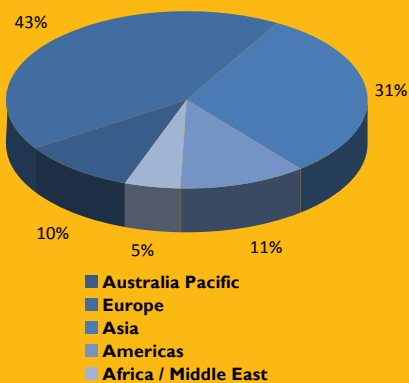




GLOBAL HOTEL MARKET SENTIMENT SURVEY

February 2010

SHARE OF RESPONDENTS
BY REGION



INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey gives a quick assessment of the market outlook for the global hotel industry, by the people on the ground, running the hotels. The survey focuses on the current outlook for occupancy, average room rates and total revenue and what the operators feel is going to happen based on their experience.

This report summarizes the outcome of the survey, gathered from 55 countries. Of the 2,090 respondents, 42 percent of them came from Europe, 31 percent from Asia, 11 percent from the Americas, 10 from Australia Pacific, and 5 from Africa/Middle East.

Having been through one of the worst years in recent history, it is not surprising to find most markets across the world have a vastly improved outlook for 2010, although this is not to say hoteliers expect strong performance levels. It suggests rather that in most markets, hoteliers believe we have seen the bottom and are on the way up. We hope that the following analysis provides some useful insight as to the expectations for different hotel markets across the world.

This is the third global survey by Horwath HTL, and we have analyzed previous sentiment scores in order to provide some context to the sentiment scores recorded.



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SENTIMENT RANKINGS

By Region	Score		
	Feb '09	Jul '09	Jan '10
1. Asia	-41	-41	47
2. Africa / Middle East	-21	-22	43
3. Australia Pacific	-34	-48	42
4. Americas	-25	-28	21
5. Europe	-36	-55	9
6. Global Ave	-35	-44	27
Top 5 Countries / Region	Score		
	Feb '09	Jul '09	Jan '10
1. Hong Kong	-53	-94	82
2. China	-41	-44	64
3. Indonesia	-4	19	50
4. South Africa	-21	-22	45
5. Australia	-34	-48	42

“Europe continues to be the most pessimistic region in the survey”

RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

SENTIMENT RANKINGS

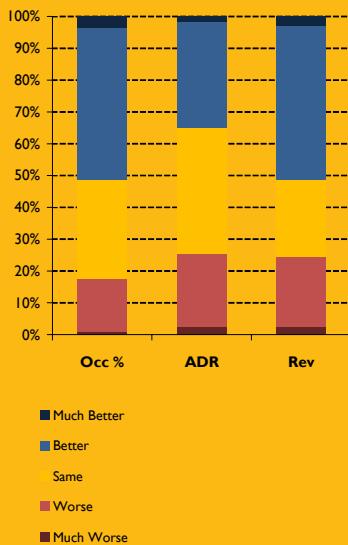
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year, and positive 150 signifies a very optimistic outlook. The index also allows us to track changes in market sentiment over time.

After a deterioration of the market sentiment in the July 2009 Global Survey, hoteliers have returned to a positive frame of mind in 2010. Naturally the positive outlook for 2010 is relative to the poor performances recorded across the globe in 2009 and should be viewed in that context. A positive sentiment, nonetheless, indicates that in most markets across the world, we should expect to see a return to growth, particularly in occupancy performance.

Asia and Australia Pacific had the biggest shift in sentiment, with both regions previously among the least positive mid-2009. A positive economic outlook in these regions has led hoteliers to believe that the market reached bottom in 2009 and things are on the way up in 2010. Positive thinking was most notable in Hong Kong (82), China (64) and Australia (42). Indonesia (50), despite having a relatively positive 2009, continues to record improved sentiment for 2010, perhaps a more impressive feat than the strong turnaround just mentioned for other countries in the region.

Europe continues to be the most pessimistic region in the survey with a sentiment score of 9, barely moving into positive territory. This can be viewed as hoteliers believe the market has hit bottom, but do not expect to see much change for 2010. Countries such as Spain (-14), Romania (-13), France (-6) and Italy (-5) continue to be negative while the UK (42) and the Netherlands (39) have a positive outlook. Within the Americas, the USA believe 2010 will be the same as 2009 (not a good thing), while Canada is much more positive with a score of 21 (compared to -49 in July 2009).

RATIO OF RESPONSES



“Over 50 percent of respondents stated that they expected occupancy and total revenue to perform better or much better in 2010”

EXPECTATION FOR 2010

	Avg	Occ	ARR	Rev
1. Africa / Middle East	39	28	43	46
2. Asia	38	51	19	43
3. Australia Pacific	38	46	27	40
4. The Americas	13	23	0	15
5. Europe	-3	6	-11	-3

2010 MARKET OUTLOOK — WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2010 VS. 2009?

Hoteliers were asked their expectation for performance levels in 2010 compared to that recorded in 2009, in relation to hotel occupancy (Occ), average room rate (ARR) and hotel revenues. Over 50 percent of respondents stated that they expected occupancy and total revenue to perform better or much better in 2010 in comparison to 2009, however, this reduced to 35 percent in regards to average room rates, with 40 percent expecting room rates to remain the same and 23 percent expecting ARR to be worse.

Occupancy

Occupancy scored a global average sentiment score of positive 27 wherein 51 percent of respondents expect growth in occupancy levels in line with 2009. Asia recorded the highest sentiment score (51), followed by Australia Pacific (46), Africa/Middle East (28), the Americas (23), with Europe being the most pessimistic with a score of positive 6.

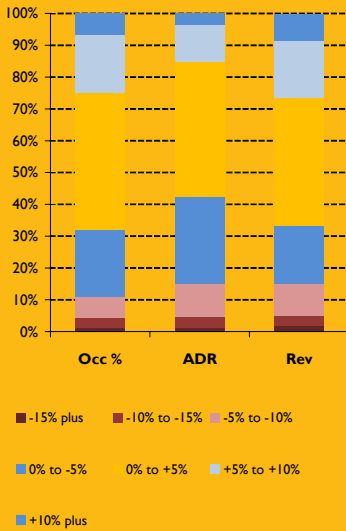
Average Room Rate

The global average sentiment with regard to ARR expectations was barely positive with a score of positive 6. The most positive region was Africa/Middle East at a score of positive 43, driven by positive sentiment for room rates in South Africa due to the World Cup. Australia Pacific with a score of 27 was more positive than Asia (19), while Europe expects continued declines in ARR with a score of negative 11.

Revenues

Revenues recorded a global sentiment score of positive 21, with 51 percent of hoteliers around the globe expecting higher revenues in 2010 compared with 2009. Again the region with the highest sentiment score was Africa/Middle East, recording a score of 46, followed by Asia (43), Australia Pacific (40), the Americas (11), and Europe holding the most pessimistic score of negative 3.

RATIO OF RESPONSES



“Between 15 to 27 percent of hoteliers expect to see an improvement in performance growth of at least 5 percent”

EXPECTATION FOR 2010				
	Avg	Occ	ARR	Rev
Asia	57	64	43	64
Africa / Middle East	48	39	53	51
Australia Pacific	45	48	39	48
The Americas	29	34	21	33
Europe	20	26	12	21

HOTEL PERFORMANCE EXPECTATION — FOR YOUR HOTEL, WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2010 VS. 2009?

The second survey question asked hoteliers to give their expectation of how their respective hotels will fare in 2010 in comparison to 2009, in percentage terms.

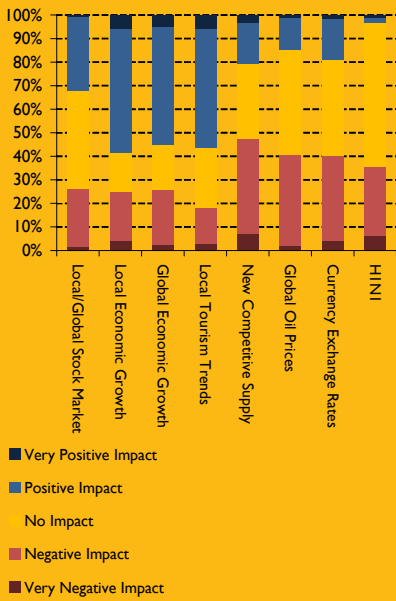
The global sentiment outlook was again positive, with a global sentiment average score of positive 36 for question 2. Between 15 to 27 percent of hoteliers expect to see an improvement in performance growth of at least 5 percent, with a further 40 percent or more of hoteliers around the globe expecting to see hotel performance increase of up to 5 percent. A higher overall sentiment score for question 2 indicates that most hoteliers expect their respective hotels to perform better than market in the coming year.

68 percent of hoteliers expect occupancy to increase in 2010, with 25 percent expecting that to be in excess of 5 percent. A global sentiment score of 41 was recorded. The most opportunistic region was Asia, scoring 64, Australia Pacific hoteliers recorded a score of 48, followed by Africa/Middle East (39), the Americas (34), and finally Europe (26).

The global sentiment score for ARR was again below occupancy, scoring 28, with a reduced 58 percent of hoteliers around the world expecting performance to increase by at least 5 percent. Africa/Middle East led the way scoring 53, followed by Asia at 43, Australia Pacific 39, then the Americas (21) and Europe (12).

The global sentiment regarding hotel revenues were similar to occupancy with a global sentiment score of 40.

RATIO OF RESPONSES



"A majority of 55 percent of respondents felt that global economic growth trends would have a positive impact on performance"

FACTORS AFFECTING PERFORMANCE RANKING

1. Local Tourism Trends	31
2. Local Economic Trends	26
3. Global Economic Growth Trends	24
4. Local/Global Stock Market	4
5. Currency Exchange Rates	(18)
6. Global Oil Prices	(20)
7. New Competitive Supply	(23)
8. HINI	(28)

FACTORS EFFECTING PERFORMANCE — How EACH OF THE FACTORS BELOW ARE EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2010?

Each hotelier was also asked to gauge their attitude towards eight factors and how these will impact their hotels' performance in 2010.

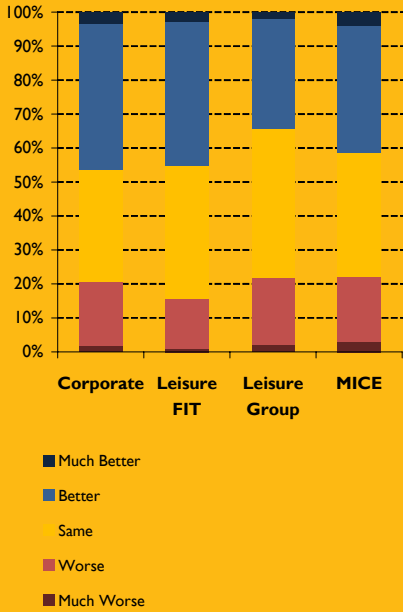
1. Local/global stock market
2. Local economic growth trends
3. Global economic growth trends
4. Local tourism trends
5. New competitive supply additions
6. Global oil prices
7. Currency exchange rates
8. HINI virus

Local tourism trends scored the highest sentiment score among the 8 factors at 31, with 56 percent expecting a positive impact from local tourism. Most negative was the HINI virus at a score of negative 28, although a vast majority (61 percent) expected that HINI would have no impact on performance. 55 percent of respondents felt that global economic growth trends would have a positive impact on performance, compared to '09 when 74 percent felt this would negatively impact performance.

Utilizing the index, the first four factors registered positive results, while the last four were negative. It is worthwhile mentioning that among the eight factors, four (1, 6, 7 and 8) all had the majority of respondents feeling they would have no impact on performance.

Shifting our focus onto individual regions, Australia Pacific was the most bullish in regards to the expectations of the impact of the local/global economy and local stock market. Europe was much less positive in regards to local and global economic trends and stock markets. Both The Americas and Europe felt new competitive supply was the most negative factor. Asia clearly rated local economic growth trends and local tourism as the most positive factors in 2010.

RATIO OF RESPONSES



“respondents generally think performance across all segments will improve this year”

MARKET SEGMENT PERFORMANCE

1. Leisure FIT	24
2. Corporate	20
3. MICE	15
4. Leisure Group	9

MARKET SEGMENT PERFORMANCE — HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2010 VS. 2009?

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 2010.

The majority of the respondents had positive opinions about the future performance of the corporate, leisure FIT and MICE demand segments, with at least 41 percent of respondents expecting a better performance for these demand segments. For the leisure group segment, the majority of respondents (44 percent) felt performance would be the same in 2009, however, at least a higher share (34 percent) felt the segment would improve, compared to 22 percent that felt it would get worse.

Employing the scoring system to obtain an average score, all segments yielded positive results, indicating that respondents generally think performance across all segments will improve this year. Compared to the January 2009 survey, the participants believe the corporate segment will be the biggest improver in 2010, improving from negative 46 in January 2009 to positive 20 in this survey.

Europe was the only region in which two of the segments (leisure group and MICE) achieved a negative score. All other regions had positive scores for all segments. For Asia, the highest scoring segment was MICE (42). In Australia Pacific the highest scoring segment was corporate (58), which was also the case for the Americas, but at a much reduced score of 17. While the leisure FIT segment was the highest scoring for both Africa/Middle East (33) and Europe (13).

CONCLUSIONS

Hoteliers in all regions have recorded significant improvement in their sentiment towards the market outlook since the last survey in July 2009, with all regions managing to record an overall sentiment score that was positive, albeit a marginal positive result for Europe. While the context of the sentiment improvement in relation to the poor results of 2009 needs to be considered, this survey at least highlights that most hoteliers across the world do believe that the various regional hotel markets have hit bottom, and that can only be seen as a very positive outcome for the industry.

There are still areas for concern that are universal. Most of the recipients don't think that corporate travel will be back to reasonable levels in 2010, which means that leisure travellers will still be the most significant market segment this year. Group and Conference business is still very weak, especially in the USA, and this challenge, together with the aftershock of new hotel supply in many markets will present the most significant issues hoteliers will have to deal with.

Europe is clearly a region that still believes there is some way to go before significant improvements in the market can be seen. Asia, on the other hand, has a much more positive outlook for 2010 after hitting some pretty big lows in 2009 and it is certainly encouraging that the Americas (of which North America is a major component) has recorded a positive sentiment score in the outlook for 2010.

Other Market Sentiment Reports

BY REGION

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 Germany Hungary India Indonesia Italy Japan
 Mexico Norway Romania Serbia South Africa Spain

BY CITY/ DESTINATION

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