

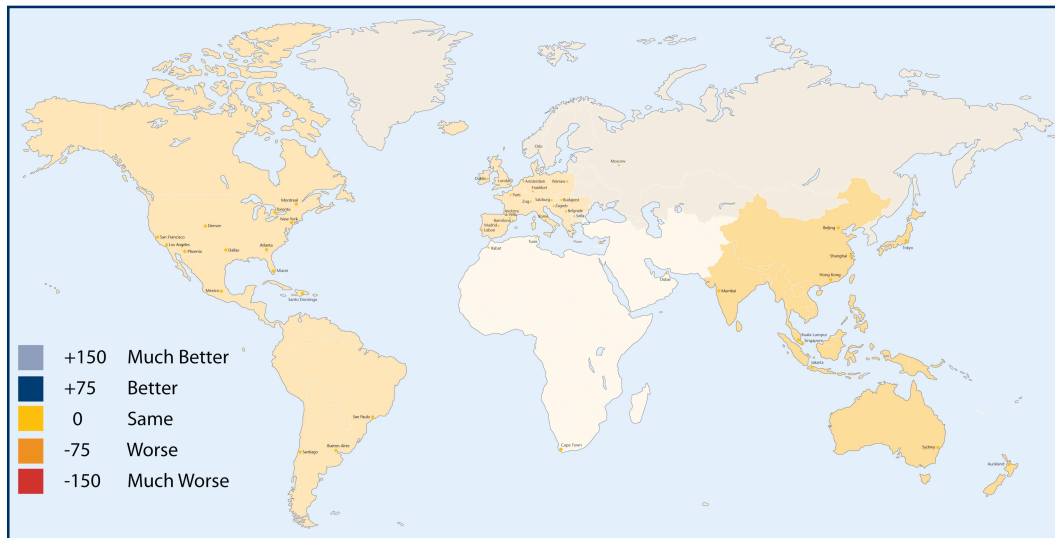


Horwath HTL™

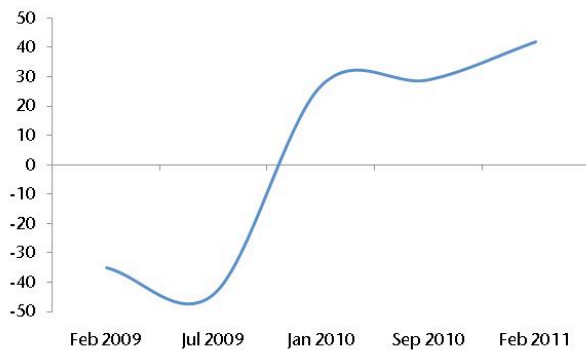
Hotel, Tourism and Leisure

**The global leader in
hospitality consulting**

**Global Hotel Market
Sentiment Survey
2011**



GLOBAL SENTIMENT TREND

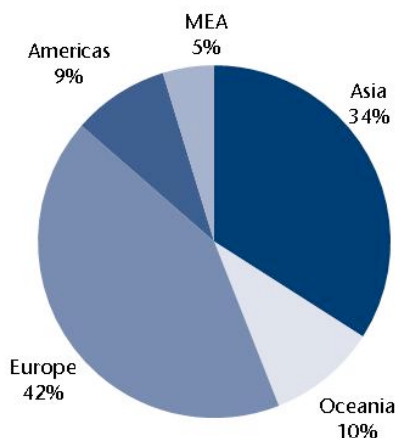


INTRODUCTION

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. Hoteliers have also been asked to make comments on their expectations for the coming year in comparison to 2010, as well as identify key factors of growth/decline, assessing the outlook for key demand segments.

This report summarizes the outcome, gathered from responses across 53 countries. Of the 1,974 respondents, 42 percent of them came from Europe followed by Asia (34 percent), the Americas (9 percent), the Middle East and Africa (5 percent), while Oceania represented 10 percent.

SHARE OF RESPONDENTS BY REGION



It is clear that the sentiment is trending in the right direction as demand slowly moves north. This sentiment is backed by the latest operating performance figures, which show an increase in demand and RevPAR globally. Regionally, Asia Pacific leads the way, as befits the region least affected by the banking crisis with the Middle East and Africa most cautious, with recent events causing concern.

SENTIMENT RANKINGS

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

BY COUNTRY	SCORE			
	JUL 2009	JAN 2010	SEP 2010	FEB 2011
India	-1	63	73	87
Indonesia	19	50	67	75
Australia	-48	42	54	58
Netherlands	-69	39	30	51
China	44	64	59	47
United Kingdom	-38	42	66	38
Norway	-33	7	10	37
USA	-42	1	-2	36
Canada	-49	21	15	32
Germany	-41	5	25	31
Japan	-72	-14	-14	23
France	-59	6	36	14
South Africa	-22	45	8	7

“The sentiment of hoteliers across all regions showed improvement for the outlook for 2011”.

RANKING SCORE KEY

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

SENTIMENT RANKINGS

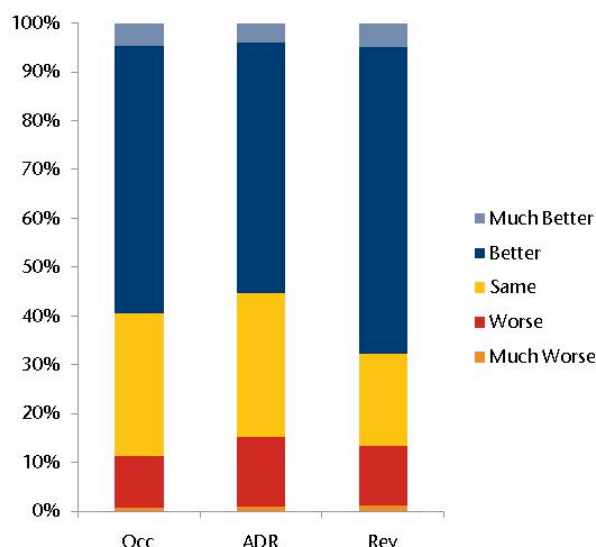
As a way to measure and compare the results across global regions and countries, we have created an index to formulate an overall average sentiment score from the first two questions. Points are assigned to each corresponding response and compounded accordingly. The index utilizes a scale of negative 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 allow trends to be observed over time.

The outlook for 2011 is positive for all regions and all regions have a more positive sentiment than that recorded in 2010, with Europe and the Americas showing particular improvement. India and Indonesia recorded improved sentiment in Asia, although China's sentiment moderated (mainly due to Shanghai). Australia continues to show increased optimism, and the USA rebounded from a negative sentiment score to post a moderately positive score of 36.

In Europe, some key markets such as the UK and France posted declines in their sentiment score; however, other markets such as the Netherlands, Norway and Hungary lifted the overall average with an increasingly positive sentiment.

Looking at individual countries, of those with the largest number of responses, India recorded the highest sentiment score of 87, closely followed by another Asian nation, Indonesia at a score of 75. Australia (58), the Netherlands (51) and China (47) round out the top 5.

South Africa recorded the lowest score at 7, indicating the neutral outlook of that market following the 2010 World Cup continues.



“The Americas have shown an improved sentiment for 2011, although it remains moderately positive”.

MARKET PERFORMANCE RANKING

	Avg	Occ	ARR	Rev
Asia	47	46	41	53
Oceania	57	45	63	62
Europe	31	36	21	36
Americas	37	37	33	41
Middle East/ Africa	8	5	10	8
Global Average	38	39	32	44

2011 HOTEL MARKET OUTLOOK

Question 1: What is your assessment of the hotel market outlook for 2011 versus 2010?

Occupancy

In response to expectations on market-wide occupancy performance, 60 percent of the hoteliers replied that occupancy in 2011 should be better or much better than that recorded in 2010, close to 30 percent feel that performance will be in line with 2010 results; while just over 10 percent feel that it will be worse or much worse.

Average Room Rate

The outlook for ARR is more subdued than our other two gauges, with 55 percent of hoteliers replying that ARR would be better or much better, 29 percent expecting ARR to remain stable and 15 percent expecting it to be worse or much worse in 2011. This was not the case in all regions, with Oceania in particular expecting stronger ARR growth.

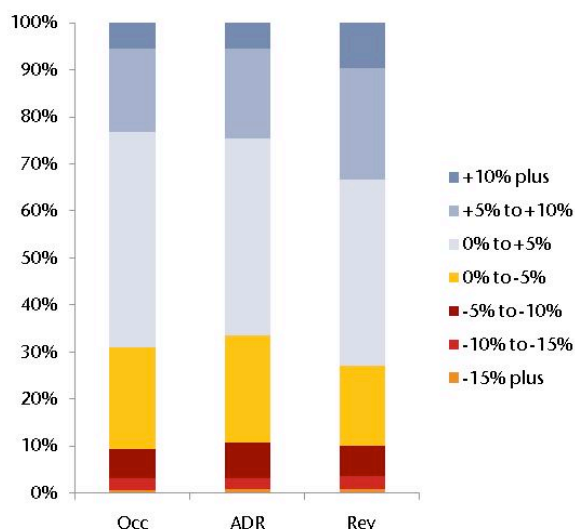
Total Revenue

The outlook for total revenue in 2011 was similar to occupancy with the majority of respondents (68 percent) expecting total revenue to be better or much better. About 13 percent expected total revenue to decline while 19 percent expected it to remain stable.

Index Score

On average, Oceania holds the most positive sentiment for general market performance in 2011 with a sentiment score of 57 for this question. The positive market outlook in Australia heavily influences this. Asia has again recorded a strong score driven by a very positive outlook in India and Indonesia and continued positive sentiment in China.

The Americas have shown an improved sentiment for 2011 as has Europe to a lesser extent, although both remain moderately positive in relation to Asia.



“About 25 percent of Hoteliers expect ARR growth in excess of 5 percent”.

HOTEL PERFORMANCE RANKING

	Avg	Occ	ARR	Rev
Asia	58	54	54	65
Oceania	58	41	65	68
Europe	37	39	30	41
Americas	36	34	34	40
Middle East/ Africa	10	8	10	12
Global Average	45	42	41	51

2011 HOTEL PERFORMANCE EXPECTATION

Question 2: For your hotel, what is your expectation for growth/decline in 2011 versus 2010?

Occupancy

About 70 percent of hoteliers expect some growth in occupancy in 2011 with 23 percent expecting growth to exceed 5 percent. About 22 percent expect occupancy to decline by up to 5 percent and 9 percent expect it will decline by more than 5 percent.

Average Room Rate

Hoteliers' assessment of their respective property ARR performance levels is generally more positive than in the past and largely in line with the growth estimates for occupancy. About 66 percent expect some growth in ARR with about 25 percent expecting that to be in excess of 5 percent.

Total Revenue

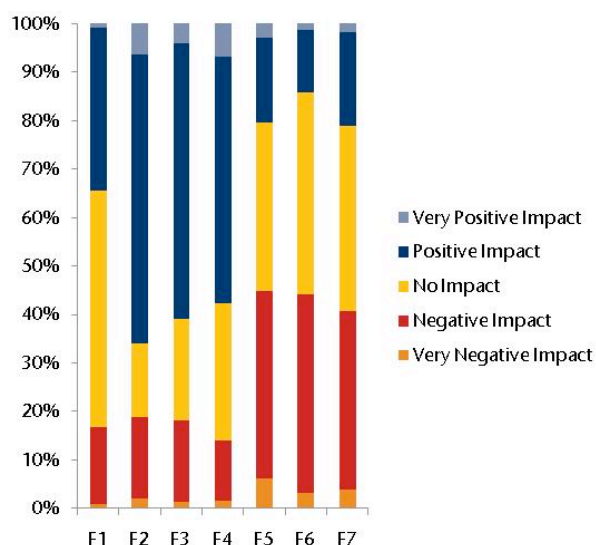
With a generally positive outlook for both occupancy and average room rate, the outlook for total revenue growth in 2011 is strong with 73 percent of hoteliers expecting growth, 33 percent of which expect this to be in excess of 5 percent.

Index Score

Oceania and Asia are similarly bullish with their growth expectations, but with Oceania expecting it to be driven more by ARR growth and Asia expecting more even growth in occupancy and ARR.

Europe and the Americas have more moderate growth expectations, with Europe's Hoteliers expecting occupancy growth to continue to lead the way.

In India, 67 percent of Hoteliers are expecting ARR growth in excess of 5 percent. This compares to 58 percent in Indonesia, 37 percent in China, 20 percent in the USA and 18 percent in the UK.



“The Americas were the most bullish in regards to expectations of the impact of the local economy, despite the region’s generally more moderate growth outlook”.

DEMAND DRIVER RANKING

	Score
Local/global stock market	13
Local economic growth trends	39
Global economic growth trends	34
Local tourism trends	37
New competitive supply additions	-21
Global oil prices	-24
Currency exchange rates	-16

FACTORS AFFECTING PERFORMANCE

Question 3: How are each of the factors below expected to influence hotel market performance in 2011?

Each hotelier was asked to gauge their attitude towards seven factors and their impact.

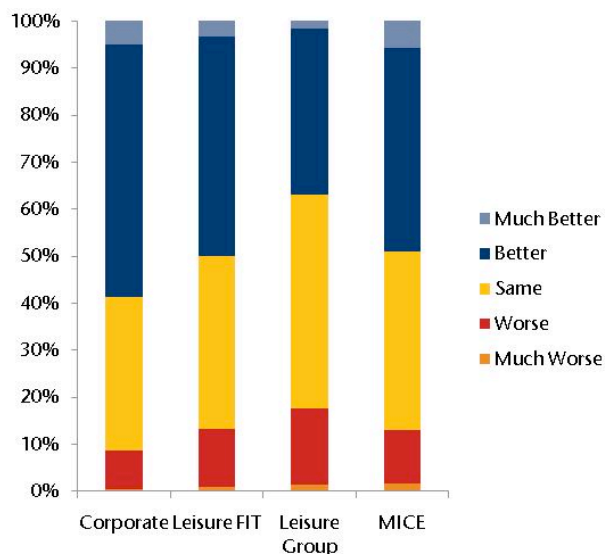
- F1. Local/global stock market
- F2. Local economic growth trends
- F3. Global economic growth trends
- F4. Local tourism trends
- F5. New competitive supply additions
- F6. Global oil prices
- F7. Currency exchange rates

Local economic growth trends scored the highest at 39, with 66 percent expecting a positive impact from local economic growth. Most negative was Global Oil at negative 24, although 42 percent expected that oil prices would have no impact on performance. 61 percent felt that global economic growth trends would have a positive impact on performance, an improvement over the 55 percent in the January 2010 survey.

The first four factors registered positive results, while the last three were negative. It is worthwhile mentioning that among the seven factors, three (1, 6, and 7) all had the majority of respondents feeling they would have no impact on performance.

Regionally, the Americas were the most bullish about the impact of the local economy, despite the region’s moderate growth outlook. Asia was most positive in regards to global economic growth trends and local tourism.

The Middle East and Africa was most pessimistic in regards to the impact of new supply, closely followed by the Americas, while Oceania (mainly Australia) was most negative in regards to currency exchange impacting performance.



“The corporate segment has shown a positive trend line over the last two years with scores of negative 46 in January 2009, to positive 20 in January 2010 and now positive 41 in this survey”.

DEMAND SEGMENT RANKING

	Score
Corporate	41
Leisure FIT	29
Leisure Group	15
MICE	30

MARKET SEGMENT PERFORMANCE

Question 4: How are each of the major demand segments expected to perform in 2011 versus 2010?

The last question dealt with each participant’s opinion with regard to primary market demand segments, which were Corporate, Leisure FIT, Leisure Group and MICE (Meetings, Incentive, Conference, and Exhibition) and how they are expected to perform in 2011.

The majority of the respondents had positive opinions about the future performance of the corporate, leisure FIT and MICE segments, with at least 49 percent expecting better performance. For the leisure group segment, the majority of respondents (46 percent) felt performance would be the same in 2011. 37 percent however felt the segment would improve, compared to 17 percent that felt it would get worse.

On average, all segments yielded positive results, indicating that respondents think performance will improve this year. Compared to the January 2010 survey, the participants believe the corporate segment will be the biggest improver in 2011. The corporate segment has shown a positive trend line over the last two years with scores of negative 46 in January 2009, to positive 20 in January 2010 and now positive 41 in this survey.

The Middle East and Africa was the only region to have recorded a negative score for any segment, with three out of the four segments in negative territory. Only the corporate segment had a positive score of 21. Oceania recorded the highest score of 62 for the corporate segment. This was also the highest scoring segment in the America’s (48) and Europe (34). In Asia, the MICE segment has the most positive outlook with a score of 50, followed by the corporate segment at 45.

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 Survey show that the recovery that started in 2010 is expected to build some more momentum in 2011.

Oceania again remains the most optimistic region with a survey score of 58. The whole region, probably the least affected by the West's financial crisis, has continued to perform significantly better than anywhere else. Asia continues to surge ahead with a sentiment score of 52, while the Americas, where the fears of a double dip recession were prevalent in 2010, has rebounded to some extent with a healthier outlook for 2011 and a sentiment score of 37.

Previous surveys have shown sluggish expectations for average room rate growth, but the outlook for 2011 shows that this is improving. We would expect this to continue in coming surveys as occupancy growth stabilises, especially in Oceania and Asia.

An improved economic environment is the key factor driving growth. The more positive outlook on display here is very promising, but should be taken with a note of caution. The recovery is still fragile and recent events in North Africa and the Middle East continue to cause uncertainty, raising the prospect of an extended period of time with oil at over \$100 a barrel. This knock on effect would impact travel, airlines, fuel costs and ultimately profitability. We remain cautiously optimistic for 2011, but with one eye on oil prices and the general effect that many of the deficit reduction plans could still have on the wider, predominately Western economies as a whole.

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