



MONTENEGRO HOTEL MARKET SENTIMENT SURVEY

July 2009

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

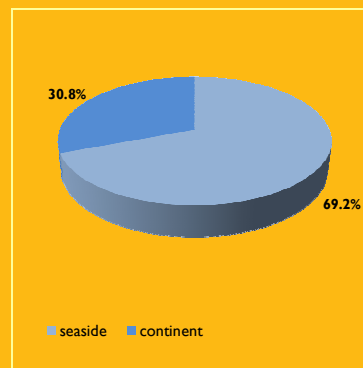
In this midyear survey, hoteliers have also been asked to make comments on their expectations for the coming semester in comparison to the second half of last year, as well as comment on the impact the crisis has had on room night demand.

This report summarizes the outcome of the survey, gathered from the responses of Montenegrin hoteliers, out of which 69 percent were from seaside destinations and the rest from continental destinations. The majority of contributions came from 4-star hotels (54 percent) and the rest from the hotels with 5-star and 3-star category.

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.

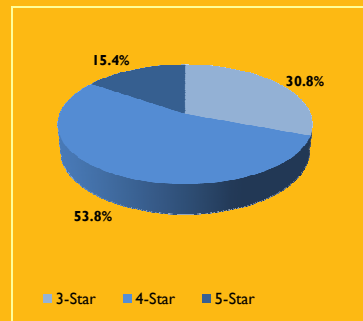
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



www.HorwathHTL.com

SENTIMENT RANKINGS

By Star Classification	Score	
	July	Feb
1. Three Star	-20.3	-33.1
2. Five Star	-40.6	-26.5
3. Four Star	-86.6	-46.8

"Montenegrin hoteliers are now even more pessimistic about the outcome of 2009. The average level of expectations has dropped down for 50 percent."

RANKING SCORE KEY

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

SENTIMENT RANKINGS

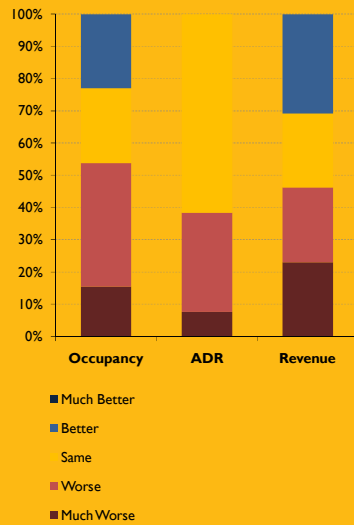
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 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. Montenegrin market sentiment for the second half of the year was more pessimistic than the outlook at the beginning of this year. The average sentiment score drop down for 50 percent (from -39.5 down to -59.1). This shows that the current crisis has much stronger impact on the local hotel market outlook than it was expected. The average national score is 39 percent lower than the regional average (-42.5) and almost on the level of the European average score (-55).

Montenegrin hoteliers from the coastal resorts have shown more negative sentiment for the second half of 2009 than at the beginning of this year (score of -73). All inland destinations are now more pessimistic too, being more realistic in their opinion that this year will not be as good as the last one.

Looking to the level of pessimism among different hotel categories, 3-star and 5-star hoteliers have changed their rankings. Five star hotels have suffered from the beginning of this year in the region and the guests have changed their accommodation to cheaper one. That is the reason why the score of 3-star hotels went up for 39 percent. Again, the 4-star hoteliers were the most pessimistic having the lowest score, that is much below European average, and the drop down of their score from February was the highest (for 85 percent).

RATIO OF RESPONSES



“Montenegrin hoteliers were very realistic in their expectations in the February. However, in this 2nd survey, 46 percent of them 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. Five Star	0	-38	38	0
2. Three Star	-19	-19	-19	-19
3. Four Star	-54	-43	-54	-50

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, 54 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, while the same share of respondents (23 percent) replied that the actual performance was better or just as expected. This shows the full effect the crisis had on demand in an industry which was already expecting a tough year; 62 percent of hoteliers expected a decrease in occupancy in our February survey.

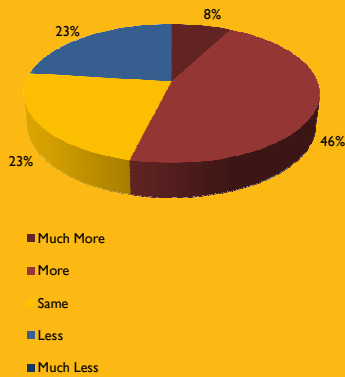
All Montenegrin 5-star hoteliers stated that the occupancy is in accordance with their expectations. The crisis affected all the other hoteliers among which mostly the 4-star hoteliers since 71 percent of them see worse demand situation than expected.

The ADR situation among the hoteliers was also pessimistic but the negative opinions were more evenly distributed. None of the respondents realised better ADR than expected. The majority of the respondents had a good vision at the beginning of this year since 62 percent of Montenegrin hoteliers have experienced the same ADR as expected.

Montenegrin expectations in February concerning the resulting revenues were very realistic. In this second survey, 46 percent of Montenegrin hoteliers revealed that revenue was worse than what had been expected at the beginning of the year. The worst situation was in 4-star hotels where 57 percent replied that the revenues were worse than expected. Again, 5-star hotels have experienced the revenues on the level of their earlier expectations or even better. The reason for this was that in February, they were rather pessimistic.

The average first half market performance score for Montenegro is -33.

RATIO OF RESPONSES



“The majority of Montenegrin respondents had a worse impact on demand than they had been expected in February.”

IMPACT OF FINANCIAL CRISIS

1. Three Star	0
1. Four Star	-32
3. Five Star	-75

THE IMPACT OF THE FINANCIAL CRISIS

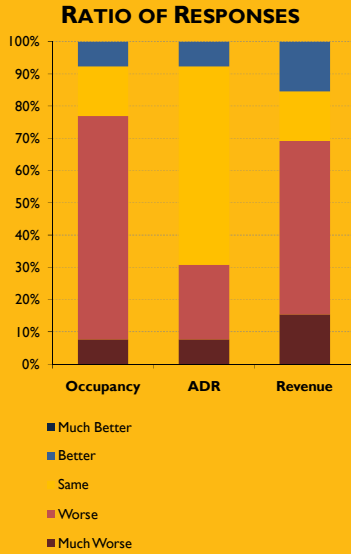
The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When hoteliers were asked if the crisis had impacted their demand as expected, 54 percent responded that demand had been affected more than expected and 23 percent that the impact on demand was less than expected.

More affected were hoteliers from the seaside region since 56 percent of them responded that the impact was worse than expected while 50 percent of continental hotels were affected less than expected.

All 5-star hoteliers had the worst impact of financial crisis than they have been expected in February. The lesser impact had been experienced among 4-star hotels (43 percent worse impact and 43 percent exactly the same). 50 percent of the hoteliers from 3-star hotels were affected less than expected but the same share had experienced worse impact on demand.

The average score of financial crisis impact on demand for Montenegro is -29.



“70 percent of Montenegrin hoteliers expect lower market-wide revenues in the second half of 2009 compared with second half of 2008, mostly because of major declines in occupancy.”

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
1. Three Star	0	0	19	-19
2. Five Star	-38	-75	-38	0
3. Four Star	-71	-86	-43	-86

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.

59 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. Only 10 percent of respondents stated that the overall performance will be better than in last year.

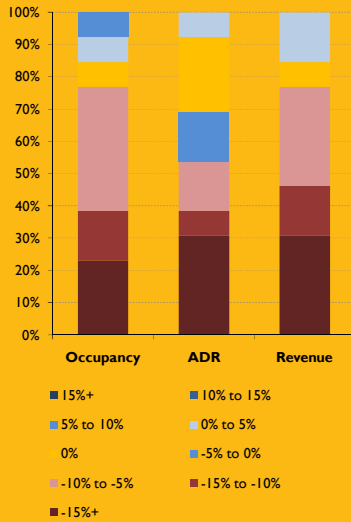
Occupancy scored an average sentiment score of negative 58 wherein 77 percent of respondents expect declines in occupancy levels vis a vis the second half of 2008. The most pessimistic were the hoteliers from seaside region where all of the respondents expect major declines in occupancy. 8 percent of Montenegrin hoteliers expect some growth of occupancy until the end of the year and those were only from 3-star hotels.

The national average sentiment with regard to ADR expectations in second half of the year scored -23. The hoteliers were more positive in the case of ADR changes since only 31 percent of them expect worse ADR in second half of 2009 and almost 62 percent believe that the achieved ADR will be the same as in 2008. The pessimism is the highest among 5-star hoteliers since half of them expected to achieve worse ADR than in second half of 2008.

Revenues recorded the sentiment score of negative 52, with 70 percent of Montenegrin hoteliers expecting lower revenues in the second half of 2009 compared to second half of 2008. The level of pessimism was the highest among 4-star hotels in the seaside region since 90 percent of them expect revenues' declines in 2009.

The average Montenegrin score for performance comparison of second half of 2009 to 2008 is -44.

RATIO OF RESPONSES



“The average change in particular hotels’ performance expected in the second half of 2009, is -9.9%. This is the decrease slightly lower than it was expected in February, when it was -9%.”

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
1. Three Star	-41	-28	-47	-47
2. Five Star	-44	-38	-56	-38
3. Four Star	-102	-107	-86	-113

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 33 percent of Montenegrin hoteliers expect to see a drop down in hotel performance for up to 10 percent and 41 percent of them expect even higher declines.

77 percent of hoteliers expect occupancy to decrease in their hotels between 5 and 15 percent. The average occupancy change for all Montenegrin respondents was -9.6% since 15 percent of hoteliers expect to have the increase of demand in their hotels. The hoteliers from continental destinations expect drop down for -6.3% while in the seaside region the occupancy is expected to go down for 11 percent. The most pessimistic were 4-star hoteliers who expect occupancy declines in their hotels for -14.3% while on the other side the 3-star hoteliers expect occupancy decrease of only -3.8%. The 5-star hotels, on average, expect the occupancy changes of -5%.

The national sentiment score for ADR was on the similar level with an average score of -69 or average ADR decrease of -9.2%. Expected average changes of ADR compared to last year, are as follows: in 5-star hotels ADR is expected to change for -7.5%, in 4-star hotels for -11.4% and in 3-star hotels -6.3%.

Regarding hotel revenues, the average change is expected to be by -11%. Average score for revenue changes in Montenegrin hotels is -81. More pessimism, again, there is in seaside region (hotels’ revenue decline of -12%) and 4-star hotels (decline of -15%). 3-star hotels expect revenues’ declines by -6.3% while the 5-star hotels expect slightly lower decrease of revenues (for -5%).

The average Montenegrin score for hotel performance comparison of second half 2009 to 2008 is -74.

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 Montenegro are now even 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 drops down for 50 percent (from -39.5 down to -59.1) which is among rather pessimistic European countries.

More than half (59 percent) of Montenegrin hoteliers 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 -9.9%. This is very close to their expectations in February, when it was -9%. Higher decreases are expected in room occupancy (for -9.6%) than in ADR (-9.2%). By the opinion of Montenegrin hoteliers, total revenues in their hotels will change for average -11%. The most pessimistic hoteliers are those from 4-star hotels in seaside region which expect to realise until the end of 2009 decrease of their performance for -12.5% compared to last year.

Other Market Sentiment Reports

BY REGION

ASEAN Benelux Europe Northeast Asia South East Europe

BY COUNTRY

Australia Austria Belgium Bulgaria Canada China
 Croatia Czech Republic France Germany Hungary India
 Indonesia Italy Japan Macedonia Montenegro Mexico
 Netherlands Norway Romania Serbia South Africa Spain

BY CITY/ DESTINATION

Beijing Hong Kong Shanghai Shenzhen

Horwath HTL - Office Locations

ASIA PACIFIC

Auckland, New Zealand
Auckland@HorwathHTL.com

Beijing, China
Beijing@HorwathHTL.com

Hong Kong, SAR
HongKong@HorwathHTL.com

Honolulu, USA
Hawaii@HorwathHTL.com

Jakarta, Indonesia
Jakarta@HorwathHTL.com

Kuala Lumpur, Malaysia
KL@HorwathHTL.com

Mumbai, India
vthacker@HorwathHTL.com

Shanghai, China
Shanghai@HorwathHTL.com

Singapore, Singapore
Singapore@HorwathHTL.com

Sydney, Australia
Sydney@HorwathHTL.com

Tokyo, Japan
Tokyo@HorwathHTL.com

EUROPE

Amsterdam, Netherlands
hoogendoorn@horwath.nl

Andorra la Vella, Andorra
JParis@HorwathHTL.es

Barcelona, Spain
PPitarch@HorwathHTL.es

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
knospe@HorwathHTL.de

Kiev, Ukraine
HRodriguez@horwath.com.ua

London, UK
VMarti@HorwathHTL.es

Madrid, Spain
vmarti@horwathconsulting.com

Moscow, Russia
Moscow@horwathconsulting.net

Paris, France
pdoizelet@HorwathHTL.fr

Rabat, Morocco
glanfray@HorwathHTL.fr

Rome, Italy
aiadecola@horwathhtl.it

Salzburg, Austria
kploberger@horwathhtl.at

Tunis, Tunisia
glanfray@horwathhtl.fr

Zagreb, Croatia
sanja.cizmar@horwath.hr

NORTH/CENTRAL AMERICA

Atlanta, USA
mbeadle@horwathhl.com

Dallas, USA
rbesse@horwathhl.com

Denver, USA
jmontgomery@horwathhl.com

Los Angeles, USA
ynathraj@horwathhl.com

Mexico City, Mexico
bbasave@horwath.com.mx

Montreal, Canada
horwath@horwath-lariviere.com

Palm Beach, USA
staylor@horwathhl.com

San Francisco, USA
jhiser@HorwathHTL.com

Santo Domingo, Dominican Republic
sotero@codetel.net.do

Toronto, Canada
horwath@hhgi.com

SOUTH AMERICA

Buenos Aires, Argentina
ochudnobsky@HorwathHTL.com

AFRICA

Cape Town, South Africa
Capetown@HorwathHTL.co.za

MIDDLE EAST

Beirut, Lebanon
kamelac@horwathac.com