



SOUTH AFRICA HOTEL MARKET SENTIMENT SURVEY

February 2009

INTRODUCTION

The Horwath HTL South African Hotel Market Sentiment Survey has been designed to provide the South African hotel industry a quick assessment of the market outlook for the coming 12 months. The survey focuses on the outlook for occupancy, average room rates, and total revenue.

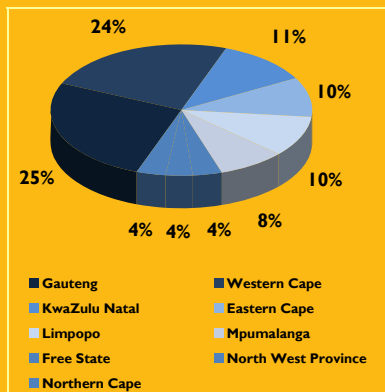
Hoteliers have also been asked to make comments on the impact of key factors that drive room night demand growth as well as rate the outlook for each major demand segment.

This report summarizes the outcome of the survey, gathered from 142 respondents. Some 25 percent of them came from Gauteng followed by the Western Cape (24 percent), KwaZulu Natal (11 percent), the Eastern Cape and Limpopo (10 percent respectively), Mpumalanga (8 percent), and the Free State, North West Province, and Northern Cape (4 percent respectively). The majority of the contributions were from 3-star hotels (48 percent), followed by 4-star hotels (21 percent), 2-star hotels (15 percent), 1-star/ budget hotels (11 percent), and 5-star hotels (5 percent).

At the current point in time, with the financial crisis affecting all corners of the world, it is not surprising to find most markets across South Africa have a negative assessment of the outlook for 2009. However, we hope that the following analysis provides some useful insight as to the expectations for different hotel markets across South Africa.

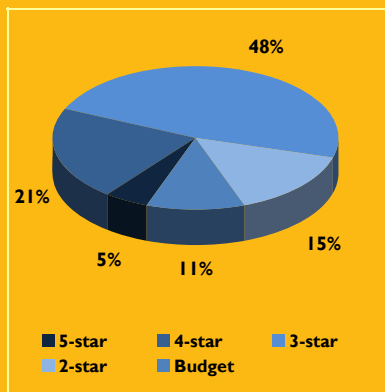
SHARE OF RESPONDENTS

BY PROVINCE



SHARE OF RESPONDENTS

BY STAR GRADING



SENTIMENT RANKINGS

As a way to measure and compare the results across the Provinces, 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 South Africa.

The sentiments of hoteliers across all Provinces have been affected by the global economic crisis, visible from the results. General market sentiment was pessimistic with a country average score of negative 11,9.

Hoteliers in the Northern Cape held the least pessimistic outlook for the year with an overall average sentiment score of positive 3,8 followed by hoteliers in the Eastern Cape industry (-0,3) and Gauteng (-6,3).

Hoteliers in KwaZulu Natal, Western Cape and North West Province held the most pessimistic outlook for the year with an overall average sentiment score of -19,9, -21,5, and -22,5 respectively.

SENTIMENT RANKINGS

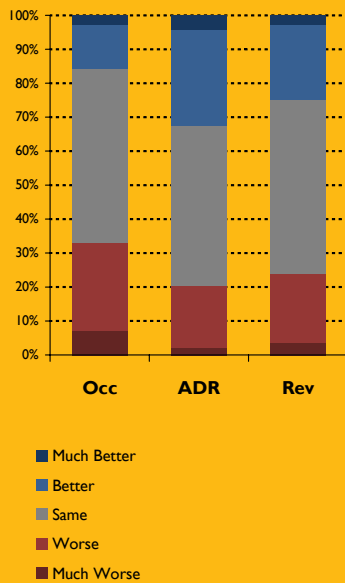
By Province	Score
1. Northern Cape	3,8
2. Eastern Cape	-0,3
3. Gauteng	-6,3
4. Mpumalanga	-9,4
5. Limpopo	-9,4
6. Free State	-13,1
7. KwaZulu Natal	-19,9
8. Western Cape	-21,5
9. North West Province	-22,5

"A sentiment score of negative 11,9 for South Africa indicates that hoteliers across the country are expecting declines in performance in 2009."

RANKING SCORE KEY

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

RATIO OF RESPONSES



"33 percent of the respondents stated that market-wide occupancy performance is going to be worse than 2008, only 16 percent said it would be better."

MARKET PERFORMANCE RANKING

	Occ,	ADR	Rev.
Eastern Cape	5,4	32,1	32,1
Free State	15,0	0,0	0,0
Gauteng	-14,2	18,2	0,0
KwaZulu Natal	-37,5	-23,4	-23,4
Limpopo	-10,7	16,1	0,0
Mpumalanga	-18,8	31,3	6,3
Northern Cape	15,0	15,0	15,0
NWP	0,0	0,0	0,0
Western Cape	-30,9	2,2	-6,6

MARKET PERFORMANCE

The first survey question dealt with the contributors' outlook on their markets' performance in 2009 as opposed to 2008.

In response to expectations on market-wide occupancy performance, 33 percent of the hoteliers replied that matters will get worse, 51 percent said that things will remain the same while 16 percent stated that things will get better.

Some 20 percent stated that market-wide ADR performance is expected to be worse than the previous year; some 47 percent mentioned that ADR will achieve the same results as in the previous year while 32 percent were buoyant about their markets' performance.

Revenue followed the same trend wherein 24 percent of the respondents had bleak sentiments about the market's future revenue performance while 51 percent stated that revenue will follow last year's trend and 25 percent who were optimistic about 2009's performance.

The index was used to gauge the overall average score per Province. Overall, all Provinces other than KwaZulu Natal and the Western Cape recorded a positive score. The Eastern Cape industry registered the highest overall points with 23,2 followed by the Northern Cape industry (15,0) and Mpumalanga (6,3).

Hoteliers in the Free State, the Northern Cape, and the Eastern Cape anticipate a boost in occupancy and all registered positive scores while KwaZulu Natal was the only Province that expected a decline in ADR (-23,4 points) this year. Hoteliers in the KwaZulu Natal and Western Cape industries are the only respondents to register negative scores in terms of total revenue (-23,4 points and -6,6 points respectively).

HOTEL PERFORMANCE

The second question asked each respondent to estimate the growth or decline in hotel performance for 2009 compared with 2008.

When asked if they still expect growth in their hotels' performance in 2009, 34 percent of the hoteliers stated that their hotels will likely suffer a decline in occupancy.

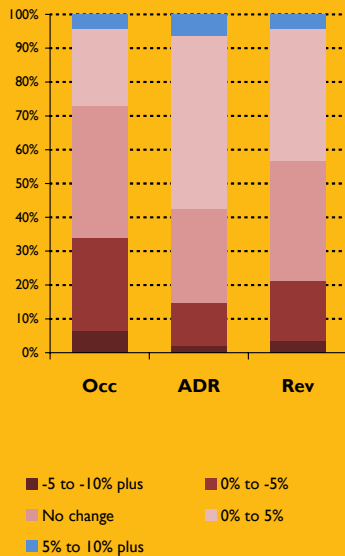
Another 15 percent believed that ADR will experience the same fate while 21 percent replied that total revenues will follow the same trend.

The majority of the respondents believed that performance will improve; 27 percent, 57 percent and 43 percent forecasted improvements in occupancy, ADR and total revenue respectively.

Utilizing the average index score, only four Provinces registered a negative result in terms of occupancy; Limpopo (-5,4 points), Mpumalanga (-12,5 points), the Western Cape (-17,6 points) and KwaZulu Natal (-35,0 points).

The majority of Provinces, with the exception of the aforementioned four Provinces, was relatively optimistic about all three performance measures and managed to achieve positive scores in all three.

RATIO OF RESPONSES



HOTEL PERFORMANCE RANKING

	Occ,	ADR	Rev.
Eastern Cape	10,7	32,1	37,5
Free State	0,0	30,0	15,0
Gauteng	2,0	50,7	26,4
KwaZulu Natal	-35,0	20,0	10,0
Limpopo	-5,4	37,5	16,1
Mpumalanga	-12,5	43,8	0,0
Northern Cape	0,0	45,0	15,0
NWP	30,0	0,0	15,0
Western Cape	-17,6	26,5	8,8

FACTORS AFFECTING PERFORMANCE

Each hotelier was also asked to gauge their attitude towards six factors namely (1) local/global stock market, (2) local economic growth trends, (3) global economic growth trends, (4) local tourism trends, (5) new competitive supply additions, and (6) global oil prices and how these will impact their hotels' performance in 2009.

Local/ global stock markets performance, due to concerns with regard to the worsening of the global economy, has the highest negative response rate with 72 percent.

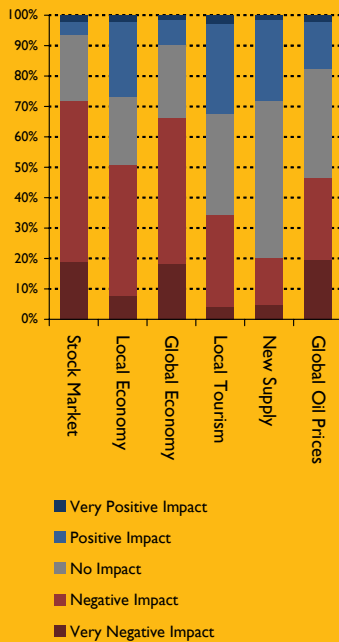
On the other hand, with oil prices beginning to stabilize, global oil prices have a relatively low negative response rate with 46 percent. Hoteliers are currently less concerned about the affect of local tourism trends and new competitive supply than rising oil prices on travel frequency and room night demand.

Utilizing the index, all choices except new competitive supply registered negative results, indicating that almost all factors were believed to negatively affect performance.

The contributors perceived that the worsening economic crisis will likely have the most harmful impact on hotel performance as local/ global stock market performance and global economic growth trends attained the lowest scores of negative 61,8 points and 54,9 points respectively.

This was followed by global oil prices with negative 34,9 points, local economic growth trends (negative 22,2), local tourism trends (negative 2,6), and new competitive supply (positive 3,2).

RATIO OF RESPONSES

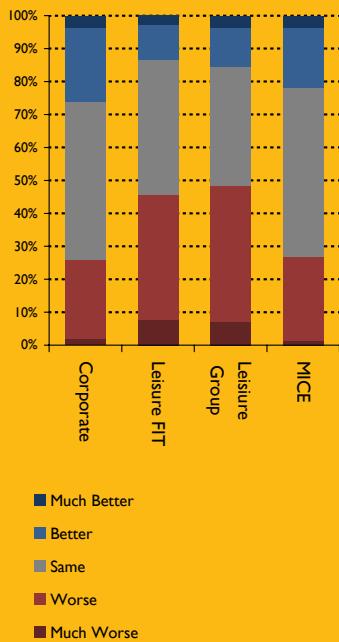


"Economic related issues are clearly the primary concern for hoteliers in 2009."

FACTORS AFFECTING PERFORMANCE RANKING

1. Local/ Global Stock Market Performance	-61,8
2. Global Economic Growth Trends	-54,9
3. Global Oil Prices	-34,9
4. Local Economic Growth Trends	-22,2
5. Local Tourism Trends	-2,6
6. New Competitive Supply Additions	3,2

RATIO OF RESPONSES



"Some 44 percent stated that performance across all segments will remain unchanged"

OVERALL MARKET SEGMENT PERFORMANCE

1. Corporate	1,1
2. MICE	-2,1
3. Leisure Group	-27,5
4. Leisure FIT	-28,0

MARKET SEGMENT PERFORMANCE

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, Exhibition) and how they are expected to perform in 2009.

The majority of the respondents had neutral opinions about the future performance of all segments as 44 percent stated that performance across the four segments will remain unchanged.

Employing the scoring system to obtain an average score, all segments, with the exception of the Corporate segment, yielded negative results, indicating that respondents generally think performance across almost all segments will suffer this year. The participants believe the Corporate segment will be the least affected this year as it scored the highest point total with positive 1,1.

The Leisure FIT and Leisure Group segments, which are typically the most price-sensitive of the four segments surveyed, are expected to be the poorest performing segments in 2009 with a score of negative 28,0 and 27,5 respectively. The MICE segment recorded a score of negative 2,1.

Mixed results were recorded in respect of the nine Provinces. The Corporate segment attained negative scores in the Western Cape (-11,0 points), Northern Cape (-15,0 points) and Limpopo (-16,1 points). All Provinces registered negative scores for the Leisure FIT segment except the Northern Cape (0,0 points). Similarly, the Northern Cape was the only Province to register a positive score in respect of the Leisure Group segment (15,0 points). MICE scored the highest points in Limpopo (16,1 points) followed by the Free State (15,0 points), Gauteng (6,1 points), and the Eastern Cape (5,4 points).

CONCLUSIONS

Whilst hoteliers in all Provinces, with the exception of the Northern Cape, generally expected a tough year with respect to market-wide and individual property performance, the results of the survey are not as pessimistic as anticipated. The majority of the contributors projected that performance in all three measures, room occupancy, average room rates and total revenue will likely remain unchanged this year.

Although five of the six factors were estimated to have a negative effect on performance, local/ global stock market performance was perceived to have the most severe effect. Clearly, economic related concerns, whether it be the global economy in general or local economic trends are the primary concern of hoteliers right across the country.

Given that, it is not unexpected that leisure demand is anticipated to be the most heavily affected of the primary demand segments 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@hhgi.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