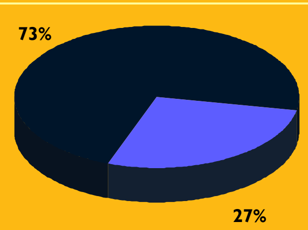
CZECH REPUBLIC
HOTEL MARKET SENTIMENT SURVEY

February 2009

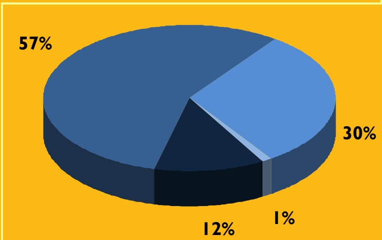
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Czech Republic Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide the Czech 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, gathered from responses across hotels in different categories located in Prague and in the countryside. Of the 93 respondents, 73 percent of them came from Prague and 27 percent from the Countryside.

The majority of the respondents were from 4-star hoteliers (57 percent), followed by 3-star (30 percent) and 5-star (12 percent).

At the current point in time, with the financial crisis affecting all corners of the world including Czech Republic, it is not surprising to find most markets across Czech Republic having the same negative assessment of the outlook for 2009. However, we hope that the following analysis provides some useful insight as to the expectations for different hotel sectors across Czech Republic.

Horwath HTL

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Sentiment RANKINGS

As a way to measure and compare the results across regions and countries, 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 Czech Republic have been clearly affected by the global economic crisis, visible from the results.

Similar to the global market sentiment (average score of negative 34.2), general market sentiment of the Czech hotel industry was rather pessimistic with an average score of negative 53.8.

Prague Hoteliers, compared to the countryside, expect a bleak outlook in 2009, as the region registered a much lower sentiment score (of negative 63.0). Market sentiment of hoteliers based in provincial settlements and towns was more positive but generally still below the neutral grounds registering an average score of negative 26.4.

Hoteliers in the 4-star category based in Prague held the most pessimistic outlook in general with an overall average score of negative 65.7 and the most optimistic attitude were made from the 4-star hoteliers in the countryside scoring an average of negative 22.4.

SENTIMENT RANKINGS

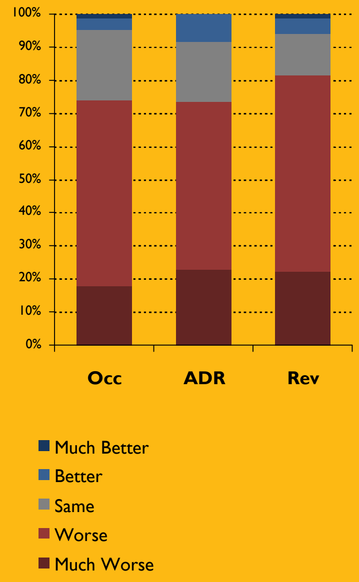
By Region	Score
1. Prague	-63.0
2. Countryside	-26.4

"A national sentiment score of negative 53.8 clearly indicates that hoteliers across Czech Republic 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

RATIO OF RESPONSES



"73.9 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 4.8 percent said it would be better."

MARKET PERFORMANCE RANKING	
1. Prague	-80.0
2. Countryside	-31.0

MARKET PERFORMANCE RANKING	Occ,	ADR	Rev.
1. Prague	-72.6	-82.3	-85.0
2. Countryside	-39.3	-17.9	-35.7

MARKET PERFORMANCE

The first survey question dealt with the contributors' **outlook on their market's performance** in 2009 as opposed to 2008.

In response to expectations on market-wide occupancy performance, 73.9 percent of the hoteliers replied that matters will get worse, 21.4 percent said that things will remain the same while 4.8 percent stated that things will get better. The global financial crisis, coupled with local challenges is expected to impact demand in the Czech Republic.

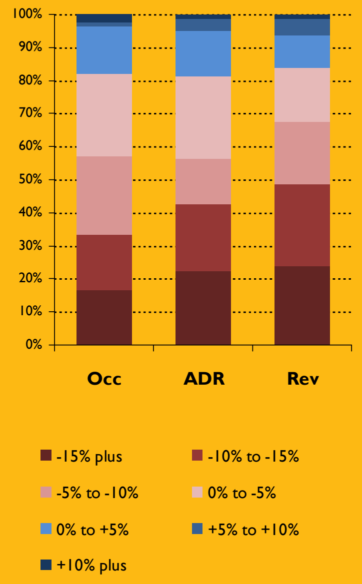
Most expected a poor ADR performance, as 73.5 percent stated that market-wide ADR would be worse than the previous year. 18.1 percent mentioned that ADR will achieve the same results as the previous year while 8.4 percent were confident about their markets' ADR performance.

Revenue followed the same trend, however even though being more pessimistic, wherein the majority or 81.5 percent of the respondents had bleak sentiments about the market's future revenue performance while merely 12.3 percent stated that revenue will follow last year's trend and 6.1 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.

Prague hoteliers registered low points with a negative score of 80 suggesting that the hotel industry in the capital city which relies on global trade and tourism is already largely affected by the gloomy economic situation. The depressed business and leisure travel climate directly influences the market performance in 2009. The challenges in Prague are also acerbated by the significant increase in hotel room supply in 2008, and the continued capacity growth throughout 2009. Prague seems to show stronger concerns than the hotel sector in the countryside which also relies on domestic tourism and 'only' registered a negative score of 31.0.

Ratio of Responses



"Based on the average responses, the three performance indicators measured in 2009 are expected to decline by at least 5 percent."

Hotel Performance Ranking	
1. Prague	-60.8
2. Countryside	-14.7

Hotel Performance Ranking	Occ,	ADR	Rev.
1. Prague	-50.0	-62.5	-70.0
2. Countryside	-16.7	-5.0	-22.5

Hotel Performance

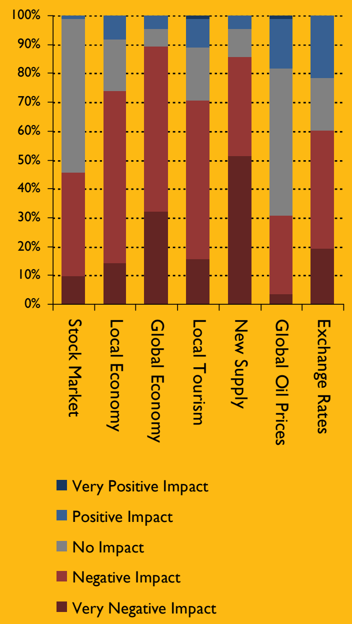
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared to 2008.

When asked if they still expect growth **in their properties' performance** in 2009, 57.2 percent of the hoteliers stated that their hotels will likely suffer a decline of at least 5 percent in occupancy. Another 56.3 percent believed that ADR will experience similar decreases, while 67.6 percent replied that revenues will follow the same trend. Only a minority of respondents (primarily hoteliers from the 3- and 4-star sector in the countryside) believed that performance will improve. Merely 17.9 percent, 18.9 percent and 16.3 percent forecasted improvements in occupancy, ADR and revenue respectively.

Based on the global averages of the responses, all three performance indicators measured in 2009 are expected to decline by at least 5 percent.

Utilizing the average index score, amongst the regions, countryside yielded a considerably higher score with negative of 14.7 points, indicating that respondents generally expect a marginal drop in their overall hotels' performance. Negative score of 60.8 clearly shows that Prague hoteliers are four times more pessimistic than their colleagues in the countryside.

RATIO OF RESPONSES



"All factors will have a negative impact on market performance, but future supply is the primary concern for hoteliers in 2009."

FACTORS AFFECTING PERFORMANCE RANKING

1. Local Tourism Trends	-55.8
2. Global Oil Prices	-11.1
3. Global Economic Growth Trends	-87.5
4. Currency Exchange Rates	-43.4
5. Local Economic Trends	-59.8
6. New Competitive Supply	-99.1
5. Local/Global Stock Market	-40.7

FACTORS AFFECTING PERFORMANCE

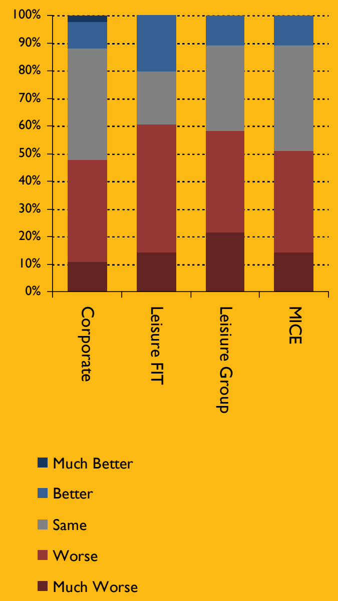
Each hotelier was also asked to gauge their attitude towards seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and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

The results of global sentiment survey show that global economic growth trends will have the most harmful effects on the hotel sector. Despite this global factor, Prague hoteliers believe that new competitive supply will have the most significant impact on their performance in 2009 as they feel the local market has been saturated, and in fact in most segments over-supplied. However, worsening concerns of the global economy only rank at the second highest negative response rate with 87.5 percent. On the other hand, with oil prices beginning to stabilize, global oil prices have the least negative response with 11.1 percent. Hoteliers are currently less concerned about the effect of rising oil prices affecting travel frequency and hence room nights demand.

Utilizing the index, all choices registered negative results, indicating that all factors were believed to negatively affect performance. The contributors perceived that local tourism market and local economic trends will also have considerable negative impacts on hotel performance whilst local/global stock market and currency exchange rates attained a moderate negative score of 40.7 and 43.4 points respectively.

Shifting our focus on regions, hoteliers in each category believe that new competitive supply will have the most negative impact on their respective market. Prague hoteliers in the 4-star category are the most concerned about future supply whilst hoteliers from 5-star countryside hotels consider this threat less important. Global economic trends are considered the most significant factor by Prague hoteliers in the 5-star category whilst hoteliers in the same category in the countryside are least concerned about this factor.

RATIO OF RESPONSES



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

MARKET SEGMENT PERFORMANCE	
1. Corporate	-33.0
2. Leisure FIT	-41.1
3. MICE	-41.1
4. Leisure Group	-51.8

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to market segments which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, Exhibitions) and how they are expected to perform in 2009.

The majority of the respondents had negative opinions about the future performance of all segments as more than 50 percent stated that performance across the four segments will get worse.

Employing the scoring system, with the exemption of the corporate segment, all segments yielded negative results as the previous year. The majority of the participants believe that the leisure group segment will be the most affected this year as it scored the lowest point total with negative 51.8,

The Leisure FIT and MICE segment are expected to be the second poorest performing segment in 2009 with a score of negative 41.1 each. The least decrease is expected in the corporate segment recording a score of negative 33.0. None of the market segments achieved a positive score either in Prague or in the countryside.

Based on our findings the Corporate business segment will be the most impacted segment in the 5-star category hotels in Prague whilst the Leisure demand is expected to considerably decrease in the 4-star category hotels located in the capital city. MICE segment will be the most affected in the 4- and 3-star categories in Prague. However, hoteliers from the 3-star hotels in the countryside are currently the less concerned about any decrease in those respective segments.

CONCLUSIONS

Hoteliers across the Czech Republic anticipated a fairly negative market outlook for 2009. As a result, hoteliers generally expected a tough year with regards to market-wide as well as individual property performance. The majority of the contributors projected that performance in all three measures, room occupancy, average room rates and total revenue will likely decline this year.

Although all of the seven factors were estimated to have a negative effect on performance, competitive future supply and global economic growth trends were perceived to have the most harmful impact on the local hotel market performance. Clearly, stock market performance and global oil prices are the secondary concern of hoteliers all across Czech Republic.

Leisure demand is anticipated to be the most heavily affected of the primary demand segments in 2009, with an even more negative outlook on foreign markets than domestic demand. Survey respondents anticipated that corporate segment will be the least affected in 2009.

Other Market Sentiment Reports

BY REGION

ASEAN	Benelux	Europe	Northeast Asia	South East Europe

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Italy	Japan	Macedonia	Montenegro	Mexico	Netherlands
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