

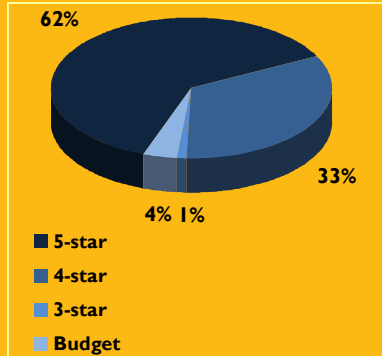


BEIJING HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Beijing Hotel Market Sentiment Survey, part of a national assessment, has been designed to provide the Beijing 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 and compares the Beijing market sentiment with that of other markets across China. Of the 85 respondents from Beijing, the majority of them were from 5-star hotels (62 percent), followed by 4-star hotels at 33 percent. The 3-star and budget sections only accounted for a small portion of respondents at 1 percent and 4 percent respectively. The composition of the participating properties from Beijing in terms of star classification is generally consistent with that across China, with 3-star properties comprising a smaller proportion at 1 percent, compared to 5 percent of a total of 304 respondents across China.

At the current point in time, with the financial crisis affecting all corners of the world including Beijing, it is not surprising to find most respondents from Beijing having a negative assessment of the outlook for 2009. This is in line with our survey findings of the China Hotel Market Sentiment Survey conducted concurrently.



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SENTIMENT RANKINGS

As a way to measure and compare the results across key cities in China, 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 to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across key cities in China have been clearly affected by the global economic crisis, visible from the results. Amongst the 12 cities we have focused on, except Chongqing and Guangzhou, all other cities registered negative scores ranging from negative 15.8 to negative 84.3, with half of them falling between negative 38.0 to negative 50.0.

Beijing ranked 9th with a score of negative 49.7, clearly indicating that hoteliers in Beijing are expecting declines in performance in 2009. Compared to Shanghai, the general sentiment of Beijing hotel industry was even more pessimistic.

Within the Beijing market, both 5-star and 4-star submarkets expected a bleak outlook in 2009, with 5-star submarket registering much lower sentiment score of negative 55.9, compared to that of 4-star submarket at negative 39.3.

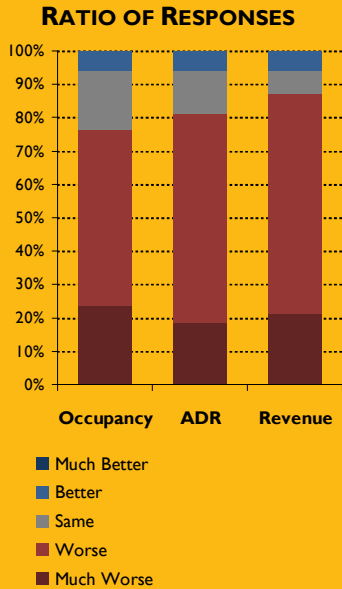
SENTIMENT RANKINGS

By Key City	Score
1. Chongqing	19.5
2. Guangzhou	1.6
3. Hefei	-15.8
4. Sanya	-38.1
5. Shanghai	-39.7
6. Xi'an	-40.0
7. Hangzhou	-44.0
8. Suzhou	-44.0
9. Beijing	-49.7
10. Shenzhen	-54.9
11. Tianjin	-81.0
12. Dalian	-84.3

"An overall average sentiment score of negative 49.7 clearly indicates that hoteliers of Beijing 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



"76 percent stated that market-wide occupancy performance would get worse than 2008. Only 6 percent said it would be better"

MARKET PERFORMANCE RANKING

	Occ.	ADR	Rev.
1. Chongqing	25.0	45.0	30.0
2. Guangzhou	-9.4	-18.8	-18.8
3. Hefei	-50.0	-12.5	-25.0
4. Sanya	-32.1	-53.6	-42.9
5. Shanghai	-43.4	-63.2	-59.2
6. Shenzhen	-64.3	-53.6	-53.6
7. Suzhou	-62.5	-62.5	-62.5
8. Hangzhou	-65.6	-56.3	-75.0
9. Xi'an	-60.0	-90.0	-60.0
10. Beijing	-70.6	-70.6	-76.8
11. Tianjin	-100.0	-50.0	-100.0
12. Dalian	-105.0	-105.0	-105.0

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, 76 percent of the Beijing hoteliers replied that it would get worse, 18 percent believed that it would remain the same, while only 6 percent stated that it would get better.

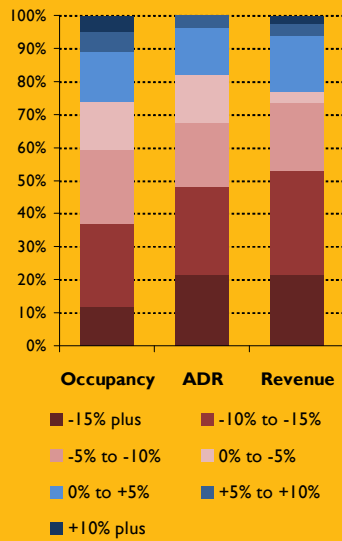
Most believed a dreary outcome in terms of ADR performance, as 81 percent stated that market-wide ADR performance was expected to be worse than the previous year. 13 percent stated that ADR would achieve the same results as the previous year while only 6 percent were buoyant about their markets' performance in terms of ADR. Although it should be noted that such an expectation should not necessarily be viewed as negative given the artificial inflation of room rates in 2008 due to the Olympics.

Total revenue followed the same trend wherein majority or 87 percent of the respondents from Beijing had bleak sentiments about the market's future revenue performance. 7 percent stated that revenue would follow last year's trend and merely 6 percent were optimistic about 2009's performance.

The index was used to gauge the average responses of the respondents with regards to their outlook on market performance. Amongst the 12 cities, only Chongqing was optimistic about the market-wide occupancy, ADR and total revenue performance in 2009. All other cities expected the three market performance indicators to decrease. Beijing ranked 3rd from bottom with an average score of negative 72.6, with sentiments in market occupancy, ADR and revenue registering negative 70.6, negative 70.6 and negative 76.8 respectively.

Within the Beijing market, the 5-star submarket was even more pessimistic with an average sentiment score of negative 79.1, compared to that of the 4-star submarket at negative 59.6. For the 5-star submarket, revenue registered the lowest sentiment score of negative 82.7, followed by ADR (negative 78.1) and occupancy (negative 76.5). For the 4-star submarket, the lowest score was recorded by ADR at negative 66.3, followed by revenue (negative 60.6) and occupancy (negative 51.9).

RATIO OF RESPONSES



"68 percent believed that ADR would drop by at least 5 percent."

HOTEL PERFORMANCE RANKING

	Occ.	ADR	Rev.
1. Chongqing	83.3	41.7	83.3
2. Guangzhou	37.5	12.5	50.0
3. Hefei	0.0	16.7	8.3
4. Sanya	0.0	-14.3	-21.4
5. Shanghai	-7.9	-26.3	-27.6
6. Hangzhou	-31.3	-12.5	-18.8
7. Xi'an	-30.0	-40.0	-30.0
8. Shenzhen	-48.2	-40.7	-50.0
9. Suzhou	-50.0	-41.7	-50.0
10. Beijing	-33.3	-57.8	-58.4
11. Dalian	-50.0	-80.0	-80.0
12. Tianjin	-100.0	-83.3	-100.0

HOTEL PERFORMANCE

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

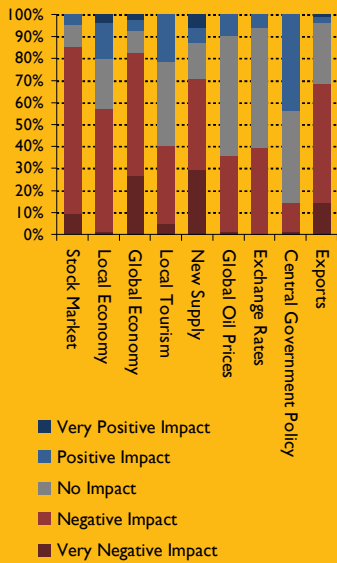
When asked if they still expect growth in their properties' performance in 2009, 60 percent of the hoteliers from Beijing stated that their hotels would likely suffer a decline of at least 5 percent in occupancy. In the same way, 68 percent believed that ADR would drop by at least 5 percent while 74 percent replied that revenues would follow the same trend.

Although the majority of the respondents from Beijing expected a declining trend for their properties' performance in 2009, there are still a few hoteliers who believed that performance would improve. Approximately 26 percent, 18 percent and 23 percent of the respondents from Beijing forecasted improvements in occupancy, ADR and total revenue respectively. However, most of the respondents with a positive market outlook for 2009 expected a marginal increase of less than 5 percent.

Amongst the 12 cities, Beijing ranked 3rd from bottom with an average score of negative 49.9, indicating that most respondents had a bleak outlook for their properties' performance in 2009. Hoteliers of Beijing had more negative assessment of the outlook for their properties' ADR (negative 57.8) and total revenue (negative 58.4), compared to occupancy (negative 33.3).

Within the Beijing market, the 5-star submarket recorded lower average sentiment score of negative 60.7, compared to that of the 4-star submarket at negative 36.5. For both submarkets, occupancy was perceived to suffer less significant decrease, compared to ADR and revenue. For the 5-star submarket, revenue registered the lowest sentiment score of negative 71.3, followed by ADR (negative 67.0) and occupancy (negative 43.8). Sentiment scores of occupancy, ADR and revenue for the 4-star submarket were negative 19.2, negative 44.2 and negative 46.2 respectively.

RATIO OF RESPONSES



“Global economy will likely have the most harmful impact on market performance.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Central Government Policy	21.4
2. Local Tourism Trends	-17.9
3. Global Oil Prices	-20.5
4. Currency Exchange Rates	-25.0
5. Local Economic Growth Trends	-25.9
6. Decline in Exports	-58.2
7. New Competitive Supply	-60.9
8. Local/ Global Stock Market	-67.9
9. Global Economic Growth Trends	-75.0

FACTORS AFFECTING PERFORMANCE

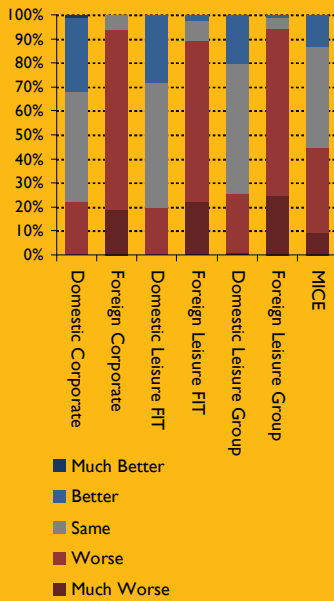
Each hotelier was also asked to gauge their attitude towards nine factors, namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices, (7) currency exchange rates, (8) central government policy and (9) decline in exports, and how these will impact hotel market performance in 2009.

Amongst the abovementioned factors, central government policy has the most positive response. 44 percent of the Beijing hoteliers stated that government policy would have a positive impact on performance, as most of them expected the RMB 4 trillion economic stimulus package to boost domestic demand. Local/global stock market performance and global economy, due to concerns with regards to the worsening financial crisis, had highest negative response rates of 86 and 82 percent respectively. New competitive supply additions ranked 3rd in terms of negative response rate at 71 percent, which is not surprising due to the massive influx of new supply additions to the Beijing hotel market in 2008 and expected new supply in 2009.

Utilizing the index, all factors, with the exception of central government policy, registered negative results. The respondents from Beijing perceived that the worsening economic crisis would likely have the most harmful impact on hotel market performance, which attained the lowest score of negative 75.0. This was followed by local/global stock market (negative 67.9), new competitive supply additions (negative 60.9), decline in exports (negative 58.2), local economic growth trends (negative 25.9), currency exchange rates (negative 25.0), global oil prices (negative 20.5), local tourism trends (negative 17.9) and central government policy (21.4).

Hoteliers believed that global economic growth trends (negative 79.6) and new competitive supply additions (negative 70.4) would have the most negative impact on the Beijing 5-star submarket, while hoteliers of the 4-star submarket were most concerned about local/global stock market and global economic growth trends with both registering lowest sentiment score of negative 69.2.

RATIO OF RESPONSES



"Over 90 percent stated that international demand would get worse."

MARKET SEGMENT PERFORMANCE	
1. Domestic Corporate	7.9
2. Domestic Leisure FIT	6.2
3. Domestic Leisure Group	-5.3
4. MICE	-30.9
5. Foreign Leisure FIT	-82.1
6. Foreign Corporate	-84.7
7. Foreign Leisure Group	-88.2

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regards to seven market segments, namely (1) domestic corporate, (2) foreign corporate, (3) domestic leisure FIT, (4) foreign leisure FIT, (5) domestic leisure group, (6) foreign leisure group and (7) MICE, and how each segment is expected to perform in 2009.

The majority of the Beijing hoteliers held a bleak outlook for international demand in 2009, as over 90 percent of respondents stated that performance across foreign corporate, foreign leisure FIT and foreign leisure group would get worse.

Employing the scoring system, most segments were expected to perform worse than the previous year. Amongst the seven market segments, a majority of the contributors from Beijing believed that foreign demand sources would be the most affected. Hoteliers were less worried about the domestic market and expected a marginal increase of demand from domestic corporate and domestic leisure FIT segments, with sentiment scores of 7.9 and 6.2 respectively.

The Beijing 5-star submarket generally followed the same trend. Foreign corporate, foreign leisure FIT and foreign leisure group registered lowest sentiment scores of negative 88.8, negative 87.2 and negative 85.7 respectively, followed by MICE at negative 39.8. Hoteliers generally held a neutral outlook for the domestic demand of the 5-star submarket, with sentiment scores of 3.1, 0.0 and negative 4.6 for domestic corporate, domestic leisure FIT and domestic leisure group segments respectively.

On the other hand, while the respondents from Beijing 4-star submarket expected similar performance in foreign corporate (negative 75.0), foreign leisure FIT (negative 75.0) and foreign leisure group (negative 89.4) demand segments as that of the 5-star submarket, they held more optimistic outlook for the domestic corporate (26.0) and domestic leisure FIT (20.2) segments, as it is widely believed that both business and leisure travelers would be more concerned with travel expenses and look for more value-for-money hotel options under such economic conditions. The MICE and domestic leisure group segments recorded sentiment scores of negative 20.2 and 0.0 respectively.

CONCLUSIONS

In conclusion, hoteliers from Beijing generally had negative assessment of the outlook for 2009 with regards to market-wide occupancy, ADR and total revenue as well as their properties' performance. Global economic growth trends, local/global stock market performance and new competitive supply additions were perceived to have the most harmful impact on hotel market performance, while the central government policy was expected to have positive influence. The survey respondents anticipated that international segments would perform worse than the previous year, whether it be the international corporate, leisure FIT and leisure group segments. On the other hand, hoteliers were relatively optimistic about the domestic market, especially domestic corporate and domestic leisure FIT for the 4-star submarket.

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