

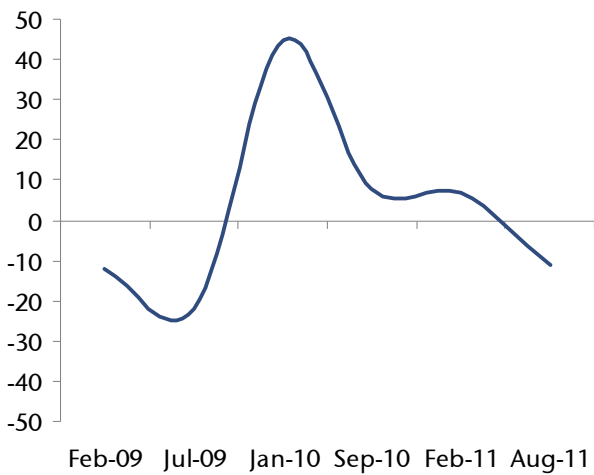


The global leader in
hospitality consulting

South African Hotel Market
Sentiment Survey 2011



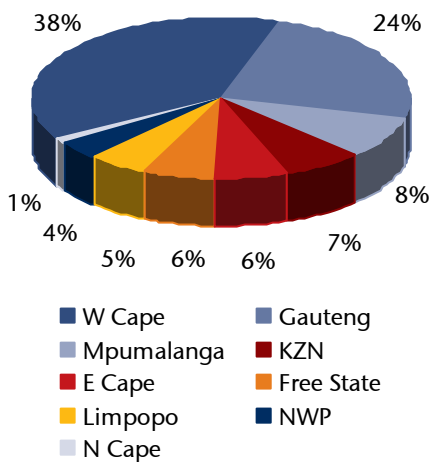
GLOBAL SENTIMENT TREND



INTRODUCTION

The Horwath HTL South African 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.

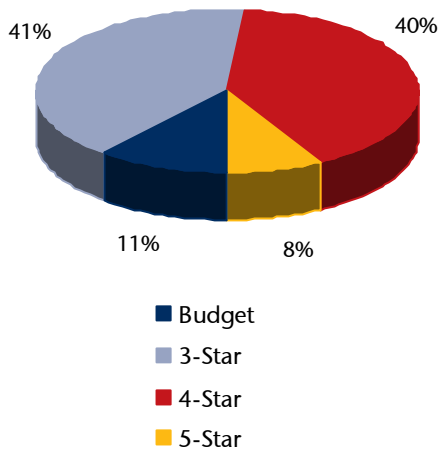
SHARE OF RESPONDENTS BY GEOGRAPHIC LOCATION



This report summarizes the outcome of the survey, gathered from responses across all nine Provinces. Of the 101 responses received, 38 percent of them came from the Western Cape followed by Gauteng (24 percent), Mpumalanga (8 percent), KwaZulu Natal (7 percent), the Eastern Cape and Free State (6 percent respectively), and Limpopo (5 percent) while the North West Province represented 4 percent of responses received. Responses received from the Northern Cape represented 1 percent.

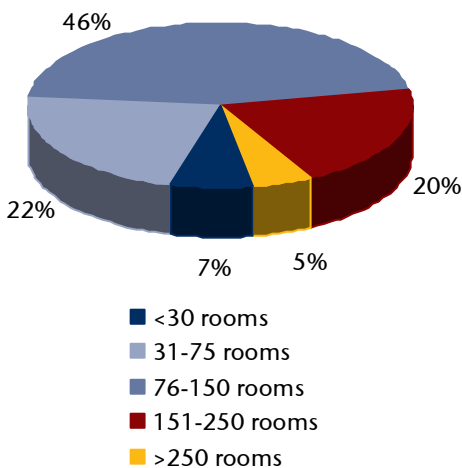
All nine Provinces registered a negative sentiment with regard to actual operating performance in the first half of 2011. However, only three Provinces (the Eastern Cape, Western Cape, and Gauteng) reported a negative outlook for the second half of 2011.

SHARE OF RESPONDENTS BY HOTEL STANDARD



“More than 80 percent of responses were received from accommodation establishments of a 3- and 4-Star standard. In terms of hotel size, the majority of responses were received from hoteliers of mid-sized establishments with between 76 and 150 rooms.”

SHARE OF RESPONDENTS BY HOTEL SIZE



With reference to hotel standard, of the 101 responses received, 41 percent were from the 3-Star segment followed by the 4-Star segment (40 percent), and budget/ economy segment (11 percent) whilst the 5-Star segment represented 8 percent of the responses received.

All categories of accommodation registered a negative sentiment with regard to actual operating performance in the first half of 2011. Hoteliers representing the 4-Star segment expressed the most negative sentiment whilst hoteliers representing the 3-Star segment expressed the least negative sentiment. In terms of the second half of 2011, only the 4- and 5-Star segments registered a negative outlook.

Looking at hotel size, the majority of responses (46 percent) were received from hoteliers representing mid-sized accommodation establishments of between 76 and 150 rooms followed by accommodation establishments comprising between 31 and 75 rooms (22 percent), and accommodation establishments comprising between 151 and 250 rooms (20 percent). Boutique establishments with less than 30 rooms represented 7 percent of responses received whilst large establishments with more than 250 rooms represented 5 percent of responses received.

Although all hotel size groupings registered a negative sentiment in respect of actual operating performance in the first half of 2011, hoteliers representing boutique establishments with less than 30 rooms and hoteliers of establishments comprising between 151 and 250 rooms recorded the most negative scores of -68 and -50 respectively.

Interestingly, the only hotel size category to register a positive sentiment with regard to the second half of 2011 outlook was establishments comprising between 151 and 250 rooms whilst responses from representatives of small establishments with between 31 and 75 rooms registered a neutral outlook for the second half of 2011.

SENTIMENT RANKINGS

BY PROVINCE	SCORE					
	FEB 2009	JUL 2009	JAN 2010	SEP 2010	FEB 2011	AUG 2011
Eastern Cape	0	-36	8	-62	59	-27
Free State	-13	2	56	70	70	38
Gauteng	-6	-13	56	7	-29	-23
KwaZulu Natal	-20	-22	37	12	57	20
Limpopo	-9	6	67	20	50	21
Mpumalanga	-9	-36	37	18	50	2
North West Prov.	-23	-55	26	38	63	16
Northern Cape	4	-56	0	44	25	75
Western Cape	-22	-21	50	10	-6	-26
Average	-12	-22	45	8	7	-11

“The sentiment of hoteliers across all Provinces, except in Gauteng and the Northern Cape, has moderated.”

BY STANDARD	SCORE				
	JUL 2009	JAN 2010	SEP 2010	FEB 2011	AUG 2011
Budget/ Economy	-21	50	39	-4	8
3-Star	-21	46	-6	19	4
4-Star	-25	58	12	0	-29
5-Star	-21	20	16	-3	-25

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 geographic locations, hotel standards and size categories, 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.

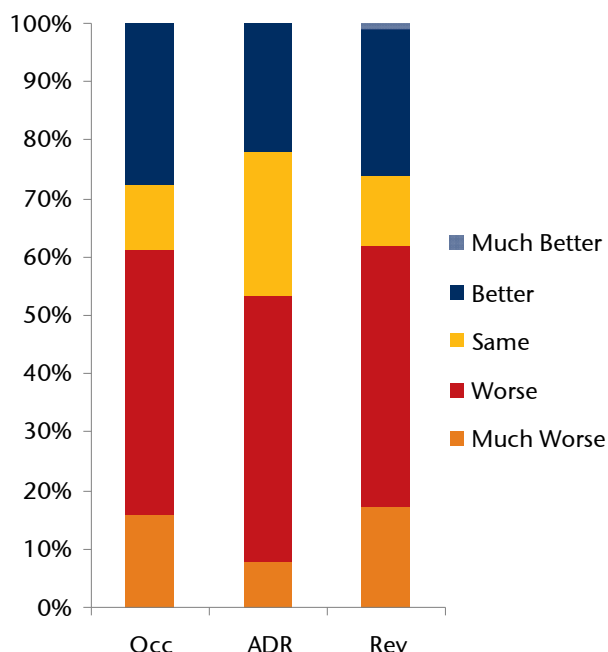
The sentiment of hoteliers across all Provinces, except in Gauteng and the Northern Cape, has moderated indicating that the prevailing global economic uncertainty continues to impact hotel performance and subdue the outlook of hoteliers in South Africa.

Nevertheless all hoteliers, with the exception of those hoteliers in the Eastern Cape, Western Cape, and Gauteng, remain optimistic registering a positive outlook sentiment score.

The Northern Cape, with a sentiment score of 75, has the most positive outlook followed by the Free State with a sentiment score of 38. Limpopo has a slightly more positive sentiment than KwaZulu Natal and the North West Province.

In reference to hotel standard, accommodation establishments of a budget/ economy standard and 3-Star standard recorded positive sentiment scores of 8 and 4 respectively whilst the 5- and 4-Star segments recorded negative sentiment scores of -25 and -29 respectively indicating these hoteliers do not expect market conditions to improve in the short term.

FIRST HALF MAREKT PERFORMANCE SOUTH AFRICA



“Hoteliers in Limpopo and Free State indicated that performance in the first half of 2011 was better or much better than expected at the beginning of the year.”

MARKET PERFORMANCE RANKING BY GEOGRAPHIC LOCATION

	Av	Occ	ARR	Rev
Eastern Cape	-50	-50	-25	-75
Free State	-8	0	-13	-13
Gauteng	-43	-59	-22	-47
KwaZulu Natal	-46	-43	-43	-54
Limpopo	20	15	30	15
Mpumalanga	-25	-28	-28	-19
Northern Cape	75	75	75	75
North West Province	-50	-38	-56	-56
Western Cape	-41	-39	-41	-43
Average	-35	-37	-30	-39

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, only 28 percent of respondents replied that occupancy in the first half of 2011 was better or much better than expected whilst 11 percent indicated that occupancy performance was in line with expectations. 61 percent of respondents felt that occupancy performance was worse or much worse than expected.

Respondents from the Gauteng and KwaZulu Natal industries expressed disappointment in occupancy performance in the first half of 2011. In fact 79 percent of respondents from Gauteng and 71 percent from KwaZulu Natal replied that occupancy was worse or much worse than expected. However, the majority of respondents from the Limpopo (60 percent) and Free State (50 percent) replied that occupancy in the first half of 2011 was better or much better than expected.

In terms of hotel standard, 70 percent of respondents representing establishments of a 4-Star standard and 64 percent of respondents representing the budget/economy accommodation segment indicated occupancy performance in the first half of 2011 was worse or much worse than expected whereas only 55 percent of respondents from the 3-Star segment and 50 percent from the 5-Star segment felt occupancy performance in the first half of 2011 was worse or much worse than expected.

80 percent of respondents representing large establishments with more than 250 rooms, 71 percent of respondents from boutique establishments with less than 30 rooms, and 70 percent of respondents from establishments with between 151 and 250 rooms indicated that occupancy performance was worse or much worse than expected in the first half of 2011. Conversely, 41 percent of respondents representing establishments with between 31 and 75 rooms and 31 percent of respondents from mid-sized establishments responded that occupancy performance in the first half of 2011 was better or much better than expected.

MARKET PERFORMANCE RANKING BY STANDARD

	Av	Occ	ARR	Rev
Budget/ Economy	-30	-48	-7	-34
3-Star	-24	-30	-13	-30
4-Star	-48	-45	-49	-50
5-Star	-34	-28	-38	-38

Average Room Rate

On average, fewer respondents felt Average Room Rate fared worse or much worse in the first half of 2011 when compared with expectations at the beginning of the year. Although 53 percent of respondents indicated ARR had performed worse or much worse than expected, 25 percent of respondents indicated ARR had performed in line with expectations held at the beginning of the year. 22 percent of respondents replied that ARR performance was better or much better than expected.

60 percent of respondents from the Limpopo industry replied that ARR performance in the first half of 2011 was better or much better than expected whereas 50 percent of respondents from the Eastern Cape and North West Provinces indicated ARR performance in the first half of 2011 was consistent with expectations held at the beginning of the year. A minimum of 50 percent of respondents from the rest of the country indicated ARR performance in the first half of 2011 was worse or much worse than expected with a slightly higher proportion of respondents from the Western Cape sharing this sentiment.

The majority of respondents from the budget/ economy accommodation category (73 percent) replied that ARR performance in the first half of 2011 was consistent with their expectations at the beginning of the year. However, 70 percent of respondents representing the 4-Star segment, 50 percent of respondents representing the 5-Star segment, and 45 percent of respondents representing the 3-Star segment indicated that ARR performance in the first half of 2011 was worse or much worse than expected.

86 percent of respondents representing boutique establishments with less than 30 rooms felt ARR performance in the first half of 2011 was worse or much worse than expected; the remaining 14 percent of these

respondents indicated ARR performed in line with their expectations. Although 60 percent of respondents representing large establishments with more than 250 rooms indicated ARR performance was worse or much worse, the remaining 40 percent of these respondents felt ARR had performed better or much better than expected in the first half of 2011. While 30 percent of respondents representing establishments with between 151 and 250 rooms indicated ARR performance was consistent with their expectations at the beginning of the year, 60 percent of these respondents felt ARR had performed worse or much worse than expected. 32 percent of respondents representing establishments with between 31 and 75 rooms and 24 percent of respondents representing mid-sized establishments replied that ARR performance in the first half of 2011 was better or much better than expected. 27 percent of these respective respondents indicated ARR had performed in line with their expectations.

Total Revenue

Overall, the majority of respondents expressed negative sentiment in respect of total revenue performance with some 62 percent of respondents indicating total revenue performed worse or much worse than expected. However, 26 percent of respondents reported total revenue had performed better or much better than expected and 12 percent of respondents felt total revenue performance in the first half of 2011 was consistent with their expectations at the start of the year.

Contrary to their colleagues in the rest of the country, 60 percent of respondents from the Limpopo industry and 50 percent of respondents from the Free State industry replied that total revenue had performed better or much better than expected in the first half of 2011. Although 50 percent of respondents from the North West Province replied that total revenue had met performance expectations, 50 percent of these respondents indicated total revenue had performed worse or much worse than expected. 50 percent of respondents from the Mpumalanga industry, 65 percent of respondents from the Western Cape, 67 percent of respondents from the Eastern Cape, 71 percent of respondents from KwaZulu Natal, and 75 percent of respondents from the Gauteng industry agreed that total revenue performance in the first

half of 2011 was worse or much worse than expected.

With reference to hotel standard, responses received from representatives of the 5-Star segment indicated this segment fared better than the rest in terms of total revenue performance in the first half of 2011. Although 50 percent of these respondents replied total revenue had performed worse or much worse than expected, 25 percent replied that total revenue had met their expectations and a further 25 percent indicated total revenue performed better or much better than expected. Despite 30 percent of respondents from the 3-Star segment indicating total revenue had performed better or much better than expected in the first half of 2011, 55 percent of these respondents felt total revenue had performed worse or much worse than their expectations.

Approximately 64 percent of responses received from the budget/ economy segment indicated total revenue performance in the first half of 2011 was worse or much worse than expected, yet 27 percent of these respondents indicated that total revenue had performed better or much better than expected. The 4-Star segment appears to have fared the worst in terms of total revenue performance in the first half of 2011; 72 percent of respondents from this segment replied total revenue had performed worse or much worse than expected with only 21 percent of these respondents indicating total revenue performance in the first half of 2011 was better or much better than expected.

The highest proportion of respondents to reply that total revenue in the first half of 2011 had performed better or much better than expected was derived from respondents representing large establishments with more than 250 rooms; approximately 40 percent. Unfortunately, the remaining 60 percent of these respondents did not agree and indicated that total revenue had performed worse or much worse than expected. Despite 60 percent of respondents representing mid-sized establishments indicating that total revenue performance in the first half of 2011 was worse or much worse than expected, 29 percent of these respondents indicated total revenue had performed better or much better than expected. The boutique accommodation segment and the segment comprised of establishments with between 151 and 250 rooms appear to have experienced the weakest total revenue performance of all hotel size categories. 86 percent of

respondents representing the boutique accommodation segment and 75 percent of respondents representing establishments with between 151 and 250 rooms replied total revenue in the first half of 2011 had performed worse or much worse than expected.

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. On aggregate, respondents from across the country recorded a moderately negative sentiment score of -35.

The Limpopo industry was the only Province to record a positive score (+20). The Free State and Mpumalanga industries recorded moderately negative scores of -8 and -25 respectively. The Eastern Cape and North West Province industries registered the most negative scores; -50 respectively.

With reference to hotel standard, responses received from representatives of establishments of a 4-Star standard recorded the most negative aggregate score of -48. Responses received from the 3-Star segment registered the least negative aggregate score with a score of -24. The budget/ economy segment registered a score of -30 whilst the 5-Star segment registered a score of -34.

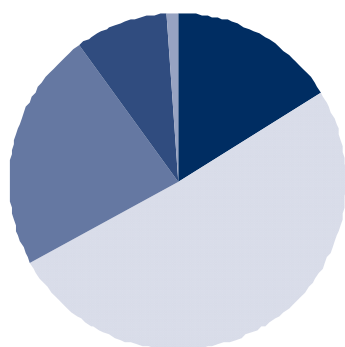
Boutique establishments with less than 30 rooms recorded the most negative aggregate score (-68) followed by establishments with between 151 and 250 rooms (-50). Establishments with between 31 and 75 rooms recorded the least negative score (-21) followed by large establishments with more than 250 rooms and mid-sized establishment with between 76 and 150 rooms.

MARKET PERFORMANCE RANKING BY HOTEL SIZE

	Av	Occ	ARR	Rev
<30 rooms	-68	-54	-64	-86
31 – 75 rooms	-21	-17	-17	-29
76 – 150 rooms	-32	-38	-23	-33
151 – 250 rooms	-50	-53	-45	-53
>250 rooms	-25	-45	-15	-15

THE IMPACT OF THE FINANCIAL CRISIS

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



- Much More
- More
- Same
- Less
- Much Less

“67 percent of South African hoteliers responded that continued global economic uncertainty had impacted hotel demand more or much more than expected.”

When asked if the continued global economic uncertainty had impacted hotel demand as much as they had expected, 67 percent of respondents replied that demand was still affected more or much more than expected. Approximately 23 percent of respondents indicated that the impact of the global economic uncertainties was in line with their expectations while some 10 percent of respondents felt the global economic uncertainty had impacted hotel demand less or much less than expected.

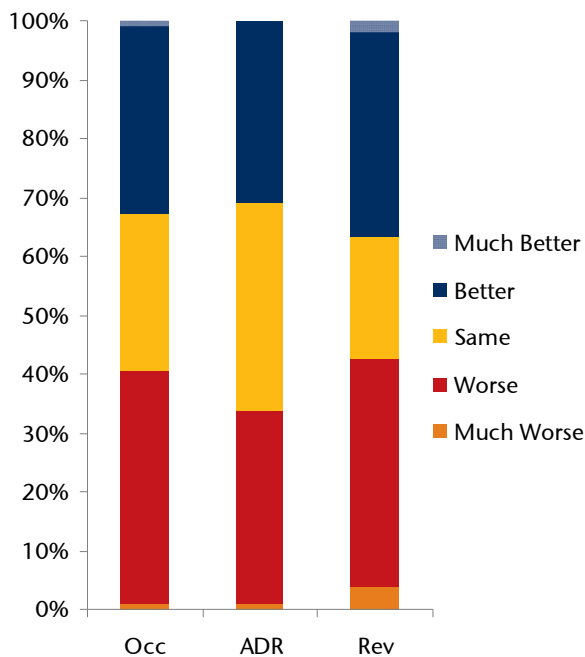
All Provinces, except the Northern Cape, registered a negative sentiment score in response to the continued global economic uncertainty’s impact on hotel demand indicating that the global economic crisis continues to have a direct impact on hotel markets across the country, albeit to varying degrees. Mpumalanga registered the least negative sentiment score of -19 whereas the North West Province recorded the most negative sentiment score with a score of -94.

In terms of hotel standard, the 3-Star segment registered the least negative assessment of the impact of the continued global economic uncertainty on hotel demand with a score of -48, followed by the 5-Star segment (-56) with the 4-Star segment closely behind with a negative sentiment score of -58. The budget/ economy segment registered the most pessimistic assessment with a score of -68.

Responses received from representatives of large establishment registered the most negative assessment with a score of -90 followed by boutique establishments with less than 30 rooms with a score of -86. Responses received from representatives of establishments with between 151 and 250 rooms and those respondents representing the mid-sized segment registered a moderately pessimistic assessment of the impact of the continued global economic uncertainty on hotel demand with scores of -56 and -55 respectively. Establishments comprising between 31 and 76 rooms registered the least pessimistic assessment, albeit with a score of -38.

IMPACT OF FINANCIAL CRISIS

	SCORE
Eastern Cape	-88
Free State	-13
Gauteng	-59
KwaZulu Natal	-21
Limpopo	-45
Mpumalanga	-19
Northern Cape	0
North West Province	-94
Western Cape	-67
Average	-54



“Contrary to the global trend, South Africa’s hoteliers share a slightly more positive outlook in respect of ARR performance in the second half of 2011.”

MARKET OUTLOOK FOR THE SECOND HALF OF THE YEAR

	Av	Occ	ARR	Rev
Eastern Cape	-8	0	0	-25
Free State	25	38	13	25
Gauteng	-19	-22	-22	-13
KwaZulu Natal	25	11	43	21
Limpopo	35	15	45	45
Mpumalanga	3	0	9	0
Northern Cape	75	75	75	75
North West Province	31	19	38	38
Western Cape	-18	-16	-18	-22
Average	-5	-6	-3	-6

SECOND HALF MARKET OUTLOOK

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

Overall, at least 31 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

One third of respondents from across the country 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, 41 percent expect occupancy performance will be worse or much worse. All Provinces had a positive outlook on occupancy, except the Eastern Cape and Mpumalanga which reported a neutral outlook while the Western Cape and Gauteng industries registered a negative outlook with scores of -16 and -22 respectively.

With 0 percent of respondents from the 5-Star segment indicating market-wide occupancy in the second half of 2011 is expected to be better or much better than occupancy performance recorded in the second half of 2010, this segment registered the most pessimistic sentiment with a score of -19. The 4-Star segment followed closely behind with a sentiment score of -17, despite 5 percent of these respondents replying that they expect occupancy performance in the second half of 2011 to be better or much better than occupancy in the same period last year. The 3-Star segment was the least pessimistic registering a sentiment score of -2. 15 percent of these respondents anticipate market-wide occupancy in the second half of 2011 to performance better or much better than last year whilst a further 23 percent of respondents representing the 3-Star segment replied they expect occupancy performance in the second half of 2011 to remain similar to occupancy performance recorded in the second half of 2010. The budget/ economy segment registered the most optimistic sentiment score in respect of market-wide occupancy performance in the second half of 2011 with a positive score of 27.

**MARKET OUTLOOK FOR THE
SECOND HALF OF THE YEAR
BY STANDARD**

	Av	Occ	ARR	Rev
Budget/ Economy	18	27	7	20
3-Star	6	-2	13	6
4-Star	-20	-17	-21	-23
5-Star	-13	-19	-9	-9

Average Room Rate

Contrary to the global trend, South Africa's hoteliers have a more positive outlook in respect of market-wide Average Room Rate performance in the second half of 2011. Although 36 percent of respondents expect ARR performance in the second half of 2011 to remain consistent with ARR performance recorded in the second half of 2010, 31 of respondents expect improved ARR performance for the second half of 2011. Nevertheless, respondents from the Western Cape and Gauteng industries again registered a pessimistic outlook with a negative score of -18 and -22 respectively. Respondents from the Eastern Cape registered a neutral outlook whereas respondents from the rest of the country registered an optimistic outlook and positive sentiment scores.

Although both the 4- and 5-Star segments registered a pessimistic outlook in terms of ARR performance in the second half of 2011, with a negative score of -9, the 5-Star segment is less pessimistic than the 4-Star segment who registered a negative score of -21 with more than half of these respondents expecting ARR performance in the second half of 2011 to be worse or much worse than ARR performance recorded in the second half of last year. With 73 percent of respondents from the budget/ economy segment indicating they expect ARR performance in the second half of 2011 to be comparable with ARR performance recorded in the second half of 2010, this segment registered a slightly optimistic sentiment score of +7. The 3-Star segment is the most optimistic in terms of the market-wide ARR performance outlook.

Boutique hotels with less than 30 rooms and large scale establishments with more than 250 rooms registered the most pessimistic outlook sentiment

scores in respect of anticipated ARR performance; -43 and -30 respectively. Mid-sized establishments also registered a slightly pessimistic outlook with a sentiment score of -8.

Total Revenue

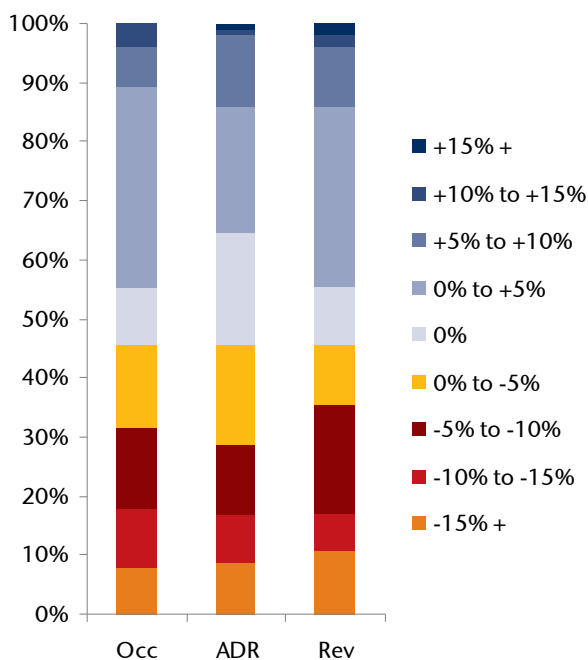
The second half expectations for total revenue were slightly pessimistic with only 37 percent of respondents expecting better or much better performance levels. 43 percent of respondents expect a decline in total revenue in the second half of 2011 when compared to total revenue recorded in the second half of 2010. The Eastern Cape, Western Cape, and Gauteng led the way with sentiment scores of -25, -22, and -13 respectively. Mpumalanga registered a neutral outlook whilst the rest of the country registered a more positive sentiment score.

Again the 4-Star and 5-Star segments registered a pessimistic outlook with sentiment scores of -23 and -9 respectively. More than half of respondents representing the 4-Star segment expect total revenue performance to be worse or much worse than in the second half of 2010. The budget/ economy segment and 3-Star segment registered an optimistic outlook for total revenue performance in the second half of 2011 with scores of +20 and +6 respectively.

Small establishments with between 31 and 75 rooms registered a neutral outlook for total revenue performance in the second half of 2011 whilst respondents representing establishments with between 151 and 250 rooms registered an optimistic outlook in terms of total revenue performance in the second half of 2011. Respondents representing boutique establishments with less than 30 rooms registered the most pessimistic outlook and recorded a sentiment score of -64.

**MARKET OUTLOOK FOR THE
SECOND HALF OF THE YEAR
BY HOTEL SIZE**

	Av	Occ	ARR	Rev
<30 rooms	-54	-54	-43	-64
31 – 75 rooms	5	10	3	0
76 – 150 rooms	-6	-5	-8	-5
151 – 250 rooms	9	-8	23	11
>250 rooms	-20	-15	-30	-15



“Only 2 percent of South African hoteliers expect to see their own hotel’s performance increase by 10 percent or more in the second half of 2011.”

**SECOND HALF OF THE YEAR
HOTEL PERFORMANCE EXPECTATION**

	Av	Occ	ARR	Rev
Eastern Cape	-46	-25	-56	-56
Free State	50	50	50	50
Gauteng	-28	-30	-30	-23
KwaZulu Natal	14	5	32	5
Limpopo	8	-8	23	8
Mpumalanga	0	0	0	0
Northern Cape	75	75	75	75
North West Province	0	9	-9	0
Western Cape	-34	-32	-38	-32
Average	-17	-16	-18	-17

HOTEL PERFORMANCE EXPECTATION

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

In general, South African hoteliers’ expectations for their own hotel’s performance are considerably more pessimistic than their expectations in respect of the market they operate in.

Occupancy

Overall, 45 percent of respondents expect occupancy performance at their hotel in the second half of 2011 will be better or much better than occupancy performance in the same period last year. However, only 4 percent of these respondents indicated that they expect occupancy to grow by more than 10 percent in the second half of the year yet approximately 18 percent of respondents expect occupancy at their hotel will decline by 10 percent or more. Overall, the occupancy sentiment index stands at -16, with the Western Cape, Gauteng, Eastern Cape and Limpopo recording the lowest scores at -32, -30, -23, and -8 respectively.

Respondents representing the budget/ economy category of accommodation registered the most optimistic outlook for their hotel’s occupancy performance in the second half of 2011 with a positive score of 3. With 50 percent of respondents representing the 4- and 5-Star segments expecting occupancy performance at their hotels to be worse or much worse in the second half of 2011, these two segments registered the most pessimistic outlook with negative scores of -33 and -42 respectively.

Respondents representing establishments comprising between 31 and 75 rooms registered a neutral outlook in terms of occupancy performance at their hotel in the second half of 2011. Although 60 percent of respondents representing large scale establishments anticipate occupancy performance in the second half of 2011 will be better or much better than in the second half of 2010, these respondents registered a slightly pessimistic outlook with a score of -8. Respondents representing boutique establishments with less than 30 rooms reported the most pessimistic outlook in terms of their hotels’ occupancy performance in the second half of 2011 registering a score of -75.

**SECOND HALF OF THE YEAR
HOTEL PERFORMANCE EXPECTATION
BY STANDARD**

	Av	Occ	ARR	Rev
Budget/ Economy	-2	3	-14	3
3-Star	3	-1	5	5
4-Star	-37	-33	-39	-39
5-Star	-37	-42	-33	-38

Average Room Rate

The average sentiment score in respect of Average Room Rate was -18, with 46 percent of respondents expecting a decline in their hotels’ ARR in the second half of 2011 when compared to ARR performance in the second half of 2010 and 19 percent of respondents expecting their hotels’ ARR performance levels to remain the same. Respondents from the Eastern Cape reported the most pessimistic outlook in terms of their hotel’s anticipated ARR performance in the second half of 2011 with a score of -56 followed by respondents from the Western Cape (-38), Gauteng (-30), and the North West Province (-9). Respondents from Mpumalanga expressed a neutral outlook in respect of their hotel’s ARR performance expectations.

Only the 3-Star segment registered an optimistic outlook in terms of ARR performance in the second half of 2011 with a positive score of 5. The 4-Star segment was the most pessimistic registering a negative outlook sentiment score of -39.

Looking at hotel size, 55 percent of respondents representing establishments with between 151 and 250 rooms replied that they expect ARR performance in the second half of 2011 at their hotel to be better or much better than ARR performance recorded in the second half of 2010. This was the only category to register an optimistic outlook for ARR performance with a positive score of 4. Respondents representing boutique establishments with less than 30 rooms and respondents representing large scale establishments with more than 250 rooms registered the most pessimistic outlook in terms of ARR performance expectations with a negative score of -64 and -45 respectively.

Total Revenue

Overall sentiment in respect of total revenue expectations registered a score of -17 despite 45 percent of respondents expecting total revenue at their hotel in the second half of 2011 will be better or much better when compared to total revenue performance at their hotel in the second half of 2010. The Eastern Cape, Western Cape, and Gauteng industries once again had the lowest scores, with an aggregate of -56, -32, and -23 respectively.

64 percent of respondents from the budget/ economy segment and 55 percent of respondents from the 3-Star segment indicated they expect total revenue at their hotel will be better or much better in the second half of 2011 and registered an optimistic outlook with positive scores of +3 and +5 respectively. Respondents representing establishments of a 4- and 5-Star standard expressed pessimism in reference to their hotel’s total revenue performance expectations in the second half of 2011 and registered negative sentiment scores.

Respondents representing establishments with between 151 and 250 rooms replied optimistically in response to their hotel’s total revenue performance expectations in the second half of 2011 registering a positive score of 6. Respondents representing establishments comprising between 31 and 75 rooms expressed mild pessimism registering a negative score of -9 in response to total revenue performance expectations at their hotels. With 100 percent of respondents representing boutique establishments indicating they expect total revenue at their hotel in the second half of 2011 to perform worse or much worse than total revenue performance recorded in the second half of 2010, this group of respondents registered the most pessimistic outlook with a negative sentiment score of -86.

**SECOND HALF OF THE YEAR
HOTEL PERFORMANCE EXPECTATION
BY HOTEL SIZE**

	Av	Occ	ARR	Rev
<30 rooms	-75	-75	-64	-86
31 – 75 rooms	-5	0	-7	-9
76 – 150 rooms	-19	-15	-23	-18
151 – 250 rooms	-4	-21	4	6
>250 rooms	-30	-8	-45	-38

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 South African Hotel Market Sentiment Survey indicate that continued global economic uncertainties are negatively impacting hotel demand, albeit to varying degrees, in all Provinces.

Hoteliers operating in Provinces with a greater reliance on domestic source markets remain more optimistic than their colleagues operating establishments in Provinces that have traditionally benefited from greater support from international source markets. The same can be said in relation to star grading with higher graded establishments posting lower, more negative sentiment scores than their counterparts in the budget/ economy and 3-Star segments reflecting the affect the degree of uncertainty in international source markets have had, and are likely to continue to have, on hotel demand.

Performance in all three indicators in the first half of 2011 failed to meet hotel operator expectations, with hoteliers slightly more disappointed with occupancy and total revenue performance rather than average room rate performance.

The market-wide outlook for the second half of 2011 appears considerably more optimistic. Interestingly, contrary to the global trend, South Africa's hoteliers indicated average room rate is expected to continue to be the driver of market-wide growth in the second half of 2011, as opposed to occupancy, yet hoteliers are of the opinion that occupancy will be the driver of growth at their respective hotels in the second half of 2011.

As the end of the calendar year fast approaches, and with so much economic uncertainty in the News, it remains to be seen whether the foreign FIT leisure segment will feel confident enough to start booking in volume again.

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