



MÉXICO HOTEL MARKET SENTIMENT SURVEY

February 2009

INTRODUCTION

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

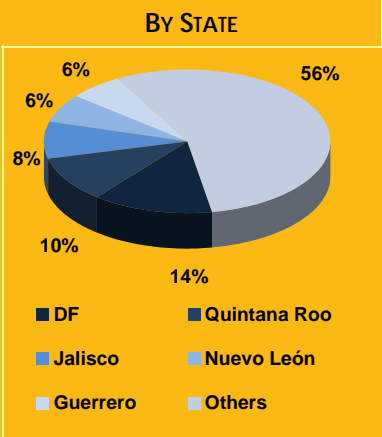
Hoteliers have also been asked to make comments on the impact of key factors that drive room night demand growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey, gathered from responses across all States of Mexico. Of all total responses, 14 percent of them came from Distrito Federal (Mexico City) followed by Quintana Roo (10 percent), Jalisco with 8 percent, Nuevo León (6 percent) and Guerrero (6 percent). In addition 59 percent of the participants were hotels from city destinations and the remaining 41% were properties from beach destinations.

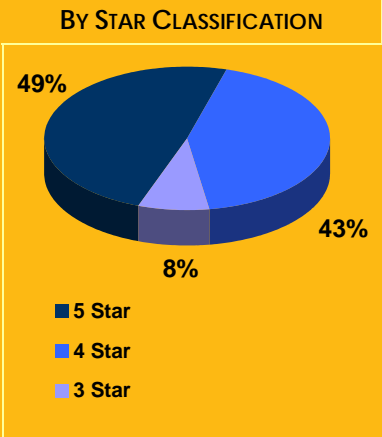
In regards to the star classification of the participating properties, the majority of the contributions were from 5 star hotels (49 percent), followed by 4 star (41 percent) and 3 star (9 percent).

At the current point in time, with the financial crisis affecting all corners of the world including Mexico, it is not surprising to find most markets across Mexico with a negative assessment of the outlook for 2009. This is in line with our survey findings of the Global Hotel Market Sentiment Survey conducted concurrently.

SHARE OF RESPONDENTS



SHARE OF RESPONDENTS



SENTIMENT RANKINGS

By State (with highest response rates)	Score
1. Jalisco	-13.1
2. Distrito Federal	-17.2
3. Guerrero	-18.4
4. Quintana Roo	-30.2
5. Nuevo León	-35.5
By Star Classification	Score
1. 4 star	-22.2
2. 3 star	-22.9
3. 5 star	-26.6
By Type Destination	Score
1. City	-18.1
2. Beach	-32.9

"A national sentiment score of negative 24.5 indicates that hoteliers across Mexico are expecting 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

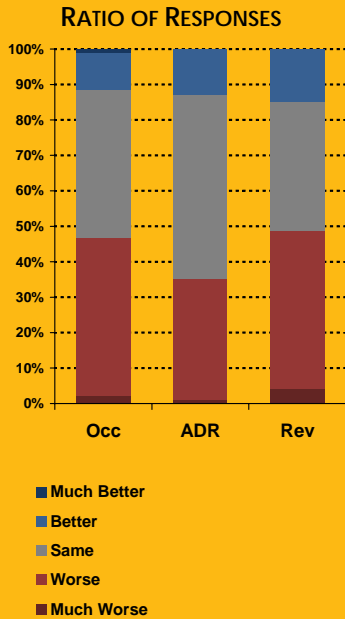
As a way to measure and compare the results across the different destinations in Mexico, we have created an index to formulate an overall average sentiment score from all survey questions. Points were assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 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 to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

The sentiments of hoteliers across all States in Mexico have been affected by the global economic crisis, visible from the results. General Market Sentiment of Mexico was more optimistic than the Global one (negative 34.2) with a national average score of negative 24.5.

Hoteliers in all States expected a bleak outlook in 2009, with Nuevo León registering the lowest score of negative 35.5. Market sentiment in Jalisco registered the highest average score of negative 13.1 among the most participative States.

In regards to the star classification, 4 star hotels registered the highest score at negative 22.2. Lowest score was recorded by 5 star hotels with negative 26.6.



"46.9 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 11.4 percent said it would be better."

	Occ,	ADR	Rev.
1. Jalisco	-18.8	-18.8	-9.4
2. Distrito Federal	-11.5	-11.5	-28.8
3. Quintana Roo	-15.0	-37.5	-45.0
4. Guerrero	-37.5	-37.5	-37.5
5. Nuevo León	-50.0	-50.0	-62.5

MARKET PERFORMANCE

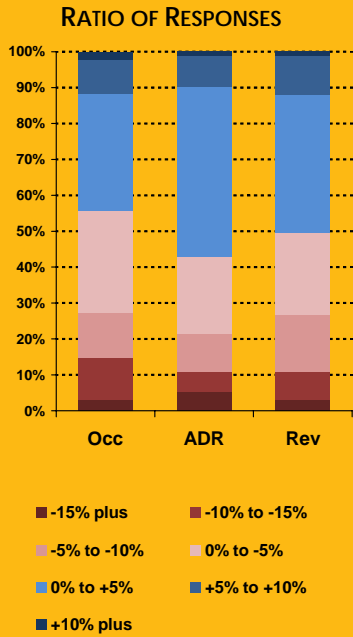
The first survey question dealt with the contributors' outlook on their markets' performance in 2009 as opposed to 2008.

In response to expectations on market-wide occupancy performance, 46.9 percent of the hoteliers replied that matters will get worse, 41.7 percent said that things will remain the same while 11.6 percent stated that things will get better.

Most of the participants (52.1 percent) believed that ADR will achieve the same results as the previous year, while 35.1 percent expected a worse ADR performance; 12.8 percent were buoyant about their markets' performance.

The majority (49 percent) of the respondents had bleak sentiments about the market's future revenue performance while 36.2 percent stated that revenue will follow last year's trend and 14.8 percent were optimistic about 2009's performance.

The index was used to gauge the average responses and all States yielded negative results. Within the most responsive states Nuevo Leon registered the lowest score of negative 54.2



HOTEL PERFORMANCE RANKING

1. Distrito Federal	33.3
2. Guerrero	16.7
3. Jalisco	14.6
4. Quintana Roo	11.7
5. Nuevo León	11.1

HOTEL PERFORMANCE RANKING

	Occ,	ADR	Rev.
1. Distrito Federal	34.6	34.6	30.8
2. Guerrero	-8.3	25.0	33.3
3. Jalisco	31.3	-6.3	18.8
4. Quintana Roo	15.0	10.0	10.0
5. Nuevo León	16.7	8.3	8.3

HOTEL PERFORMANCE

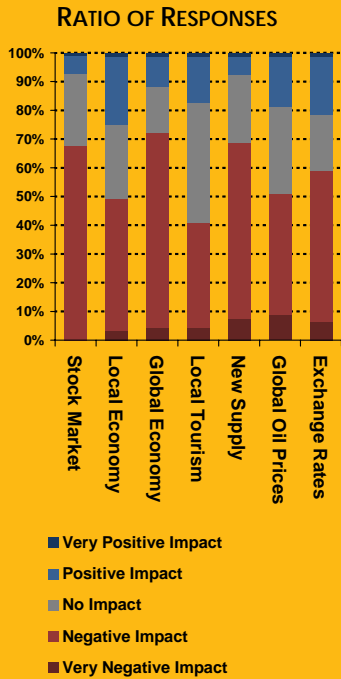
The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their properties' performance in 2009, 27.4 percent of the hoteliers stated that their hotels will likely suffer a decline of at least 5 percent in occupancy. In the same way, 21.6 percent believed that ADR will drop by at least 5 percent, while 26.8 percent that revenues will follow the same trend.

On the other hand, 44.2 percent of the respondents believed that the occupancy performance will improve in 2009. Approximately 57 percent and 50 percent of the participants forecasted improvements in ADR and total revenue respectively. Most of the respondents with a positive market outlook expected a marginal increase of less than 5 percent.

All the analyzed States registered a positive outlook for 2009 where Distrito Federal yielded the highest score at 33.3, while the country index registered 10.9.

Regarding the hotel category, 3 star hotels reached the highest score in the sentiment index at 28.6, while 4 star and 5 star hotels recorded a score of 16.5 and 3.5 respectively.



"All factors will have a negative impact on performance."

FACTORS AFFECTING PERFORMANCE RANKING

1. Local Economic Trends	-20.2
2. Local Tourism Trends	-20.2
3. Global Oil Prices	-30.2
4. Currency Exchange Rates	-32.3
5. Local/Global Stock Market	-44.5
6. Global Economic Growth Trends	-47.9
5. New Competitive Supply	-50.8

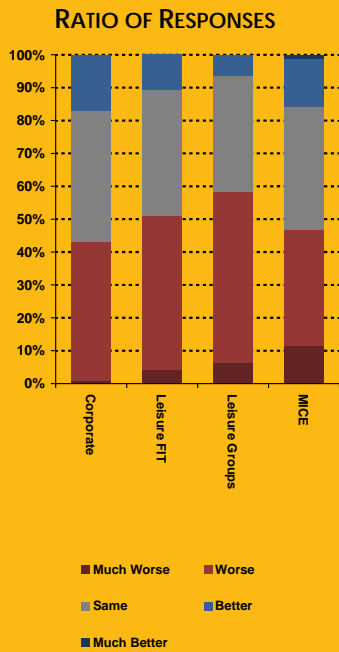
FACTORS AFFECTING PERFORMANCE

Each hotelier was also asked to gauge their attitude towards seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates and how these will impact their hotels' performance in 2009.

Utilizing the index, all factors registered negative results. The respondents perceived that the new competitive supply would likely have the most harmful impact on hotel market performance, which attained a score of negative 50.8. Global economy also was considered as one of the most harmful factors for the hotels performance with a score of negative 47.9.

On the other hand, local economy and local tourism trends had the highest scores.

For the analyzed States, multiple factors were perceived to have the worst impact; global economic growth trends for Distrito Federal and Quintana Roo; stock market for Nuevo Leon; currency exchange rates for Guerrero; and new competitive supply for Jalisco.



MARKET SEGMENT PERFORMANCE

1. Corporate	-20.5
2. MICE	-31.1
3. Leisure FIT	-33.5
4. Leisure Group	-43.5

MOST AFFECTED SEGMENT BY STATE

Distrito Federal	Leisure FIT
Quintana Roo	Leisure Group
Jalisco	Leisure Group
Nuevo León	Leisure FIT
Guerrero	MICE

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regards to market segments which were Corporate, Leisure FIT, Leisure Group and MICE and how they are expected to perform in 2009.

The majority of hoteliers held a bleak outlook for all market segments; as they stated that demand performance in Leisure FIT (51.1), Leisure Group (58.5), Corporate (43.2) and MICE (46.8%) segments, would get worse in 2009.

Employing the scoring system, all segments are expected to perform worse than the previous year as they all yielded negative results. Amongst the four market segments, the majority of the contributors believe that the Leisure Group segment will be the most affected with a score of negative 43.5., this segment was followed by Leisure FIT with negative 33.5, MICE with negative 31.1 and Corporate with negative 20.5.

CONCLUSIONS

In conclusion, most of the Hoteliers in Mexico had a negative perception of the outlook in 2009 with regards to market-wide occupancy, ADR and total revenue; even though, they expect a less negative impact in their properties' performance. New competitive supply, global economic growth trends and stock market performance were perceived as the factors that would have the most harmful impact on hotel market performance. Most of the survey respondents anticipated all demand segments to perform worse than the previous year with more negative outlook on Leisure market segments.

Other Market Sentiment Reports

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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