



North Asia HOTEL MARKET SENTIMENT SURVEY

April 2009

INTRODUCTION

The Horwath HTL North Asia Hotel Market Sentiment Survey, part of a global initiative, has been designed to provide hoteliers in the North East Asian Region 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.

The survey also covers hoteliers' response on the impact of key factors that drive room night demand growth. Participants were also asked to rate the outlook for each major demand segment.

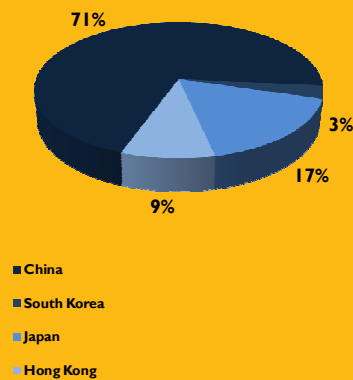
This report will summarize the findings from the survey gathered from participants from China, Japan, South Korea and Hong Kong. Of the 425 respondents the top two contributors came from China (71 percent) and Japan (17 percent).

The majority of the responses were submitted by hoteliers from 5 star hotels (55 percent), followed by 4 star (27 percent), 3 star (10 percent) and budget (8 percent).

Similar to the Global Hotel Market Sentiment Survey previously released, most markets in North Asia had a negative assessment of the outlook for 2009 due to the global financial crisis.

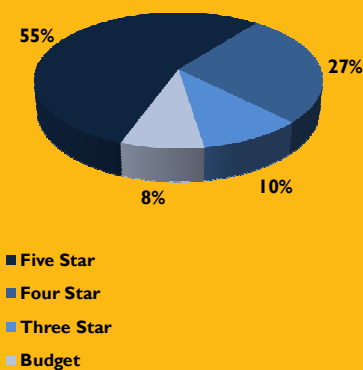
SHARE OF RESPONDENTS

BY COUNTRY



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



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SENTIMENT RANKINGS

By Countries	Score
1. South Korea	-7.2
2. China	-40.7
3. Hong Kong	-52.7
4. Japan	-74.1

"A regional sentiment score of negative 46.4 clearly indicates that hoteliers across the region 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, we have created an index to formulate an average sentiment score. 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 score of positive 150 signifies a very optimistic outlook.

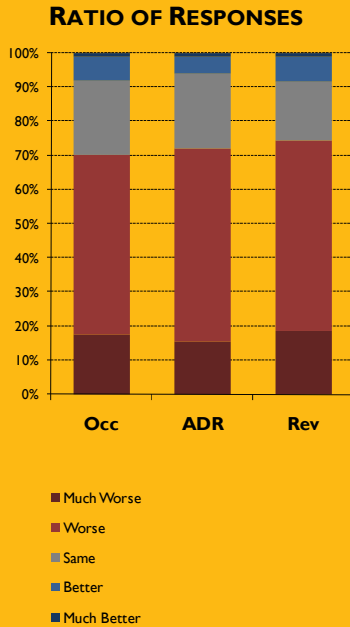
The total average sentiment score for the region amounted to negative 46.4, which denotes that countries in the region expect some downturn in performance in 2009. Amongst the four North Asian countries, Japan scored the lowest with negative 74.1. Hong Kong and China followed Japan with scores of negative 52.7 and negative 40.7 respectively. South Korea, which has a relatively neutral outlook, registered the highest score amongst the countries with negative 7.2.

Hoteliers in Japan generally foresee a tough year ahead as the country's economy is expected to be greatly affected by the global economic downturn more than other countries in the region as the nation's economy is mostly driven by manufacturing and exports. Japan's manufacturing sector which makes up 23 percent of its GDP experienced its biggest contraction in nearly 5 decades while its exports are also down due to weakening demand and the appreciation of the Yen. Aside from a troubled economy, the nation is also facing a political crisis.

On the other hand, it is not surprising to see that hoteliers in South Korea are maintaining a neutral stance despite the global economic crisis. Although the economy has been shaken up by the crisis, hoteliers anticipate a resilient demand in leisure related room nights due to the cheap Won.

MARKET PERFORMANCE

The first question in the survey dealt with the respondents' forecast with regard to market-wide occupancy, average room rate and revenue in 2008 in comparison to 2009.



"70 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008."

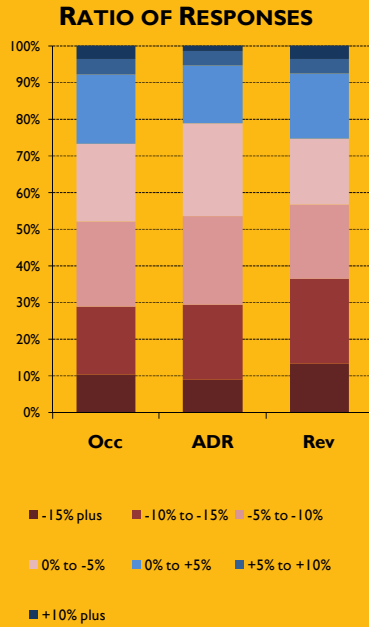
In terms of occupancy, 70 percent of the hoteliers in the region expected to see worse results than the previous year. Most of the bleak responses came from Japan as more than 85 percent of the hoteliers believed that occupancy will suffer in 2009 while only 3 percent mentioned that performance will be better. On the other hand, majority of the positive responses came from South Korea as 46 percent of the participants in the country believed that performance will remain at least the same if not even better than the previous year.

General sentiment on average room rate is almost similar to occupancy as 72 percent of the contributors expected a dip in performance in 2008. Again much of the dreary outlook came from Japan as only 16 percent of the hoteliers believe that rates will remain the same or improve in 2009 while 84 percent stated that market-wide rates will likely drop. The opposite was the case for South Korea as 69 percent of the respondents stated that rates will at least remain the same or improve from 2008 while the rest expected rates to decline.

Results on revenue expectations followed a similar trend as a majority or 74 percent stated that they will likely see their revenues drop.

Utilizing our scoring system to gauge and obtain an average sentiment score in all three performances across the countries, South Korea achieved the highest score with negative 17.3 points while Japan, as expected attained the lowest average score at negative 89.9.

MARKET PERFORMANCE RANKING			
	Occ.	ADR	Rev.
1. S. Korea	-23.1	-5.8	-23.1
2. China	-52.2	-55.6	-56.6
3. Hong Kong	-62.8	-64.9	-73.0
5. Japan	-90.6	-87.5	-91.7



"52 percent of the respondents believe that average room rates will decline by at least 5 percent."

HOTEL PERFORMANCE RANKING

	Occ,	ADR	Rev.
1. S. Korea	23.1	26.9	11.5
2. China	-23.3	-32.2	-32.9
3. Hong Kong	-35.1	-45.9	-47.3
5. Japan	-45.1	-34.5	-46.4

HOTEL PERFORMANCE

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

With respect to outlook on occupancy, 52 percent of the total participants stated that performance will decline by at least 5 percent from 2008. As expected, positive responses were rather dearth as only 8 percent mentioned that occupancy will improve by more than 5 percent. A large share of the negative responses came from Hong Kong as 92 percent of Hong Kong based participants expected a drop in occupancy, while the remaining 8 percent expected some growth. On the other hand, most of the positive responses came from South Korea as 62 percent expected a boost in performance.

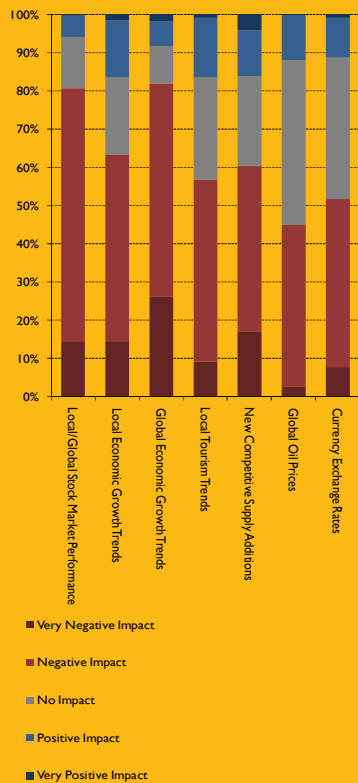
Hoteliers in South Korea are fairly optimistic that room rates will improve in 2009. With the devaluation of the Won, respondents soon foresee the need to increase hotel room rates. Despite the impending increase in ADR, hotel rooms in South Korea will still be considered affordable and the increase will likely not affect demand.

With regard to projections on revenues, a majority or 75 percent of the respondents believe that revenues will take a hit in 2009. Again, amongst the countries, Japan has the most number of negative responses with 86 percent.

Utilizing the index to measure the average sentiment, South Korea yielded the highest result in our sentiment index with 20.5 points, followed by China with negative 29.5. China is followed by Japan (negative 42) and Hong Kong (negative 42.8).

South Korea is the only country in the region that anticipated a boost in all three performance measures this year registering scores of 23.1 in occupancy, 26.9 in ADR and 11.5 in revenues.

RATIO OF RESPONSES



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

FACTORS AFFECTING PERFORMANCE RANKING

1. Global Oil Prices	-26.6
2. Currency Exchange Rates	-35.2
3. Local Tourism Trends	-36.0
4. New Competitive Supply Additions	-42.8
5. Local Economic Growth Trends	-44.4
6. Local/Global Stock Market	-66.5
7. Global Economic Growth Trends	-73.2

FACTORS AFFECTING PERFORMANCE

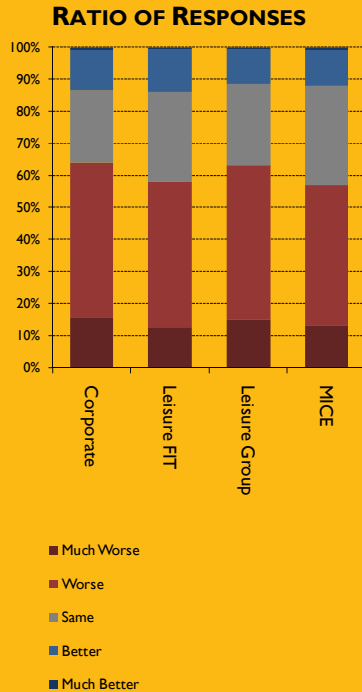
The participants were asked how seven factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, (6) global oil prices and (7) currency exchange rates will influence performance in 2009.

Out of all these factors, global economic growth trends tallied the most negative response as at least 82 percent believed that performance will be affected negatively by the global economy. On the other hand, albeit still high at 45 percent, global oil prices have the least negative response relative to the rest. This indicates that concerns about rising oil prices, which were high in early 2008 have relatively subsided.

When applying our scoring system, all factors registered negative results, which signify that all were foreseen to generally impact performance negatively. Global economic growth trends is believed to have the worse effect on performance with negative 73.2 points. It is then followed by local/global stock market performance with negative 66.5.

Shifting the focus on individual countries, global economic growth trends achieved the lowest score in China and South Korea, scoring negative 70.3 and negative 75 points respectively. Local economic growth attained the lowest score in Japan (negative 109.4) while stock market performance was the lowest in Hong Kong with negative 70.8 points.

Three factors achieved positive scores in South Korea namely currency exchange rates (75 points), global oil prices (5.8 points) and local tourism trends (5.8 points). Besides South Korea, none of these factors reached a positive score in the other countries.



"57 percent stated that performance across all segments will get worse"

MARKET SEGMENT PERFORMANCE	
1. Leisure FIT	-41.5
2. MICE	-42.9
3. Leisure Group	-50.2
4. Corporate	-53.9

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to the performance of Corporate, Leisure FIT, Leisure Group and MICE market segments.

General sentiments were no different than the previous ones as respondents were relatively pessimistic about the performance of all market segments in 2009. All segments had at least a negative response rate of 57 percent, with Corporate having the highest number of negative responses. With business travel budget being cut due to the global economic slowdown, it is anticipated to affect corporate demand in the region.

Another segment which is believed to be widely affected by the economic downturn in the region is the Leisure Group segment. Amongst all the countries, Japan thinks that their tour group related demand will suffer the most this year. 81 percent of the hoteliers stated that Leisure Group performance will decline. The rise of the Yen against other currencies, which would make traveling to Japan more costly, will likely turn away the price sensitive tour groups.

Albeit still low, Leisure FIT has the most number of positive responses as 14 percent expected an increase in performance. Most of these came from South Korea as most hoteliers believe that the depreciating Won would make travel to the nation affordable enticing more Leisure FIT demand.

When utilizing our index to obtain an average sentiment per segment, none attained a positive score indicating that respondents generally believe that performance across all segments will likely suffer this year. Corporate scored the lowest with negative 53.9 followed by Leisure Group with negative 50.2, MICE (negative 32.6) and leisure FIT with negative 41.5.

Looking at each country, only South Korea anticipates an increase in performance in any of the segments. South Korea expects a growth in Leisure FIT and Leisure Group as both achieved scores of 34.6. Other than South Korea, none of the other countries achieved a positive score in any of the four segments.

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
vmarti@HorwathHTL.com

Barcelona, Spain
vmarti@horwathconsulting.com

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
knospe@horwathhtl.de

Kiev, Ukraine
afernandez@horwathhtl.com

London, UK
jomahoney@horwathhtl.com

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
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