

Industry Update - A Year in Review

While there is no single source of industry data in Canada, there are other sources of information than can provide Canadian market insight. Jeffrey Brookhouser, CCHPA Board Vice President, summarizes other key indicators of interest for Canadian providers.

The *National Tourism Indicators, Quarterly Estimates* publication provide a snapshot of tourism revenues by sector, including accommodations. PKF Consulting (PKF) is a Canadian Management-consulting firm nationally and internationally recognized as one of the foremost specialists in the hospitality and tourism industries. PKF compiles timely statistical data for the lodging industry in Canada including rate, occupancy and inventory. This supplements the industry specific information in select Canadian markets - Calgary and the Greater Toronto Area, in the most recent *Corporate Housing Industry Report 2010*, compiled by The Highland Group, According to PKF consulting, "In 2009, the Canadian Lodging industry has been hit hard by the recession. Demand is expected to have contracted by 6.5%, from where it was a year ago. Coupled with a 1.6% increase in supply, this fall-off in demand will result in a forecasted 58% occupancy nationally."

They go on to say: "This decade's previous industry challenges of 9/11 and SARS pale in comparison to the erosion of demand caused by the current recession. In 2001, the Canadian accommodation industry experienced a decline of -4.3% in demand, while SARS resulted in negative growth of -3.7% - compared to the steep erosion of -6.5% forecast for 2009".

According to the *Corporate Housing Industry Report 2010*, demand for corporate housing in the United States declined by 15% from \$2.8 billion to \$2.4 billion. Unlike Canada, corporate housing providers in the United States are able to adjust inventory quickly because of the short term leases available in those markets. As such, the industry shed more than 16% of its inventory in 2009, resulting in occupancy levels of nearly 90%, relatively flat to the previous year. Average rates held relatively steady as well at \$115.00.

While we don't have access to research related to the extended-stay or corporate housing market in Canada, we estimate that it represents 3% of \$10.8 billion accommodation market in Canada - approximately \$325 million, down from roughly \$340 million in 2008. The *Corporate Housing Industry Report 2010* suggests that occupancy was a full ten (10) points below that of the United States average. In reviewing the critical third quarter 2009, the deficit was a full thirteen (13) points. As Canadian providers don't have short-term leases and cannot therefore shed inventory as easily as their US colleagues, this likely resulted in increased wholesaling within the Canadian market. Rates also declined as well - in the range of 3% to 6%.

The *Corporate Housing Industry Report 2010* is available from The Highland Group free of charge to those who participated in the survey. It is also available at a discounted cost for CCHPA members for those that did not participate. Statistics Canada's National Tourism Indicators can be found at on their website: <http://cansim2.statcan.gc.ca>. And Canadian Lodging information can be found at PKF Canada's website: <http://www.pkfcanada.com>.