

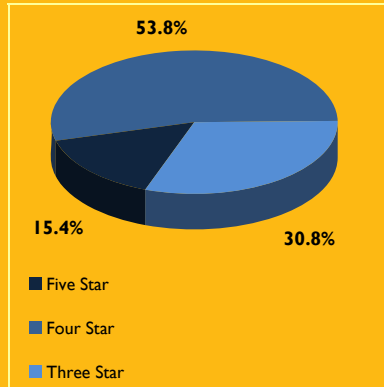


MONTENEGRO HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Montenegro 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 13 respondents, which represent 21 percent of total Montenegrin hotel sample. 30 percent of them came from continental destinations and the rest from seaside area. The majority of the contributions were from 4-star hotels (54 percent), followed by 3-star (31 percent) and 5-star (15 percent).

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



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SENTIMENT RANKINGS

By Star Classification	Score
1. Five Star	-26.5
2. Three Star	-33.1
3. Four Star	-46.8

"An average sentiment score of negative 39.5 clearly indicates that hoteliers across country are expecting major 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

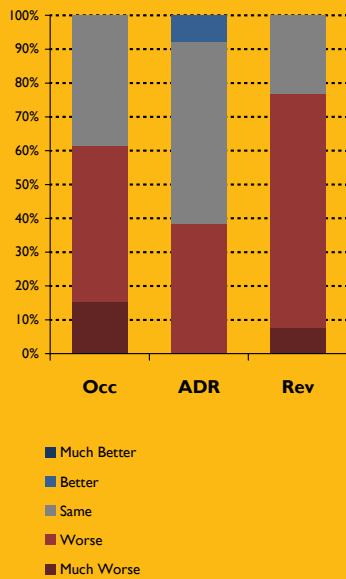
As a way to measure and compare the results across markets, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in 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 Montenegro was rather pessimistic with an average score of negative 39.5. The average national score is by 53 percent lower than the regional average (-25.8) and for 16 percent lower than average global score. The reasoning for this difference between regional and national score is in higher pessimism of Montenegrin hoteliers because of global crisis that is not yet completely visible in the region and in the fact that it is not realistic to expect in this year the growth trend, which happened in Montenegrin hotels in last years.

Looking to the level of optimism among the hotels of different category, the five star hotels had the highest sentiment score. On the other side, the hoteliers from four star hotels were more pessimistic with the score much bellow national and global average.

RATIO OF RESPONSES



“62 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008 and none of the others that the performance would get better.”

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	-37.5	-18.8	-37.5
2. Five Star	-37.5	-37.5	-75.0
3. Four Star	-75.0	-21.4	-75.0

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.

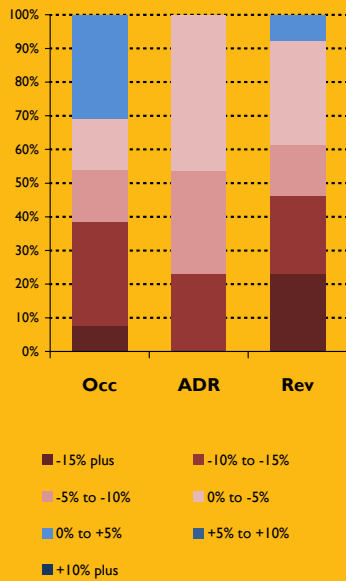
In response to expectations on market-wide occupancy performance, 62 percent of the hoteliers replied that matters will get worse and 39 percent stated that there will be no changes. Montenegrin hoteliers were more pessimistic than the majority of the hoteliers in the South East Europe since none of them expected better market performance. Half of the hoteliers from five and four star hotels believe that the market-wide occupancy will stay the same as in 2008. The hoteliers from three star hotels were more pessimistic since 29 percent of them had this kind of expectations. The average market-wide occupancy ranking score for Montenegrin hoteliers was negative 58.

The hoteliers from 5-star hotels have the same expectations about ADR performance as for market-wide occupancy. 4-star hoteliers had an opposite opinion about ADR than about occupancy since 71 percent of them thought that ADR will not change in 2009. More optimistic were only the hoteliers from 3-star hotels since 25 percent of them expect growth of ADR in 2009. The average ranking score for ADR performance in 2009 was negative 23.

The majority or 77 percent of the respondents had bleak sentiments about the market’s future revenue performance while merely 23 percent stated that revenue will follow last year’s trend. The most optimistic hoteliers were from three star hotels since 50 percent of them responded that the revenue situation will stay the same as in 2008.

The average market performance sentiment score, by the opinion of the respondents from Montenegro, is -48.

RATIO OF RESPONSES



"Based on the averages of three performance indicators measured for 2009, the hotel performance in the country will decline by almost 9 percent."

HOTEL PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	-12.5	-62.5	-37.5
2. Four Star	-57.1	-21.4	-64.3
3. Five Star	0.0	-50.0	-100.0

HOTEL PERFORMANCE

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

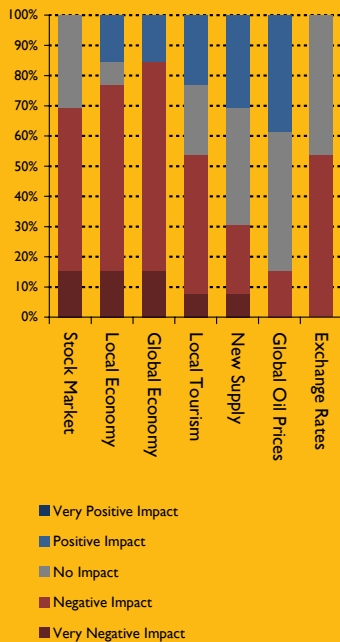
The majority of 69 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy. All Montenegrin hoteliers (100 percent) believed that ADR will experience the same fate while 92 percent replied that revenues will follow the same trend. However, 31 percent of the respondents believed that the occupancy in their hotels will improve up to 5 percent. Because of this slight optimism, 8 percent of the respondents believed that the revenues in their hotels will increase for not more than 5 percent in 2009.

Based on the Montenegrin averages, the hotel occupancy will decline in 2009 compared to 2008, by 6.9 percent, ADR by 8.9 percent and revenue by 10.8 percent.

According to star classification, the most concerned of occupancy in their hotels in 2009 were the hoteliers from 4-star hotels where 57 percent of responses indicated a decline of more than 10 percent. For the same period, 50 percent of 5- and 3-star hotels have forecasted the average growth of occupancy for almost 5 percent. Having in mind that none of the hoteliers believed in growth of ADR in 2009, the slight (for not more than 5 percent) revenues' growth was perceived in 25 percent of 3-star hotels only. The average decrease of all three performance indicators is the lowest in 3-star hotels (by 7.5 percent), than in 5-star hotels (by 9.2 percent) and the highest in 4-star hotels (by 9.5 percent).

The average hotel performance sentiment score, by the opinion of the respondents from Montenegro, is -44.9.

RATIO OF RESPONSES



“Global economic growth trends and stock market performance are the primary concerns for the hoteliers from Montenegro in 2009.”

FACTORS AFFECTING PERFORMANCE RANKING

1. Global Oil Prices	17.3
2. New Competitive Supply	-5.8
3. Local Tourism Trends	-28.8
4. Currency Exchange Rates	-40.4
5. Local Economic Trends	-57.7
6. Local/Global Stock Market	-63.5
7. Global Economic Growth Trends	-63.5

FACTORS AFFECTING PERFORMANCE

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

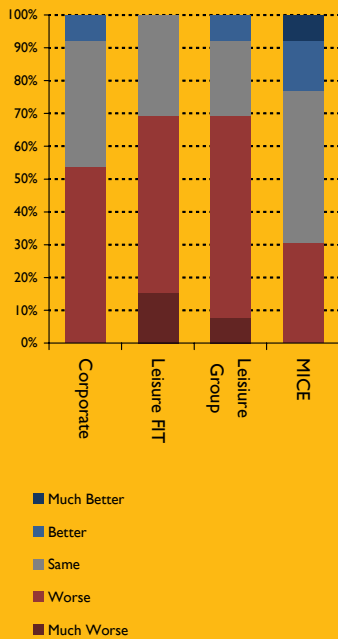
Based on the opinion of hoteliers from Montenegro, the most negative impact on hotel performance have global economic trends since 85 percent responses indicate their negative influence in 2009. The second of which the hoteliers were concerned is local economy, which had negative response rate of 77 percent. On the other hand, almost 40 percent of hoteliers foresee global oil prices’ trend as the most positive factor for the growth of hotel performance but in the same time as one of mostly irrelevant factors together with exchange rates (equal share of 46 percent of responses).

Utilizing the index, majority of choices registered negative results, indicating their negative affect on performance. The contributors perceived that the worsening of global economy and local/global stock market will likely have the most harmful impact on hotel performance (the lowest scores of negative 64 points). As the most positive factor hoteliers perceived global oil prices since that factor got the highest score.

All Montenegrin destinations are concerned with almost all listed factors except with global oil prices, which they see as positive factor. For the hoteliers from 5-star hotels, the stock market performance is the most important factor for declines in 2009. However, these hoteliers believe in the positive impact of global oil prices, local tourism trends and new competitive supply. The hoteliers from 4-star hotels have negative opinion about all factors while the 3-star hoteliers are mostly concerned about stock market performance.

The average score for all listed factors, by the opinion of the respondents from Montenegro, is -34.6.

RATIO OF RESPONSES



"56 percent stated that performance of all segments will get worse, mainly because of the lesser demand from leisure guests"

MARKET SEGMENT PERFORMANCE

1. MICE	0.0
2. Corporate	-34.6
3. Leisure Group	-51.9
4. Leisure FIT	-63.5

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 the respondents (69 percent) had negative opinions about the future performance of both leisure segments. Equal share of the Montenegrin hoteliers (42 percent) stated that the demand from MICE and Corporate segment will be either negatively harmed or stay the same as in 2008. On the other side, only 10 percent of the hoteliers believe that the demand from all primary segments will get better.

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 the MICE segment will be less or not affected this year as it scored the neutral zero result.

All hoteliers from 5-star hotels believe that the demand from Leisure FIT and Corporate segment will get worse. Half of the 5-star hoteliers have the positive expectations from Leisure Groups and MICE guests. MICE segment got the highest but still negative score from 3-star hoteliers, while the demand from all other segments is of their equal high concern. Four star hoteliers have the highest expectations from MICE guests since 86 percent of their respondents believe in the equal or better performance of this segment in 2009.

The average score for the performance of primary segments, by the opinion of the respondents from Montenegro, is -38.

CONCLUSIONS

Hoteliers in Montenegro generally expect a tough year with respect to overall hotel market situation. The expectations of the hoteliers from this country are between the most pessimistic in the 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 decline in 2009 for 9 percent. The main reason for this is that Montenegrin hoteliers expect major declines of revenues in 2009 affected primary by high decrease of ADR.

Almost all of the seven factors were estimated to have a negative effect on performance but global economic trends and stock market performance were perceived to have the most severe effect. The only positive factor, perceived by Montenegrin hoteliers, is the global change of oil prices.

The most concerns of the hoteliers from this region are related with the decline of demand from leisure segments in 2009. The most pessimistic were the hoteliers from three star hotels that foreseen the majority of declines. Among all primary demand segments, by the opinion of Montenegrin hoteliers, the performance of MICE segment will be less or not affected in 2009.

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