (251+ rooms; -0.8%) hotels. Room revenues at motels (0.0%) and all other accommodation types (0.0%) remained flat.

Occupancy rates at hotels showed another month of improvement (+2.1 percentage points)

in August, rising to 60.7%. Average room rates also inched up to \$124.30 (+0.7%).

Passenger traffic at Victoria International Airport slowed down (-0.3%) in August. However, Vancouver International Airport experienced another month of passenger volume increases (+1.4%) as domestic (+2.1%), trans-border (+0.6%) and other international traffic (+0.6%) were up.

The number of travellers using BC Ferries also bounced back, with more vehicles (+1.2%) and passengers (+0.3%) boarding in August.

Revenues at BC's food services and drinking places industry grew (+1.6%).

### Note 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 report "preliminary data" with a two-month lag.

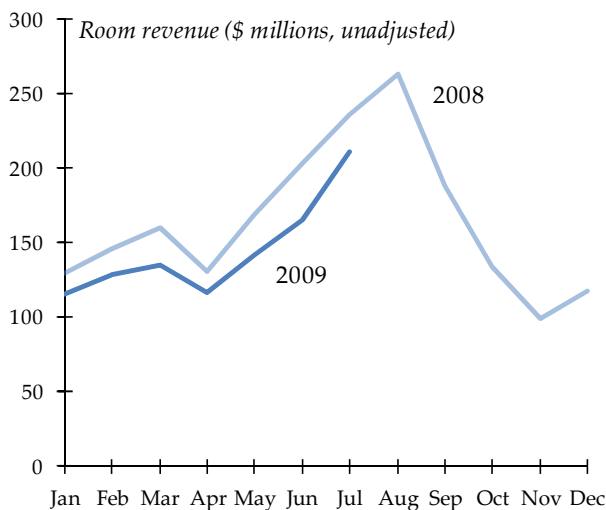
How accurate is the preliminary data? Over 24 reports in 2006–2008, seasonally adjusted preliminary numbers—reported in the "look ahead" section—were lower than subsequently reported estimates by an average of 0.2 percentage points, thereby either underestimating growths or overestimating declines. This is partly because the initial data retrieved at the time the estimates are calculated are not always complete. 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: 2009 year-to-date

### Room revenues weak throughout first seven months of 2009

The Canadian economy entered into the current economic downturn in the fourth quarter of 2008. And even though news reports say that major global economies are on the road to recovery, activity in BC's accommodation industry is still below 2008 levels. The industry has faced challenges throughout the year, and year-to-date (January to July), room receipts are down 13.7% from 2008 levels.

#### Room revenues remain well below 2008 levels



Data Source: BC Stats

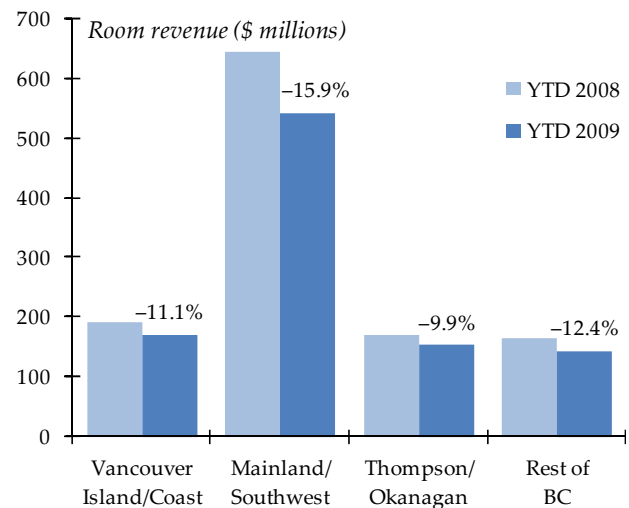
### Mainland/Southwest among the hardest hit regions

One of the regions hardest hit by the current downturn is Mainland/Southwest, which accounts for over half of all room revenues in the province. July year-to-date figures show the development region down 15.9% from the same period in 2008. Significant declines were registered in Vancouver Island/Coast (-11.1%) and Thompson/Okanagan (-9.9%) as well. Combined, the remaining five development regions

saw a -12.4% slump in revenues compared to the first seven months of 2008.

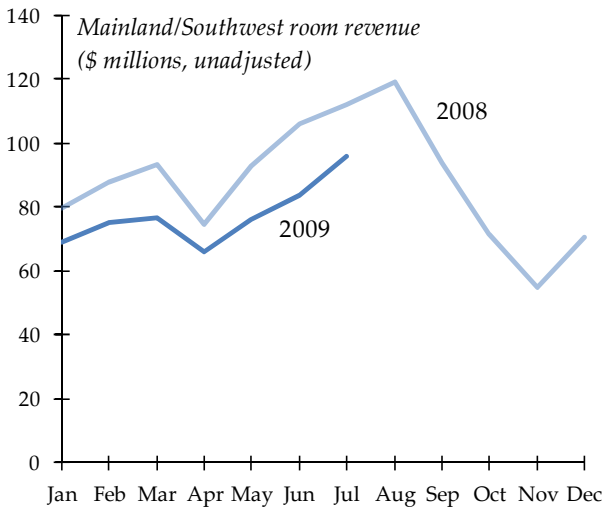
There are a number of factors contributing to Mainland/Southwest's comparatively weak performance. The Vancouver area is a common destination for business travellers. With companies and other organizations cutting back on discretionary travel, some operators in the region are likely seeing revenues from business travellers drop off. At the same time, leisure travel may have been reduced as some consumers have been cutting back on non-essential expenditures such as get-aways to the city.

#### All development regions are experiencing a slowdown in room revenues



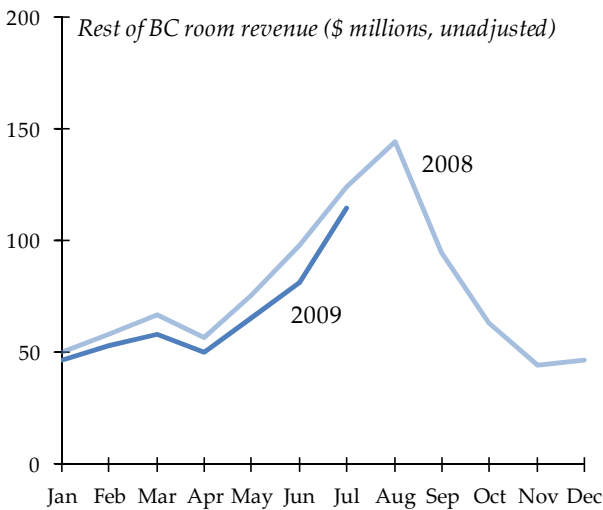
Data Source: BC Stats

**Properties in Mainland/Southwest harder hit by the economic downturn...**



Data Source: BC Stats

**...than those in other parts of the province**

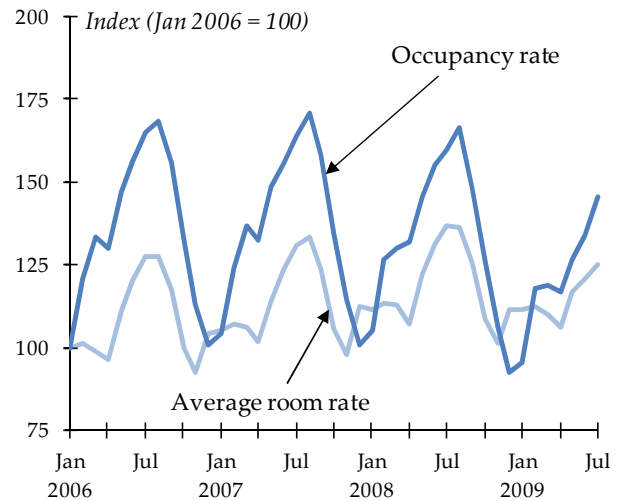


Data Source: BC Stats

**Occupancy rates declining**

Hotel occupancy rates reflect the downturn in the accommodation industry, remaining well below normal seasonal levels in recent months. The decline in occupancy rates has been much more marked than the downturn in room rates in the province. Occupancy rates began to slump (posting year-over-year declines) in March 2008, but average room rates fell for the first time in December 2008.

**Occupancy rate buckled much more than average room rate during the recession**



Data Source: Pannell Kerr Forster

Hotel revenues—contributing roughly three out of every four dollars in BC’s accommodation revenues—fell 12.8% during the first seven months of 2008. However, other types of properties have also been affected. During the first seven months of 2009, motels (-15.6%) and other accommodation types (-16.5%) saw even bigger declines.

**Looking ahead...**

Room revenues in the province show clear seasonal patterns. They generally begin to rise in the spring, peaking in the summer months before slowing down in the fall. There is usually a slight upturn in December, when many families and individuals enjoy winter holidays during the period between Christmas and New Years.

While all regions of the province show seasonal variability in room revenues, Mainland/Southwest, which is home to many of the province’s large hotels, generally does not experience as much revenue fluctuation throughout the year. It is almost as popular a travel destination during the winter months as it is in the summer

Even if the recession begins to loosen its grip on the BC economy, it is unlikely that room reve-

nues will recover significantly throughout the latter half of the year. Preliminary data for August suggest that revenues increased only marginally in that month. With revenues remaining below 2009 levels throughout the peak traveling season, it would require a significant jump during the normally slow autumn months to push the industry into positive growth territory in 2009. This seems unlikely, given that many key economic indicators for the province are continuing to show considerable volatility.