

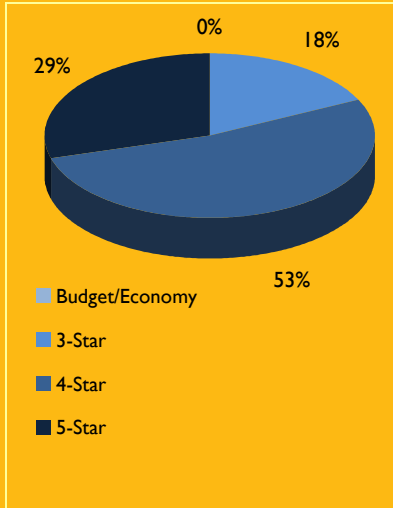


HONG KONG HOTEL MARKET SENTIMENT SURVEY

July 2009

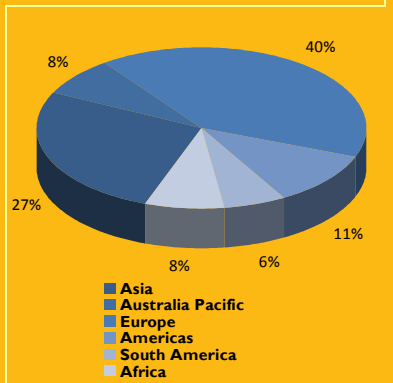
HONG KONG SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



GLOBAL SHARE OF RESPONDENTS

BY REGION



INTRODUCTION

The Horwath HTL Hong Kong Hotel Market Sentiment Survey, part of a global initiative, provides the local hotel industry with 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 the actual performance of the hotels in against their previous expectations in the first half of 2009, 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 summary report aggregates responses from 16 individual hotels in Hong Kong, from various quality levels: 5-star (29 percent), 4-star (53 percent) and 3-star (18 percent).

At the current point in time, with the global recession still affecting most of the markets in the global hotel market, it is not surprising to find most hoteliers in Hong Kong having negative assessment of the outlook for the second half of 2009 with no signs of recovery in both occupancy and ADR. However, we hope that the following analysis provides some useful insight to the expectations specifically for the Hong Kong hotel market.



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**GLOBAL
SENTIMENT RANKINGS**

By Region	Score	
	July	Feb
1. South America	-5	9.7
2. Africa	-22	-20.7
3. Asia	-41	-41.2
4. North America	-46	-41.0
5. Australia Pacific	-50	-34.1
6. Europe	-55	-36.0
Top 5 Countries		
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

**ASIA-WIDE
SENTIMENT RANKING**

Hong Kong	-94
Cambodia	-92
Singapore	-80
Japan	-72
Malaysia	-59
Thailand	-54
China	-44
Vietnam	-40
S.Korea	-24
India	-1
Indonesia	19
Philippines	56
Weighted Average	-41

SENTIMENT RANKINGS

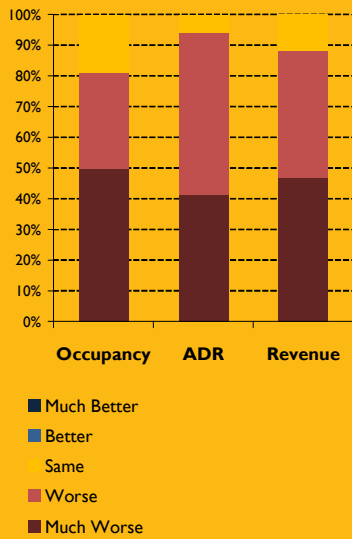
As a way to measure and compare the results, we have created an index to formulate an average sentiment score. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year whereas a positive 150 signifies a very optimistic outlook.

As seen in the adjacent table, most markets around the world possess a negative outlook due to the global financial crisis.

On a regional basis, Hong Kong scored the highest pessimism where hoteliers are very negative about market prospects in the second half of 2009. The global recession has reduced travel incentives to Hong Kong in terms of both business and leisure, coupled by the outbreak of Swine flu. The gateway city of Asia, in particular, is heavily affected by the crisis in the finance sector, which has been a major feeder to the upper-end hotels in Hong Kong.

The overall sentiment in Asia is negative, with a weighted average index score of -41, same as the previous February survey. Hong Kong ranks with the lowest sentiment score, followed by Cambodia, Singapore and Japan. Relative to China, where domestic demand is quite strong, markets like Japan, Singapore and Hong Kong are particularly susceptible to global economic cycles due to their exposure and high dependence on international trade.

**HONG KONG
RATIO OF RESPONSES**



“Over 80 percent of hoteliers replied that the actual performance in the first half of 2009 was worse or much worse than expected.”

**ASIA-WIDE SENTIMENT
FIRST HALF MARKET
PERFORMANCE**

	Occ	ADR	Rev
Cambodia	-75	-100	-75
China	-42	-53	-56
Hong Kong	-98	-101	-101
India	-24	-60	-57
Indonesia	-18	8	-11
Japan	-96	-90	-113
Malaysia	-14	-34	-20
Philippines	-50	-50	-50
Singapore	-66	-98	-98
S.Korea	41	14	0
Thailand	-86	-68	-101
Vietnam	-88	-88	-88

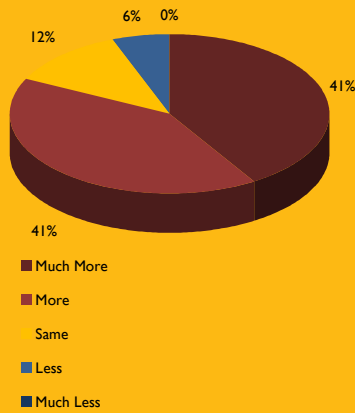
FIRST HALF MARKET PERFORMANCE

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 terms of occupancy, over 80 percent of hoteliers replied that the actual performance in the first half of 2009 was worse and much worse than expected. Only 19 percent of respondents reported that occupancy remained the same as their previous expectation at the beginning of the year. The actual ADR performance was even more disappointing, with 53 percent and 41 percent of respondents reported the performance being worse and much worse than expected respectively. Compared with the occupancy performance, only 6 percent of respondents reported the performance of ADR was the same as expected at the beginning of the year.

According to the index, Hong Kong hoteliers have been the most disappointing set in terms of both occupancy and ADR performances, with the lowest scores at -98 and -101 respectively. In general, all the hotel markets in Asia expressed negative sentiment in all three hotel performance indicators. The only market with a positive sentiment on 2009 is South Korea, benefit from the depreciation of Korean Won in against Japanese Yen and US Dollar which induced strong volume of leisure travelers.

**HONG KONG
RATIO OF RESPONSES**



“Only two markets have scored positive sentiment score.”

**ASIA-WIDE SENTIMENT
IMPACT OF FINANCIAL CRISIS**

Cambodia	-75
China	14
Hong Kong	-88
India	-29
Indonesia	6
Japan	-98
Malaysia	-55
Philippines	-75
Singapore	-80
S.Korea	-8
Thailand	-82
Vietnam	-88

THE IMPACT OF THE FINANCIAL CRISIS

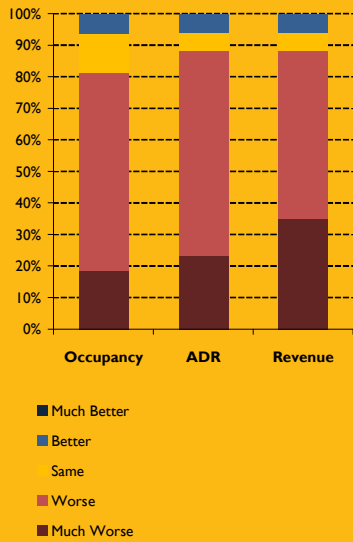
The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When Hong Kong hoteliers were asked if the crisis had impacted their demand as expected, over 80 percent of all replies responded that demand had been affected more or much more than expected. This indicated the hotelier’s previous underestimation on the impact of the financial crisis, which the market sentiment generally had expected the strong demand from the mainland China would be supportive.

Only 12 percent replied that demand had been affected the same amount as had been expected. 6 percent of respondents proclaimed that the crisis has impacted demand less than had been expected.

Looking at the hotel performance in the region, most of the markets scored negative sentiment score of below -50. Hong Kong has been the viewed the second most market being negatively influenced by the financial crisis to a greater extent than originally expected, following Japan and level with Vietnam. Major financial centers and markets that are reliant on long-haul inbound visitors are generally more susceptible to the impact of the financial crisis. Only two markets in the region, China and Indonesia, have scored positive sentiment scores in relation to the impact of the financial crisis.

HONG KONG RATIO OF RESPONSES



“Over 80 percent of respondents stated that they expected all performance measures to perform worse or much worse in the second half of the year”

ASIA-WIDE SENTIMENT SECOND HALF MARKET OUTLOOK

	Occ	ADR	Rev
Cambodia	-50	-75	-50
China	-29	-44	-40
Hong Kong	-70	-79	-88
India	30	2	16
Indonesia	20	33	27
Japan	-76	-81	-88
Malaysia	-55	-48	-55
Philippines	100	50	100
Singapore	-61	-84	-84
S.Korea	-34	-20	-20
Thailand	-39	-49	-57
Vietnam	0	-30	-30

SECOND HALF MARKET OUTLOOK

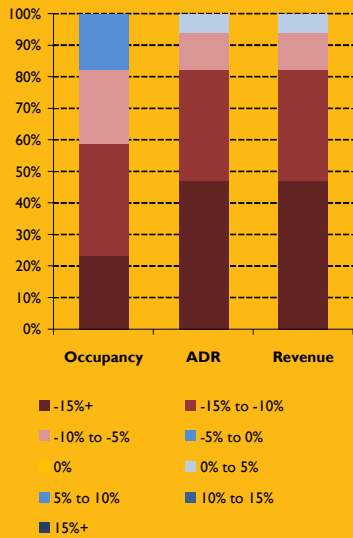
Hoteliers were asked their expectation for the second half of the year compared to the second half or last year, in relation to hotel occupancy, average room rate and revenues.

Over 80 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 an average sentiment score of negative 70 wherein 82 percent of respondents expect declining growth in occupancy levels on a year-to-year basis. In terms of ADR, almost 90 percent of respondents anticipate the ADR to decrease, while 6 percent of respondents expect the ADR to be kept at the same level and another 6 percent to have “better” expectations.

Revenues recoded the lowest sentiment score of all the performance gauges in Hong Kong, so as Japan, recording a score of negative 88. Other markets are less pessimistic indicated by the three performance measures. The sentiment score of ADR, in general, scored lower than that of the occupancy, implying the pressure on reduction in rate is larger than that on the occupancy level.

HONG KONG RATIO OF RESPONSES



“Over 80 percent of hoteliers expect occupancy to decrease by at least 5 percent”

ASIA-WIDE SENTIMENT HOTEL PERFORMANCE EXPECTATION

Cambodia	-125
China	-50
Hong Kong	-109
India	-19
Indonesia	11
Japan	-63
Malaysia	-65
Philippines	29
Singapore	-84
S.Korea	-23
Thailand	-60
Vietnam	-60

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.

About 24 percent of hoteliers expect occupancy to decrease by over 15 percent in the second half, and 35 percent of hoteliers expect it to decrease by at least 10 percent. Overall, over 80 percent of hoteliers expect it to decrease by at least 5 percent, displaying a very negative sentiment outlook in the SAR. The other two measures are expected to experience a more significant drop with over 80 percent of respondents expecting the ADR and Revenue to decline by at least 10 percent.

The Hong Kong market scored an average sentiment score of negative 109, the second most among the Asian markets, following Cambodia. Other key markets in the region also indicate significant negative sentiment including Singapore (-84), Malaysia (-65), Japan (-63). Only two markets, the Philippines and Indonesia, demonstrated positive sentiment in the region.

CONCLUSION

In general, hoteliers in Hong Kong are rather pessimistic about the outlook for the second half of 2009, with an overall index score of negative 94. The decline in performance in the first half of 2009 has been worse than expected by the respondents. This has strengthened the pessimistic view of the hoteliers in their sentiment outlook for the second half of 2009. The impact of financial crisis on the Hong Kong hotel market is expected to last throughout the second half of the year. The ADR level is expected face higher pressure from price-competition among the hotels which are trying to meet the diminishing budgets of travelers.

Other Market Sentiment Reports

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