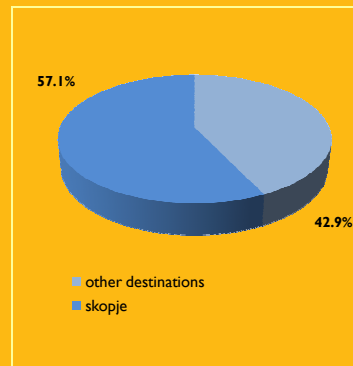


MACEDONIA HOTEL MARKET SENTIMENT SURVEY

July 2009

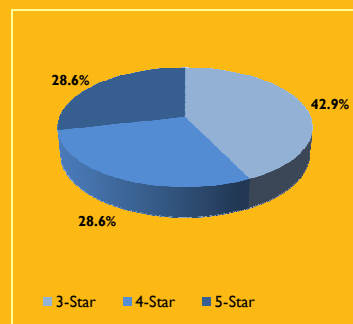
SHARE OF RESPONDENTS

BY DESTINATIONS



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 future market outlook. The survey, as part of the global initiative, focuses on the outlook for occupancy, average room rates and total revenue.

In this midyear 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 the responses of Macedonian hoteliers. 57 percent of them came from the capitol city and the rest from other destinations. The same shares of the contributions were from 5-star and 4-star hotels (28.6 percent) and the rest of 43 percent were from 3-star hotels.

In the time when the financial crisis is still affecting all over the world, it is not surprising to get the negative assessment of the outlook for 2009. On the other side, this being the second Horwath HTL survey this year, we have been able to compare results with the previous sentiment scores in order to give a more in depth analysis of national and regional future hotel performance.



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SENTIMENT RANKINGS

By Star Classification	Score	
	July	Feb
1. Five Star	15.6	-13.7
2. Three Star	12.5	n.a.
3. Four Star	-46.9	4.9

"Macedonian hoteliers are now a little bit more pessimistic about the outcome of 2009. The average level of expectations has dropped down for 32 percent."

RANKING SCORE KEY

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

SENTIMENT RANKINGS

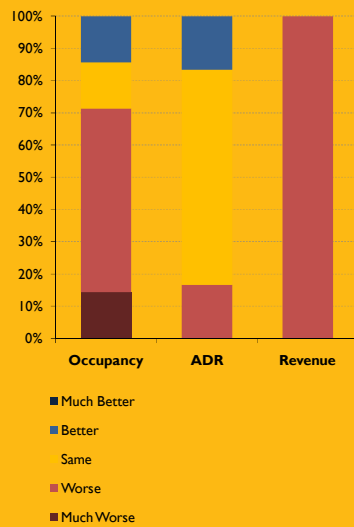
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 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.

From the results of the global survey, it is visible that the sentiments of hoteliers across all countries have been clearly affected by the global economic crisis. Macedonian market sentiment for the second half of the year was more pessimistic than the outlook at the beginning of this year but still among the most optimistic ones. The average sentiment score drop down for 32 percent (from -2.7 down to -3.6). This shows that the current crisis has a little stronger impact on the local hotel market outlook but the real impact is not visible as in the other countries. The average national score is 92 percent higher than the regional average (-42.5) and for 94 percent above the European average score (-55).

Macedonian hoteliers from the capitol city have shown more negative sentiment for the second half of 2009 than at the beginning of this year. All Macedonian destinations are now more pessimistic being more realistic in their opinion than in the last survey.

Looking to the level of pessimism among different hotel categories, the current situation is opposite to the result of the first survey. Comparing 5-star and 4-star hoteliers, the first ones were more pessimistic in February (from negative up to positive score) while the second ones were more optimistic in February since their average score is now much lower and very negative.

RATIO OF RESPONSES



“All Macedonian hoteliers replied that the revenue performance in the first half of the year was worse than what had been expected in February.”

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.	Avg
1. Three Star	-25	38	-75	-21
2. Four Star	-75	0	-75	-50
3. Five Star	-75	-38	-75	-63

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, 71 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, while just 14 percent stated that the performance is better. This shows the full effect the crisis had on demand in an industry which was expecting a lower impact; only 25 percent of hoteliers expected a decrease in occupancy in our February survey.

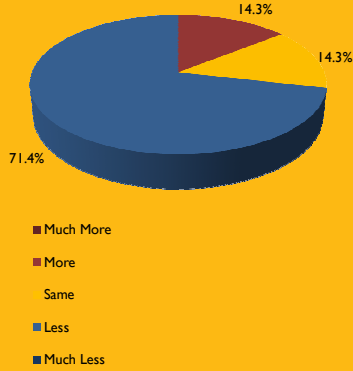
Only 33 percent of Macedonian 3-star hoteliers stated that the occupancy is better than it was expected. The crisis affected all the other hoteliers among which mostly the 5-star hoteliers since 100 percent of them see worse occupancy than expected.

The ADR situation among the hoteliers was much less pessimistic than the occupancy performance. The majority of negative responses came from 5-star hotels where 50 percent of the respondents see that the ADR is worse than expected. All the other hoteliers see the ADR situation better or the same as expected.

Macedonian expectations in February concerning the resulting revenues were more optimistic than the performance of the first half of the year. In this second survey, all Macedonian hoteliers (100 percent of them) revealed that revenue was worse than what had been expected at the beginning of the year. This means that the current crisis affects all types of revenues, not only rooms revenues, and is more visible than before. Also, this gives the overall negative impact of lower demand which could not be overcome by relatively good ADR situation.

The average first half market performance score for Macedonia is -42.9.

RATIO OF RESPONSES



"The majority of Macedonian respondents had a good view on crisis impact in February. After first half of 2009 they have experienced less impact on demand."

IMPACT OF FINANCIAL CRISIS

1. Three Star	75.0
1. Five Star	75.0
3. Four Star	-37.5

THE IMPACT OF THE FINANCIAL CRISIS

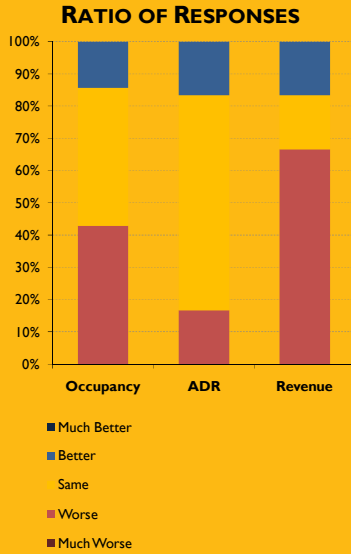
The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When hoteliers were asked if the crisis had impacted their demand as expected, only 14 percent responded that demand had been affected more than expected and 71 percent that the impact on demand was less than expected.

More affected were hoteliers from other destinations than those from Skopje. 33 percent of the hoteliers from other cities responded that the impact was worse than expected while all those from capital city were affected less or the same as expected.

Beside expected decreases of demand, Macedonian hoteliers did not foresee the real extent of the financial crisis. The majority of them stated that the crisis affected demand less than expected. The 3-star and 5-star hoteliers had the best view on the impact in February since 100 percent of them had been affected less than expected. Only the hoteliers from 4-star hotels had been affected more than expected (50 percent of them).

The average score of financial crisis impact on demand for Macedonia is +43.



"17 percent of Macedonian hoteliers expect higher market-wide revenues in the second half of 2009 compared with second half of 2008."

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
1. Five Star	13	0	38	0
2. Three Star	-21	-25	0	-38
3. Four Star	-50	-38	-38	-75

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 market-wide hotel occupancy, average room rate and hotel revenues.

42 percent of respondents stated that they expect all performance measures to perform worse in the second half of the year in comparison to the second half of last year. The same share of respondents stated that the overall performance will be the same as in last year.

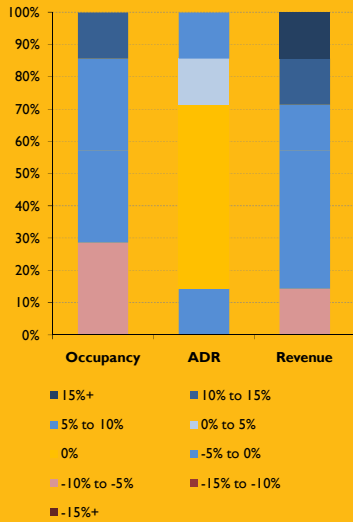
Occupancy scored an average sentiment score of negative 21 wherein 43 percent of respondents expect declines in occupancy levels vis a vis the second half of 2008. The most pessimistic were the hoteliers from Skopje where 75 percent of respondents expect major declines in occupancy. 16 percent of Macedonian hoteliers expect some growth of occupancy until the end of the year whereas the most optimistic were hoteliers from 5-star hotels.

The national average sentiment with regard to ADR expectations in second half of the year scored neutral zero. The hoteliers were more positive in the case of ADR changes since only 17 percent of them expect worse ADR in second half of 2009, than it was realised in last year. The pessimism is the highest among 4-star hoteliers since half of them expected to achieve worse ADR than in second half of 2008.

Revenues recorded the lowest sentiment score, negative 38, with more than 65 percent of Macedonian hoteliers expecting lower revenues in the second half of 2009 compared with the second half of 2008. The level of pessimism was the highest among 4-star hotels since all of them expect lower revenues in 2009 than in 2008. Half of other hoteliers expect revenue declines too.

The average Macedonian score for performance comparison of second half of 2009 to 2008 is -20.

RATIO OF RESPONSES



“The average change in particular hotels’ performance expected in the second half of 2009, is +1.7%. This is the increase higher for more than double than it was expected in February, when the average expected hotel performance growth rate was 0.7%.”

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
1. Three Star	46	50	13	75
2. Five Star	19	0	38	19
3. Four Star	-44	-56	-19	-56

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.

More than 42 percent of Macedonian hoteliers expect to see a drop down in hotel performance for up to 10 percent and 33 percent of Macedonian hoteliers expect to the increase of more than 5 percent compared to last year.

57 percent of hoteliers expect occupancy to decrease in their hotels between 5 and 10 percent. The average occupancy change for all Macedonian respondents was 0.7% since 43 percent of hoteliers expect to have the increase of demand in their hotels. The hoteliers from Skopje expect drop down for -2.5% while in the other destinations the occupancy is expected to grow up for 5 percent. The most pessimistic were 4-star hoteliers who expect occupancy declines in their hotels for -7.5% while on the other side the 3-star hoteliers expect occupancy growth of 6.7%. The 5-star hotels, on average, do not expect any occupancy changes.

The national sentiment score for ADR was even more optimistic with an average score of +10.7 or average ADR growth of 1.4%. Expected average changes of ADR compared to last year, are as follows: in 5-star hotels ADR is expected to change for +5%, in 4-star hotels for -2.5% and in 3-star hotels +1.7%.

Regarding hotel revenues, the average change are expected to be by +2.9%. Average score for revenue changes in Macedonian hotels is +21. More optimism, again, there is outside capitol city (hotels’ revenue growth of 8.3%) and 3-star hotels (growth of 10%). 4-star hotels expect revenues’ declines by -7.5% while the 5-star hotels expect slight increase of revenues for +2.5%.

The average Macedonian score for hotel performance comparison of second half 2009 to 2008 is +12.5.

CONCLUSIONS

The impact of the current financial crisis is seen to have affected all corners of the world, and Europe has scored the lowest sentiment score in expectation to see continued strong declines in performance in the second half of the year.

Hoteliers in Macedonia are now slightly more aware of crisis and its impact on market-wide outcome of this year. After first half of 2009 they have experienced more negative impact on demand so their average level of expectations drop down for 32 percent (from -2.7 down to -3.6) which is still among less pessimistic European countries.

Exactly the same share of the contributors (42 percent) projected that performance in all three performance indicators, room occupancy, room rate and total revenue, will decline or stay the same in the second half of the year as in 2008. The average change in particular hotels' performance expected in the second half of 2009 compared to 2008, is +1.7%. This is more than doubled growth than it was expected in February, when it was +0.7%. Higher increases are expected in ADR (for 1.4%) than in room occupancy (0.7%). By the opinion of Macedonian hoteliers, total revenues in their hotels will change for average +2.9% meaning that in some hotels there is more optimism regarding the performance of other hotel services beside rooms. The most pessimistic Macedonian hoteliers are those from 4-star hotels in Skopje which expect to realise until the end of 2009 decrease of 5% compared to last year.

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