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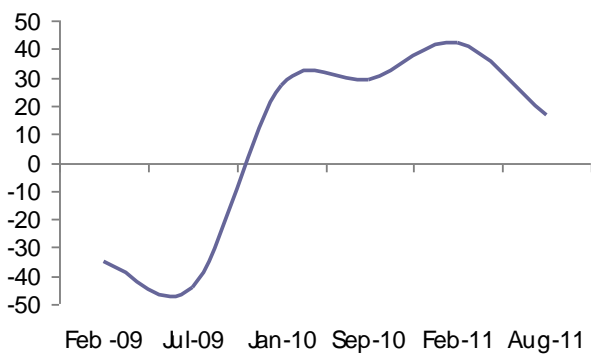
Hotel, Tourism and Leisure

The global leader in
hospitality consulting

**Global Hotel Market
Sentiment Survey 2011**



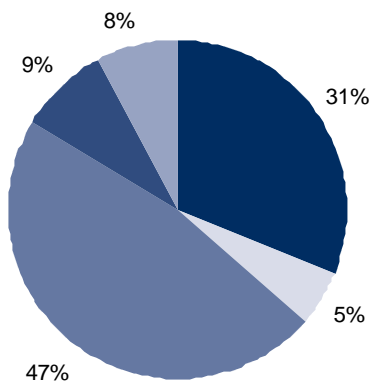
GLOBAL SENTIMENT TREND



INTRODUCTION

The Horwath HTL Global Hotel Market Sentiment Survey has been designed to provide the hotel industry with a quick assessment of the future market outlook. The four-question survey focuses on the outlook for occupancy, average room rate and total revenue. In this mid-year survey, hoteliers were also asked to share their expectations in respect of market performance for the coming semester when compared to market performance in the second half of last year, as well as provide feedback regarding the impact continued global economic uncertainties have had on demand.

SHARE OF RESPONDENTS BY REGION



- Asia
- Oceania
- Europe
- Americas
- Africa / Middle East

This report summarizes the outcome of the survey, gathered from responses across 50 countries. Of the 1,592 respondents, 47 percent of them came from Europe followed by Asia (31 percent), the Americas (9 percent), Africa and the Middle East (8 percent) while Oceania represented 5 percent of responses received.

Africa and the Middle East was the only world region to register negative sentiment with regard to actual operating performance in the first half of 2011. Although hoteliers in Africa and the Middle East are expecting

improved operating performance in the second half of 2011, Africa and the Middle East was also the only world region to report a negative outlook for the second half of 2011.

SENTIMENT RANKINGS

BY REGION	SCORE					
	FEB 2009	JUL 2009	JAN 2010	SEP 2010	FEB 2011	AUG 2011
Asia	-41	-41	48	46	52	22
Oceania	-34	-50	41	52	58	38
Europe	-36	-55	4	15	34	16
Americas	-25	-28	21	8	37	9
Africa/ Middle East	-21	-22	43	7	9	-6
Global Average	-35	-44	27	29	42	16

BY COUNTRY	SCORE				
	JUL 2009	JAN 2010	SEP 2010	FEB 2011	AUG 2011
Indonesia	19	50	67	75	59
China	44	64	59	47	39
Australia	-48	42	54	58	38
Norway	-33	7	10	37	21
Ireland	-88	-26	-27	16	19
Canada	-49	21	15	32	5
Italy	-61	-5	-3	6	-2
Hungary	-60	4	-7	30	-9
South Africa	-22	45	8	7	-11
Japan	-72	-14	-14	23	-42

“The sentiment of hoteliers across all world regions has moderated, nevertheless remain mostly positive.”

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 world regions and countries, we have created an index to formulate an overall average sentiment score from the forward looking questions. Points are assigned to each corresponding response and compounded accordingly.

The index utilizes 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 sentiment index or scores then allow trends to be observed over time.

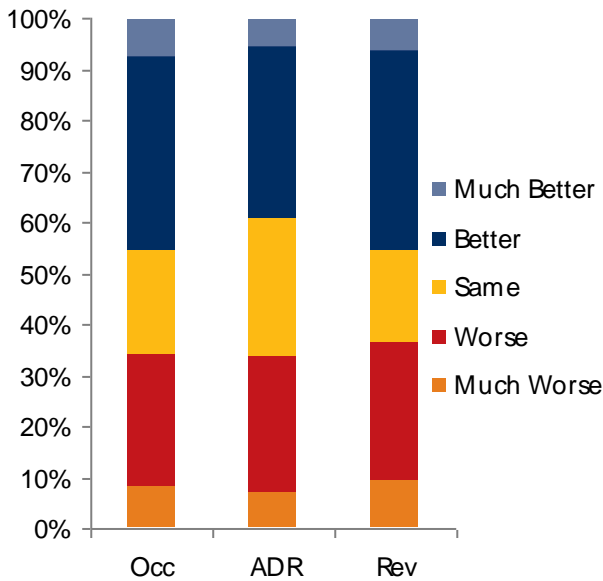
The sentiment of hoteliers across all world regions has moderated indicating that the prevailing global economic uncertainty continues to impact hotel performance and subdue the outlook of hoteliers. Nevertheless all hoteliers, except those in Africa and the Middle East, remain optimistic.

Oceania, with a sentiment score of 38, has the most positive outlook followed by Asia with a sentiment score of 22. Europe has a slightly more positive sentiment than the Americas while Africa and the Middle East recorded a negative sentiment score of -6.

Looking at individual countries, of those with the largest number of responses, Indonesia recorded the highest sentiment score of 59 followed by China with a score of 39 and Australia with a score of 38. Norway and Ireland round out the top five with positive sentiment scores of 21 and 19 respectively.

Four countries recorded negative sentiment scores indicating these hoteliers do not expect market conditions to improve in the short term.

Of the ten countries with the largest number of responses South Africa and Japan recorded the lowest sentiment scores; -11 and -42 respectively.



"Respondents felt Average Room Rate performance fared slightly worse than occupancy performance in the first half of the year."

FIRST HALF MARKET PERFORMANCE

Question 1: Was the first half 2011 market performance better or worse than you expected at the start of the year?

Occupancy

In response to expectations on market-wide occupancy performance, some 46 percent of hoteliers replied that occupancy in the first half of 2011 was better or much better than expected; some 20 percent indicated that occupancy performance was in line with expectations; while some 34 percent of hoteliers felt that occupancy performance was worse or much worse than expected.

Average Room Rate

Respondents felt Average Room Rate performance fared slightly worse than occupancy performance. Although some 39 percent of hoteliers replied that ARR performance was better or much better than expected, some 27 percent indicated ARR remained consistent with expectations and a further 34 percent indicated ARR performance was worse or much worse than expected.

Total Revenue

The majority of hoteliers expressed positive sentiment in respect of total revenue performance with some 46 percent of hoteliers indicating total revenue was better or much better than expected. However, some 37 percent of hoteliers reported total revenue performance was worse or much worse than expected. Some 17 percent of hoteliers felt total revenue performance in the first half of 2011 was consistent with their expectations at the start of the year.

Index Score

The index was used to gauge the average response of respondents with regard to their actual first half performance when compared to their expectations at the beginning of the year. Oceania recorded

MARKET PERFORMANCE RANKING

	Av	Occ	ARR	Rev
Asia	2	3	2	0
Oceania	20	18	25	18
Europe	11	16	4	12
Americas	4	2	8	3
Africa/ Middle	-27	-24	-24	-31

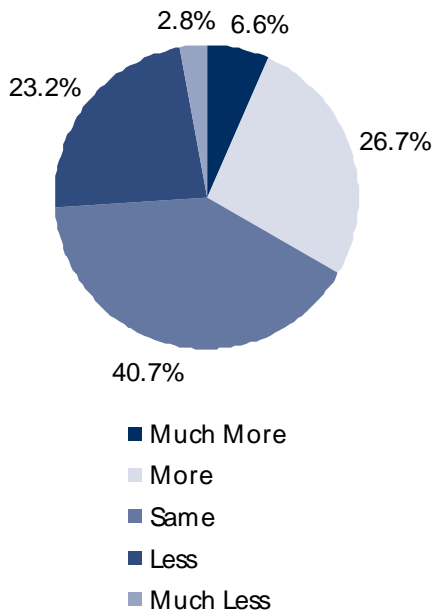
East

Global Average 5 8 3 4

the highest score at 20 followed by Europe with a score of 11. The Americas and Asia also recorded moderately positive scores; 4 and 2 respectively; however Africa and the Middle East registered a negative score of -27.

THE IMPACT OF THE FINANCIAL CRISIS

Question 2: Have continued global economic uncertainties impacted hotel demand as much as you had expected?



"Some 33 percent of responding hoteliers responded that hotel demand was still affected more or much more than expected."

When asked if the continued global economic uncertainty had impacted hotel demand as much as they had expected, some 33 percent of hoteliers responded that demand was still affected more or much more than expected. Approximately 41 percent of responding hoteliers indicated that the impact of the global economic uncertainties was in line with their expectations while some 26 percent of respondents felt the global economic uncertainty had impacted hotel demand less or much less than expected.

Oceania was the only world region to register a positive sentiment score in response to the continued global economic uncertainty's impact on hotel demand indicating that the global economic crisis continues to have a direct impact on hotel markets across the world, albeit to varying degrees. Africa and the Middle East again recorded the lowest score at -40.

In Asia, Hong Kong registered the most positive assessment of the impact of the continued global economic uncertainty with a score of positive 68, followed by Indonesia (+38). Japan recorded the most pessimistic score of -68.

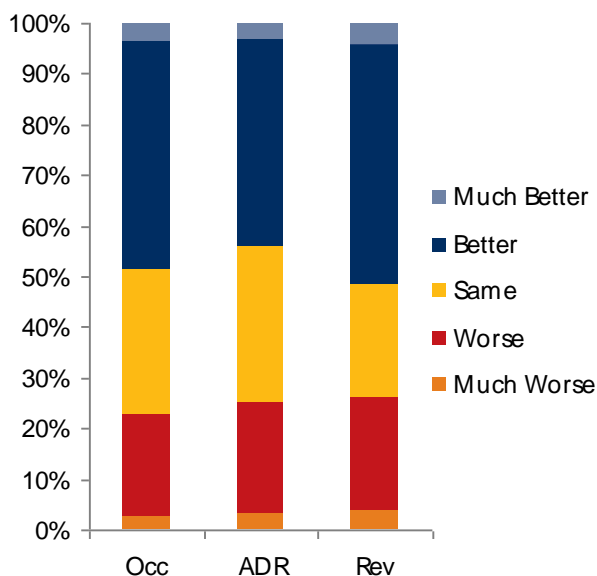
In Europe, of those countries with the largest number of responses, the United Kingdom registered the most positive assessment with a score of positive 35 followed by Austria (+18), and Poland (+14). Hungary, France and Italy registered the most pessimistic assessment of the impact of the continued global economic uncertainty on hotel demand with scores of -28, -18, and -14 respectively.

In the Americas, both the USA and Canada recorded negative scores; -23 and -10 respectively. Africa and the Middle East

IMPACT OF FINANCIAL CRISIS

	SCORE
Asia	-13
Oceania	8
Europe	-2
Americas	-8
Africa/ Middle East	-40
Global Average	-8

region's negative score of 40 was heavily weighed down by South Africa with a negative score of 54, in spite of a positive score of 25 recorded by the United Arab Emirates.



“A slightly more negative outlook in respect of ARR performance continues in the second half of 2011 consistent with the trend observed over the past three years.”

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Av	Occ	ARR	Rev
Asia	22	25	17	24
Oceania	38	27	45	41
Europe	17	21	12	19
Americas	10	7	11	12
Africa/ Middle East	-1	-1	-1	-1
Global Average	18	20	14	19

SECOND HALF MARKET OUTLOOK

Question 3: What are your expectations for the second half 2011 market performance compared to second half 2010?

At least 44 percent of respondents stated that they expect performance in all three measures to perform better or much better in the second half of the year when compared to market performance in the second half of last year.

Occupancy

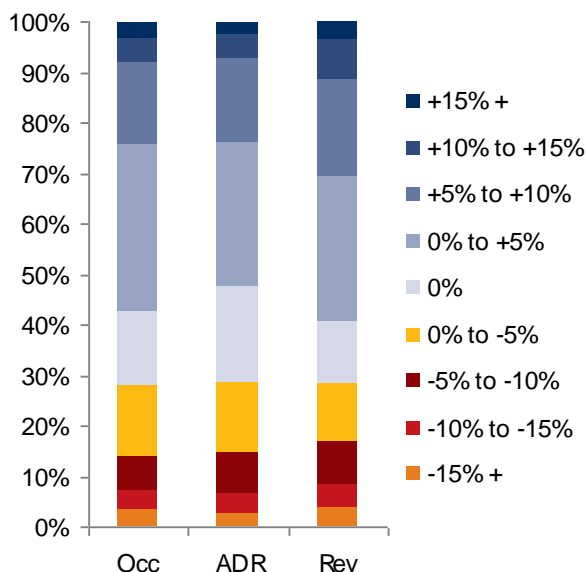
48 percent of hoteliers across the globe expect occupancy performance in the second half of 2011 to be better or much better in comparison to occupancy performance in the second half of 2010. However, 23 percent expect occupancy performance will be lower. All world regions except Africa and the Middle East had a positive outlook on occupancy with Oceania and Asia the most positive with scores of 27 and 21 respectively.

Average Room Rate

A consistent trend of the global survey over the past three years has been a more negative outlook in respect of Average Room Rate performance and this continues in the second half outlook. A reduced 44 percent of global hoteliers expect improved ARR performance for the second half of 2011 when compared to the same period in 2010. Again Oceania leads the way with a score of 45 followed by Asia with a score of 17 whilst Africa and the Middle East was the only world region to record a negative score.

Total Revenue

The second half expectations for total revenue were similarly optimistic to occupancy with 51 percent of hoteliers expecting better or much better performance levels. However, approximately 26 percent of respondents expect a decline in total revenue in the second half of 2011 when compared to total revenue performance recorded in the second half of 2010. As would be expected, Oceania led the way with



"At least 7 percent of hoteliers expect to see their hotel's performance increase by 10 percent or more in the second half of 2011 when compared to performance achieved in the same period last year."

a score of 41 followed by Asia with a score of 24. Africa and the Middle East was the only world region to record a negative score.

HOTEL PERFORMANCE EXPECTATION

Question 4: For your hotel, what are your expectations for the second half 2011 performance compared to second half 2010?

Interestingly, hoteliers now have similar expectations for their hotel's performance as the market they operate in, which was not the case previously.

Occupancy

Overall, 58 percent of hoteliers expect occupancy performance at their hotel in the second half of 2011 will be better than occupancy performance in the same period last year. 24 percent of these hoteliers indicated that they expect occupancy to grow by more than 5 percent in the second half of the year. However, 21 percent of respondents expect occupancy at their hotel will decline by 0-10 percent. Overall, the occupancy index stands at 15, with Oceania recording the highest score at 25 and Africa and the Middle East recoding the lowest score at -8.

Average Room Rate

The average sentiment score in respect of Average Room Rate was 13, with 53 percent of respondents expecting an increase in ARR in the second half of 2011 when compared to ARR performance in the second half of 2010 and 19 percent of respondents expecting ARR performance levels to remain the same. Again Oceania recorded the highest score of 45 followed by Asia with a score of 20. With negative sentiment in both South Africa and the United Arab Emirates, Africa and the Middle East was the only world region to record a negative sentiment score (-15).

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Av	Occ	ARR	Rev
Asia	21	20	20	24
Oceania	38	25	46	42
Europe	14	17	9	17
Americas	7	0	12	10
Africa/ Middle East	-10	-8	-15	-9

Global Average 15 15 13 18

Total Revenue

Overall sentiment for total revenue reflected the optimism registered for occupancy growth giving an overall score of 18 globally. Whilst 29 percent of respondents expect total revenue to grow by 0-5 percent, a further 31 percent of respondents expect total revenue to grow in excess of 5 percent in the second half of 2011 when compared to total revenue performance in the second half of 2010. Africa and the Middle East once again had the lowest score, with an aggregate of -9 whilst Oceania had the highest score, with an average of 42.

OTHER MARKET SENTIMENT REPORTS**BY REGION**

ASEAN
Benelux
Europe
South East Europe

BY COUNTRY

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

BY CITY/DESTINATION

Beijing
London
Shanghai
Québec

CONCLUSION

In conclusion, results from the latest edition of the Global Hotel Market Sentiment Survey indicate that continued global economic and geo-political uncertainties are negatively impacting hotel demand, albeit to varying degrees, in all world regions.

Oceania, the world region least affected by the global economic crisis, remains the most optimistic of all world regions with a survey score of positive 38 followed by Asia with a positive survey score of 22, Europe (+16), and The Americas (+9). Africa and the Middle East was the only world region to record a negative survey score of -6. However, it is worth noting that all regions posted lower scores than the previous survey, which is indicative of the levels of uncertainty in the markets.

Performance in all three indicators in the first half of 2011 failed to meet hotel operator expectations, with hoteliers slightly more disappointed with Average Room Rate performance than Occupancy levels, which shows that the key driver of room rate demand, corporate travel, is not bouncing back as quickly as expected.

The outlook for the second half of 2011 appears more optimistic. Interestingly, hoteliers in Europe and Africa and the Middle East indicated occupancy is expected to be the driver of growth in the second half of 2011, as the aftershocks of the 'Arab Spring' settle. Hoteliers in Oceania and the Americas are of the opinion Average Room Rate will drive growth in the second half of

2011. Hoteliers in Asia are expecting similar growth in occupancy and Average Room Rate in the second half of 2011 resulting in positive growth in total revenue. However, with so much Economic uncertainty in the News, it remains to be seen whether that all important corporate and MICE segment feels confident enough to start booking in volume again in the second half of the year.

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