



GLOBAL HOTEL MARKET SENTIMENT SURVEY

February 2009

INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey has been designed to provide the global hotel industry a quick assessment of the market outlook for the coming 12 months. The survey focuses on the outlook for occupancy, average room rates and total revenue.

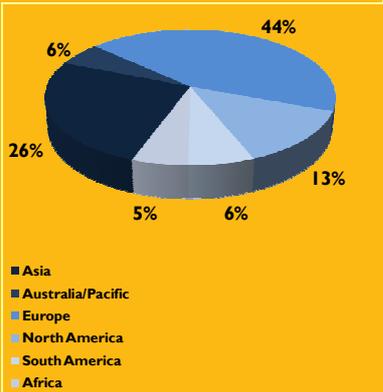
Hoteliers have also been asked to make comments on the impact of key factors that drive room night demand growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the 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).

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

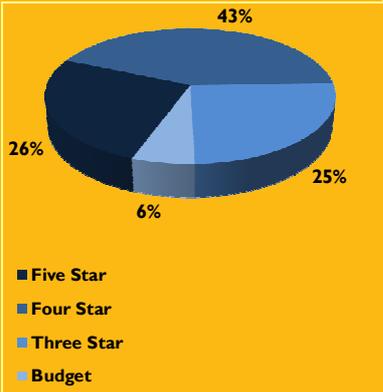
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



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SENTIMENT RANKINGS

As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score 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, visible from the results. General market sentiment was rather pessimistic with a global average score of negative 34.2. The only region which achieved a positive average sentiment score is South America, registering a score of 9.7. On the other hand, hoteliers in North America, which include markets hugely affected by the global economic downturn such as the USA and Canada, expected a relatively bleak outlook in 2009 as the region registered a sentiment score of negative 41. Asian hoteliers held the most pessimistic outlook for the year with an overall average sentiment score of negative 41.2 with Japan (-74.1), Singapore (-64.3) and Hong Kong (-52.7) the most pessimistic in the region.

The top five countries (with a sufficient response rate) with the highest sentiment scores were Indonesia (-4.3), South Korea (-7.2), Norway (-20.3), South Africa (-20.9) and Mexico (-24.5). Japan (-74.1), Slovakia (-68.4), Singapore (-64.3), Russia (-58.9) and the USA (-54.8) rounded up the bottom five.

SENTIMENT RANKINGS

By Region	Score
1. South America	9.7
2. Africa	-20.7
3. Australia Pacific	-34.1
4. Europe	-36.0
5. North America	-41.0
6. Asia	-41.2

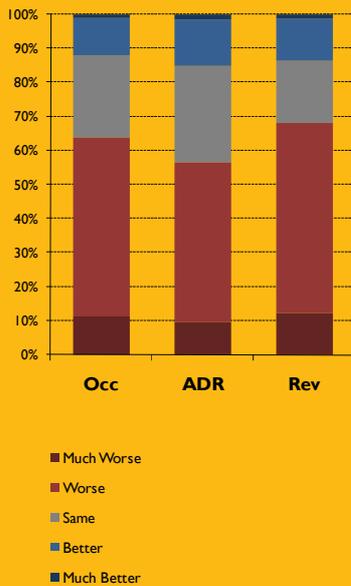
Top 5 Countries	Score
1. Indonesia	-4.3
2. South Korea	-7.2
3. Norway	-20.3
4. South Africa	-20.9
5. Mexico	-24.5

"A global sentiment score of negative 34.2 clearly indicates that hoteliers across the globe are expecting declines in performance in 2009."

RANKING SCORE KEY

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

RATIO OF RESPONSES



"64 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 15 percent said it would be better."

MARKET PERFORMANCE RANKING

	Occ,	ADR	Rev.
1. South America	23.5	NA	NA
2. Africa	-16.7	8.9	-1.0
3. Europe	-52.0	-37.6	-51.8
4. Australia Pacific	-53.1	-27.7	-47.3
5. Asia	-55.6	-50.5	-55.7
6. North America	-57.5	-42.0	-55.7

MARKET PERFORMANCE

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 as opposed to 2008.

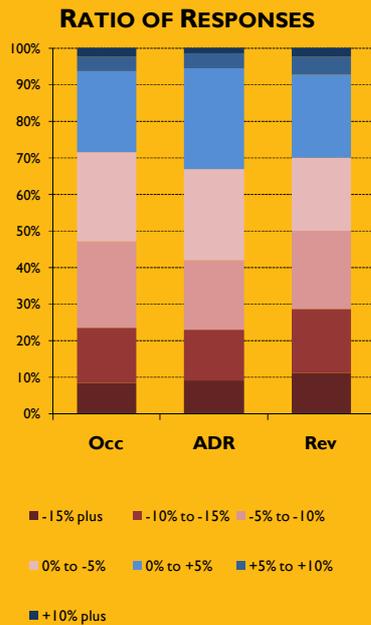
In response to expectations on market-wide occupancy performance, 64 percent of the hoteliers replied that matters will get worse, 24 percent said that things will remain the same while 12 percent stated that things will get better. Clearly the global financial crisis is expected to impact demand in all regions of the world.

Most believed a dreary outcome in terms of ADR performance, as 57 percent stated that market-wide ADR performance is expected to be worse than the previous year. 28 percent mentioned that ADR will achieve the same results as the previous year while 15 percent were buoyant about their markets' performance.

Revenue followed the same trend wherein the majority or 68 percent of the respondents had bleak sentiments about the market's future revenue performance while merely 18 percent stated that revenue will follow last year's trend and 14 percent who were optimistic about 2009's performance.

The index was used to gauge the average score and all regions other than South America recorded a negative score. Asia, registered the lowest points with negative 54.0 as participants from countries such as China, Singapore and Japan, which rely on global trade believe that the gloomy economic situation will largely affect performance. Asia is followed by North America (negative 51.8), Europe (negative 47.1), Australia/Pacific (negative 42.7) and Africa (negative 3.0).

South America was the only region that anticipated a boost in occupancy (23.5 points) while Africa was the only region that expected an improvement in ADR (8.9 points) this year.



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

HOTEL PERFORMANCE RANKING

	Occ,	ADR	Rev.
1. South America	49.7	49.7	49.7
2. Australia Pacific	-14.0	0.0	-12.1
3. North America	-19.7	-7.8	-19.8
4. Europe	-22.2	-14.3	-26.1
5. Asia	-25.6	-24.2	-30.0
6. Africa	-54.9	-27.3	-39.2

HOTEL PERFORMANCE

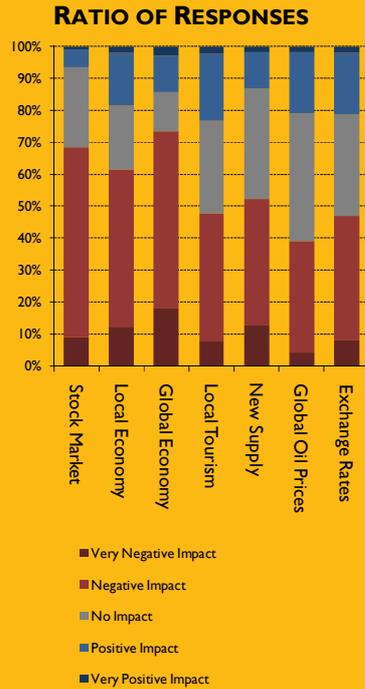
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their hotels' performance in 2009, 71 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy. Another 67 percent believed that ADR will experience the same fate while 70 percent replied that revenues will follow the same trend. Only a few of the respondents believed that performance will improve. Merely 6 percent, 5 percent and 7 percent forecasted improvements in occupancy, ADR and revenue respectively.

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

Utilizing the average index score, amongst the regions, only South America with a score of 49.7, managed to achieve a positive result. South America is followed by Australia/Pacific with a score of negative 8.7, North America (-15.7), Europe (-20.9), Asia (-26.6) and Africa (-40.4).

South America is the only region which was relatively optimistic about all three performance measures as it managed to achieve positive scores in all three.



“Economic related issues are clearly the primary concern for hoteliers in 2009.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Global Oil Prices	-18.5
2. Local Tourism Trends	-21.7
3. Currency Exchange Rates	-24.8
4. New Competitive Supply	-35.3
5. Local Economic Trends	-38.7
6. Local/Global Stock Market	-55.1
7. Global Economic Growth Trends	-58.9

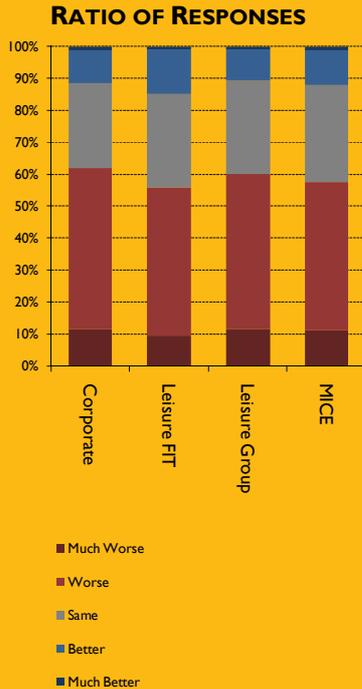
FACTORS AFFECTING PERFORMANCE

Each hotelier was also asked to gauge their attitude towards seven factors 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 and how these will impact their hotels’ performance in 2009.

Global economic growth trends, due to concerns with regard to the worsening of the global economy has the highest negative response rate with 74 percent, indicating that the majority of the participants believe that the worsening global economic conditions will negatively impact performance. On the other hand, with oil prices beginning to stabilize, global oil prices has the least negative response with 39 percent. Hoteliers are currently less concerned about the affect of rising oil prices on travel frequency and room night demand.

Utilizing the index, all choices registered negative results, indicating that all 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 economic growth trends attained the lowest score of negative 58.9 points. This was followed by local/global stock market with negative 55.1 points, local economic growth trends (negative 38.7), new competitive supply (negative 35.3), currency exchange rates (negative 24.8), local tourism trends (negative 21.7) and global oil prices (negative 18.5).

Shifting our focus on individual regions, with the exception of Africa, all regions believe that global economic growth trends will have the most negative impact on their respective market as global economic growth trends tallied the least score amongst all seven factors in every region. Asia and Europe are least concerned about global oil prices while the Americas and Australia/Pacific are least worried about currency exchanges negatively affecting performance as these two factors achieved the highest scores, in each respective region.



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

MARKET SEGMENT PERFORMANCE

1. Leisure FIT	-37.1
2. MICE	-41.8
3. Leisure Group	-45.0
4. Corporate	-45.7

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, Conference, Exhibition) 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 more than 50 percent stated that performance across the four segments will get worse.

Employing the scoring system to obtain an average score, all segments yielded negative results, indicating that respondents generally think performance across all segments will suffer this year. The participants believe the Corporate segment will be the worst affected this year as it scored the lowest point total with negative 45.7. This is not surprising given the current impact the financial crisis has had on major corporations around the world.

The Leisure Group segment, which is typically the most price-sensitive of the four segments surveyed, was expected to be the second poorest performing segment in 2009 with a score of negative 45.0. The MICE segment recorded a score of negative 41.8 while the Leisure FIT segment recorded a score of negative 37.1.

None of the market segments achieved a positive score in any of the individual regions. Leisure FIT attained the highest (most positive) scores in Asia, Australia and Europe with scores of negative 38.2, negative 31.5 and negative 34.9 respectively. MICE scored the highest points in North America (negative 44.1) and Africa (negative 3.1).

CONCLUSIONS

Hoteliers in all regions with the exception of South America generally expected 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 room rates and total revenue will likely decline this year. However, hoteliers in Indonesia, Hungary and Mexico on average had a more positive outlook than most other countries across the globe and actually anticipated slight increased in performance in 2009.

Although all 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 economy in general, local economic trends or stock market performance are the primary concern of hoteliers right across the globe.

Given that, it is not unexpected that corporate demand is anticipated to be the most heavily affected of the primary demand segments in 2009.

Other Market Sentiment Reports

BY REGION

ASEAN Benelux Europe Northeast Asia South East Europe

BY COUNTRY

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 Croatia Czech Republic France Hungary India Indonesia
 Italy Japan Macedonia Montenegro Mexico Netherlands
 Norway Romania Serbia Singapore Slovenia South Africa
 Spain

BY CITY/ DESTINATION

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