



# ROMANIA HOTEL MARKET SENTIMENT SURVEY

February 2010

## 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 market outlook for the coming 12 months. The survey focuses on the current outlook for occupancy, average room rates and total revenue and what the operators feel is going to happen based on their experience.

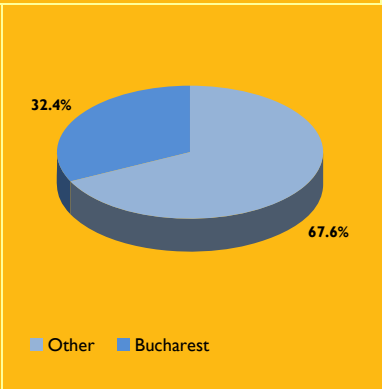
This report summarizes the outcome of the survey gathered from Romanian hotels out of which 32 percent came from the capitol town and the rest from other Romanian destinations. The majority of the contributions were from 3-star hotels (53 percent), followed by 4-star (41 percent) and the rest from 5-star properties.

Since 2009 was one of the worst years in recent history, it is not surprising to find most markets across the world with improved outlook for 2010. However, when looking to the average outlook among Romanian hoteliers, hotel market performance in 2010 will be slightly below 2009 results. Anyway, the following analysis provides some useful information for the different hotel markets across Romania.

This is the third global survey by Horwath HTL, and we have analyzed previous sentiment scores in order to provide some context to the sentiment scores recorded.

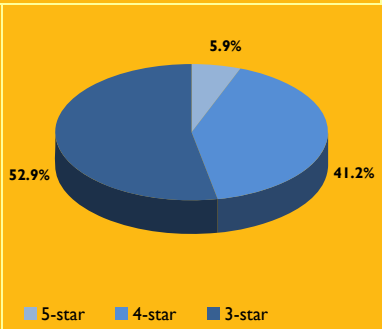
### SHARE OF RESPONDENTS

#### BY REGIONS



### SHARE OF RESPONDENTS

#### BY STAR CLASSIFICATION



[www.HorwathHTL.com](http://www.HorwathHTL.com)

SENTIMENT RANKINGS			
By Star Classification	Score		
	Feb '09	Jul '09	Feb '10
1. Four Star	-27.3	-40.0	0.2
2. Five Star	3.0	-15.2	-11.8
3. Three Star	-32.8	-60.0	-17.9

*"An average sentiment score of negative 10.1 indicates that hoteliers across country are expecting small declines in performance in 2010 compared to 2009."*

RANKING SCORE KEY	
Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

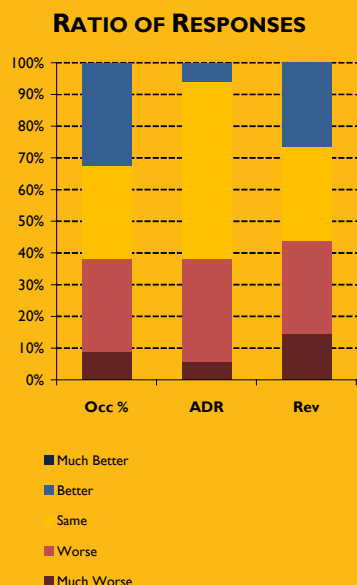
## SENTIMENT RANKINGS

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 index also allows us to track changes in market sentiment over time.

Compared to the results of Global Survey from July 2009, it is visible that the hoteliers across the world are more optimistic. The average market sentiment of this year's first survey in Romania was less pessimistic than before but still among the countries with the negative average scores. The average national score (-10.1) is lower than the regional average (-2.9). Romanian average score is much lower than European average (+9) and the average global score (+27). The reasoning for this difference between local and global score is in less optimism on the local market and this is the reason why Romanian hoteliers do not expect major changes in 2010 performance compared to the last year.

Hoteliers from Bucharest were less affected with last year's crisis and that is the reason why their average score is positive. On the other hand, the hoteliers from other destinations were more pessimistic since the most of them expect worse situation in 2010 than in 2009.

Looking to the level of optimism among the hotels of different category, all average scores are increased. Among them, the four star hotels had the highest sentiment score and on the other side, the hoteliers from three star hotels were the most pessimistic.



*“Only 22 percent of the respondents stated that 2010 market-wide performance is going to be better than in 2009.”*

**EXPECTATION FOR 2010**

	Avg	Occ	ADR	Rev
1. Bucharest	11.4	34.1	-13.6	13.6
2. Other	-37.0	-32.6	-35.9	-42.4

## 2010 MARKET OUTLOOK - WHAT IS YOUR ASSESSMENT OF THE HOTEL MARKET FOR 2010 VS. 2009?

Hoteliers were asked their expectation for performance levels in 2010 compared to that recorded in 2009, in relation to hotel occupancy (Occ), average room rate (ADR) and hotel revenues. Over 40 percent of respondents stated that they expected all three indicators to be worse in 2010 than in 2009, while only 22 percent had some positive expectations.

### Occupancy

Occupancy scored an average sentiment score of negative 11 wherein the majority of respondents (38 percent) expect declines in occupancy levels and 29 percent occupancy in line with 2009. The most optimistic were the hoteliers from 5-star hotels among which 50 percent expect higher occupancy. On the other side, the most of the 3-star hoteliers (78 percent of them) expect the same or lower occupancy levels. The hoteliers from Bucharest were more optimistic about 2010 occupancy than those from other destinations since they expect some positive changes in demand.

### Average Room Rate

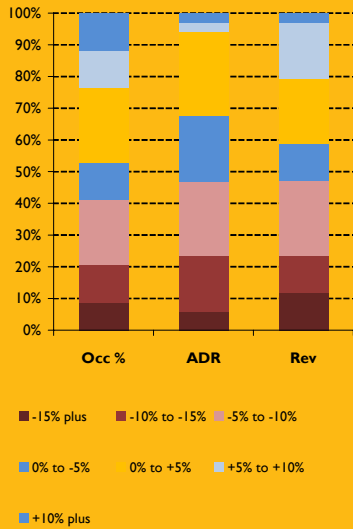
The national average sentiment with regard to ADR expectations was negative 29. Only 6 percent of Romanian hoteliers expect higher ADR in 2010 than in 2009. The most negative hotel category was 3-star at a score of negative 28, while the 5-star hoteliers do not expect any changes in ADR. The hoteliers from Bucharest were less pessimistic about 2010 ADR than the others.

### Revenues

Revenues recorded the sentiment score of negative 24, with 44 percent of Romanian hoteliers expecting lower revenues in 2010 compared with 2009. Again the 5-star hoteliers were less pessimistic than the others since their opinion was that revenues will stay on the level of 2009. The half of other hoteliers expects lower revenues.

The average 2010 market outlook score for Romania is -21.3, meaning low level of stability in overall market performance.

**RATIO OF RESPONSES**



*"Based on the averages of three performance indicators measured for 2010, the hotel performance in the country will be almost on the level of 2009 (decline of only 3.68%)."*

**EXPECTATION FOR 2010**

	Avg	Occ	ADR	Rev
1. Bucharest	24.2	36.4	9.1	27.3
2. Other	-21.7	-8.7	-30.4	-26.1

**HOTEL PERFORMANCE EXPECTATION - FOR YOUR HOTEL, WHAT IS YOUR EXPECTATION FOR GROWTH/DECLINE FOR 2010 VS. 2009?**

The second question asked respondents to estimate the growth or decline in the performance of their hotel for 2010 compared with 2009.

The majority of 41 percent of the hoteliers stated that their hotels will have the occupancy lower for over 10 percent than in 2009. Another 47 percent believed that ADR will experience the same fate and the same percentage (47 percent) replied that revenues will follow the same trend. However, 24 percent of the respondents believed that the occupancy in their hotels will increase for more than 10 percent. Romanian hoteliers were more pessimistic about ADR since only 6 percent of them expect major increase of ADR in 2010 for more than 10 percent. Because of this, only 21 percent of the respondents believed that the revenues in their hotels will increase for more than 10 percent in 2010.

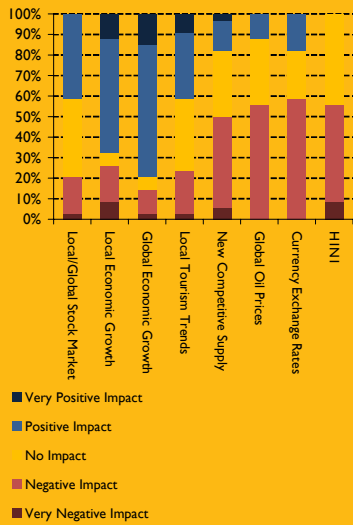
Based on the Romanian averages, the hotel occupancy will slightly decrease in 2010 compared to 2009, by 2 percent, ADR will decline for 5 percent and the resulting total revenue will decline by 3.8 percent.

Utilizing the average index score, Bucharest managed to achieve positive result mainly because of the hoteliers' opinion about higher occupancy in 2010. The hoteliers from other destinations were much more concerned in general, especially about the ADR performance (-30.4 score). The hoteliers from Bucharest expect the same hotel performance in 2010 as in 2009, while in the other destinations a decrease of more than 5 percent is expected.

The most concerned of their performance in 2010 were the hoteliers from 3-star hotels where the occupancy will decrease for 3.6 percent, ADR will decline by 6 percent and revenues by 5.7 percent. This gives the average decline of 3-star hotels performance by 5.1 percent. For the same period, 4-star hotels have forecasted the average decline of all three indicators by 2.6 percent. Only 5-star hotels predicted an increase for 1.7 percent mainly because of predicted growth of occupancy in 2010.

The average hotel performance sentiment score, by the opinion of the respondents from Romania, is slightly negative (-6.9).

**RATIO OF RESPONSES**



*“Virus H1N1, global oil prices and currency exchange rates are the primary concerns for the hoteliers from Romania in 2010.”*

**FACTORS AFFECTING PERFORMANCE RANKING**

1. Global Economic Growth	57.35
2. Local Economic Growth	33.09
3. Local Tourism Trends	17.65
4. Local/Global Stock Market	13.24
5. New Competitive Supply	-26.47
6. Currency Exchange Rates	-30.88
7. Global Oil Prices	-33.09
8. H1N1	-48.53

**FACTORS AFFECTING PERFORMANCE - How EACH OF THE FACTORS BELOW ARE EXPECTED TO INFLUENCE HOTEL MARKET PERFORMANCE IN 2010?**

Hoteliers were also asked to gauge their attitude towards eight factors and their influence on the hotels’ performance in 2010.

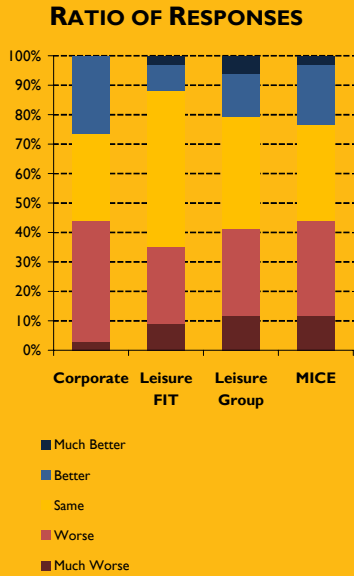
Based on the opinion of hoteliers from Romania, the most negative impact on hotel performance have virus H1N1, global oil prices and exchange rates, since more than 55 percent responses indicate their negative influence in 2010. On the other hand, more than 79 percent of hoteliers foresee the global economic growth as the most positive factor for the growth of hotel performance. The most irrelevant factor for the hoteliers in Romania is again H1N1 virus and on the second place of irrelevancy, the local/global stock market.

Utilizing the index, half of the choices registered negative results, indicating that those will negatively affect performance. The contributors perceived two very positive impacts on average: global and local economic growth.

The hoteliers from Bucharest are seriously concerned with new competition in the town. Other hoteliers are more concerned with the currency exchange rates and global oil prices. All destinations expect high positive impact of global economic growth.

The hoteliers from 5-star and 4-star hotels foresee the currency change rates and global oil prices as two most negative factors. The most negative factors for 3-star hoteliers are the same with additional high concern with new competitive supply.

The average score for all listed factors, by the opinion of the respondents from Romania, is -2.2 giving the opinion of irrelevancy of the majority of listed factors.



*“Majority of the respondents believe in worse performance of all primary segments in 2010, while some low optimism has been seen among the hoteliers from Bucharest”*

MARKET SEGMENT PERFORMANCE	
1. Corporate	-15.44
2. Leisure Group	-19.85
3. Leisure FIT	-22.06
4. MICE	-22.06

## MARKET SEGMENT PERFORMANCE - HOW ARE EACH OF THE MAJOR DEMAND SEGMENTS EXPECTED TO PERFORM IN 2010 VS. 2009?

The last question dealt with each participant’s opinion with regard to primary market demand segments and their expected performance in 2010.

The majority of the respondents (41 percent) had the opinion that the future performance of all segments will be lower. By the opinion of 44 percent of the Romanian hoteliers, the demand from both business segments will be negatively harmed while 25 percent of hoteliers believe in their better performance. Total of 21 percent of the hoteliers believe that the demand from all primary segments will get better while 38 percent expect no changes in demand from primary segments.

Employing the scoring system to obtain an average score, all primary segments yielded negative results, indicating that respondents generally think performance of those segments will be lower this year. The participants believe that the MICE segment will be more affected this year as they scored the lowest points.

All segments achieved positive scores in Bucharest with the highest score for corporate segment. In other destinations all scores were negative with the lowest score for MICE segment. More than 50 percent of the respondents in other destinations expect declines in the demand of primary segments, while 34 percent of respondents from Bucharest expect better overall performance of all primary segments.

None of the hoteliers from 5-star hotels believe that the demand from primary segments will get better and it is the reason why their average score was very negative (-38). All segments got the negative scores from 4-star hoteliers with the lowest for Leisure FIT. The hoteliers from 3-star hotels were even more pessimistic since only 17 percent of them believe in better performance of all market segments.

The average score for the performance of primary segments, by the opinion of the respondents from Romania, is -19.9 giving the average opinion of declines in primary demand.

## CONCLUSIONS

Hoteliers in Romania generally expect a year with no significant turbulences on the overall hotel market. However, the expectations of the hoteliers from this country are less optimistic than the expectations of a global average hotelier questioned in this survey.

Market-wide will be on the level of the previous year with some small declines mostly expected by the hoteliers from lower categories. 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 slightly decline in 2010 (for only 3.68 percent). The main reason for this is that Romanian hoteliers have experienced better performance in 2009 than expected meaning that they have expected higher declines in 2009 than it was realised.

The opinion about the listed eight factors was divided between positive and negative. Virus H1N1, global oil prices and currency exchange rates were estimated to have a negative effect on performance, while global and local economic growth was perceived to have some positive effect.

The most concerns of the hoteliers from this region are related with the decline of demand from all primary segments in 2010. On the other side, domestic hoteliers believe that additional demand will be created in Bucharest. The most pessimistic were the hoteliers from three star hotels that foreseen the majority of declines.

Having in mind all the results of the survey in Romania, the general conclusion for hotel market performance in 2010 would be the stagnation in overall and individual hotel performance.

## Other Market Sentiment Reports

### BY REGION

ASEAN      Benelux      Europe      Northeast Asia      South East Europe

### BY COUNTRY

Australia      Austria      Canada      China      Croatia      Czech Republic  
 Germany      Hungary      India      Indonesia      Italy      Japan  
 Mexico      Norway      Romania      Serbia      South Africa      Spain

### BY CITY/ DESTINATION

Beijing      Hong Kong      Shanghai      Shenzhen      Québec

# 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

vzographou@HorwathHTL.com.au

### Tokyo, Japan

Tokyo@HorwathHTL.com

## EUROPE

### Amsterdam, Netherlands

info@horwath.nl

### Andorra la Vella, Andorra

vmarti@HorwathHTL.com

### Barcelona, Spain

fsoler@HorwathHTL.es

### Belfast, UK

michael.williamson@asmhorwath.com

### Budapest, Hungary

budapestoffice@horwathconsulting.net

### Dublin, Ireland

post@horbc.ie

### Frankfurt, Germany

office@HorwathHTL.de

### Kiev, Ukraine

vvasinetskaya@HorwathHTL.es

### London, UK

VMarti@HorwathHTL.es

### Madrid, Spain

vmarti@HorwathHTL.com

### Moscow, Russia

Moscow@horwathconsulting.net

### Oslo, Norway

Per-Erik.Winther@horwath.no

### Paris, France

pdoizelet@HorwathHTL.fr

### Rabat, Morocco

glanfray@HorwathHTL.fr

### Rome, Italy

vnaschi@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

pgaudet@horwathhl.com

### Palm Beach, USA

staylor@horwathhl.com

### San Francisco, USA

jhiser@HorwathHTL.com

### Santo Domingo, Dominican Republic

sotero@horwath.com.do

### Toronto, Canada

horwath@hghi.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