

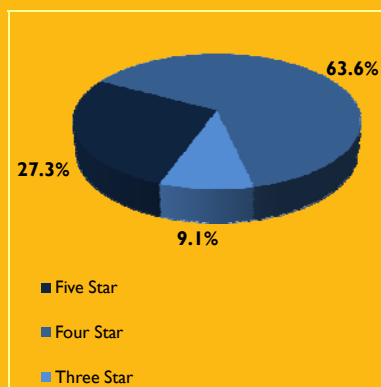


SERBIA HOTEL MARKET SENTIMENT SURVEY

February 2009

SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Serbia 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, as part of the global initiative, 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 growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey based on the questionnaire sent to more than 90 Serbian hotels. The majority of the contributions were from 4-star hotels (64 percent), followed by 5-star (27 percent) and 3-star (9 percent).

In the time when the crisis affects the world, it is not surprising to find most markets in South East Europe, including Serbia, having the same negative assessment of the outlook for 2009. However, the following analysis provides some useful information for the different hotel types in Serbia.



www.HorwathHTL.com

SENTIMENT RANKINGS

By Star Classification	Score
1. Three Star	26.5
2. Four Star	-4.6
3. Five Star	-75.5

"An average sentiment score of negative 21.1 clearly indicates that hoteliers across country are expecting some declines in performance in 2009."

RANKING SCORE KEY

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

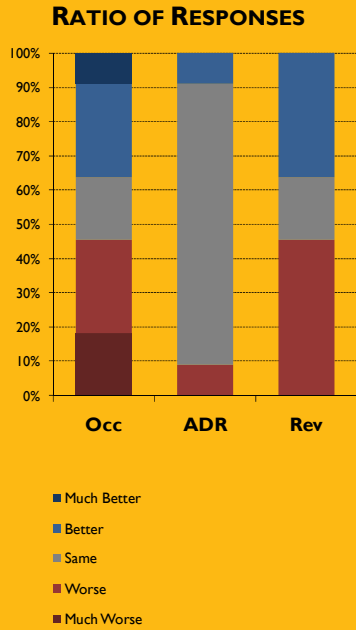
SENTIMENT RANKINGS

As a way to measure and compare the results across 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 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.

The sentiments of hoteliers across all markets have been clearly affected by the global economic crisis, visible from the results. The market sentiment in Serbia was less pessimistic with an average score of negative 21.1. The average national score is by 18 percent higher than the regional average (-25.8) and for 38 percent higher than average global score. The reasoning for this difference between regional and national score is in slightly less pessimism of Serbian hoteliers because of global crisis that is not yet completely visible in the region.

Looking to the level of optimism among the hotels of different category, the three star hotels had the highest sentiment score, meaning that their market outlook for 2009 is positive. On the other side, the hoteliers from five star hotels were more pessimistic with the score much bellow national, regional and global average.



"46 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008 and 36 percent believed in better performance."

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	75.0	0.5	75.0
2. Four Star	21.4	0.0	10.7
3. Five Star	-125.0	0.0	-75.0

MARKET PERFORMANCE

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 compared to 2008. The index was used to gauge the average scores.

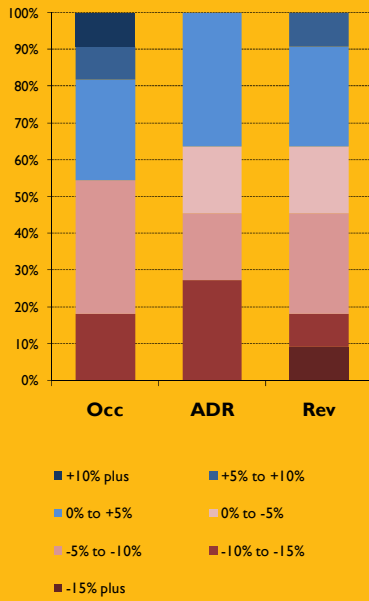
In response to expectations on market-wide occupancy performance, 46 percent of the hoteliers replied that matters will get worse, 18 percent stated that there will be no changes and 36 percent believed in better performances. All of the hoteliers from five star hotels believe that the market-wide occupancy will be worse in 2009 compared to 2008. The hoteliers from three star hotels were more optimistic since all of them thought that the situation will be better in 2009. The opinion of hoteliers from four star hotels was equally split between worse, not changed and better demand expectation. The average market-wide occupancy ranking score for Serbian hoteliers was still negative 14.

The hoteliers from 5- and 3-star hotels have equal expectations about not changed ADR performance in 2009. Four star hoteliers had a slightly less optimistic attitude towards ADR than to occupancy. The average ranking score for ADR performance in 2009 was neutral zero.

The most of the respondents (46 percent) had bleak sentiments about the market's future revenue performance while 36 percent stated that revenue will be better. The most optimistic hoteliers were from three star hotels since all of them responded that in 2009 the revenue will stay the same as in 2008. However, all 5-star hoteliers expect worse revenue performance in 2009.

The average market performance sentiment score, by the opinion of the respondents from Serbia, is -6.8.

RATIO OF RESPONSES



“Based on the averages of three performance indicators measured for 2009, the hotel performance in the country will decline by 4.1 percent.”

HOTEL PERFORMANCE RANKING

	Occ	ADR	Rev.
1. Three Star	50.0	50.0	50.0
2. Four Star	21.4	-14.3	0.0
3. Five Star	-66.7	-50.0	-66.7

HOTEL PERFORMANCE

The second question asked respondents to estimate the growth or decline in the performance of their hotel for 2009 compared with 2008.

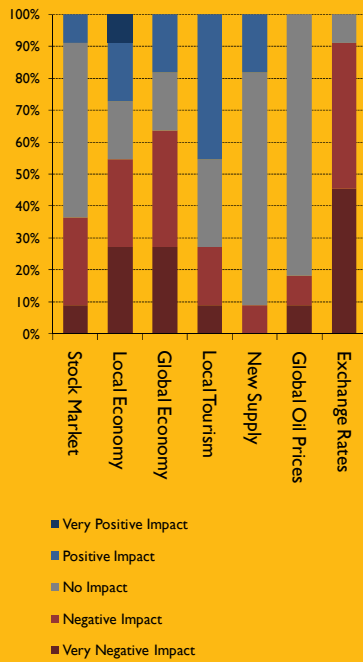
The majority of 55 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy. Even more Serbian hoteliers (64 percent) believed that ADR will experience the same fate and that revenues will follow the same trend. However, 36 percent of the respondents believed that the occupancy in their hotels will improve up to 10 percent. Because of the same optimism concerning ADR, 36 percent of the respondents believed that the revenues in their hotels will increase for not more than 10 percent in 2009.

Based on the Serbian averages, the hotel occupancy will decline in 2009 compared to 2008, by 2.7 percent, ADR by 5 percent and revenue by 4.6 percent.

According to star classification, the most concerned of the performance in their hotels in 2009 were the hoteliers from 5-star hotels where 100 percent of responses indicated a decline of all three performance indicators between 5 and 15 percent. For the same period, 100 percent of 3-star hotels have forecasted the average growth of hotel performance for 5 percent. Four star hoteliers did not have unique opinion but on average they stated that hotel performance will decline for 2.4 percent.

The average hotel performance sentiment score, by the opinion of the respondents from Serbia, is -10.6.

RATIO OF RESPONSES



"The exchange rates are the primary concerns for the hoteliers from Serbia in 2009."

FACTORS AFFECTING PERFORMANCE RANKING	
1. Local Tourism Trends	6.8
2. New Competitive Supply	6.8
3. Global Oil Prices	-20.5
4. Local/Global Stock Market	-27.3
5. Local Economic Trends	-34.1
6. Global Economic Growth Trends	-54.5
7. Currency Exchange Rates	-102.3

FACTORS AFFECTING PERFORMANCE

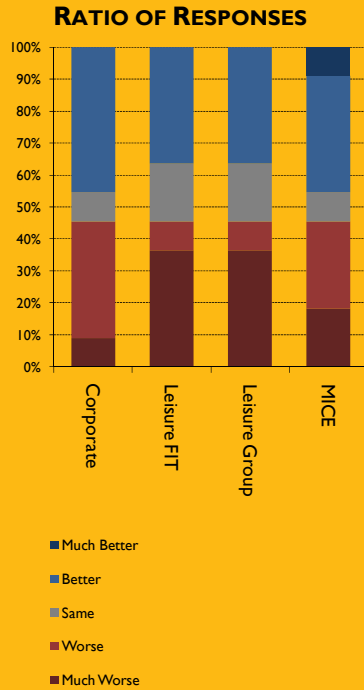
Hoteliers were also asked to gauge their attitude towards seven factors and their influence on the hotels' performance in 2009.

Based on the opinion of hoteliers from Serbia, the most negative impact on hotel performance have exchange rates since 91 percent responses indicate their negative influence in 2009. The second factor of which the hoteliers were concerned is global economic trend, which had negative response rate of 64 percent. On the other hand, 46 percent of hoteliers foresee local tourism trend as positive factor for the growth of hotel performance. In the same time, 80 percent of the respondents selected global oil prices as irrelevant factor for their hotels' performance.

Utilizing the index, majority of choices registered negative results, indicating their negative effect on performance. The contributors perceived that the worsening of currency exchange rates will have very harmful impact on hotel performance (the lowest score of negative 102 points). As the most positive factor hoteliers perceived local tourism trends and new competitive supply since those factors got the highest, slightly positive score.

All hoteliers from 5-star hotels stated that the exchange rates and global economic trends are the most important factors for declines in 2009. The hoteliers from 4-star hotels have negative opinion about all factors but mostly about exchange rates, while the 3-star hoteliers expect that local tourism trends will help their hotels to achieve better performance in 2009.

The average score for all listed factors, by the opinion of the respondents from Serbia, is -32.1.



"46 percent stated that performance of all segments will get worse, mainly because of the lesser demand from both leisure segments"

MARKET SEGMENT PERFORMANCE	
1. MICE	-6.8
2. Corporate	-6.8
3. Leisure Group	-34.1
4. Leisure FIT	-34.1

MARKET SEGMENT PERFORMANCE

The last question dealt with each participant's opinion with regard to primary market demand segments and their expected performance in 2009.

The hoteliers from Serbia had uniform opinion about declines in demand since 46 percent of them had negative opinions about the future performance of all primary segments. Equal share of the Serbian hoteliers (46 percent) stated that MICE and Corporate segment will generate better demand in 2009.

Employing the scoring system to obtain an average score, all segments yielded negative results, indicating that respondents generally think performance across all segments will suffer this year. The participants believe that both leisure segments will be more affected this year as it scored the lowest result (-34).

All hoteliers from 5-star hotels believe that the demand from primary segments will get worse, while, on the other side, all 3-star hoteliers have completely opposite opinion. Four star hoteliers have optimistic expectations too. 43 percent of them believe in better performance of leisure segments and 57 percent that MICE and Corporate demand will follow the same trend.

The average score for the performance of primary segments, by the opinion of the respondents from Serbia, is -21.

CONCLUSIONS

Hoteliers in Serbia generally expect a tough year with respect to overall hotel market situation. The expectations of the hoteliers from this country are slightly less pessimistic than others from South East Europe.

Market-wide will get worse and 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 decline in 2009 for 4.1 percent. The main reason for this is that Serbian hoteliers expect higher declines of ADR than demand in 2009.

Most of the seven factors were estimated to have a negative effect on performance but exchange rates were perceived to have the most severe effect. However, some positive effects on hotel performance in 2009 would come as consequences of local tourism trends and new competitive properties.

The equal concerns of the hoteliers from this country are related with the decline of demand from all primary segments in 2009. The most pessimistic were the hoteliers from five star hotels that foreseen the majority of declines. Among all primary demand segments, by the opinion of Serbian hoteliers, the performance of both leisure segments will be more affected in 2009.

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 Hungary India Indonesia
 Italy Japan Macedonia Montenegro Mexico Netherlands
 Norway Romania Serbia Singapore Slovenia 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
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, 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@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