

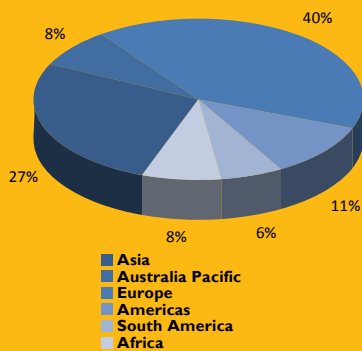


# GLOBAL HOTEL MARKET SENTIMENT SURVEY

July 2009

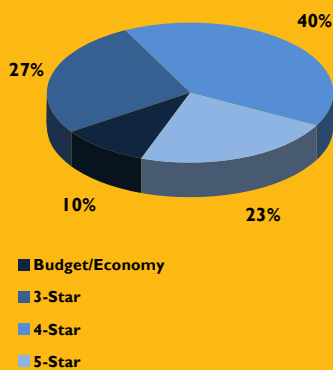
## SHARE OF RESPONDENTS

### 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 a quick assessment of the future market outlook. The survey focuses on the outlook for occupancy, average room rates and total revenue.

In this mid year survey, hoteliers have also been asked to make comments on their expectations for the coming semester in comparison to the second half of last year, as well as comment on the impact the crisis has had on room night demand.

This report summarizes the outcome of the survey, gathered from responses across 47 countries. Of the 2,593 respondents, 40 percent of them came from Europe followed by Asia (27 percent), North America (11 percent), South America and Africa shared 8 percent of responses, and Australia Pacific (6 percent).

At the current point in time, with the financial crisis still affecting all corners of the world, it is not surprising to find most markets across the world 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 markets across the world.

This being the second survey this year by Horwath HTL, we have been able to analyze previous sentiment scores in order to give a more in depth analysis.



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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 are 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 40, down further from the negative 34 calculated in February. This shows that the current crisis still has a strong impact on the global hotel market outlook. As opposed to the beginning of the year, no regions have shown any positive sentiment for the second half of 2009. South America has retained a positive sentiment score of 3, again being the only region scoring positively.

Africa and Asia have not seen any dramatic changes in their sentiment for the second half of the year, still conveying a pessimistic view, with scores of negative 22, and 41 respectively. Australia Pacific and Europe have shown significant decreases in their sentiment scores, both regions have lost two places in the ranking to take 5<sup>th</sup> and 6<sup>th</sup> place respectively. Europe encompassed some of the most pessimistic countries in the survey with the Czech Republic (-93), Ireland (-88), and Slovakia (-84) showing the lowest sentiment scores. Hoteliers in North America, still expect a relatively bleak outlook for the rest of 2009 as the region registered a sentiment score of negative 46; 5 points lower than in February. Slovakia (-84), Ireland (-88), Czech Republic (-93), Hong Kong (-94), and Singapore (-80) rounded up the bottom five countries. Japan, which had the lowest sentiment score last year (-74), scored a similar (-72) to place them 9<sup>th</sup> in the top 10 countries with the lowest sentiment scores.

### SENTIMENT RANKINGS

By Region	Score	
	July	Feb
1. South America	3	9.7
2. Africa	-22	-20.7
3. Asia	-41	-41.2
4. North America	-46	-41.0
5. Australia Pacific	-48	-34.1
6. Europe	-55	-36.0

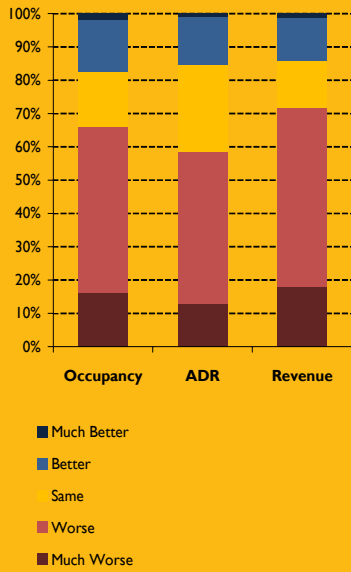
Top 5 Countries	Score	
	July	Feb
1. Indonesia	19	-4.3
2. Brazil	18	N/A
3. India	-1	-40.1
4. Macedonia	-4	-8.6
5. Serbia	-16	17.2

*"The current crisis still has a strong impact on the Global hotel market outlook"*

### RANKING SCORE KEY

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

**RATIO OF RESPONSES**



*"66 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected."*

**MARKET PERFORMANCE RANKING**

	Occ,	ADR	Rev.	Avg
1. South America	-40	10	-28	-19
2. Africa	-59	-17	-40	-39
3. Europe	-45	-38	-55	-46
4. Australia Pacific	-29	-59	-56	-48
5. Asia	-49	-55	-63	-56
6. North America	-62	-51	-69	-61

**FIRST HALF MARKET PERFORMANCE**

The first survey question dealt with the contributors' actual performance in the first half of the year compared to their expectations at the beginning of the year.

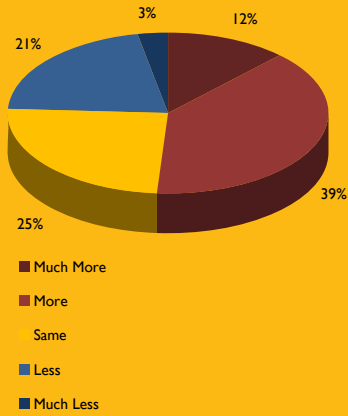
In response to expectations on market-wide occupancy performance, 66 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, 17 percent replied that occupancy performance was the same, while just another 17 percent replied better or much better. This shows the full effect the crisis had on demand in an industry which was already expecting a harsh impact; 64 percent of hoteliers expected a decrease in occupancy in our February survey.

Respondents showed that ADR suffered the least of all our performance gauges, with 41 percent of hoteliers replying that ADR performance has been the same, or better than was expected. 59 percent of hoteliers still voiced that ADR performed worse or much worse.

Revenue followed a similar trend, wherein the majority, 72 percent, of hoteliers revealed that revenue was worse or much worse than what had been expected at the beginning of the year. Only 14 percent of respondents found performance to be similar to what was expected, and 14 percent saw a positive performance with regards to their expectation.

South America again showed the least pessimistic assessment of the first half performance, although still scoring a negative 19 average. North America showed that it was been affected harshly, taking 6<sup>th</sup> position, and an average sentiment score of negative 61. Asia followed suit closely, scoring negative 56. Asia, which relies heavily on international trade, has suffered in hotel performance.

**RATIO OF RESPONSES**



*"No region has scored a positive sentiment score."*

**IMPACT OF FINANCIAL CRISIS**

1. South America	-17
2. Asia	-18
3. Australia Pacific	-24
4. Europe	-29
5. Africa	-36
6. North America	-41

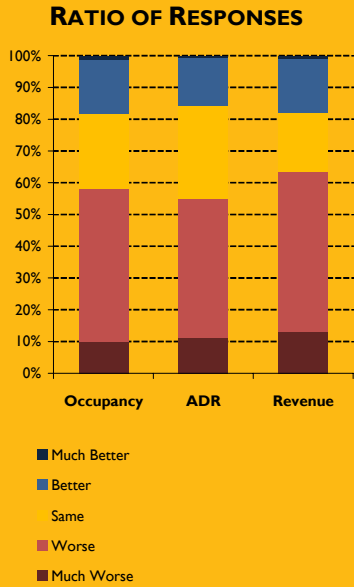
## THE IMPACT OF THE FINANCIAL CRISIS

The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When hoteliers were asked if the crisis had impacted their demand as expected, 51 percent responded that demand had been affected more or much more than expected. A quarter, 25 percent, replied that demand had been affected the same amount as had been expected. And 24 percent of respondents proclaimed that the crisis has impacted demand less or much less than had been expected.

Looking at the hotel performance ranking by region, it can be noted that no region has scored a positive sentiment score. The region with the least pessimistic view yet again lies with the south Americans, although this is a severe relegation from their sentiment score of 49,7 in the February survey. South America is followed by Asia with a score of -18, Australia Pacific (-24), Europe (-29), Africa (-36), and North America (-41).

North America again scored the lowest sentiment score in comparison to the other regions of the world. As a supporting nation for many regions, this gives a bleak outlook for the coming year.



*"64 percent of hoteliers around the Globe expect lower revenues in the second half 2009 compared with second half 2008."*

**EXPECTATION FOR THE SECOND HALF OF THE YEAR**

	Avg	Occ	ADR	Rev
1. South America	8	-6	20	8
2. Africa	-19	-33	-4	-20
3. Asia	-36	-29	-41	-40
4. North America	-43	-39	-42	-47
5. Australia Pacific	-47	-31	-57	-52
6. Europe	-49	-46	-45	-55

## SECOND HALF MARKET OUTLOOK

Hoteliers were asked their expectation for the second half of the year compared to the second half of last year, in relation to hotel occupancy, average room rate and hotel revenues.

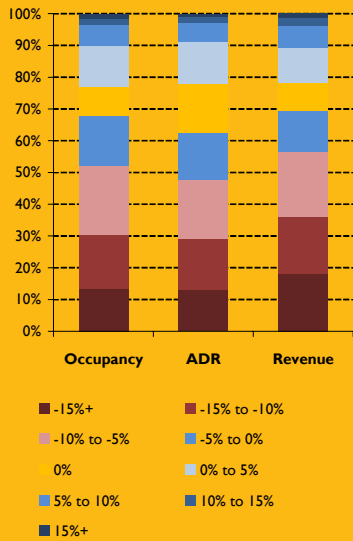
Over 50 percent of respondents stated that they expected all performance measures to perform worse or much worse in the second half of the year in comparison to the second half of last year.

Occupancy scored a global average sentiment score of negative 36 wherein 58 percent of respondents expect declining growth in occupancy levels vis a vis the second half of 2008. South America recorded the highest sentiment score (-6), followed by Asia (-29), Australia/Pacific (-31), Africa (-33) North America (-39), and Europe being the most pessimistic with a score of negative 46.

The global average sentiment with regard to ADR expectations scored negative 39. The only region to record a positive sentiment score for ADR growth was South America, with all other regions scoring negatively, Africa (-4), Asia (-41), North America (-42), Europe (-45), and the lowest sentiment score came from Australia Pacific (-57).

Revenues recoded the lowest sentiment score of all the performance gauges, recording a global score of negative 43, with 64 percent of hoteliers around the globe expecting lower revenues in the second half 2009 compared with the second half of 2008. Again the region with the highest sentiment score was South America, recording a score of 8, followed by Africa (-20), Asia (-40), North America (-47), Australia Pacific (-52), and Europe holding the most pessimistic score of negative 55.

**RATIO OF RESPONSES**



*“Over 60 percent of hoteliers expect to see a drop in performance growth of at least 5 percent”*

**SECOND HALF HOTEL PERFORMANCE EXPECTATION**

	Avg	Occ	ADR	Rev
1. South America	-1	-17	17	-3
2. Africa	-26	-41	-6	-30
3. Asia	-47	-38	-49	-52
4. Australia Pacific	-49	-38	-55	-55
5. North America	-49	-49	-45	-54
6. Europe	-61	-61	-55	-67

**HOTEL PERFORMANCE EXPECTATION**

The last survey question asked was for hoteliers to give their expectation of how their respective hotels will fare in the second half of 2009 with respect to the second half of 2008, in percentage terms.

The global sentiment outlook was yet again rather bleak from hoteliers, with a global sentiment average score of negative 49. Over 60 percent of hoteliers expect to see a drop in performance growth of at least 5 percent, and on average 15 percent of hoteliers around the globe expect to see hotel performance contract by 15 percent or more.

68 percent of hoteliers expect occupancy to decrease by at least 5 percent in the second half, and a global sentiment of negative 47 was scored. The most opportunistic region was South America, scoring negative -17, Asian and Australian/Pacific hoteliers grasped a more pessimistic approach with the same score of negative 38, followed by Africa (-41), North America (-49), and Europe (-61) followed suit.

The global sentiment score for ADR was similar as for occupancy, scoring negative 44, with 63 percent of hoteliers around the world expecting performance to diminish by at least 5 percent. South America scoring a rare positive sentiment of 17, Africa scored negative 6, the rest of the world showed much lower sentiment expectations, Asia (-49), North America (-45), with Europe and Australia Pacific scoring (-55).

The global sentiment regarding hotel revenues again scored the lowest sentiment score of all the performance gauges, negative 54. Hoteliers were the most pessimistic, with over 70 percent of respondent’s expecting revenues to falter by at least 5 percent in the coming semester.

## CONCLUSIONS

Hoteliers in all regions with the exception of South America generally expect the year to remain tough, with respect to market-wide and 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 in the second half of the year. However, hoteliers in Indonesia and Brazil on average had a more positive outlook than most other countries across the globe; South America as a region recording the most positive sentiment scores and actually anticipated slight increased in performance in the second semester of 2009.

The impact of the current financial crisis is seen to have affected all corners of the world, although the North American region shows that the current difficulties in the hotel industry is directly induced to the crisis, while regions such as Asia and Australia had more hoteliers that felt the global financial crisis had impacted the market less than expected. Europe has scored the lowest sentiment score in expectation to see continued strong declines in performance in the second half of the year.

## Other Market Sentiment Reports

### BY REGION

ASEAN      Benelux      Europe      Northeast Asia      South East Europe

### BY COUNTRY

Australia      Austria      Belgium      Bulgaria      Canada      China  
 Croatia      Czech Republic      France      Germany      Hungary      India  
 Indonesia      Italy      Japan      Macedonia      Montenegro      Mexico  
 Netherlands      Norway      Romania      Serbia      South Africa      Spain

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