



Horwath HTL

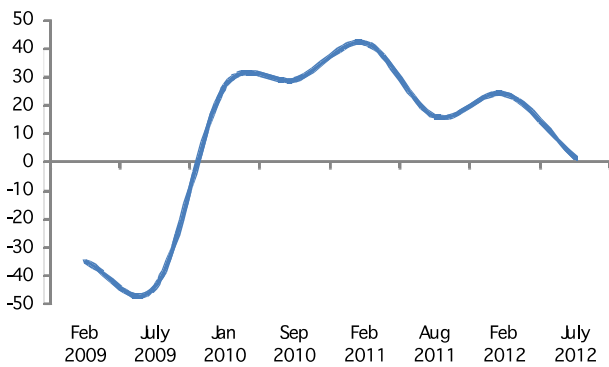
Hotel, Tourism and Leisure

The global leader in
hospitality consulting

**Global Hotel Market
Sentiment Survey 2012**



GLOBAL SENTIMENT TREND



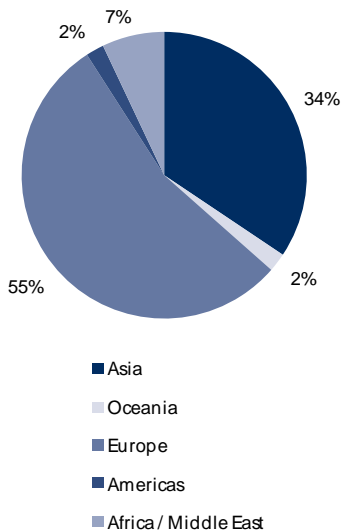
INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey has been designed to provide the hotel industry with a quick assessment of the future market outlook. The four-question survey focuses on the outlook for occupancy, average room rate and total revenue. In this mid-year survey, hoteliers were also asked to share their expectations in respect of market performance for the coming semester when compared to market performance in the second half of last year, as well as provide feedback regarding the impact continued global economic uncertainties have had on demand.

This report summarizes the outcome of the survey, gathered from responses across 41 countries. Of the 1,557 respondents, 55 percent of them came from Europe followed by Asia (34 percent), Africa and the Middle East (7 percent), the Americas (2 percent), while Oceania represented 2 percent of responses received.

In following the same pattern over the last 3 years, the mid-year sentiment has again turned negative after a more optimistic outlook at the start of the year, with sentiment this time slumping to a neutral score of 1. Europe's return

SHARE OF RESPONDENTS BY REGION



to a negative sentiment score has weighed down the global average. In Asia, China also has returned to a negative sentiment reflecting the slowing economic growth in that country.

SENTIMENT RANKINGS

BY REGION	SCORE					
	JAN 2010	SEP 2010	FEB 2011	AUG 2011	FEB 2012	JULY 2012
Asia	48	46	52	22	37	10
Oceania	41	52	58	38	35	-12
Europe	4	15	34	16	14	-8
Americas	21	8	37	9	17	28
Africa/ Middle East	43	7	9	-6	41	29
Global Average	27	29	42	16	24	1

BY COUNTRY	SCORE				
	SEP 2010	FEB 2011	AUG 2011	FEB 2012	JULY 2012
Indonesia	67	75	59	53	37
Ireland	-27	16	19	27	28
South Africa	8	7	-11	41	23
Austria	23	40	40	33	20
Japan	-14	23	-42	32	18
Norway	10	37	21	21	15
Hungary	-7	30	-9	8	-2
China	59	47	39	38	-3
Australia	54	58	38	35	-12
Italy	-3	6	-2	-35	-63

“...the improved optimism at the start of the year has once again been stymied due to the prevailing global economic uncertainty.”

RANKING SCORE KEY

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

SENTIMENT RANKINGS

As a way to measure and compare the results across world regions and countries, we have created an index to formulate an overall average sentiment score from the forward looking questions. Points are assigned to each corresponding response and compounded accordingly.

The index utilizes 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 sentiment index or scores then allow trends to be observed over time.

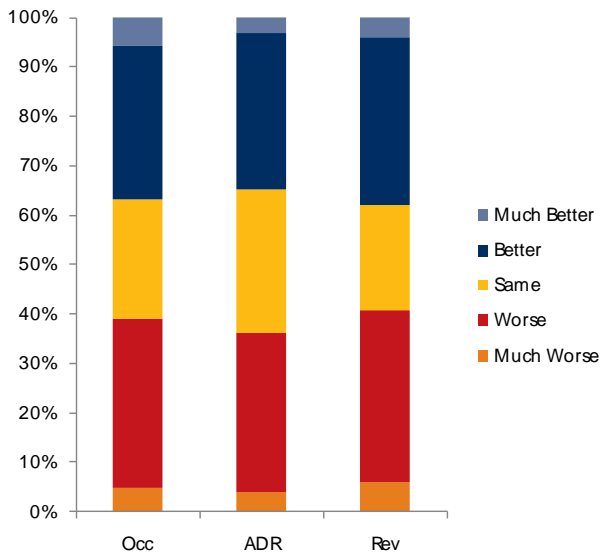
The sentiment of hoteliers across all world regions, apart from the Americas, has moderated indicating that the improved optimism at the start of the year has once again been stymied due to the prevailing global economic uncertainty.

Africa & the Middle East recorded the highest sentiment score for this survey, albeit at a modest score of 29. Asia’s sentiment score dropped from a relatively high 37 in February to a score of 10, while Europe’s sentiment score dropped to negative 8. Oceania, on the back of weakening growth in China, has seen its sentiment score drop to -12.

Looking at individual countries, of those with the largest number of responses, Indonesia for the 5th consecutive survey has recorded the highest sentiment score of 37, followed by Ireland with a score of 27 and South Africa with a score of 23. Austria and Japan round out the top five with positive sentiment scores of 20 and 18 respectively. It should be pointed out that of these top 5 countries, only one - Ireland - saw an improvement in

sentiment.

Four of the countries listed in the table recorded negative sentiment scores indicating these hoteliers do not expect market conditions to improve in the short term. Italy, suffering with the European debt crisis, recorded the lowest score at -63.



"The majority of hoteliers expressed negative sentiment in respect of total revenue performance with some 41 percent of hoteliers indicating total revenue was worse or much worse than expected."

FIRST HALF MARKET PERFORMANCE

Question 1: Was the first half 2012 market performance better or worse than you expected at the start of the year?

Occupancy

In response to expectations on market-wide occupancy performance, some 39 percent of hoteliers replied that occupancy in the first half of 2012 was worse or much worse than expected; some 24 percent indicated that occupancy performance was in line with expectations; while some 37 percent of hoteliers felt that occupancy performance was better or much better than expected.

Average Room Rate

Average Room Rate performance fared more or less the same as occupancy performance, with the main difference being more respondents with a neutral assessment, with 29 percent indicating performance had been the same as expected. 36 percent of hoteliers replied that ARR performance was worse or much worse than expected, while 35 percent said ARR performance was better or much better than expected.

Total Revenue

The majority of hoteliers expressed negative sentiment in respect of total revenue performance with some 41 percent of hoteliers indicating total revenue was worse or much worse than expected. However, some 38 percent of hoteliers reported total revenue performance was better or much better than expected, evening out the overall sentiment. The remaining 21 percent of hoteliers felt total revenue performance in the first half of 2012 was consistent with their expectations at the start of the year.

Index Score

The index was used to gauge the average response of respondents with regard to their actual first half performance when compared to their expectations at the beginning of the year. Oceania recorded

MARKET PERFORMANCE RANKING

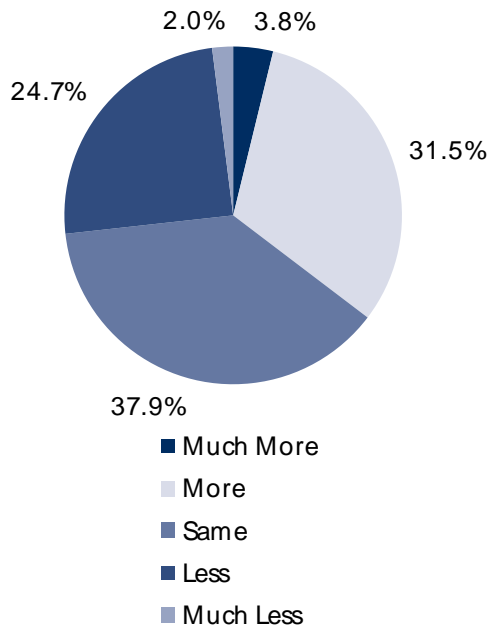
	Av	Occ	ARR	Rev
Asia	-1	-4	4	-2
Oceania	-52	-50	-46	-60
Europe	-6	-1	-9	-7
Americas	16	5	23	19
Africa/ Middle East	27	27	30	25

Global Average -2 -1 -2 -4

the lowest score at -52, significantly lower than other regions - a reflection not so much of actual performance levels, but perhaps more bullish expectations at the start of the year. Europe's score was -6, and while negative, is also a reflection of the regions more pessimistic expectations at the start of the year.

THE IMPACT OF THE FINANCIAL CRISIS

Question 2: Have continued global economic uncertainties impacted hotel demand as much as you had expected?



"Asia was the only world region to register a positive sentiment score, albeit at a very marginal score of 4, indicating that the global economic crisis continues to have a direct impact on hotel markets across the world."

When asked if the continued global economic uncertainty had impacted hotel demand as much as they had expected, some 35 percent of hoteliers responded that demand was still affected more or much more than expected. Approximately 38 percent of responding hoteliers indicated that the impact of the global economic uncertainties was in line with their expectations while some 27 percent of respondents felt the global economic uncertainty had impacted hotel demand less or much less than expected.

Asia was the only world region to register a positive sentiment score, albeit at a very marginal score of 4, indicating that the global economic crisis continues to have a direct impact on hotel markets across the world.

In Asia, China and Indonesia registered a positive assessment of the impact of the continued global economic uncertainty with scores of positive 19 and 7 respectively, shielded by their continued domestic growth. Hong Kong, Singapore and Japan, however, all recorded negative scores to this question at -28, -17 and -13 respectively, a reflection of the stronger reliance on the global economy that these markets have.

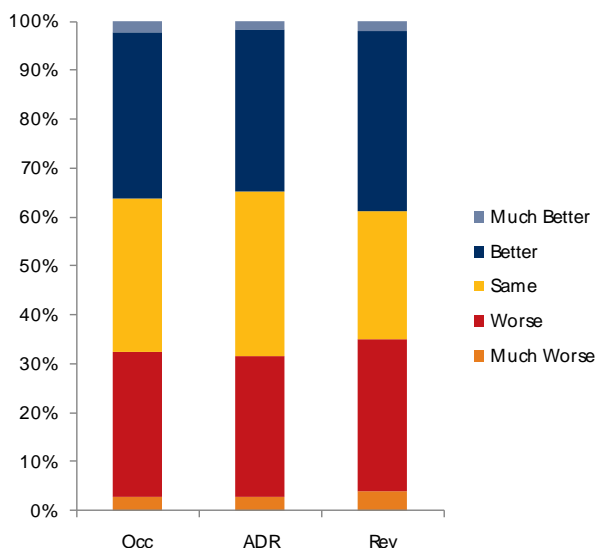
In Europe, of those countries with the largest number of responses, Norway registered the most positive assessment with a score of positive 12. All other major markets were negative with Italy, Switzerland, The Netherlands and France registering scores of -65, -26, -21 and -7 respectively in regards to the continued impact of the global economic performance.

Again, Oceania recorded the most negative score for this question at -64. While performance levels in Australia remain

IMPACT OF FINANCIAL CRISIS

	SCORE
Asia	4
Oceania	-64
Europe	-14
Americas	-7
Africa/ Middle East	-3
Global Average	-8

relatively stable (and strong), hoteliers obviously feel that first half performance has not lived up to the bullish expectations held at the start of the year.



“A slightly more negative outlook in respect of ARR performance continues in the second half of 2011 consistent with the trend observed over the past three years.”

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Av	Occ	ARR	Rev
Asia	9	7	10	11
Oceania	-12	-11	-12	-12
Europe	-7	-4	-8	-9
Americas	27	28	22	31
Africa/ Middle East	30	25	33	32
Global Average	2	2	1	1

SECOND HALF MARKET OUTLOOK

Question 3: What are your expectations for the second half 2012 market performance compared to second half 2011?

At least 35 percent of respondents stated that they expect performance in all three measures to perform better or much better in the second half of the year when compared to market performance in the second half of last year.

Occupancy

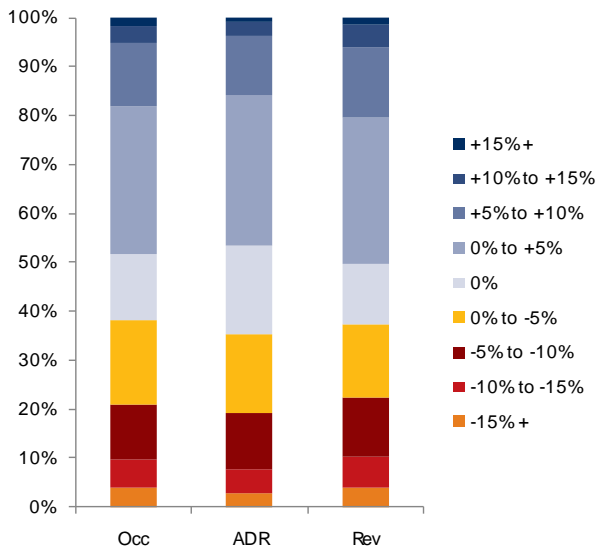
36 percent of hoteliers across the globe expect occupancy performance in the second half of 2012 to be better or much better in comparison to occupancy performance in the second half of 2011. However, 33 percent expect occupancy performance will be lower. Asia, The Americas and Africa and the Middle East all had a positive outlook on occupancy, while Oceania and Europe had a negative outlook with scores of -11 and -4 respectively.

Average Room Rate

A consistent trend of the global survey over the past three years has been a more negative outlook in respect of Average Room Rate performance and this continues in the second half outlook for 2012. A marginally smaller 35 percent of global hoteliers expect improved ARR performance for the second half of 2012 when compared to the same period in 2011, while 32 percent expect it to be worse. Again Asia, The Americas and Africa and the Middle East all had a positive outlook on ARR, while Oceania and Europe had negative outlooks.

Total Revenue

The second half expectations for total revenue were more polarized than for occupancy or ARR, with a reduced 26 percent expecting performance levels to remain the same. A total of 39 percent of respondents expected total revenue to increase in the second half of 2012 compared to the same period in 2011, while 35 percent expected total revenue to decline.



"20 percent expect growth in total revenues to be in excess of 5 percent in the second half of 2012 when compared to the same period in 2011."

HOTEL PERFORMANCE EXPECTATION

Question 4: For your hotel, what are your expectations for the second half 2012 performance compared to second half 2011?

Hoteliers have a slightly more pessimistic expectation for their own hotel's performance, compared to the market in general. While the majority of responses are on the positive side for all three categories, at the extreme end of the ranges, responses tend to be more negative.

Occupancy

Overall, 48 percent of hoteliers expect occupancy performance at their hotel in the second half of 2012 will be better than occupancy performance in the same period last year. 18 percent of these hoteliers indicated that they expect occupancy to grow by more than 5 percent in the second half of the year. However, 38 percent of respondents expect occupancy at their hotel will decline in the second half of 2012, compared to the same period in 2011, with 21 percent expecting the decline to be in excess of 5 percent.

Average Room Rate

47 percent of respondents expect an increase in ARR in the second half of 2012 when compared to ARR performance in the second half of 2011, with 16 percent of respondents expecting ARR performance to improve by more than 5 percent. However, 35 percent expect ARR will decline, with 19 percent of these respondents expecting the decline to be in excess of 5 percent.

Total Revenue

The outlook hoteliers had for their respective property's total revenue was the most optimistic of the three performance indicators, with 50 percent of respondents expecting growth in total revenue. Of these

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Av	Occ	ARR	Rev
Asia	11	5	14	14
Oceania	-13	-15	-11	-14
Europe	-9	-7	-11	-10
Americas	28	28	25	31
Africa/ Middle East	27	27	26	30
Global Average	1	0	1	2

respondents, 20 percent expect growth in total revenue to be in excess of 5 percent in the second half of 2012 when compared to the same period in 2011. This compares to 37 percent of hoteliers that expect total revenues to decline.

Oceania and Europe had negative sentiment scores for all three indicators, while the three other regions all remained in the positive

OTHER MARKET SENTIMENT REPORTS**BY REGION**

ASEAN
Benelux
Europe
South East Europe

BY COUNTRY

Austria
China
Croatia
Hungary
Indonesia
Italy
Japan
Netherlands
Norway
Romania
Serbia
South Africa

CONCLUSION

In conclusion, results from the latest edition of the Global Hotel Market Sentiment Survey indicate that once again the ongoing global economic and geo-political uncertainties continue to plague performance levels across the globe and sour the outlook despite the renewed optimism we have seen at the beginning of the year for the last couple of years.

Oceania, previously a region less affected by the global economic crisis, has turned pessimistic given the slowdown in growth across the region, most notably in China, and has registered a survey score of negative 12. Asia itself has also recorded a lower sentiment score, although remains positive at a score of 10. The change in mood in Asia is best represented by China, which recorded a sentiment score of negative 3, compared to a score of 38 in February 2012.

Europe (-8) remains burdened by the debt crisis, clearly continuing to have a large impact on the economic environment and continues to weigh heavily on the outlook for the region.

Performance in all three indicators in the first half of 2012 failed to meet hotel operator expectations, with hoteliers slightly more disappointed with occupancy levels than average room rate performance.

With so much economic uncertainty across the globe, sentiment in the hotel

industry continues to be weighed down and the assessment is that performance levels will continue to be below expectations.

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