



South East Asia HOTEL MARKET SENTIMENT SURVEY

February 2009

INTRODUCTION

The Horwath HTL South East Asia Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide hoteliers in the South East Asian Region 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.

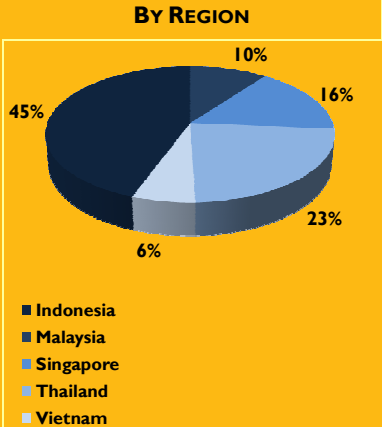
The survey also covers hoteliers' response on the impact of key factors that drive room night demand growth. Participants were also asked to rate the outlook for each major demand segment.

This report will summarize the findings from the survey gathered from participants from 5 countries and 30 cities. Of the 162 respondents in the ASEAN region, the top three contributions came from Indonesia with 45 percent, Thailand (23 percent) and Singapore (16 percent).

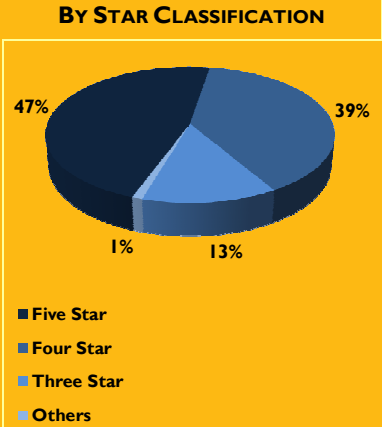
The majority of the responses were submitted by hoteliers from 5 star hotels (47 percent), followed by 4 star (39 percent), 3 star (13 percent) and budget (1 percent).

Similar to the Global Hotel Market Sentiment Survey previously released, most markets in South East Asia had a negative assessment of the outlook for 2009 due to the global financial crisis.

SHARE OF RESPONDENTS



SHARE OF RESPONDENTS



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SENTIMENT RANKINGS

By Countries	Score
1. Indonesia	-4.3
2. Malaysia	-41.2
3. Vietnam	-44.6
4. Thailand	-44.9
5. Singapore	-64.3

"A regional sentiment score of negative 28.7 clearly indicates that hoteliers across the region 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

SENTIMENT RANKINGS

As a way to measure and compare the results, we have created an index to formulate an average sentiment score. 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 score of positive 150 signifies a very optimistic outlook.

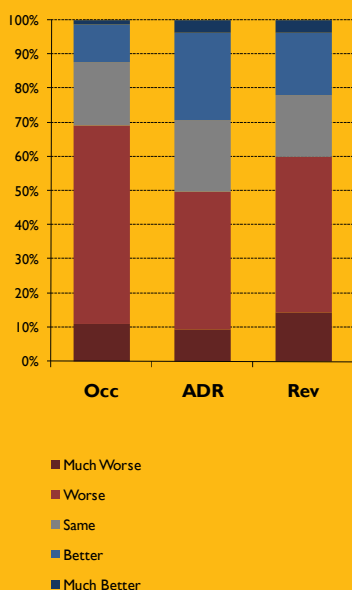
The total average sentiment score for the region amounted to negative 28.7, which denotes that countries in the region some downturn in performance in 2009. Amongst the five South East Asian countries, Singapore scored the lowest with negative 64.3. Thailand, Vietnam and Malaysia followed Singapore with scores of negative 44.9, negative 44.6 and negative 32.8 respectively. Indonesia, which has a relatively neutral outlook, registered the highest score amongst the countries with negative 4.3.

Hoteliers in Singapore generally foresee a tough year ahead as Singapore's economy is expected to be greatly affected by the global economic downturn more than other countries in the region as the nation is highly reliant on global trade and financial flows.

In Thailand, hoteliers were also rather pessimistic about the market's performance this year due to ongoing political uncertainty.

On the other hand, it is not surprising to see that hoteliers in Indonesia are maintaining a neutral stance despite the global economic crisis. This is due to the recent improvement in the country's economic environment. Strong consumer and government spending have been keys to Indonesia's current economic development and this will likely continue as inflation owing to oil-price cuts is projected to cool down even further. Inflation which reached 9.5 percent in the previous year is expected to end at 7.5 percent by year end 2009. Likewise, many are optimistic that the President Yudhoyono will have continuity in pursuing his economic reforms as he is highly favored to win the 2009 elections.

RATIO OF RESPONSES



"69 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008."

MARKET PERFORMANCE RANKING

	Occ,	ADR	Rev.
1. Indonesia	-24.0	22.9	1.1
2. Vietnam	-50.0	-41.7	-50.0
3. Malaysia	-52.9	-30.9	-39.7
4. Thailand	-75.0	-48.6	-64.9
5. Singapore	-83.7	-80.8	-92.3

MARKET PERFORMANCE

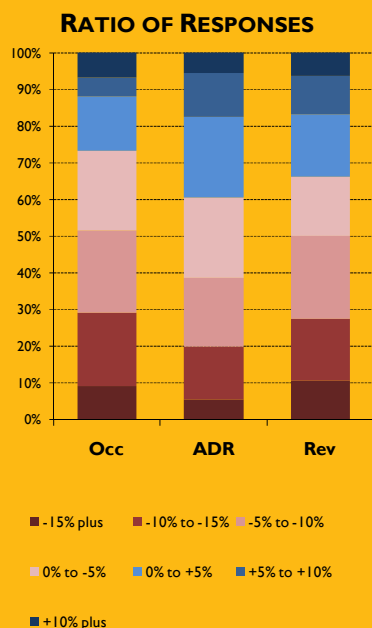
The first question in the survey dealt with the respondents' forecast with regard to market-wide occupancy, average room rate and revenue in 2008 in comparison to 2009.

In terms of occupancy, 69 percent of the hoteliers in the region expected to see worse results than the previous year. Most of the bleak responses came from Singapore as more than 96 percent of the hoteliers believed that occupancy will suffer in 2009 while only 4 percent mentioned that performance will remain the same. On the other hand, majority of the positive responses came from Indonesia as 45 percent of the participants in the country believed that performance will remain at least the same if not even better than the previous year.

General sentiment on average room rate, although still by and large pessimistic is slightly better than occupancy as only 49 percent of the contributors expected a dip in performance in 2008. Again much of the dreary outlook came from Singapore as none of the Singapore-based hoteliers believe that rates will improve in 2009 while 88 percent stated that market-wide rates will likely drop. The opposite was the case for Indonesia as 75 percent of the respondents stated that rates will at least remain the same or improve from 2008.

Results on revenue expectations followed a similar trend as occupancy as a majority or 60 percent stated that they will likely see their revenues drop.

Utilizing our scoring system to gauge and obtain an average sentiment in all three performances across the countries, Indonesia achieved the highest score with zero points as hoteliers in the country are generally upbeat that continued improvement in economy will drive market performances upward and possibly negate any ill effects caused by the global crisis. As expected, Singapore attained the lowest average score at negative 85.6.



"60 percent of the respondents in Indonesia believe that average room rates will improve by 5 percent."

HOTEL PERFORMANCE RANKING

	Occ.	ADR	Rev.
1. Indonesia	4.9	38.6	17.9
2. Malaysia	-5.9	0.0	0.0
3. Vietnam	-27.8	-27.8	-11.1
4. Thailand	-51.3	-34.2	-50.0
5. Singapore	-63.5	-50.0	-67.3

HOTEL PERFORMANCE

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

With respect to outlook on occupancy, 51 percent of the total participants stated that performance will decline by at least 5 percent from 2008. As expected, positive responses were rather dearth as only 12 percent mentioned that occupancy will improve by more than 5 percent. Similar to market-wide performance, a large share of the negative responses came from Singapore as 92 percent of the Singapore-based participants expected a drop in occupancy, while the remaining 8 percent expected some growth. On the other hand, most of the positive responses came from Indonesia as 37 percent expected a boost in performance.

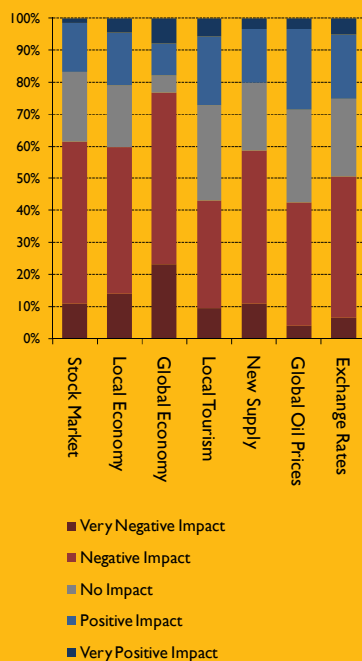
Hoteliers in Indonesia are fairly optimistic that room rates will improve in 2009. 60 percent said that rates will increase by at least 5 percent from the previous year. Hoteliers foresee this as key cities such as Jakarta, which has been experiencing low average room rates in recent years, is currently experiencing a positive rate correction. Average room rate sentiment in Malaysia was rather neutral as responses were relatively even between growth and decline.

With regard to projections on revenues, 66 percent of the respondents believe that revenues will take a hit in 2009. Again, amongst the countries, Singapore has the most number of negative responses with 91.7 percent.

Utilizing the index to measure the average sentiment, Indonesia yielded the highest result in our sentiment index with 20.5 points, followed by Malaysia with negative 2. Malaysia is followed by Vietnam (negative 22.2), Thailand (negative 45.2) and Singapore (negative 61.8).

Indonesia is the only country in the region that anticipated a boost in all three performance measures this year registering scores of 4.9 in occupancy, 38.6 in ADR and 17.9 in revenues. Malaysia generally expected the same performance outcome from the previous year in registering scores of negative 5.9 in occupancy and zero in both ADR and revenues.

RATIO OF RESPONSES



"All factors will have a negative impact on performance."

FACTORS AFFECTING PERFORMANCE RANKING

1. Global Oil Prices	-11.6
2. Local Tourism Trends	-14.8
3. Currency Exchange Rates	-20.5
4. New Competitive Supply Additions	-34.1
5. Local Economic Growth Trends	-36.5
6. Local/Global Stock Market	-40.9
7. Global Economic Growth Trends	-55.1

FACTORS AFFECTING PERFORMANCE

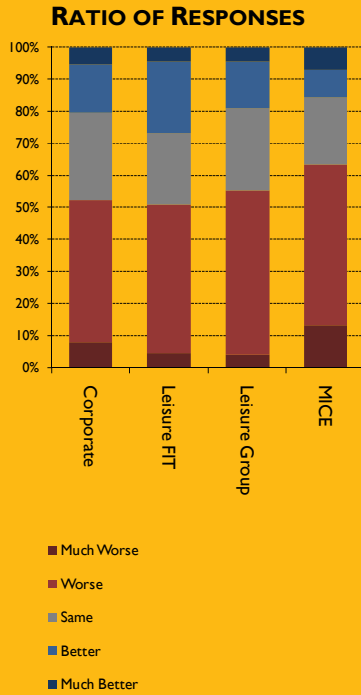
The participants were asked how seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates will influence performance in 2009.

Out of all these factors, global economy tallied the most negative response as at least 70 percent believed that performance will be affected negatively by the global economy. On the other hand, albeit still high at 43 percent, global oil prices have the least negative response relative to the rest. This indicates that concerns about rising oil prices, which were high in early 2008 have relatively subsided.

When applying our scoring system, all factors registered negative results, which signify that all were foreseen to generally impact performance negatively. Global economic growth trends are believed to have the worse effect on performance with negative 55.1 points. It is then followed by local/global stock market performance with negative 40.9.

Shifting the focus on individual countries, global economic growth trends achieved the lowest score in all of the countries. Next to global economic growth trends, local/global stock market achieved the second lowest scores in Indonesia (negative 33.2), Malaysia (negative 39.7), Singapore (negative 63.5), and Vietnam (negative 58.3) while local economic growth attained the second lowest score in Thailand with negative 36.5.

Other than local tourism trends which attained a score of 4.2 points in Indonesia, none of the other factors achieved a positive score in any of the other countries.



"50 percent stated that performance across all segments will get worse"

MARKET SEGMENT PERFORMANCE

1. Leisure FIT	-24.2
2. Corporate	-32.6
3. Leisure Group	-32.8
4. MICE	-40.2

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to the performance of Corporate, Leisure FIT, Leisure Group and MICE market segments.

General sentiments were no different than the previous ones as respondents were relatively pessimistic about the performance of all market segments in 2009. All segments had at least a negative response rate of 50 percent, with MICE having the highest number of negative responses. Singapore, which has a relatively large portion of its room nights demand driven by MICE has all of its respondents or 100 percent agreeing that MICE related businesses will likely decline. The global economic slowdown is projected to affect MICE more than the rest as companies begin to cut back on budgets for incentive and conference trips.

Another segment which is believed to be widely affected by the economic downturn is the corporate segment. Amongst all the countries, the two countries which think that corporate will be greatly affected this year were Singapore and Vietnam. 92 percent of the hoteliers stated that corporate performance will suffer in Singapore while in 78 percent of the respondents in Vietnam believed that corporate segment is likely to suffer the same outcome. None from these countries projected that corporate performance will improve this year. Leisure FIT has the most number of positive responses as 27 percent expected an increase in performance. Most of these came from Indonesia as Bali, a leisure FIT predominated market, which was having a phenomenal year in 2008, is expected to continue its momentum in 2009.

When utilizing our index to obtain an average sentiment per segment, none attained a positive score indicating that respondents generally believe that performance across all segments will likely suffer this year. MICE scored the lowest score in our index with negative 40.2 followed by leisure group with negative 32.8, corporate (negative 32.6) and leisure FIT with negative 24.2.

Looking at each country, only Indonesia anticipates an increase in performance this year in corporate and leisure FIT achieving scores of 0.7 and 3.9 respectively. Other than Indonesia, none of the other countries achieved a positive score in any of the four segments.

CONCLUSIONS

In conclusion, hoteliers across South East Asia, with the exception of Indonesia, generally estimated a dreary outcome with respect to market-wide and individual property performance this year. Amongst the countries, hoteliers in Indonesia were the only ones who projected improvement in hotel performances in 2009.

Although all of the seven factors were anticipated to have a negative effect on performance, global economic growth trends was perceived to have the most damaging effect.

The region as a whole expects all market segments to perform sub-par relative to the previous year. Looking at countries individually, only Indonesia expected to some improvement in corporate and leisure FIT.

Other Market Sentiment Reports

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