



Horwath HTL™

Hotel, Tourism and Leisure

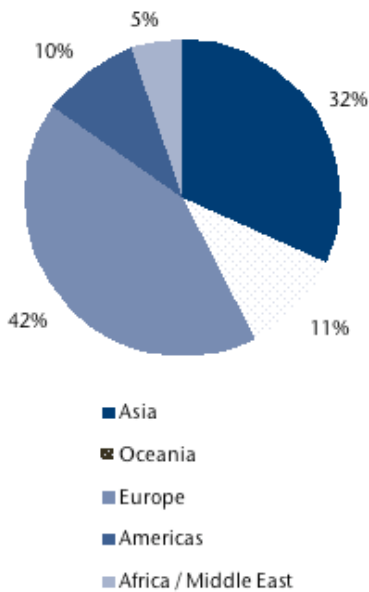
The global leader in
hospitality consulting

**Global Hotel Market
Sentiment Survey**



SHARE OF RESPONDENTS

BY REGION



INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey has been designed to provide the hotel industry with a quick assessment of the future market outlook. The four question 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 assess the continued impact of the financial crisis on hotel room night demand.

This report summarizes the outcome of the survey, gathered from responses across 53 countries. Of the 2,060 respondents, 42 percent of them came from Europe followed by Asia (32 percent), the Americas (10 percent), Africa and the Middle East 5 percent of responses, while Oceania represented 11 percent.

Looking at actual operating performance, it is clear that the global market has continued improving, allaying fears of a double dip recession, but more likely a long ‘u’ shaped recession. Generally speaking, hotels have managed to stimulate volume without losing more average rate, which in turn has stabilised revenues. The chief concern remains the American market, which has been hampered by a large number of new room supply in the last year and is reflected in their responses.

SENTIMENT RANKINGS

BY REGION	SCORE			
	FEB 2009	JUL 2009	JAN 2010	SEP 2010
Asia	-41	-41	48	46
Oceania	-34	-50	41	52
Europe	-36	-55	4	15
Americas	-25	-28	21	8
Africa / Middle East	-21	-22	43	7
Global Average	-35	-44	27	29

BY COUNTRY	SCORE		
	JUL 2009	JAN 2010	SEP 2010
India	-1	63	73
Indonesia	19	50	67
United Kingdom	-38	42	66
China	44	64	59
Australia	-48	42	54
France	-59	6	36
Germany	-41	5	25
Canada	-49	21	15
Norway	-33	7	10
South Africa	-22	45	8
USA	-42	1	-2
Japan	-72	-14	-14

“The sentiments of hoteliers across most regions have moderated, although all remained optimistic”.

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 Global regions and countries, we have created an index to formulate an overall average sentiment score from forward looking 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 whereas a positive 150 signifies a very optimistic outlook. The sentiment index or scores allows trends to be observed over time.

Coming into the second half of the year, the sentiments of hoteliers across most regions have moderated, although all remained optimistic. The global financial crisis has continued to have an impact on market performance and continues to subdue the outlook of many hoteliers across the world. In Asia, the region least impacted by the Global Financial Crisis, sentiment remains high, largely thanks to China, while market sentiment in Australia continues to be strong with the economy there continuing to remain positive.

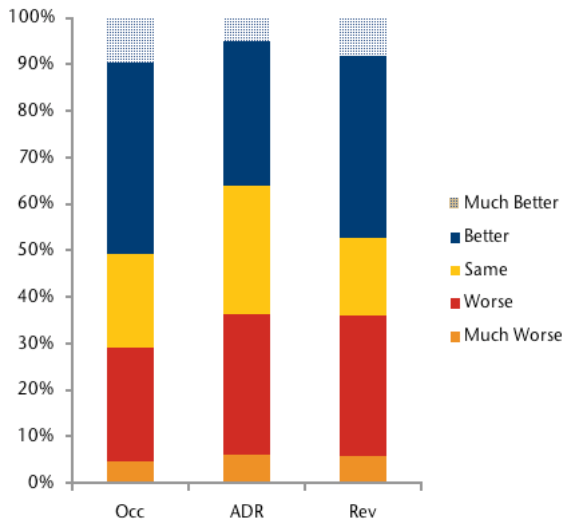
Oceania has the most positive outlook with Asia not far behind. Europe has a slightly more positive outlook than the Americas thanks to a negative outlook in the USA, while Africa and the Middle East has recorded a larger decline in sentiment.

Looking at individual countries, of those with the largest number of responses, India recorded the highest sentiment score of 73, closely followed by another Asian nation, Indonesia at a score of 67. Hoteliers in the United Kingdom are more optimistic of future performance levels recording a sentiment score of 66, while China and Australia round out the top 5 at scores of 59 and 54 respectively.

Japan and the US were two major markets that recorded negative sentiment scores indicating hoteliers do not expect tough market conditions to end any time soon.

FIRST HALF MARKET PERFORMANCE

Question 1: WAS THE FIRST HALF 2010 MARKET PERFORMANCE BETTER OR WORSE THAN YOU EXPECTED AT THE START OF THE YEAR?



“Respondents again felt that ARR fared slightly worse than our other two performance gauges, with 36 percent of hoteliers replying that ARR was below expectation”.

MARKET PERFORMANCE RANKING

	Avg	Occ	ADR	Rev
Asia	30	42	14	33
Oceania	16	28	3	17
Europe	0	10	-9	-2
Americas	-8	0	-17	-7
Africa / Middle East	-11	-20	0	-12
Global Average	10	20	-1	10

Occupancy

In response to expectations on market-wide occupancy performance, 51 percent of the hoteliers replied that occupancy was better or much better than expected, 20 percent felt that performance was in line with expectation, while 29 percent felt that it was worse or much worse.

Average Room Rate

Respondents again felt that ARR fared slightly worse than our other two performance gauges, with 36 percent of hoteliers replying that ARR was below expectation and a further 28 percent felt ARR was in line with expectations. However, 36 percent of respondents voiced that ARR had performed better or much better, resulting in an overall neutral assessment of first half ARR performance.

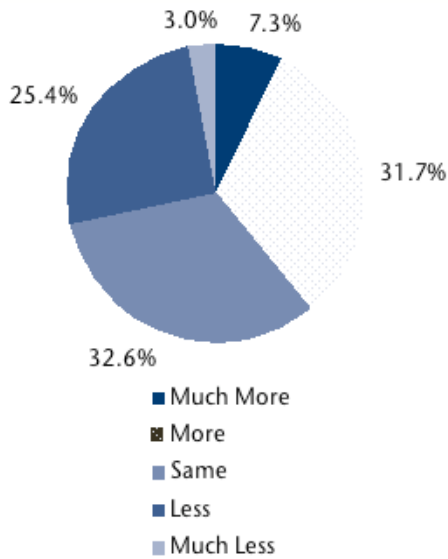
Revenues

Assessment of first half revenue performance followed a similar trend to that of occupancy wherein 47 percent of the respondents had a positive assessment of the market’s first half revenue performance. 17 percent stated that revenue was in line with expectations while 36 percent felt performance levels were worse or much worse than had been expected.

Index Score

The index was used to gauge the average responses of the respondents with regards to their actual first half performance compared to their expectation at the beginning of the year. Asia recorded the highest score at 30 with Oceania second with a score of 16. Both these regions had positive scores for all three performance measures.

Europe recorded a moderately positive score for occupancy at 10, but with negatives scores for both ARR and revenues, the total average score for Europe was neutral. South African hoteliers’ disappointment in first half occupancy was the root cause of the negative sentiment in Africa, while below expectation ARR performance in the US resulted in negative sentiment for the Americas.



“39 percent of hoteliers responded that demand was still affected more or much more than expected”.

THE IMPACT OF THE FINANCIAL CRISIS

Question 2: HAS THE GLOBAL FINANCIAL CRISIS IMPACTED HOTEL DEMAND AS MUCH AS YOU HAD EXPECTED?

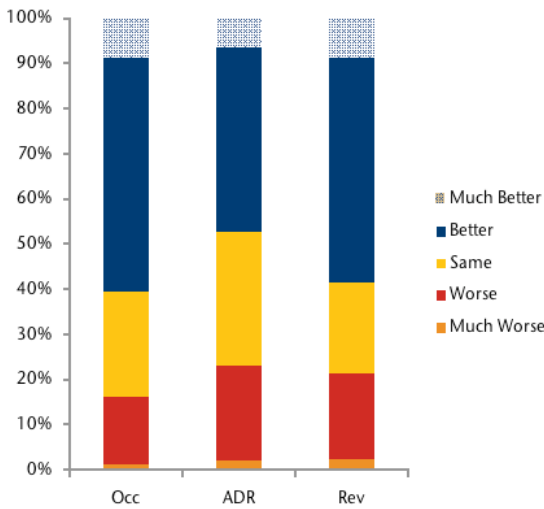
When asked if the crisis had continuously impacted their demand, 39 percent of hoteliers responded that demand was still affected more or much more than expected. 33 percent replied that the impact of the crisis was in line with expectations, while 28 percent felt that the crisis had impacted demand less or much less than expected.

All regions had negative sentiment scores in regards to the global financial crisis, reinforcing the fact that the financial crisis continues to have a direct impact on hotel markets across the world. Africa / Middle East recorded the lowest score of -40, while the Americas scored -32, with the US heavily weighing it down with a score of -54.

In Asia, Indonesia had the most positive assessment of the impact of the financial crisis with a score of positive 27, followed by China (10) and India (4). In Europe, the UK recorded a positive score of 26 indicating a strong rebound in the market there, while Germany also recorded a positive score, albeit at a lower level (7). France recorded a marginally negative score of -3. Despite Australia’s relatively resilient economy, hoteliers there assess that the financial crisis still continued to have some impact, although at a score of -2, the assessment was mostly neutral.

IMPACT OF FINANCIAL CRISIS

Asia	-6
Oceania	-4
Europe	-9
Americas	-32
Africa / Middle East	-40
Global Average	-11



“A consistent trend of the global survey over the last two years has been a more negative outlook on ARR performance and this continues in the second half outlook”.

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
Asia	45	56	32	48
Oceania	61	62	57	63
Europe	19	29	10	19
Americas	9	16	0	11
Africa / Middle East	9	7	6	13
Global Average	30	39	21	32

SECOND HALF MARKET OUTLOOK

Question 3: WHAT ARE YOUR EXPECTATIONS FOR THE SECOND HALF 2010 MARKET PERFORMANCE COMPARED TO SECOND HALF 2009?

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

Occupancy

60 percent of hoteliers across the globe expect occupancy performance to be better or much better in the second half of 2010 in comparison to 2009 with only 15 percent expecting it to be lower. All regions had a positive outlook on occupancy with Oceania and Asia the most positive with scores of 62 and 56 respectively.

Average Room Rate

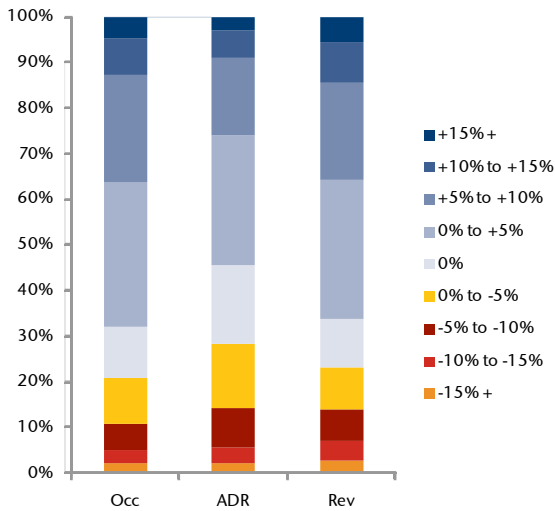
A consistent trend of the global survey over the last two years has been a more negative outlook on ARR performance and this continues in the second half outlook. A reduced 47 percent of global hoteliers expected improved ARR performance for the second half of 2010 in comparison to 2009. Again Oceania and Asia lead the way with scores of 57 and 32 respectively. No region recorded a negative score although the Americas recorded a neutral score of 0 thanks to a negative outlook in the USA (recording a score of -13 in the ARR outlook).

Revenues

The second half expectations for hotel revenues were similarly optimistic to occupancy with 58 percent of hoteliers expecting better or much better performance levels. However, about 22 percent expected a decline in second half revenue performance.

As would be expected, Oceania and Asia lead the way with scores of 63 and 48 respectively with all other regions scoring above 10.

It is worthwhile pointing out that the United Kingdom recorded an average score for this question of 79, the highest among all countries, while India and Indonesia scored 73 and 72 respectively. Japan (-52), Ireland (-53) and the USA (-13) all had negative outlooks on ARR.



“10 percent of hoteliers expect to see hotel performance increased by 15 percent or more”.

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
Asia	48	55	34	53
Oceania	43	43	40	48
Europe	10	17	1	11
Americas	6	13	-4	9
Africa / Middle East	6	3	8	8
Global Average	25	31	16	28

HOTEL PERFORMANCE EXPECTATION

Question 4: FOR YOUR HOTEL, WHAT ARE YOUR EXPECTATIONS FOR SECOND HALF 2010 PERFORMANCE COMPARED TO SECOND HALF 2009?

Interestingly, one of the differences compared to the last survey was that hoteliers now have better expectations for the market they operate in as opposed to their hotel, which was the reverse six months ago. Following the theme, the majority of respondents feel that the market will stay the same or improve over last year.

Occupancy

36 percent of hoteliers think that occupancy will grow by more than 5 percent in the second half of the year, whereas 43 percent think that growth will be 0 or from 0-5 percent. 16 percent of respondents think that occupancy will drop by 0-10 percent. Overall, the occupancy index stands at 31, with Africa and the middle east lowest at 3 and Asia the highest at 55.

Average Room Rate

The average sentiment score for ARR was 16, with 54 percent expecting an increase and 17 percent expecting performance levels to remain the same. The Americas were the most pessimistic, with a score of minus 4, with Europe on 1. Oceania scored highest with 40 with Asia a close second on 34.

Revenues

Overall sentiment for hotel revenues reflected the optimism for occupancy growth giving an overall score of 28 globally. Africa and the Middle East had the lowest score, with an aggregate of 8, followed by the Americas with 9. Europe was only slightly better with 11 and then a gap to Oceania on 48 and Asia on 53

OTHER MARKET SENTIMENT REPORTS

BY REGION

ASEAN
Benelux
Europe
South East Europe

BY COUNTRY

Australia
Austria
Canada
China
Croatia
Germany
Hungary
India
Indonesia
Italy
Japan
Norway
Romania
Serbia
South Africa

BY CITY/DESTINATION

Beijing
London
Shanghai
Québec

CONCLUSION

In conclusion, results from the latest edition of the Survey show that hotel operators in all regions of the world continue to believe that the recovery in operating performance is on track, although without any strong conviction that the worst is over.

Oceania, the region that has been the least affected by the Global Recession, remains the most optimistic with a survey score of 52. The Americas, where the fears of a double dip recession remain strong, has a score of 8 meaning that operators expect the poor conditions to remain the same.

This is perhaps best illustrated by the disappointment in the sluggish return of average room rate. In both the European and American regions, hoteliers were overall slightly disappointed with average rate growth compared to what they were expecting, minus 2 and 7 respectively, whereas occupancy levels performed to expectations. It is no surprise then that many hoteliers now expect more of the same for room rate performance in the last half of the year, with American operators expecting exactly the same (0) and European operators scoring only slightly more (10). Expectations for occupancy levels are slightly better, reflecting the greater volume of business that has been taken as rate has been sacrificed. Asia, Oceania and Africa and the Middle East are more optimistic, with slight improvements in both room rate and occupancy forecast.

The overall stabilisation is good news however, as the longer the recovery continues, the more likely it is that corporate business will return in strength which in turn will start to shift the stubborn average rate.

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