ROMANIA
HOTEL MARKET SENTIMENT SURVEY

July 2009

INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Romania 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.

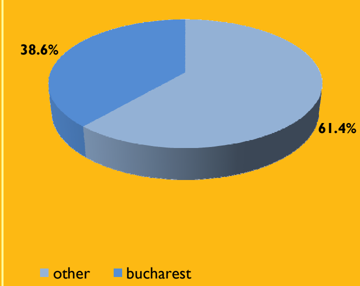
In this midyear survey, hoteliers have also been asked to make comments on their expectations for the coming semester in comparison to the second half of last year, as well as comment on the impact the crisis has had on room night demand.

This report summarizes the outcome of the survey, gathered from the responses of Romanian hoteliers, out of which 39 percent were from capitol city and the rest from other destinations. The equal share of contributions came from 3-star and 4-star hotels (44 percent each) and the rest of 12 percent from 5-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.

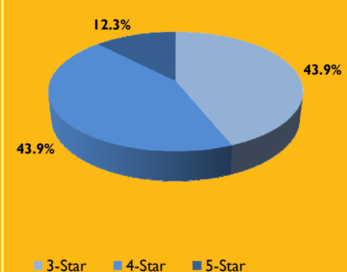
SHARE OF RESPONDENTS

BY REGION



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



Horwath HTL

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SENTIMENT RANKINGS

SENTIMENT RANKINGS

By Star Classification	Score	
	July	Feb
1. Five Star	-15.2	3.0
2. Four Star	-40.0	-27.3
3. Three Star	-60.0	-32.8

"Romanian hoteliers are now more pessimistic about the outcome of 2009. The average level of expectations has dropped down for 85 percent."

RANKING SCORE KEY

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

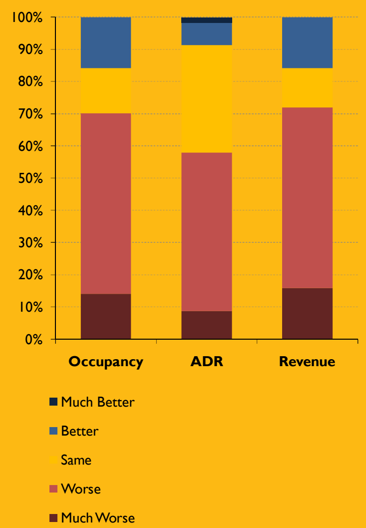
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 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. Romanian market sentiment for the second half of the year was much more pessimistic than the outlook at the beginning of this year. The average sentiment score drop down for almost 85 percent (from -24.9 down to -45.8). 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 close to the regional average (-42.5) and for 17 percent higher than the European average score (-55).

Romanian hoteliers from the capitol city Bucharest have shown more negative sentiment for the second half of 2009 than at the beginning of this year (score of -74). All other destinations have scored similar score to the result from February.

Looking to the level of pessimism among different hotel categories, all hotel categories have scored lower results. The pessimism grows with lower category meaning that the ranking positions of different categories are as they were in February, only the scores are lower. Major change in scores happened in 5-star hotels where it went down six times. Again, the 3-star hoteliers were the most pessimistic having the lowest score, that is bellow European average, and the drop down of their score from February was by 83 percent.

RATIO OF RESPONSES



"72 percent of Romanian 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. Five Star	-54	-43	-32	-43
2. Three Star	-45	-42	-54	-47
3. Four Star	-57	-42	-60	-53

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, 70 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, while only 16 percent replied that the actual performance was better. This shows the full effect the crisis had on demand in an industry which was already expecting a tough year; 68 percent of hoteliers expected a decrease in occupancy in our February survey.

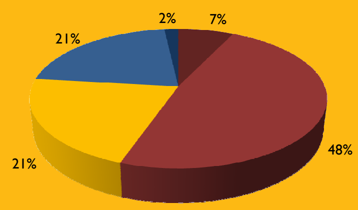
All Romanian hotel categories had a similar statements about the market-wide occupancy. Worse occupancy than expected have been realised in Bucharest area where only 3 percent of the respondents stated that there were some increases in demand compared to earlier expectations.

The ADR situation among the hoteliers was also pessimistic but slightly better. The majority of the respondents had a better opinion on ADR situation than it has been realised during this year (58 percent responded that ADR was worse than expected). The best ADR performance was in 5-star hotels where 30 percent realised better ADR than expected, but none of those hotels is from Bucharest.

Romanian expectations in February concerning the resulting revenues were not close to reality. In this second survey, 72 percent of the 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 80 percent replied that the revenues were worse than expected. 91 percent of the hotels from Bucharest have experienced higher declines of revenues. The reason for this was that in February, they were less pessimistic.

The average first half market performance score for Romania is -49.

RATIO OF RESPONSES



"The majority of Romanian respondents had a worse impact on demand than they had been expected in February."

IMPACT OF FINANCIAL CRISIS	
1. Four Star	-27
2. Three Star	-28
3. Five Star	-32

THE IMPACT OF THE FINANCIAL CRISIS

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

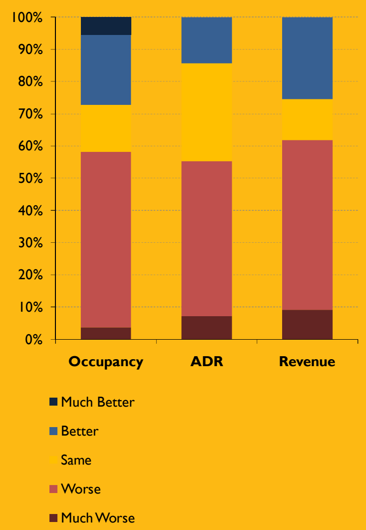
When hoteliers were asked if the crisis had impacted their demand as expected, 55 percent responded that demand had been affected more than expected and 23 percent that the impact on demand was less than expected.

More affected were hoteliers from Bucharest since 73 percent of them responded that the impact was worse than expected while 32 percent of the hotels from other destinations were affected less than expected.

71 percent of 5-star hoteliers had the worse impact of financial crisis than they have been expected in February. The lesser impact had been experienced among 3-star hotels (46 percent worse impact and 54 percent lesser or expected impact).

The average score of financial crisis impact on demand for Romania is -28.

RATIO OF RESPONSES



"62 percent of Romanian hoteliers expect lower market-wide revenues in the second half of 2009 compared with second half of 2008, mostly because of major declines in ADR."

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
1. Five Star	-4	11	-11	-11
2. Four Star	-24	-13	-31	-26
3. Three Star	-45	-39	-48	-48

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.

58 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. 22 percent of respondents stated that the overall performance will be better than in last year.

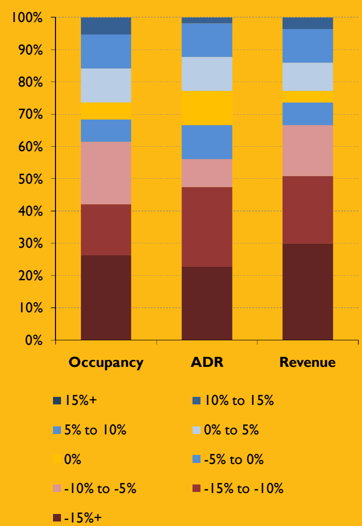
Occupancy scored an average sentiment score of negative 22 wherein 58 percent of respondents expect declines in occupancy levels vis a vis the second half of 2008. The most pessimistic were the hoteliers from Bucharest where 76 percent of the respondents expect major declines in occupancy. 27 percent of Romanian hoteliers expect some growth of occupancy until the end of the year and those were mainly from 5-star hotels.

The national average sentiment with regard to ADR expectations in second half of the year scored -36. The hoteliers were more negative in the case of ADR changes since only 14 percent of them expect better ADR in second half of 2009 and more than 55 percent believe that the achieved ADR will be worse than in 2008. The pessimism is the highest among 3-star hoteliers since 60 percent of them expected to achieve worse and only 4 percent better ADR than in second half of 2008.

Revenues recorded the sentiment score of negative 34, with 62 percent of Romanian hoteliers expecting lower revenues in the second half of 2009 compared to second half of 2008. The level of pessimism was the highest among 3-star hotels from Bucharest since 70 percent of them expect revenues' declines in 2009.

The average Romanian score for performance comparison of second half of 2009 to 2008 is -31.

RATIO OF RESPONSES



"The average change in particular hotels' performance expected in the second half of 2009, is -8.1%. This is the decrease slightly higher than it was expected in February, when it was -6%."

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
1. Five Star	-27	-16	-27	-38
2. Four Star	-57	-54	-50	-66
3. Three Star	-75	-71	-77	-78

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 23 percent of Romanian hoteliers expect to see a drop down in hotel performance for up to 10 percent and 47 percent of them expect even higher declines.

61 percent of hoteliers expect occupancy to decrease in their hotels between 5 and 15 percent. The average occupancy change for all Romanian respondents was -7.5% since 26 percent of hoteliers expect to have the increase of demand in their hotels. The hoteliers from Bucharest expect drop down for -10.7% while in other destinations the occupancy is expected to go down for 5.6 percent. The most pessimistic were 3-star hoteliers who expect occupancy declines in their hotels for -9.4% while on the other side the 5-star hoteliers expect occupancy decrease of only -2.1%. The 4-star hotels, on average, expect the occupancy changes of -7.2%.

The national sentiment score for ADR was on the similar level with an average score of -59 or average ADR decrease of -7.8%. Expected average changes of ADR compared to last year, are as follows: in 5-star hotels ADR is expected to change for -3.6%, in 4-star hotels for -6.6% and in 3-star hotels -10.2%.

Regarding hotel revenues, the average change is expected to be by -9%. Average score for revenue changes in Romanian hotels is -68. More pessimism, again, there is in Bucharest (hotels' revenue decline of -14.3%) and 3-star hotels (decline of -10.4%). 4-star hotels expect revenues' declines by -8.8% while the 5-star hotels expect slightly lower decrease of revenues (for -5%).

The average Romanian score for hotel performance comparison of second half 2009 to 2008 is -61.

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 Romania 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 almost 85 percent (from -24.9 down to -45.8) which is among pessimistic European countries.

More than half (58 percent) of Romanian 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 -8.1%. This is very close to the average expectations in February, when it was -6%. Higher decreases are expected in ADR (for -7.8%) than in room occupancy (-7.5%). By the opinion of Romanian hoteliers, total revenues in their hotels will change for average -9%. The most pessimistic hoteliers are those from 3-star hotels in Bucharest which expect to realise until the end of 2009 decrease of their performance for -15.3% compared to last year.

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