

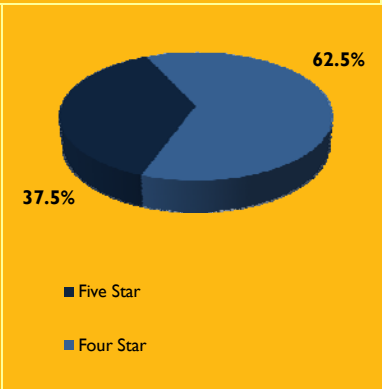


MACEDONIA HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Macedonia has been designed to provide the hotel industry in this country a quick assessment of the market outlook for the coming 12 months. The survey, as part of the global initiative, focuses on the outlook for occupancy, average room rates and total revenue.

Hoteliers have also been asked to make comments on the impact of key factors that drive room night growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey, gathered from respondents that represent share of 29 percent of total Macedonian hotel sample. The majority of the contributions were from 4-star hotels (63 percent) and the others came from 5-star hotels (37 percent). Hoteliers were from different Macedonian destinations and majority (50 percent) were from capitol city Skopje.

In the time when the crisis affects the world, it is not surprising to find most markets in South East Europe, including Macedonia, having the same negative assessment of the outlook for 2009. However, the following analysis provides some useful information for the different hotel types in Macedonia.



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SENTIMENT RANKINGS

By Star Classification	Score
1. Four Star	4.9
2. Five Star	-13.7

"An average sentiment score of negative 2.7 indicates that hoteliers across country are expecting slight declines in performance in 2009."

RANKING SCORE KEY

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

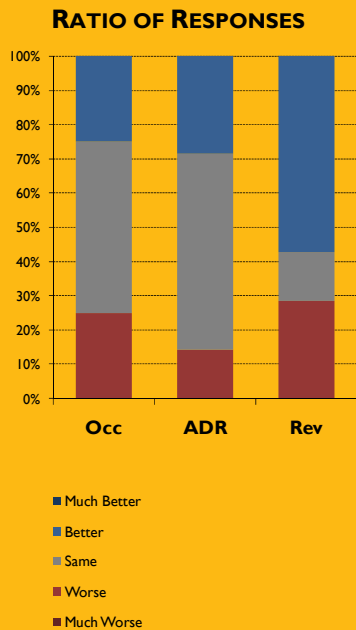
SENTIMENT RANKINGS

As a way to measure and compare the results across markets, we have created an index to formulate an overall average sentiment score from all 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 markets have been clearly affected by the global economic crisis, visible from the results. The market sentiment in Macedonia was the most optimistic in South East Europe with an average score of still negative 2.7. The average national score is by almost 90 percent higher than the regional average (-25.8) and average global score. The reasoning for this difference between regional and national score is in less pessimism of Macedonian hoteliers because of global crisis that is not yet completely visible in the region.

Looking to the level of optimism among the hotels of different category, the four star hotels had higher sentiment score, meaning that their market outlook for 2009 is positive. On the other side, the hoteliers from five star hotels were more pessimistic with the score bellow national but higher than regional and global average.



"25 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008 and 25 percent believed in better performance."

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Four Star	15.0	37.5	56.3
2. Five Star	-25.0	-25.0	-25.0

MARKET PERFORMANCE

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 compared to 2008. The index was used to gauge the average scores.

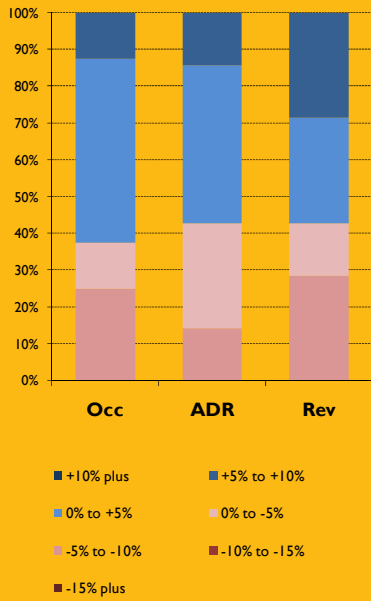
In response to expectations on market-wide occupancy performance, 25 percent of the hoteliers replied that matters will get worse, 50 percent stated that there will be no changes and 25 percent believed in better performances. Majority of the hoteliers (67 percent) from five star hotels believe that the market-wide occupancy will be worse in 2009 compared to 2008. The hoteliers from four star hotels were more optimistic since all of them thought that the situation will be equal or better in 2009. The average market-wide occupancy ranking score for Macedonian hoteliers was neutral (zero).

The hoteliers from 5-star hotels have more neutral expectations about ADR performance in 2009. Four star hoteliers had more optimistic attitude towards ADR than to occupancy. The average ranking score for ADR performance in 2009 was positive (10.7).

The most of the respondents (57 percent) had positive sentiments about the market's future revenue performance. More optimistic were the hoteliers from four star hotels since 75 percent of them responded that in 2009 the revenue will be better. However, majority of 5-star hoteliers (67 percent) expect worse revenue performance in 2009.

The average market performance sentiment score, by the opinion of the respondents from Macedonia, is rare positive (10.7).

RATIO OF RESPONSES



“Based on the averages of three performance indicators measured for 2009, the hotel performance in the country will slightly grow by 0.7 percent.”

HOTEL PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Four Star	20.0	37.5	37.5
2. Five Star	33.3	16.7	16.7

HOTEL PERFORMANCE

The second question asked respondents to estimate the growth or decline in the performance of their hotel for 2009 compared with 2008.

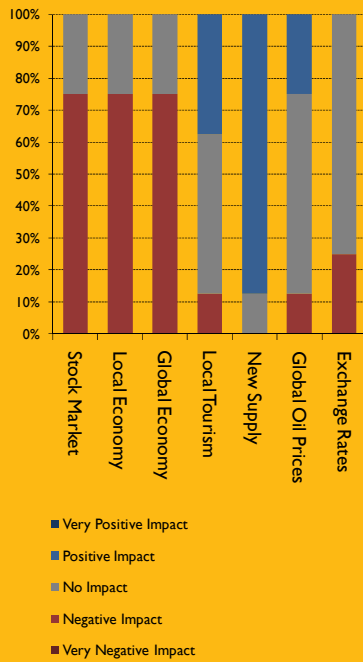
The majority of 63 percent of the hoteliers stated that the occupancy in their hotels will likely be better in 2009. Little less Macedonian hoteliers (57 percent) believed that ADR will experience the same fate and that revenues will follow the same trend (growth rate of up to 10 percent).

Based on the Macedonian averages, the hotel occupancy will have slight growth in 2009 compared to 2008 (by 0.6 percent), ADR by 0.7 percent and revenue by 0.7 percent.

According to star classification, the more concerned of the performance in their hotels in 2009 were the hoteliers from 5-star hotels where the average decline of all three performance indicators would be for 0.6 percent. For the same period, 60 percent of 4-star hotels have forecasted the average growth of hotel performance for 5 percent.

The average hotel performance sentiment score, by the opinion of the respondents from Macedonia, is positive (27.4).

RATIO OF RESPONSES



“The stock market performance followed by global/local economic growth trends are the primary concerns for the hoteliers from Macedonia in 2009.”

FACTORS AFFECTING PERFORMANCE RANKING

1. New Competitive Supply	65.6
2. Local Tourism Trends	18.8
3. Global Oil Prices	9.4
4. Currency Exchange Rates	-18.8
5. Global Economic Growth Trends	-56.3
6. Local Economic Trends	-56.3
7. Local/Global Stock Market	-56.3

FACTORS AFFECTING PERFORMANCE

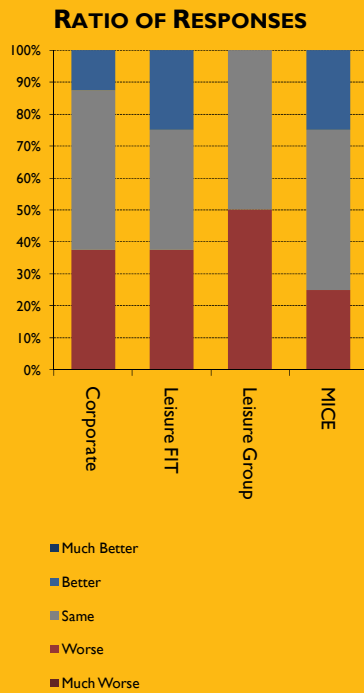
Hoteliers were also asked to gauge their attitude towards seven factors and their influence on the hotels’ performance in 2009.

Based on the opinion of hoteliers from Macedonia, the most negative impact on hotel performance have stock market performances and global/local economic trends since 75 percent responses indicate their negative influence in 2009. On the other hand, 88 percent of hoteliers foresee new competitive supply as positive factor for the growth of hotel performance. In the same time, around 70 percent of the respondents selected exchange rates and global oil prices as irrelevant factors for their hotels’ performance.

Utilizing the index, half of choices registered negative results, indicating their negative effect on performance. The contributors perceived that the worsening of stock market performance and global/local economy will have very harmful impact on hotel performance (the equal lowest score of negative 56 points). As the most positive factor hoteliers perceived new competitive supply since those factors got the highest positive score.

All hoteliers from 5-star hotels had opinions in line with average Macedonian scores. The hoteliers from 4-star hotels have negative opinion about all factors but mostly about stock market performance.

The average score for all listed factors, by the opinion of the respondents from Macedonia, is -13.4.



"47 percent stated that performance of all segments will stay the same"

MARKET SEGMENT PERFORMANCE	
1. MICE	0.0
2. Leisure FIT	-9.4
3. Corporate	-18.8
4. Leisure Group	-37.5

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to primary market demand segments and their expected performance in 2009.

The majority of hoteliers from Macedonia had uniform opinion, since 47 percent of them stated that the future performance of all primary segments will stay the same. 38 percent of Macedonian hoteliers believe that primary demand will get worse in 2009. Almost 70 percent of the hoteliers stated that MICE and Corporate segment will generate the same or better demand in 2009.

Employing the scoring system to obtain an average score, almost all segments yielded negative results, indicating that respondents generally think performance across all segments will suffer this year. The participants believe that Leisure Groups will be more affected this year as it scored the lowest result (-38).

67 percent hoteliers from 5-star hotels believe that the demand from primary segments will get worse. On the other side, more than 30 percent of 5-star hoteliers stated that segments' demand will increase for all segments except Leisure Groups. Four star hoteliers have optimistic expectations too. 20 percent of them believe in better performance of MICE and Corporate segments.

The average score for the performance of primary segments, by the opinion of the respondents from Macedonia, is -16.

CONCLUSIONS

Hoteliers in Macedonia generally expect a tough year with respect to overall hotel market situation. The expectations of the hoteliers from this country are more optimistic than others from South East Europe.

Market-wide will get worse and the majority of the contributors projected that the average individual property performance in all three measures, room occupancy, average room rates and total revenue will slightly grow in 2009 for 0.7 percent. The main reason for this is that Macedonian hoteliers expect slow decline of demand in 2009.

Half of the seven factors were estimated to have a negative effect on performance but stock market performance and global/local economic trends were perceived to have the most severe effect. However, some positive effects on hotel performance in 2009 would come as a consequence of new competitive supply.

The equal concerns of the hoteliers from this country are related with the decline of demand from all primary segments in 2009. The most pessimistic were the hoteliers from five star hotels that foreseen the majority of declines. Among all primary demand segments, by the opinion of Macedonian hoteliers, the performance of Leisure Groups will be more affected in 2009.

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