Hotel, Tourism and Leisure

Introduction

The Horwath HTL Global Hotel Market Sentiment Survey ("Survey") undertaken in January – February 2010 provides a "snapshot assessment" of the market outlook for the global hotel industry, as seen by the Hotelier participants. The Survey, carried out bi-annually by Horwath HTL, the world's largest network of hospitality consultants, asked Hoteliers across the globe to score their sentiment for growth in 2010 in respect to the Key Performance Indicators ("KPIs") of Occupancy and Average Daily Rate (ADR). The data presented in this Report provides an overview of the results of the Global Survey as well as the sentiment of over 200 Australian Hoteliers in respect to Sydney, Melbourne, Brisbane and Perth markets. To view the detailed Global Hotel Market Sentiment Survey Report go to www.horwathhtl.com.

Where appropriate, we have also provided relevant actual market KPI data, courtesy of STR Global for consideration in light of the sentiment trends being reported.

Overview of Global Results

The results of the Survey highlight that Hoteliers believe the worst of the GFC is behind them and that 2010 will mark the commencement of a sustained recovery. Globally, the Survey results posted a positive Sentiment Score reflecting an expected improvement in KPIs in 2010 compared with 2009, thereby representing a reversal of last year's trend wherein a negative Sentiment Score was recorded across all countries surveyed. The following table provides a summary of Regional Sentiment Scores.

Regional Sentiment Score 2009 vs 2010

Region	Feb 09 Score*	Feb 10 Score*
Oceania	-34	42
Europe	-36	9
Asia	-41	47
Americas	-25	21
Africa / Middle East	-21	43
Global Total	**-35**	**27**

Notes:
* = -150 (most pessimistic) - +150 (most optimistic)
Sentiment score combines Occupancy and Average Daily Rate
Source: HorwathHTL Global Sentiment Survey

Hoteliers in the Asian, Oceanic and Africa/Middle East regions, rebounded the strongest having posted the highest Sentiment Scores. Conversely, Hoteliers in Europe, remain the most pessimistic and have only recalibrated their Sentiment Score to a neutral position highlighting the continuing woes which Europe finds itself in. The Americas remains more positive despite the economic challenges which the country faces in terms of reduced levels of consumer spending, high levels of unemployment in the aftermath of the GFC, and an unfavourable disparity between the Chinese Yuan and the US dollar which is negatively impacting locally produced US goods.

Overview of Australian Results

Consistent with the global results, Australia's Survey results also indicated Hotelier sentiment is more positive with Occupancy sentiment outstripping ADR sentiment, which reflects the typical demand cycle of Occupancy build up as a precursor to ADR increases. The following table provides a summary of Australian Sentiment Scores wherein Sydney recorded the largest turnaround in its sentiment score.

Australian Sentiment Score 2009 vs 2010

Country/City	Feb 09 Score*	Feb 10 Score*	Change
Australia	-26	42	68
Sydney	-42	54	96
Melbourne	-28	17	45
Brisbane	-16	54	70

Notes:
* = -150 (most pessimistic) - +150 (most optimistic)
Sentiment score combines Occupancy and Average Daily Rate
Source: HorwathHTL Global Sentiment Survey

According to figures from STR Global, in 2009 declines in the KPIs were not as pronounced as the market had initially anticipated due to a marked turnaround in demand for room nights occurring in the second half of the year. The following table provides a summary of key performance indicators.

2009 Key Performance Indicator Movements – STR Global

City	Occupancy % Change	ADR % Change	RevPAR % Change
Perth	-4.6	-1.0	-5.6
Sydney	-0.3	-7.6	-7.9
Melbourne	-4.8	-3.9	-8.4
Brisbane	-3.3	-5.7	-8.8

Notes:
Year on Year change expressed in percentage terms
Source: STR Global

The next section of this Report considers the sentiment of Australian Hoteliers in respect to Sydney, Melbourne, Brisbane and Perth markets and provides a summary of results in relation to the following two Survey questions:

1. What is your assessment of the hotel market outlook for 2010 vs 2009?

2. For your hotel, what is your expectation for growth/decline in 2010 vs 2009?

Sydney Hotel Market Sentiment

In 2009, Sydney was initially the most impacted market due to its high dependence on the financial sector to drive room night demand in the CBD, however with no new supply entering the Sydney market during 2009, Occupancy remained virtually unchanged. The same however cannot be said for Sydney's ADR, which declined the most amongst all cities reflecting a fragile and at times "stunned" corporate market, as well as a market which experiences demand troughs due to subdued MICE activity and is therefore unable to maintain a consistency in demand and commensurate higher room rates all year round.

Sydney Hotelier sentiment in relation to their market outlook for 2010 vs 2009 is provided in the table below. The results were generally positive with the majority of Hoteliers expecting the hotel market outlook to be the same or better in relation to Occupancy and ADR.

What is your assessment of the hotel market outlook for 2010 vs 2009?

Sentiment	Occ %	ADR
Much Worse	-	-
Worse	3.3%	8.2%
Same	32.8%	19.7%
Better	54.1%	68.9%
Much Better	9.8%	3.3%
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

Sydney Hotelier sentiment in relation to their hotel and its expected growth/decline in 2010 vs 2009 is provided in the table below. The results indicate that the majority of hoteliers expect Occupancy, ADR and Revenue to grow 0 – 10%.

For your hotel, what is your expectation for growth/decline in 2010 vs 2009?

Range	Occ %	ADR
-15% plus	-	-
-10% to -15%	-	-
-5% to -10%	3.3%	3.3%
0% to -5%	11.5%	9.8%
0% to +5%	67.2%	55.7%
+5% to +10%	18.0%	29.5%
+10% plus	-	1.6%
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

According to figures from STR Global, for March quarter 2010, Sydney has commenced the year strongly with RevPAR surging 11.6% as compared to last year. This change reflects a 9.1% gain in Occupancy and a 2.3% gain in ADR. Sydney's performance reflected a combination of pent-up corporate demand as well as the staging of a number of entertainment and sporting events, culminating in the Gay & Lesbian Mardi Gras which has underpinned high occupancies and room rates and clearly illustrates the need for all market segments to contribute to room night demand.

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Melbourne Hotel Market Sentiment

Despite an events calendar which is the envy of other states, Melbourne received new supply of 1,100 rooms in 2009 which in part contributed to the highest fall in Occupancy amongst the cities. The decline in Melbourne's ADR on the other hand was not as pronounced as Sydney or Brisbane, due to Melbourne's ability to maintain ADR and to also maximise ADR when the city stages its many annually occurring events.

Melbourne Hotelier sentiment in relation to their market outlook for 2010 vs 2009 is provided in the table below. The majority of Hoteliers expect the market outlook to remain the same or better for both Occupancy and ADR, albeit there still remains a large contingent of Hoteliers expecting a worse outlook for ADR .

What is your assessment of the hotel market outlook for 2010 vs 2009?

Sentiment	Occ %	ADR
Much Worse	-	-
Worse	16.7%	39.1%
Same	33.3%	39.1%
Better	45.8%	21.7%
Much Better	4.2%	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

Melbourne Hotelier sentiment in relation to their hotel and its expected growth/decline in 2010 vs 2009 is provided in the table below. The results indicate there is support for a 5% increase in Occupancy and ADR by Hoteliers, however the results are mixed with a large contingent of Hoteliers expecting declines in ADR.

For your hotel, what is your expectation for growth/decline in 2010 vs 2009?

Range	Occ %	ADR
-15% plus	-	-
-10% to -15%	-	-
-5% to -10%	8.3%	17.4%
0% to -5%	25.0%	30.4%
0% to +5%	62.5%	52.2%
+5% to +10%	4.2%	-
+10% plus	-	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

According to figures from STR Global, for March quarter 2010, Melbourne Occupancy increased 3% and ADR declined 3.6% resulting in an overall RevPAR decrease of 0.7%. Despite the majority of Hoteliers expecting Occupancy to increase by up to 5% during 2010 Melbourne will introduce a further 1,500 rooms, which will impact the market in the second half of 2010, and which is expected to constrain Occupancy growth.

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Brisbane Hotel Market Sentiment

In 2009, Brisbane received little new supply, however suffered a mild decline in occupancy and to a greater extent a decline in ADR, which overall resulted in a RevPAR decline of 8.8%, which represented the highest RevPAR decline of the fours markets presented in this Report. Brisbane Hotelier sentiment in relation to their market outlook for 2010 vs 2009 is provided in the table below. The results were positive with all Hoteliers expecting the hotel market outlook to be either the same or better in relation to all KPIs

What is your assessment of the hotel market outlook for 2010 vs 2009?

Sentiment	Occ %	ADR
Much Worse	-	-
Worse	-	-
Same	13.0%	30.4%
Better	87.0%	69.6%
Much Better	-	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

Brisbane Hotelier sentiment in relation to their hotel and its expected growth/decline in 2010 vs 2009 is provided in the table below. The results are similar to those of Sydney, with the majority of Hoteliers expecting growth in relation to all KPIs.

For your hotel, what is your expectation for growth/decline in 2010 vs 2009?

Range	Occ %	ADR
-15% plus	-	-
-10% to -15%	-	-
-5% to -10%	4.3%	8.7%
0% to -5%	13.0%	21.7%
0% to +5%	52.2%	60.9%
+5% to +10%	30.4%	8.7%
+10% plus	-	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

For 2010, Brisbane is expected to receive no new supply, which will assist in delivering stability and Occupancy growth. The continuing strength of Queensland’s mining sector is also expected to stimulate growth within the Corporate and Leisure demand segments due to improving employment levels and market/economic confidence. According to figures from STR Global, for March quarter 2010, Brisbane’s Occupancy increased 5.8% and ADR increased 2.2% resulting in an overall increase of 8.2% to RevPAR.

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Perth Hotel Market Sentiment

In 2009, Perth performed the strongest (in relative terms) posting the smallest decline in RevPAR of 5.6%, which result was assisted by the continuing resources boom which was only temporarily in remission following the GFC. Perth Hotelier sentiment in relation to their market outlook for 2010 vs 2009 is provided in the table below. The results indicate Hoteliers are bullish with respect to Occupancy increases, however are less optimistic about ADR growth.

What is your assessment of the hotel market outlook for 2010 vs 2009?

Sentiment	Occ %	ADR
Much Worse	-	7.7%
Worse	23.1%	30.8%
Same	30.8%	46.2%
Better	46.2%	15.4%
Much Better	-	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

Perth Hotelier sentiment in relation to their hotel and its expected growth/decline in 2010 vs 2009 is provided in the table below. The results generally support the above sentiment and indicate a static or increasing outlook in relation to all KPIs.

For your hotel, what is your expectation for growth/decline in 2010 vs 2009?

Range	Occ %	ADR
-15% plus	-	7.7%
-10% to -15%	-	-
-5% to -10%	7.7%	15.4%
0% to -5%	38.5%	46.2%
0% to +5%	53.8%	30.8%
+5% to +10%	-	-
+10% plus	-	-
Total	**100.0%**	**100.0%**

Source: HorwathHTL Global Sentiment Survey

For 2010, Perth's continuing strength in the mining sector is expected to underpin growth in the hotel accommodation sector. This positive news is further supported by the dearth of new supply wherein, despite a temporary easing in room night demand in 2009, as the economy exits a period of negative growth, supply constraints in Perth will once again be evident, which will result in higher Occupancy which should translate into ADR increases.

According to figures from STR Global, for March quarter 2010, Perth's Occupancy decreased 4% and ADR decreased 6.7% resulting in an overall RevPAR decrease of 10.4%. The results of March quarter 2010 reflect a "time lag" in respect to the commencement of new resource projects and commensurate activities surrounding the same. In contrast, the March quarter 2009 reflected a continuing period of resource project activity already committed despite the impacts of the GFC. Accordingly, growth in KPIs is expected to return throughout the remainder of 2010 as new resource based projects gain traction and have the expected result within the accommodation market.

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<u>Conclusion</u>

According to the Horwath HTL Global Hotel Market Sentiment Survey, in 2010 Australian Hoteliers expect improvements from all market mix segments with the Corporate and MICE market segments expected to perform the strongest, as compared to FIT and Group Leisure. This predominantly reflects a combination of pent-up corporate demand, buoyed by encouraging signs of current and expected continued Australian economic growth, following a volatile and uncertain 2009. The anticipated continued strength in Australia's hotel accommodation sector is encouraging and is broadly reflective of the strength in Australia's economy, which is increasingly reliant on Asia to drive exports, albeit whilst also navigating the continuing fragility of the global economy, particularly in respect to the impacts of America and Europe.

Horwath HTL will once again undertake a mid-year Survey to take the "pulse" of the industry at that time. We would like to thank the Hoteliers who have contributed to the Global Hotel Market Sentiment Survey results for their time and continued support.

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About

Horwath HTL ("HHTL")

HHTL is Asia Pacific's largest and most experienced firm of hospitality consultants. Operating from 12 offices in the region, the firm is entirely focused on providing specialist advice in the hotel, tourism and leisure industries and has worked on over 1,000 projects in over 28 countries and 215 locations. HHTL is associated with Crowe Horwath International, one of the world's largest accounting and management consulting firms.

HHTL's Australian operations are headquartered in Sydney. The firm's highly experienced directors and consultants have worked in almost every aspect of the industry, including:

- Transaction Roles
- Purchaser and Vendor Due Diligence
- Capital Raising
- Hotel Operating Reviews
- Benchmarking Roles
- Accountability Reviews
- Independent Expert Roles and Dispute Resolution Roles
- Operator Selection and Management Agreement Negotiation
- Pre-lending Bank Reviews
- Market Demand / Feasibility Studies

HHTL Australia annually publishes the leading publication, Survey of Operations which tracks top to bottom line hotel operating performance for over 200 leading hotels and resorts in Australia and New Zealand.

Further information can be obtained from the HHTL website at
http://www.horwathHTL.com