

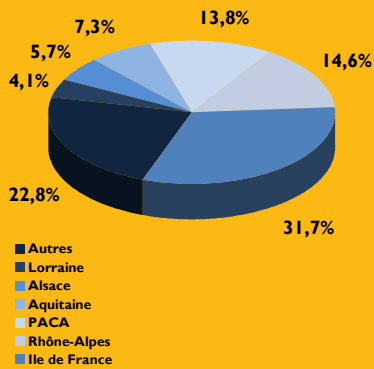


# FRANCE HOTEL MARKET SENTIMENT SURVEY

March 2009

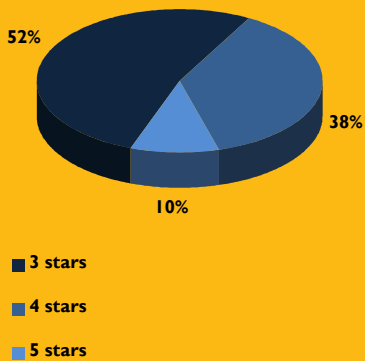
## SHARE OF RESPONDENTS

### BY REGION



## SHARE OF RESPONDENTS

### BY STAR CLASSIFICATION



## INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey has been designed to provide the global hotel industry with 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 invited to make comments on the impact of key factors affecting room demand as well as for the growth rate anticipated for each major demand segment.

This report summarizes the outcome of the survey, gathered from responses received from more than 130 3 and 4 star hotels. Of the total of respondents, the region of Ile de France represents nearly 32% of replies followed by Rhône-Alpes and PACA regions representing 15 and 14 %, respectively.

The majority of the contributions were from 3 star hotels (52%), followed by 4 star (38%) and 5 stars (10%).

At the current point in time, with the financial crisis affecting all regions of the world, it is not surprising to find most markets sharing the same negative vision for 2009. However, we trust that the following analysis provides relevant insight as to the expectations for hotel market in France.



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## SENTIMENT RANKINGS

### SENTIMENT RANKINGS

By Region	Score
1. Ile de France	-45,1
2. Rhône-Alpes	-35,1
3. PACA	- 48,1
4. Autre	-27,4
TOTAL	- 33,3

*"A global sentiment score of negative 34.1 clearly indicates that hoteliers across the globe are expecting declines in performance in 2009."*

### SENTIMENT RANKINGS

By category	Score
1. 3 stars	- 31,2
2. 4 stars	-43,6
3. 5 stars	- 44,6
TOTAL	- 33,3

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 the 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.

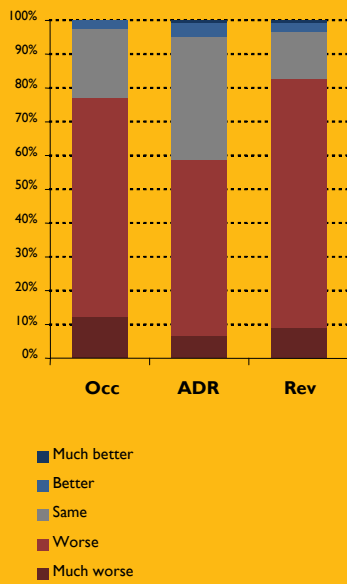
The purpose of creating a sentiment index or score is also to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across all countries have been clearly affected by the global economic crisis, visible from the results. General market sentiment was rather pessimistic with a global average score of negative 33.3.

We have chosen to analyze in particular three of the most important regions. As per our results hoteliers in these regions held the most pessimistic outlook, below national average. The most negative result was found in Paris, with an average score of -47.3.

What is more, the result worsens in higher star categories. Hoteliers from the 4 and 5 star segment indicated scores inferior to -40.

**RATIO OF RESPONSES**



*"83 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 3 percent said it would be better."*

**MARKET PERFORMANCE RANKING**

	Occ	ADR	Rev
Europe	-50,9	-30,9	-51,3
France	-65,2	-44,6	-65,7
Ile de France	-80,8	-57,7	-71,2
Rhône-Alpes	-54,2	-45,8	-66,7
PACA	-66,2	-56,3	-70,3

## 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, 77% of the hoteliers replied that matters will get worse, 20% said that things will remain the same while 3% stated that things will get better. Clearly the global financial crisis is expected to impact demand in all regions of the world.

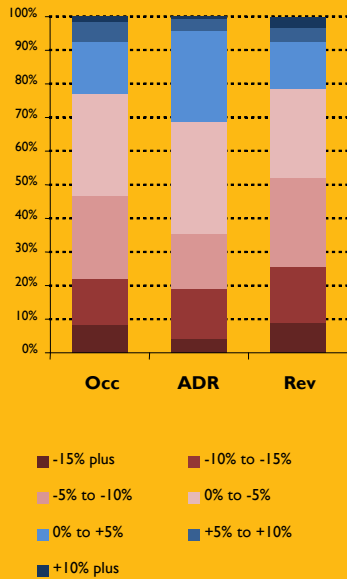
Most believed in a pessimist scenario as 59% stated that market-wide hotel performance is expected to be worse than the previous year. 36 percent mentioned that ADR will achieve the same results as the previous year while 5 percent were buoyant about their markets' performance.

Revenue followed the same trend wherein the majority of 83% of the respondents had mitigated sentiments about the market's future revenue performance (vs. 67 percent on international level). Merely 14 percent stated that revenue will follow last year's trend and 3 percent who were optimistic about 2009's performance.

As usually observed in European polls, French results are more pessimist than the European average. Ile de France region as being particularly affected by crisis consequences predicts a serious decrease in terms of occupancy rates and ADR as a result of instable economic situation.

On the whole, occupation rates are more likely to be hit than the rates.

**RATIO OF RESPONSES**



*"69 percent expect that ADR will decline and 77percent anticipate the decrease of occupancy rates."*

**HOTEL PERFORMANCE RANKING**

	Occ	ADR	Rev
Europe	-20,6	-13,8	-23,4
France	-22,5	-11,2	-27,3
Ile de France	-35,5	-27,6	-43,4
Rhône-Alpes	0	-5,6	-5,6
PACA	-29,4	-20,6	-26,5

**HOTEL PERFORMANCE**

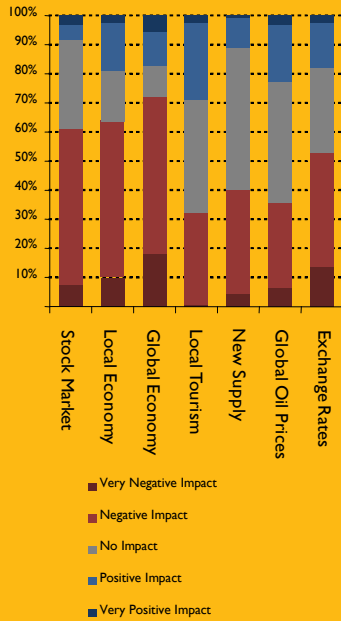
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their hotels' performance in 2009, 77 percent of the hoteliers stated that their hotels were likely to suffer a decline in occupancy, including 47 percent who indicated a decline of more than 5%. 69 percent believed that ADR will suffer the same fate with 79 percent replying that revenues will follow the same trend. However, as opposed to international opinion, the number of optimist hoteliers proportionally in France is higher with 7 percent of respondents envisaging the increase of occupancy rates and revenues to exceed 7%.

Amongst the three regions of Ile de France, PACA and Rhône-Alpes, the respondents from Rhône-Alpes were the least anxious, as they expect only a marginal drop in hotel performances.

In contrast, the Ile de France region is far below the national average.

**RATIO OF RESPONSES**



*“Economic related issues are clearly the primary concern for hoteliers in 2009.”*

**FACTORS AFFECTING PERFORMANCE RANKING**

1. Global Economic Growth Trends	- 50,4
2. Local/Global Stock Market	- 42,8
3. Local Economic Trends	- 39
4. Currency Exchange Rates	- 34,8
5. New Competitive Supply	- 24,4
6. Global Oil Prices	- 12,2
7. Local Tourism Trends	- 1,2

**FACTORS AFFECTING PERFORMANCE**

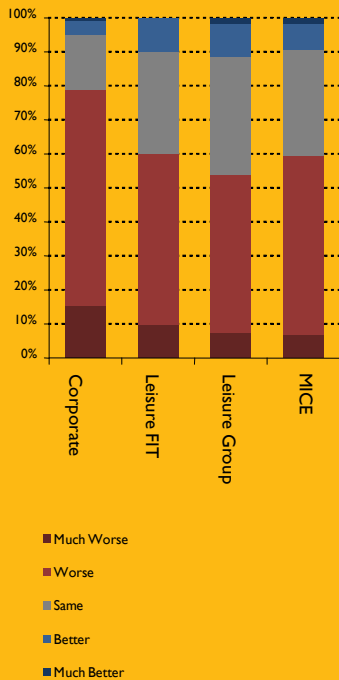
Each hotelier was also asked to gauge his attitude towards seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and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

Global economic growth trends, due to concerns with regard to the worsening of the global economy have the highest negative response rate with 50 points, indicating that the majority of the participants believe that the worsening global economic conditions will negatively impact performance. Notwithstanding, France seems to have a less negative approach than some other regions, such as United States or developing countries.

Using the index, all choices registered negative results, indicating that all factors were believed to negatively affect performance. The contributors perceived that local/global stock markets will probably impact hotel performance the most, with -42.8 points. This was followed by local economic growth trends (negative 39), currency exchange rates (negative 34.8) and new competitive supply (negative 24.4).

On the other hand, with oil prices beginning to stabilize, they have the second least negative response with -12.2 points while the impact of local tourism trends is estimated as none.

**RATIO OF RESPONSES**



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

MARKET SEGMENT PERFORMANCE	
1. Corporate	- 66,5
2. Leisure FIT	- 45
3. Leisure Group	- 36
4. MICE	- 41

**MARKET SEGMENT PERFORMANCE**

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

The majority of the respondents had negative opinions about the future performance of all segments. Moreover, the participants believe the Corporate segment will be the worst affected this year as it scored the lowest point total with a negative 66.5.

Using 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. However, the performance of leisure groups is estimated to be affected to a lesser extent, with a score of -36, than individual tourism (-45) and MICE (-41) sectors.

## CONCLUSIONS

The Hotel Market Sentiment Survey confirms the impact of the international crisis on French hospitality industry.

The most negative impact is foreseen in the upscale sector (4 and 5 star hotels) and Ile de France region which are markets of more cyclical nature.

Corporate demand is anticipated to be the most heavily affected of the primary demand segments due to cost saving programs resulting in lower volume and prices.

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