

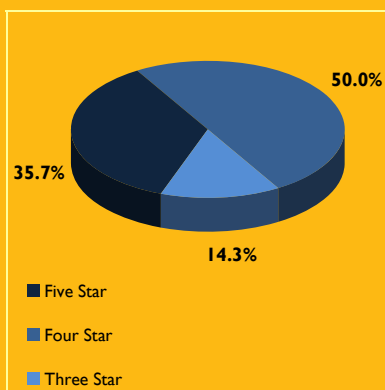


BULGARIA HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Bulgaria has been designed to provide the hotel industry in this country a quick assessment of the market outlook for the coming 12 months. The survey, as part of the global initiative, 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 growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey, gathered from 33 percent of total Bulgarian hotel sample. The majority of the contributions were from 4-star hotels (50 percent), followed by 5-star (36 percent) and 3-star (14 percent).

In the time when the crisis affects the world, it is not surprising to find most markets in South East Europe, including Bulgaria, having the same negative assessment of the outlook for 2009. However, the following analysis provides some useful information for the different hotel types in Bulgaria.



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SENTIMENT RANKINGS

By Star Classification	Score
1. Three Star	25.7
2. Five Star	-32.1
3. Four Star	-48.4

"An average sentiment score of negative 39.5 clearly indicates that hoteliers across country are expecting major 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

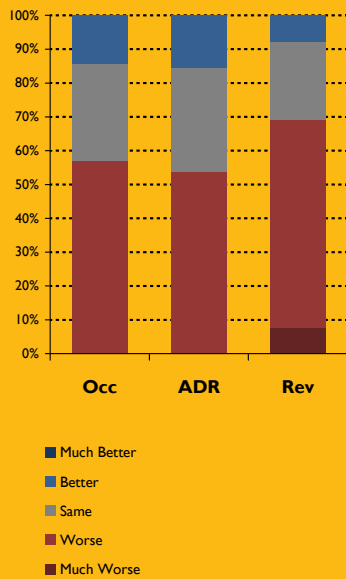
As a way to measure and compare the results across markets, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in 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 markets have been clearly affected by the global economic crisis, visible from the results. The market sentiment in Bulgaria was rather pessimistic with an average score of negative 31.5. The average national score is by 22 percent lower than the regional average (-25.8) and for 8 percent higher than average global score. The reasoning for this difference between regional and national score is in slightly more pessimism of Bulgarian hoteliers because of global crisis that is not yet completely visible in the region.

Looking to the level of optimism among the hotels of different category, the three star hotels had the highest sentiment score, meaning that their market outlook for 2009 is positive. On the other side, the hoteliers from four star hotels were more pessimistic with the score much bellow national and global average.

RATIO OF RESPONSES



"57 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008 and only 14 percent believed in better performance."

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	37.5	37.5	0.0
2. Five Star	-15.0	-15.0	-30.0
3. Four Star	-64.3	-62.5	-87.5

MARKET PERFORMANCE

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 compared to 2008. The index was used to gauge the average scores.

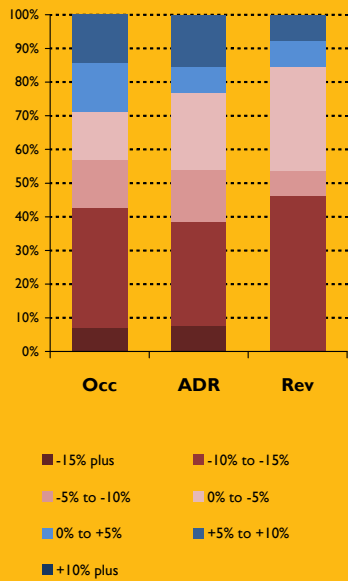
In response to expectations on market-wide occupancy performance, 57 percent of the hoteliers replied that matters will get worse and 14 percent believed in better performance. 40 percent of the hoteliers from five star hotels believe that the market-wide occupancy will be worse in 2009 compared to 2008. The hoteliers from three star hotels were more optimistic since half of them thought that the situation will not change in 2009 and the other half expect better occupancy performance. The hoteliers from four star hotels were the most pessimistic since 86 percent of them have negative demand expectations. The average market-wide occupancy ranking score for Bulgarian hoteliers was negative 32.

The hoteliers from 5- and 3-star hotels have the same expectations about ADR performance as for market-wide occupancy while 4-star hoteliers had a slightly less pessimistic attitude towards ADR than to occupancy. The average ranking score for ADR performance in 2009 was negative 29.

The majority or 69 percent of the respondents had bleak sentiments about the market's future revenue performance while merely 23 percent stated that revenue will follow last year's trend. The most optimistic hoteliers were from three star hotels since all of them responded that in 2009 the revenue will stay the same as in 2008. However, all 4-star hoteliers expect worse revenue performance in 2009.

The average market performance sentiment score, by the opinion of the respondents from Bulgaria, is -38.

RATIO OF RESPONSES



"Based on the averages of three performance indicators measured for 2009, the hotel performance in the country will decline by 7.3 percent."

HOTEL PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	50.0	50.0	0.0
2. Five Star	-40.0	-40.0	-30.0
3. Four Star	-50.0	-50.0	-58.3

HOTEL PERFORMANCE

The second question asked respondents to estimate the growth or decline in the performance of their hotel for 2009 compared with 2008.

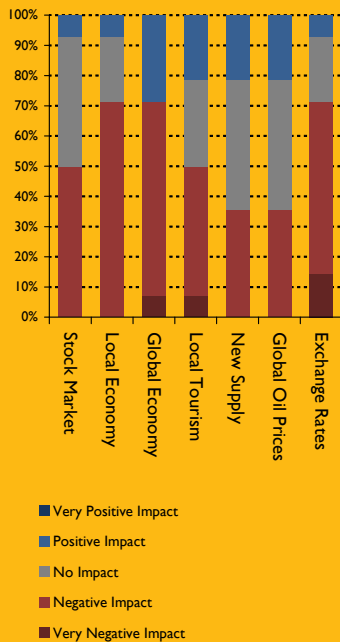
The majority of 71 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy. Even more Bulgarian hoteliers (77 percent) believed that ADR will experience the same fate while 85 percent replied that revenues will follow the same trend. However, 29 percent of the respondents believed that the occupancy in their hotels will improve up to 10 percent. Because of less optimism concerning ADR, 15 percent of the respondents believed that the revenues in their hotels will increase for not more than 10 percent in 2009.

Based on the Bulgarian averages, the hotel occupancy will decline in 2009 compared to 2008, by 6.8 percent, ADR by 6.9 percent and revenue by 8 percent.

According to star classification, the most concerned of occupancy in their hotels in 2009 were the hoteliers from 4-star hotels where 71 percent of responses indicated a decline between 5 and 15 percent. For the same period, 50 percent of 3-star hotels have forecasted the average growth of occupancy for almost 10 percent. The ADR expectations for 2009 were similar to the demand forecast while the revenue expectations were more pessimistic. The average decrease of all three performance indicators is the lowest in 3-star hotels (not more than 2.5 percent), than in 5-star hotels (by 7 percent) and the highest in 4-star hotels (by 9.8 percent).

The average hotel performance sentiment score, by the opinion of the respondents from Bulgaria, is -33.8.

RATIO OF RESPONSES



“The exchange rates followed by global/local economic growth trends are the primary concerns for the hoteliers from Bulgaria in 2009.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Global Oil Prices	-10.7
2. New Competitive Supply	-10.7
3. Local Tourism Trends	-26.8
4. Local/Global Stock Market	-32.1
5. Global Economic Growth Trends	-37.5
6. Local Economic Trends	-48.2
7. Currency Exchange Rates	-58.9

FACTORS AFFECTING PERFORMANCE

Hoteliers were also asked to gauge their attitude towards seven factors and their influence on the hotels' performance in 2009.

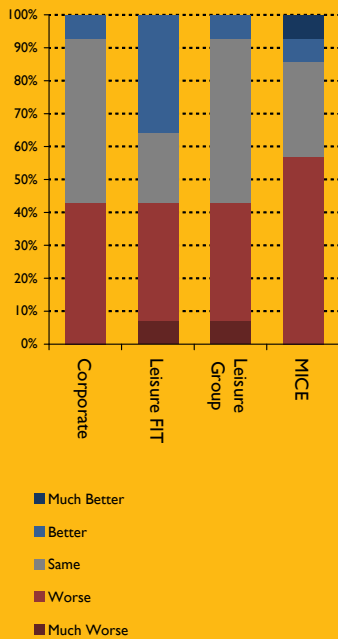
Based on the opinion of hoteliers from Bulgaria, the most negative impact on hotel performance have global/local economic trends and exchange rates since 71 percent responses indicate their negative influence in 2009. The second group of factors of which the hoteliers were concerned include local tourism trend and stock market performance, which had negative response rate of 50 percent. On the other hand, almost 30 percent of hoteliers foresee global economic trend as slightly positive factor for the growth of hotel performance. In the same time, 43 percent of the respondents selected global oil prices, new competitive supply and stock market performance as irrelevant factors for their hotels' performance.

Utilizing the index, majority of choices registered negative results, indicating their negative affect on performance. The contributors perceived that the worsening of currency exchange rates will likely have the most harmful impact on hotel performance (the lowest score of negative 59 points). As the most positive factor hoteliers perceived global oil prices and new competitive supply since those factors got the highest, slightly negative scores.

For the hoteliers from 5-star hotels, exchange rates and stock market performance are the most important factors for declines in 2009. The hoteliers from 4-star hotels have negative opinion about all factors but mostly about exchange rates, while the 3-star hoteliers are mostly concerned about stock market performance and local economic trends.

The average score for all listed factors, by the opinion of the respondents from Bulgaria, is -32.1.

RATIO OF RESPONSES



"46 percent stated that performance of all segments will get worse, mainly because of the lesser demand from MICE segment"

MARKET SEGMENT PERFORMANCE

1. Leisure FIT	-10.7
2. MICE	-26.8
3. Corporate	-26.8
4. Leisure Group	-32.1

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to primary market demand segments and their expected performance in 2009.

The majority of the respondents (57 percent) had negative opinions about the future performance of MICE segment. Equal share of the Bulgarian hoteliers (43 percent) stated that all other segments will follow the same trend. Bulgarian hoteliers are less pessimistic about leisure segment demand in 2009 than other hoteliers from South East Europe. On the other side, 16 percent of the hoteliers believe that the demand from all primary segments will get better.

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 that the Leisure FIT segment will be less affected this year as it scored the highest but still negative result.

60 percent of hoteliers from 5-star hotels believe that the demand from Leisure Group and MICE segment will get worse. However, 40 percent of the 5-star hoteliers have the positive expectations from Leisure FIT segment. This segment achieved the lowest score from 3-star hoteliers while their expectations about the demand from all other segments are neutral. Four star hoteliers have the most pessimistic expectations among Bulgarian hoteliers since their scores were the most negative about all segments.

The average score for the performance of primary segments, by the opinion of the respondents from Bulgaria, is -24.

CONCLUSIONS

Hoteliers in Bulgaria generally expect a tough year with respect to overall hotel market situation. The expectations of the hoteliers from this country are in line with others from South East Europe.

Market-wide will get worse and the majority of the contributors projected that the average individual property performance in all three measures, room occupancy, average room rates and total revenue will decline in 2009 for more than 7 percent. The main reason for this is that Bulgarian hoteliers expect high declines of demand and ADR in 2009. Even more affected will be the total revenue that will decrease for more than 8 percent since all other operational revenues will go down too.

All of the seven factors were estimated to have a negative effect on performance but exchange rates were perceived to have the most severe effect. The lesser effect on hotel performance in 2009 would be because of change in global oil prices and introducing the new competitive properties.

The most concerns of the hoteliers from this country are related with the decline of demand from MICE segment in 2009. The most pessimistic were the hoteliers from four star hotels that foreseen the majority of declines. Among all primary demand segments, by the opinion of Bulgarian hoteliers, the performance of Leisure FIT segment will be less affected in 2009.

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